

SIHD REPORT



ANNUAL REPORT 2020

Year Ended March 31, 2020



SENSHU IKEDA HOLDINGS, INC.

**THE SENSHU IKEDA
BANK, LTD.**

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



S I H D

Sustained contribution to the regional communities

Management Principle

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

Management Policy

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

Vision 25

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

Basic Policy

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

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Top Message



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

Today we are confronted with a huge calamity. The novel coronavirus (COVID-19) infections caused production and consumption slowdown not only in Japan but all over the world. The government declared state of emergency in Osaka and Hyogo Prefecture, areas where we operate business, and covid-19 has a tremendous impact on economic and social activities. However, our officers and employees will make efforts to achieve our mission, financing our customers in the regional communities and sustaining a settlement function. I would like to overcome these difficult situations with all of you.

As regards the performance of Senshu Ikeda Holdings, Inc. for the fiscal year ended March 2020 (FY2019) and our management strategy, three years from FY2018 to FY2020 have been positioned as a period for strengthening our business structure under the Fourth Medium-Term Business Plan. We have made progress on disposing of unrealized losses on securities, 1st arrow (completed in FY2018) and revising branch management, dramatic reductions of costs, 2nd arrow (completed in FY2019).

By steadily promoting our transformation, we have achieved core business profits from FY2018, and more than originally planned in FY2019 as well.

Despite downward pressure such as stock price fluctuations in the market and credit costs due to the spread of COVID-19, by

minimizing securities investment, we posted net income of ¥3.9 billion, ¥0.1 billion less than forecast, almost as planned.

In May we launched “Vision 25”, the 3rd arrow, as our new management vision. This vision serves as our important guide leading up to World Expo 2025 in Osaka, and we achieve innovation in productivity by further transforming branch and channel management, appropriately distributing management resources and strategically strengthening human resources. All of our officers and employees will strive to overcome these dire situations with the regional communities and realize our new management vision. Appreciate your continued patronage and support.

Atsushi Ukawa
Representative Director, President and CEO
June, 2020

A handwritten signature in blue ink that reads "A. Ukawa".

Progress of the Fourth Medium-Term Business Plan

2018

Fourth Medium-Term Business Plan

1st Arrow

Fundamental disposition of unrealized losses on securities Completed in FY2018

Net unrealized gain on available-for-securities **¥1.7 billion**

Results for FY2018

- ▶ Achieved the Medium-Term Business Plan goal for disposition of foreign bonds ahead of schedule, and posted unrealized gains compared to unrealized losses in FY2017
- ▶ Restrained securities investment and strengthened transactions with customers in regional communities (our core business)

▶ In order to ensure strengthening of our business structure for the future, we will restrain profit and dividend levels, and further promote structural innovations.

2nd Arrow

Revisions to branch management and pursuit of business operations on a customer-first policy Mostly completed in FY2019

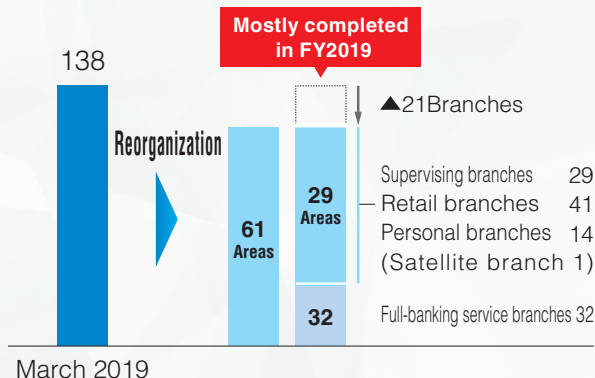
Review and expand scale of branch management according to branch-in-branch system and area system*, from branch management focused on a block system planned in the initial Medium-Term Business Plan

*Area system: A system that consolidates the financing operations of multiple branches into area supervising branches

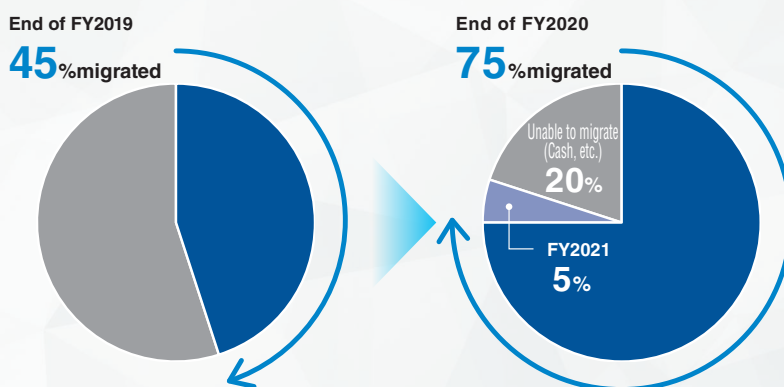
Results for FY2019

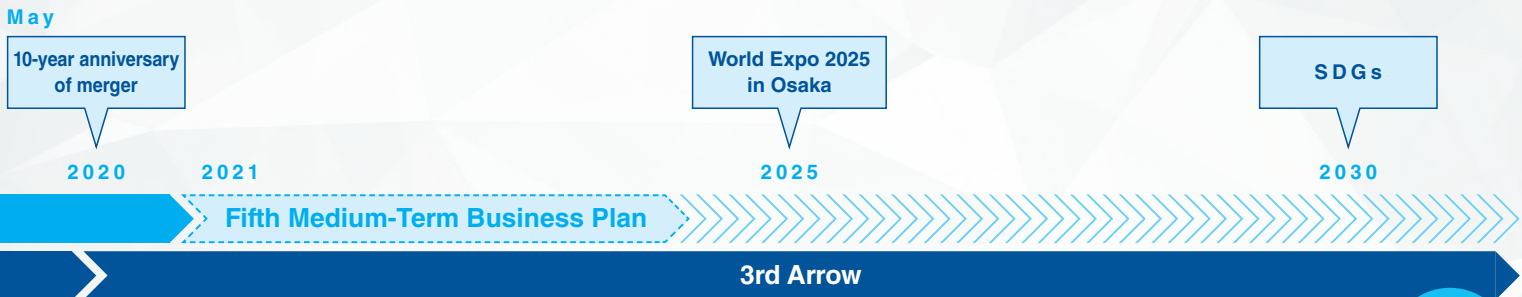
- ▶ Branch-in-branch (20 of 21 branches completed)
- ▶ Area system introduction (29 areas)
Rearrange staff (sales/financing) from 84 branches to 29 areas (retail branches: 41; personal branches: 14) to improve efficiency
- ▶ Expand centralization of branch operations to operating centers

Staffed branches



Introduce tablets to teller services





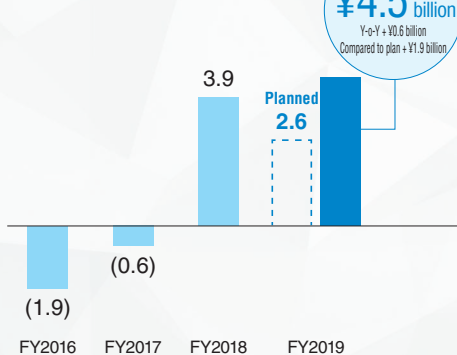
Looking ahead 10 years, we have formulated “Vision 25” as ourselves future image toward 2025, the year of great growth for Osaka and the Kansai region

p.5-6

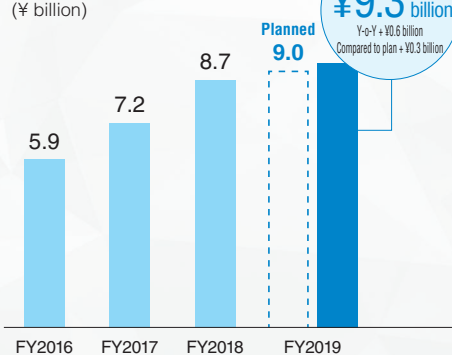
We contribute to build a future society where everyone can be active, by offering thorough solutions to our regional customers and developing our potential ability.

Business Performance Progress of the Fourth Medium-Term Business Plan

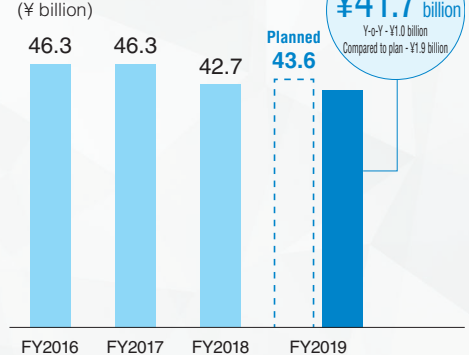
Core business profit
(¥ billion)



Non-interest income
(individual/corporate commissions, other)
(¥ billion)



Cost reduction
(Personnel expenses, property costs, etc.)
(¥ billion)



(¥ billion)		2018	2019	2020			Post-Fourth Medium-Term Business Plan (Approx. 8.0)
				Medium-Term Business Plan	Pre-COVID-19 projections	After CO-VI D-19 impact	
Net income	Actual (forecast)	6.1	(4.0) → 3.9	(5.7)	(5.7)	(4.0)	
Core business profit	Actual (forecast)	3.9	(3.5) → 4.5	(3.7)	(4.4)	(3.4)	
Cost of strengthening business structure (loss)	B/S-related issues (disposition of unrealized loss on securities)	9.2	(3.1) → 3.1	(0.0)	(0.0)	(0.0)	
	P/L-related issues (impairment losses on branches)	1.9	(0.9) → 0.5	(0.3)	(0.1)	(0.1)	
	(credit cost)	2.3	(2.9) → 2.5	(3.1)	(3.1)	(4.0)	

► Strengthening business structure mostly completed in FY2019

► In view of the impact of the spread of COVID-19, we have revised FY 2020 profit forecast conservatively.

Toward 2025, the Year of Growth in Osaka and Kansai

Formulating “Vision 25,” ourselves Future Image

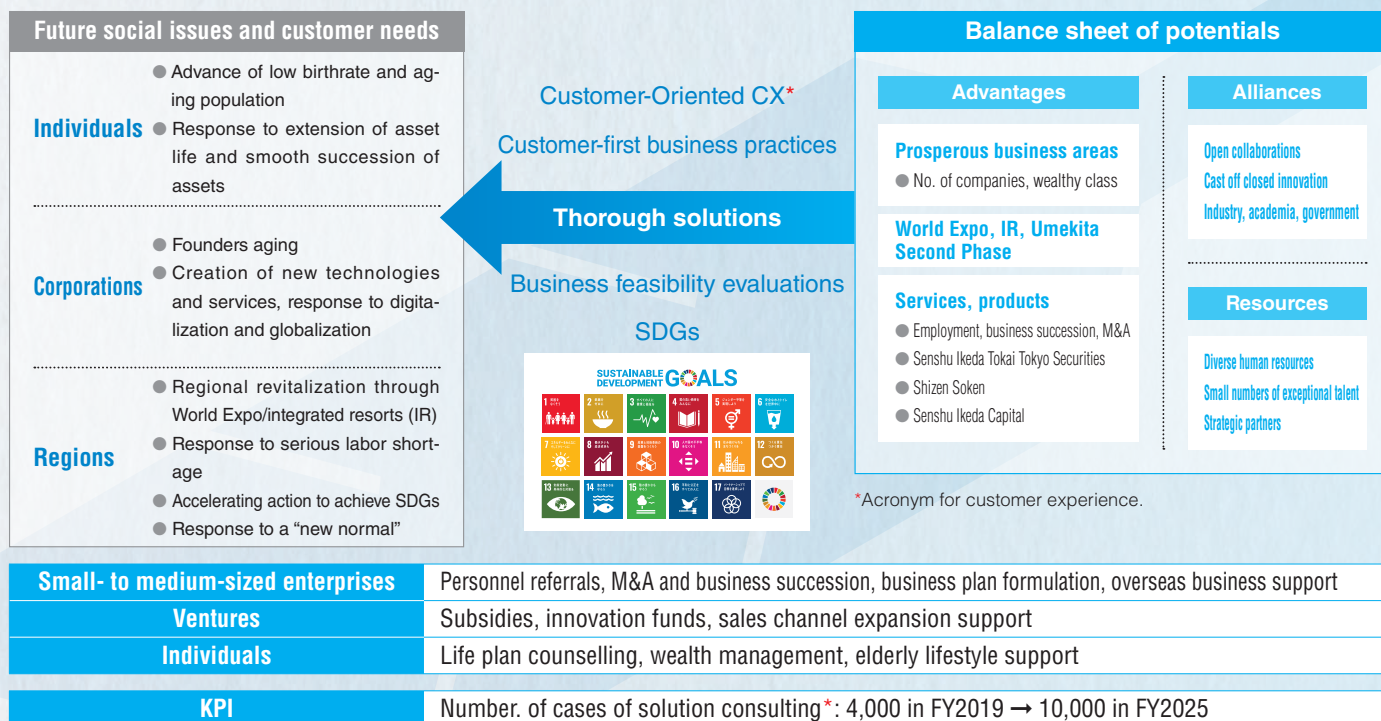
Vision'25

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

Basic Policy

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

» Thorough solutions that responds to future social issues and meets customer needs

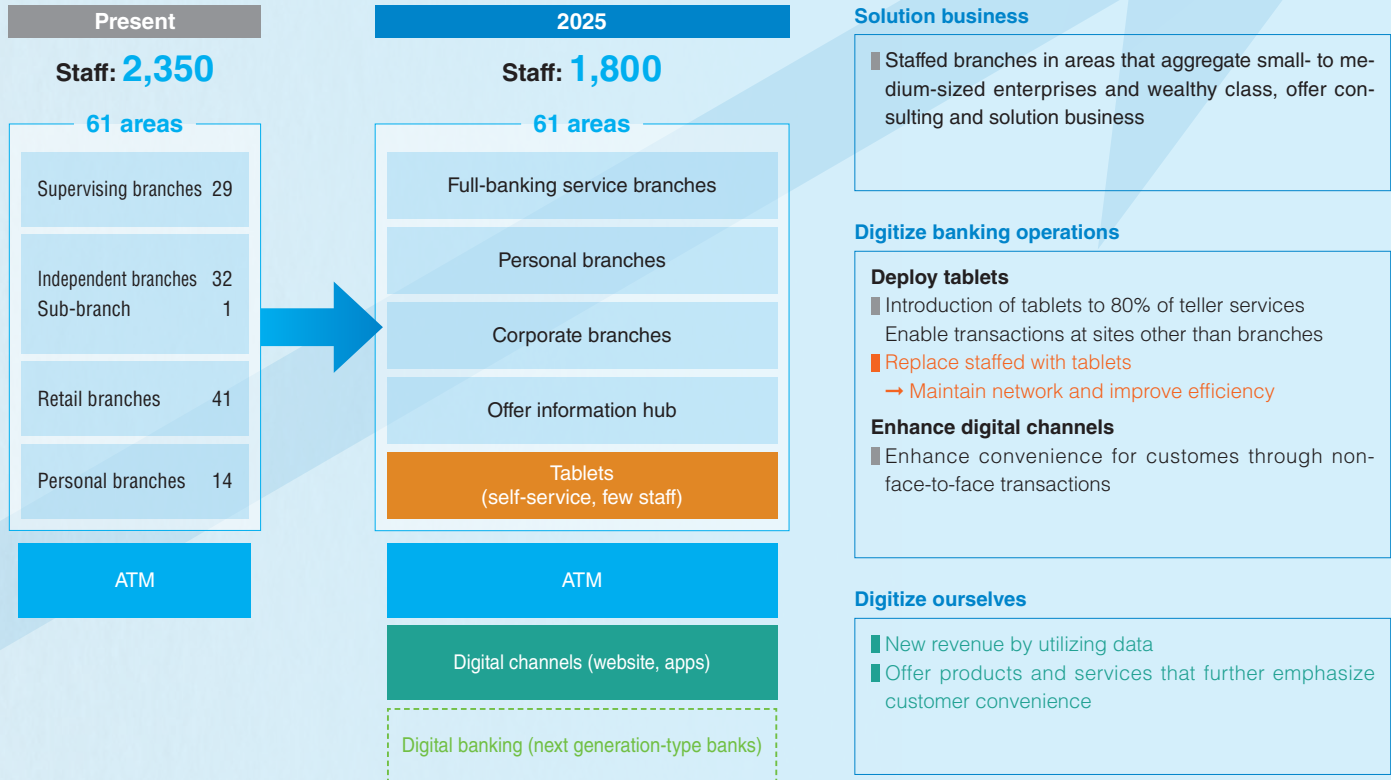


*On a project basis

» Develop a Structure to Support Vision 25

We appropriately distribute business resources to rebuild our branch - channel framework and strategic priorities, with a view to 5 years into the future that we have 1,800 staff members.

1. Branch and channel framework



2. Distribute resources properly

3. Human resources strategy

Estimate 2025 personnel headcount and composition—Understand outlook for securing future workforce

Select strategic priorities (refine strategy based on the following perspectives)

- Thorough analysis of customer needs
- Perspective of achieving SDGs in regions
- Perspective with a view to the new normal
- Each strategy's cost/benefit comparison, etc.

Formulate resource distribution plan

Conduct systematic human resources development in line with strategic priorities

- Systematically nurture personnel according to Vision 25

Review personnel system, etc.

- Improve employees' job satisfaction
- Diverse and flexible workstyles
- Reward specialized and professional talent, wages based on job evaluation

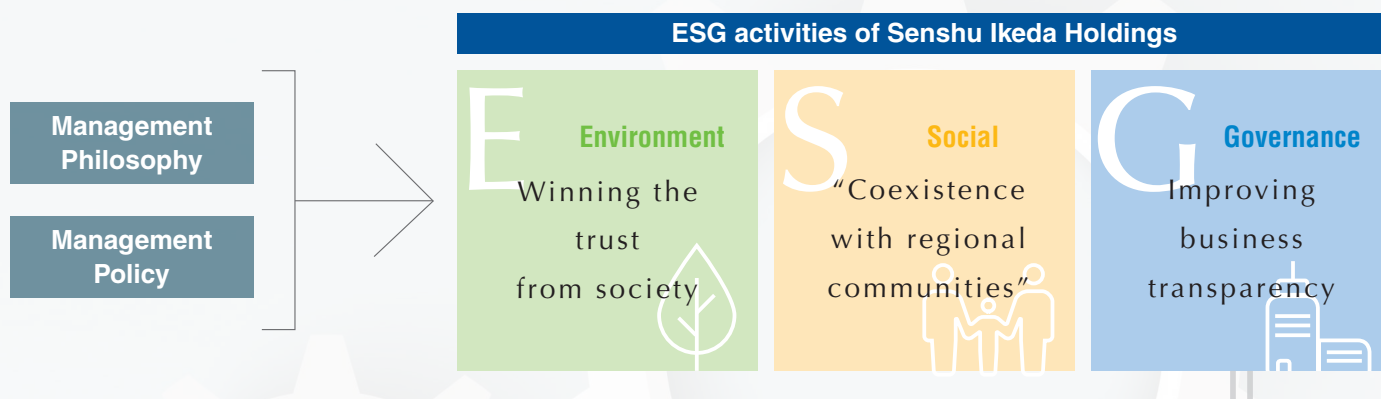
Formulate roadmap to assure execution of priority strategies / Actively distribute business resources (people, things, budget)

Offer the most suitable solutions
from customers' point of view

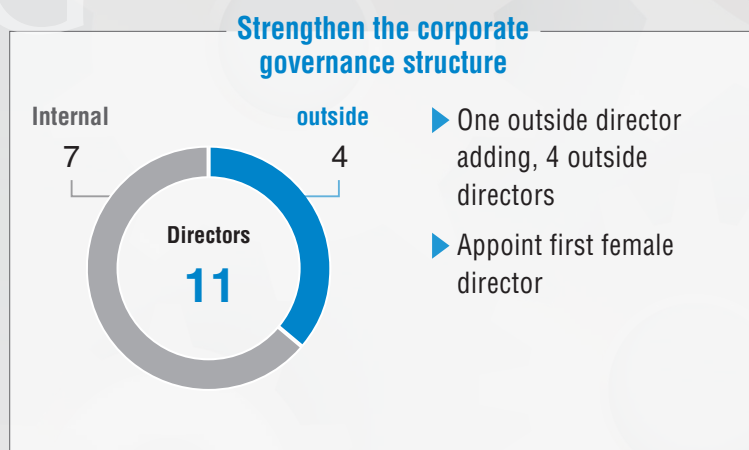
Create a workplace where employees
can be active in diverse fields

Contribute a sustainable development of the regional communities, reliable and fulfilling life of regional customers

ESG/SDGs initiatives Increase Corporate Value



Strengthening Corporate Governance



- Introduce a succession plan**
- ▶ Selection of executive candidates
 - ▶ Establish position requirements
 - ▶ Introduce 360-degree evaluation of managerial employees

In January 2020 the Group established its “Basic Rules for Succession Management,” and from FY2020, it has kicked off the “Successor Development Plan,” which systematically stipulates the selection of executive candidates and other matters pursuant to the Basic Rules upon consultations by the Personnel Committee.

Based on management philosophy and management policy, we will strive to continue our unwavering contributions to regional communities through initiatives for ESG/SDGs.

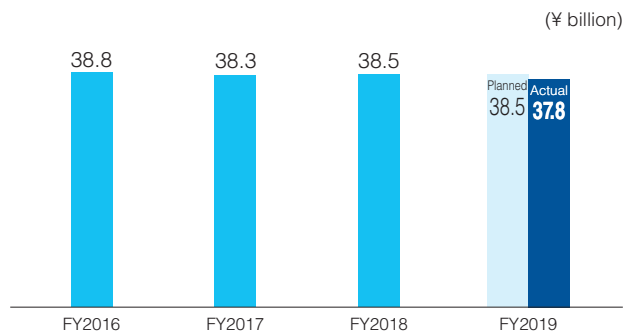
FY2019 Financial Results

Business Performance

Net interest margin

¥37.8 billion

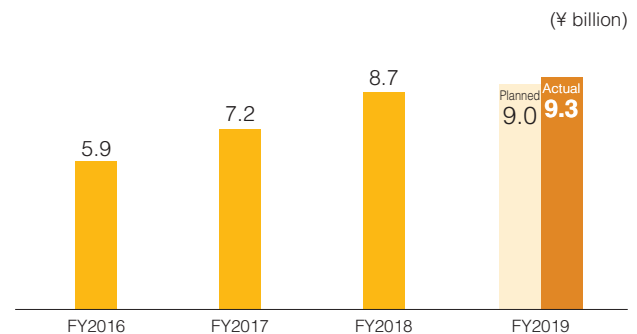
- ¥0.7 billion
year-on-year ↘



Non-interest income

¥9.3 billion

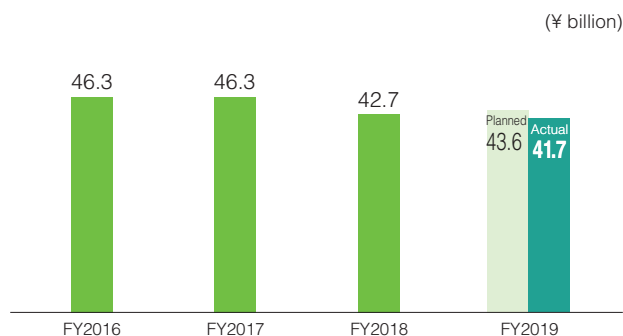
+ ¥0.6 billion
year-on-year ↗



Cost reduction

¥41.7 billion

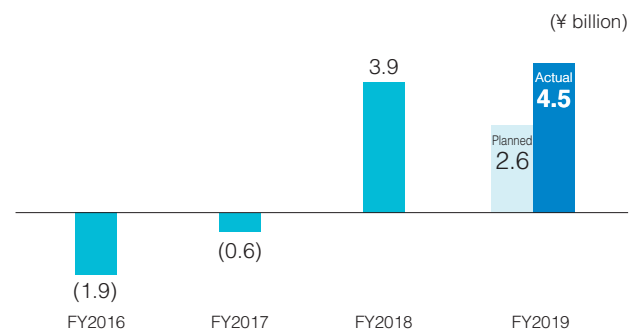
- ¥1.0 billion
year-on-year ↘



Core business profit*

¥4.5 billion

+ ¥0.6 billion
year-on-year ↗



*Lending balance × deposit/lending interest rate margin + fees and commissions – operating expenses

▶ Core banking profit	¥10.8 billion	(- ¥0.0 billion year on year)
▶ Senshu Ikeda Holdings group consolidated net income	¥3.9 billion	(- ¥2.2 billion year on year)

Corporate Governance

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

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

Outline of Corporate Governance Structure and Reasons for Adopting the Structure

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

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

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

Corporate governance functions within the Company

● The Board of Directors

The Board of Directors is comprised of 11 directors including 7 internal directors (Takayuki Ota, Atsushi Ukawa, Hiroo Maeno, Yasuki Hosomi, Shinji Inoue, Toshiyuki Wada and Hiromasa Hirai) and 4 outside directors (Minoru Furukawa, Takao Koyama, Tomokazu Yamazawa and Atsuko Ogasawara), and Atsushi Ukawa, Director, President and CEO, serves as Chairman 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 on critical business execution including basic management policies and management plans, and to supervise the business execution of directors and executive officers under the rules of the Board of Directors.

● Personnel Committee

The Personnel Committee has been established to deliberate matters including the selection of candidates for directors. The Committee is comprised of 5 directors including 1 internal director (Atsushi Ukawa) and 4 outside directors (Minoru Furukawa, Takao Koyama, Tomokazu Yamazawa and Atsuko Ogasawara) and Atsushi Ukawa, Director, President and CEO, serves as Chairman of the Committee. The Personnel Committee, as a voluntary advisory body to the Board of Directors, accepts the involvement and advice of independent outside directors (Minoru Furukawa, Takao Koyama, Tomokazu Yamazawa and Atsuko Ogasawara), 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 is comprised of 5 directors including 1 internal director (Takayuki Ota) and 4 outside directors (Minoru Furukawa, Takao Koyama, Tomokazu Yamazawa and Atsuko Ogasawara), and Minoru Furukawa, outside director, serves as Chairman of the Committee. The Remuneration Committee, as a voluntary advisory body to the Board of Directors, accepts the involvement and advice of independent outside directors (Minoru Furukawa, Takao Koyama, Tomokazu Yamazawa and Atsuko Ogasawara), for the purpose of ensuring the objectivity and transparency of board functions and strengthening corporate governance.

● The Audit & Supervisory Board

The Audit & Supervisory Board is comprised of 5 audit & supervisory board members including 2 internal audit & supervisory board members (Susumu Kawakami and Satoshi Kitagawa) and 3 outside audit & supervisory board members (Toshiaki Sasaki, Seiji Morinobu and Kohei Nakanishi), and Susumu Kawakami, audit & supervisory board member, serves as chairman of the Board. 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 prompt management decisions, the Management Committee has been established under the Board of Directors. The Management Committee is comprised of internal directors (Takayuki Ota, Atsushi Ukawa, Hiroo Maeno, Yasuki Hosomi, Shinji Inoue, Toshiyuki Wada and

Hiromasa Hirai) executive officers with titles and officers commissioned with responsibilities and Atsushi Ukawa, Director, President and CEO, serves as chairman of the Committee. The Management Committee is held once a week in principle, attended also by internal audit & supervisory board members, to make decisions on critical matters concerning the business execution as well as to discuss agenda items for the Board of Directors based on the authorities delegated by the Board of Directors. The Management Committee accepts appropriate involvement and advice of outside officers who attend the Committee as needed and express their opinions.

Status of Audits

● Audits by audit & supervisory board members

a. Organization and Personnel of Audits by Audit & Supervisory Board Members

The Audit and Supervisory Board is comprised of 2 internal and 3 outside members. The Company has allocated several staff members who support the duties of Audit & Supervisory Board Members.

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

Position	Name	Past experience, etc.	Attendance at the Audit & Supervisory Board Meetings in the fiscal year under review
Audit & Supervisory Board Member (Full-time)	Shigeru Aoyagi	Mr. Shigeru Aoyagi assumed the position of Director of The Senshu Ikeda Bank, Ltd., a Group company, after having served as General Manager of sales department and Personnel Affairs Division. Following appointment as Director, he successively held the positions of Officer in charge of sales department, General Affairs Division and Regional Headquarters. He has been involved in the management area for many years and has a wide range of knowledge and experience.	100% (20/20)
Audit & Supervisory Board Member (Full-time)	Susumu Kawakami	Mr. Susumu Kawakami assumed the position of Executive Officer of The Senshu Ikeda Bank, Ltd., a Group company, after having served as General Manager of market department and sales department. As an Executive Officer, he successively held the positions of Officer in charge of Regional Headquarters, Personnel Affairs Division, General Affairs Division and Risk Management Division. He has been involved in the management area for many years and has a wide range of knowledge and experience, as well as considerable expertise in finance and accounting gained through engaging in finance and accounting operations.	100% (20/20)

Position	Name	Past experience, etc.	Attendance at the Audit & Supervisory Board Meetings in the fiscal year under review
Audit & Supervisory Board Member (Outside)	Toshiaki Sasaki	Mr. Toshiaki Sasaki has abundant experience and a wide range of insights through his experience as an Audit & Supervisory Board Member at financial institutions for many years.	100% (20/20)
Audit & Supervisory Board Member (Outside)	Seiji Morinobu	Mr. Seiji Morinobu has a wide range of experience and insights as an attorney.	100% (20/20)
Audit & Supervisory Board Member (Outside)	Kohei Nakanishi	Mr. Kohei Nakanishi has a wide range of knowledge and expertise regarding international finance as well as experience on corporate management and insight into corporate governance through his experience as a director at banks and an outside director at other companies.	95% (19/20)

Each Audit & Supervisory Board Member audits the business execution of directors through attendance at important meetings such as the Board of Directors and the Management Committee, as well as inspection of critical documents, according to guidelines such as the "Guidelines for Audits by Audit & Supervisory Board Members" and the "Guidelines for Implementing Audits of Internal Control System," generally subject to the auditing guidelines and audit plan decided by the Audit & Supervisory Board, as an independent body mandated by shareholders.

b. Status of Main Activities of the Audit & Supervisory Board

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

c. Status of Main Activities of Audit & Supervisory Board Members

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

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

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

● Internal Audits

The Company has established the Internal Audit Division 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's Internal Audit Division comprises 12 members of whom 11 serve concurrently in the Internal Audit Division of the banking subsidiary (as of March 31, 2020). 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.

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.

● Accounting Audits

Name of the auditing firm

Ernst & Young ShinNihon LLC

Successive period of audit services provided

Ten years and 6 months (audit contract dating from October 2009 at the time of the Company's founding)

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

between the Bank of Ikeda (currently The Senshu Ikeda Bank) and the Senshu Bank, subsequently continued the audit contract with Ernst & Young ShinNihon LLC.

Certified public accountants who conducted the latest accounting audit

Mr. Hideya Nanba and Mr. Tetsuro Tone

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

Composition of assistants for the accounting audit

Assistants for the accounting audit of the Company are 15 certified public accountants and 29 others.

Policy and reasons for selecting the auditing firm

In accordance with the Practical Guidelines for Cooperation with Accounting Auditors, released by the Japan Audit & Supervisory Board Members Association, the Audit & Supervisory Board of the Company regularly checks if the accounting auditors conform to auditing standards, quality control standards, the practical guidelines for auditing, internal regulations of the auditing firm, to which they should conform as professional specialists, and keeps itself updated on accounting standards, through inquiries and dialogues. The Company has selected the aforementioned certified public accountants and others as a team responsible for the accounting audit, after comprehensively examining their track record of auditing and execution of duties for the previous fiscal year, which led the Company to determine that the appropriateness and reliability of accounting audits can be ensured.

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

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

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

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

As a result of the evaluation, it was found that the accounting auditors satisfy none of the conditions described in the provisions of Article 340, Paragraph 1 of

the Companies Act. The Company, therefore, reappointed the accounting auditors, taking into account the results of the evaluation on the accounting auditors by the Audit & Supervisory Board.

Status of Outside Officers

The Company has 4 outside directors.

Outside Director Minoru Furukawa holds 10,600 shares of common stock of the Company and has ordinary banking transactions with The Senshu Ikeda Bank. He also concurrently serves as an officer at Hitachi Zosen Corporation, Unitika Corporation, The Midori Kai Co., Ltd., Osaka International Convention Center Corp. and OKK Corporation. The Senshu Ikeda Bank has ordinary banking transactions with Hitachi Zosen Corporation, The Midori Kai Co., Ltd. and OKK Corporation; and has concluded a temporary staff dispatch contract with The Midori Kai Co., Ltd.; and the Company has conference hall borrowing transaction with Osaka International Convention Center Corp.

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

Outside Director Takao Koyama holds 10,600 shares of common stock of the Company and has ordinary banking transactions with The Senshu Ikeda Bank. He had served as an officer at Hitachi, Ltd. and Hitachi Solutions, Ltd. in previous time. The Senshu Ikeda Bank has ordinary banking transactions and commissions of system development and operation with Hitachi, Ltd. and Hitachi Solutions, Ltd.; and the Company has a capital relationship with Hitachi, Ltd.

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

Outside Director Tomokazu Yamazawa holds 11,340 shares of common stock of the Company and has ordinary banking transactions with The Senshu Ikeda Bank. He had served as an officer at Hankyu Hanshin Holdings, Inc. He also concurrently serves as an officer at Hankyu Hanshin Hotels Co., Ltd, Hanshin Expressway Company Limited and Charm Care Corporation. The Senshu Ikeda Bank has ordinary banking transactions with Hankyu Hanshin Holdings, Inc., Hankyu Hanshin Hotels Co., Ltd, Hanshin Expressway Company Limited and Charm Care Corporation. The Company has a capital relationship with Hankyu Hanshin Holdings, Inc.

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

Outside Director Atsuko Ogasawara has ordinary banking transactions with The Senshu Ikeda Bank. Ms. Atsuko Ogasawara, Outside Director, held key positions at a press firm with a wide range of experience and achievements in the business world. Accordingly, the Company believes that she will be able to fulfill the role of

the Company's Outside Director which is to supervise business execution. She concurrently serves as a non-executive director (part-time) at The Senshu Ikeda Bank.

The Company has 3 outside audit & supervisory board members.

Outside Audit & Supervisory Board Member Toshiaki Sasaki holds 39,560 shares of common stock of the Company and has ordinary banking transactions with The Senshu Ikeda Bank. He also concurrently serves as the President of Senshu Gakuen. The Senshu Ikeda Bank has ordinary banking transactions with Senshu Gakuen.

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

Outside Audit & Supervisory Board Member Seiji Morinobu has ordinary banking transactions with The Senshu Ikeda Bank. He also concurrently serves as an officer at KITAKEI CO., LTD. The Senshu Ikeda Bank has ordinary banking transactions with KITAKEI CO., LTD.

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

Outside Audit & Supervisory Board Member Kohei Nakanishi holds 4,200 shares of common stock of the Company and has ordinary banking transactions with The Senshu Ikeda Bank. He had served as an officer at Japan Bank for International Cooperation ("JBIC") in previous time. Although The Senshu Ikeda Bank has concluded a memorandum of understanding with JBIC for supporting Japanese firms with expanding overseas, no consideration arises from transaction under the memorandum.

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

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

<Standard for judging the independence>

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

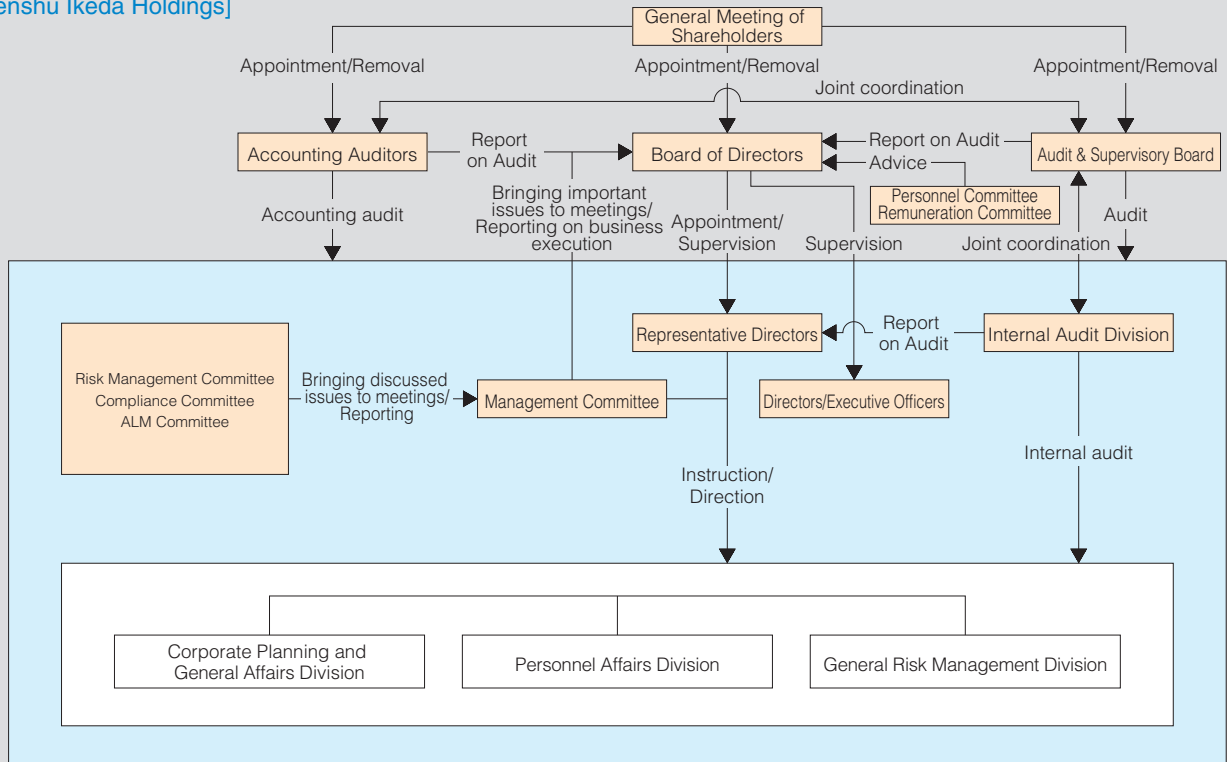
Supervision or Audit by Outside Directors or Outside Audit & Supervisory Board Members, Interconnection with Internal Auditing, Audits by Audit & Supervisory Board Members, and Accounting Auditing, and Relationship with the Internal Control Division

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

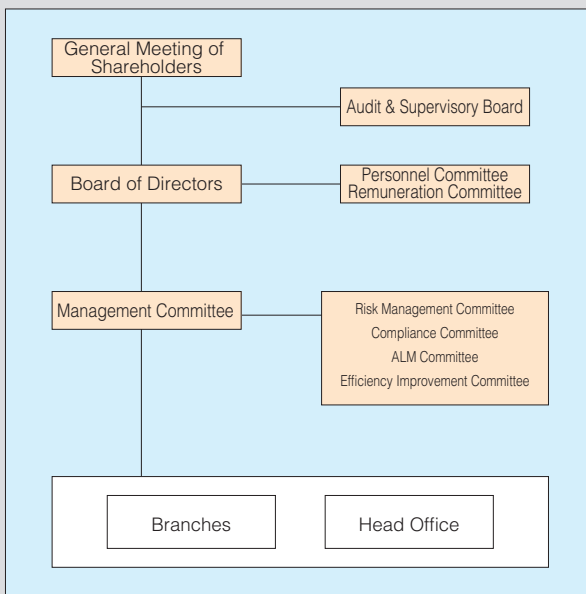
Corporate governance structure of the Group

(As of the end of June, 2020)

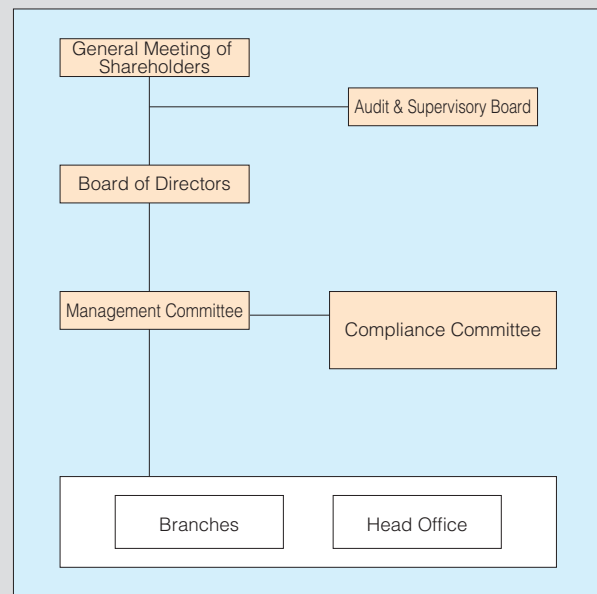
[Senshu Ikeda Holdings]



[The Senshu Ikeda Bank]



[Senshu Ikeda Tokai Tokyo Securities]



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

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

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

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

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

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

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

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

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

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

The Company and the Group companies have prepared and kept documents such as minutes of important meetings including the Board of Directors and the

Management Committee, as records of directors' execution of duties.

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

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

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

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

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

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

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

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

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

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

The Company, as a responsible entity for the administrative management of the entire Group, has established administrative management rules targeting its subsidiaries. The Company has developed a structure in which it receives necessary reports concerning the

business execution of directors and employees and other relevant matters from and consults on those issues with the respective Group companies.

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

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

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

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

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.

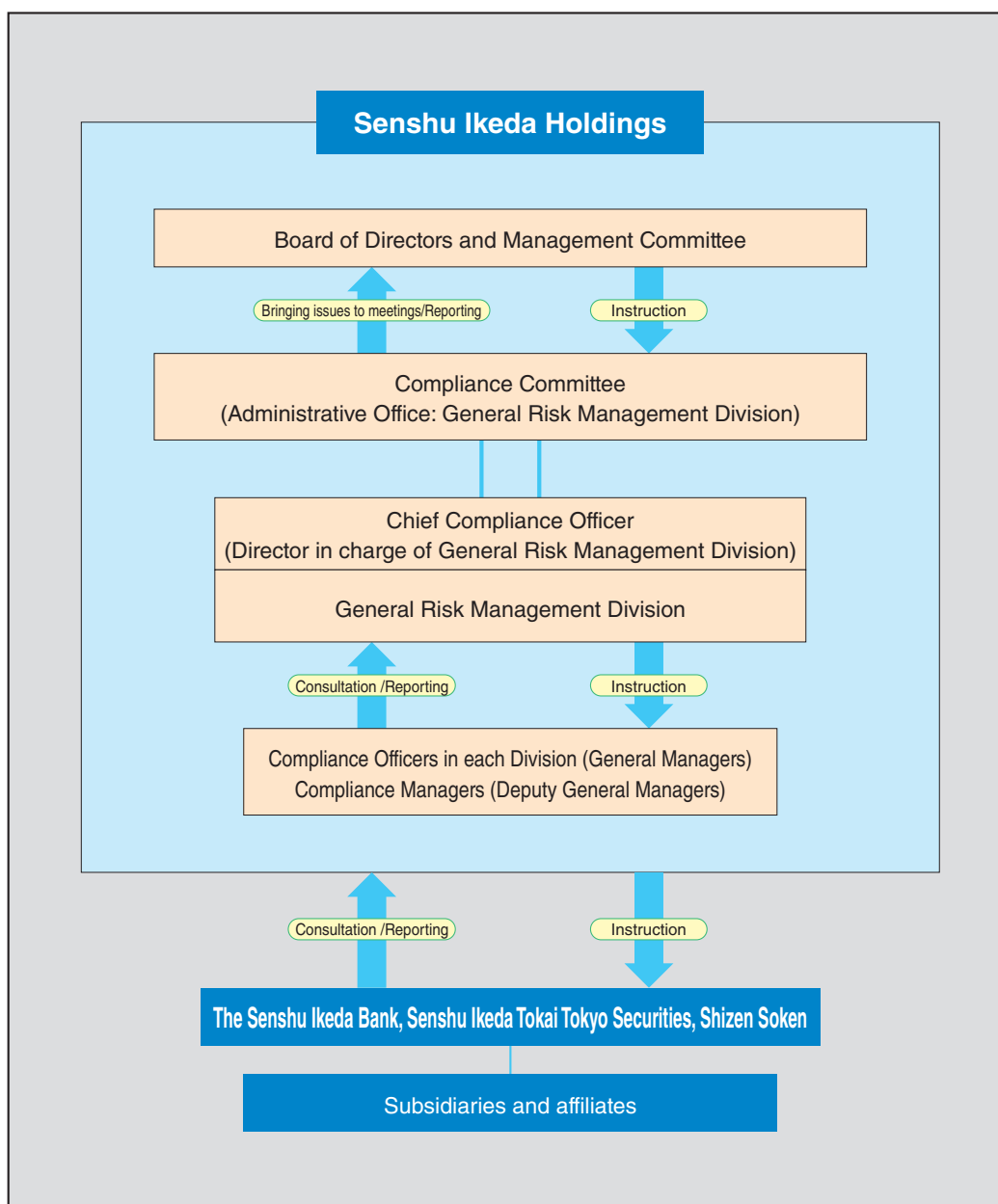
Compliance Structure

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

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

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

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



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

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

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

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

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

Code of Ethics

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

1. Winning the trust from our customers

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

2. Implementing “customer first policy”

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

3. Strict compliance

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

4. Respecting human rights and the environment

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

5. Eliminating anti-social forces

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

Risk Management Structure

■ Basic Approach to Risk Management

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

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

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

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

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

■ Integrated Risk Management

● Integrated risk management

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

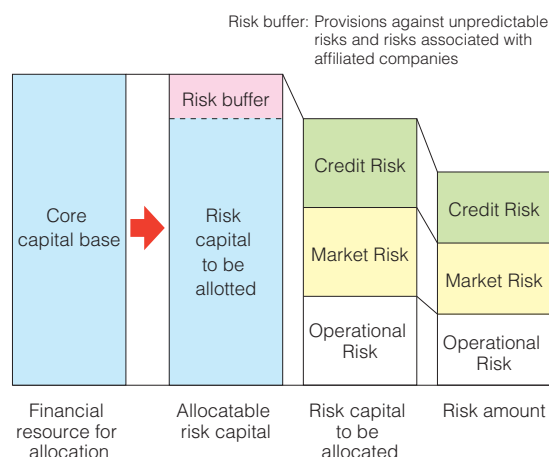
categories of credit risk, credit concentration risk outside the calculation of capital ratio, interest rate risk in banking accounts, market risk and operational risk, and compares them with its management strength (capital ratio).

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

● Risk capital management system

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

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



● Calculation method for capital ratio regulation

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

■ Credit Risk Management

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

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

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

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

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

■ Market Risk Management

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

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

■ Funding Liquidity Risk Management

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

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

■ Operational Risk Management

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

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

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

● Administrative risk management

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

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

● Information asset (system) risk management

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

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

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

● 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.

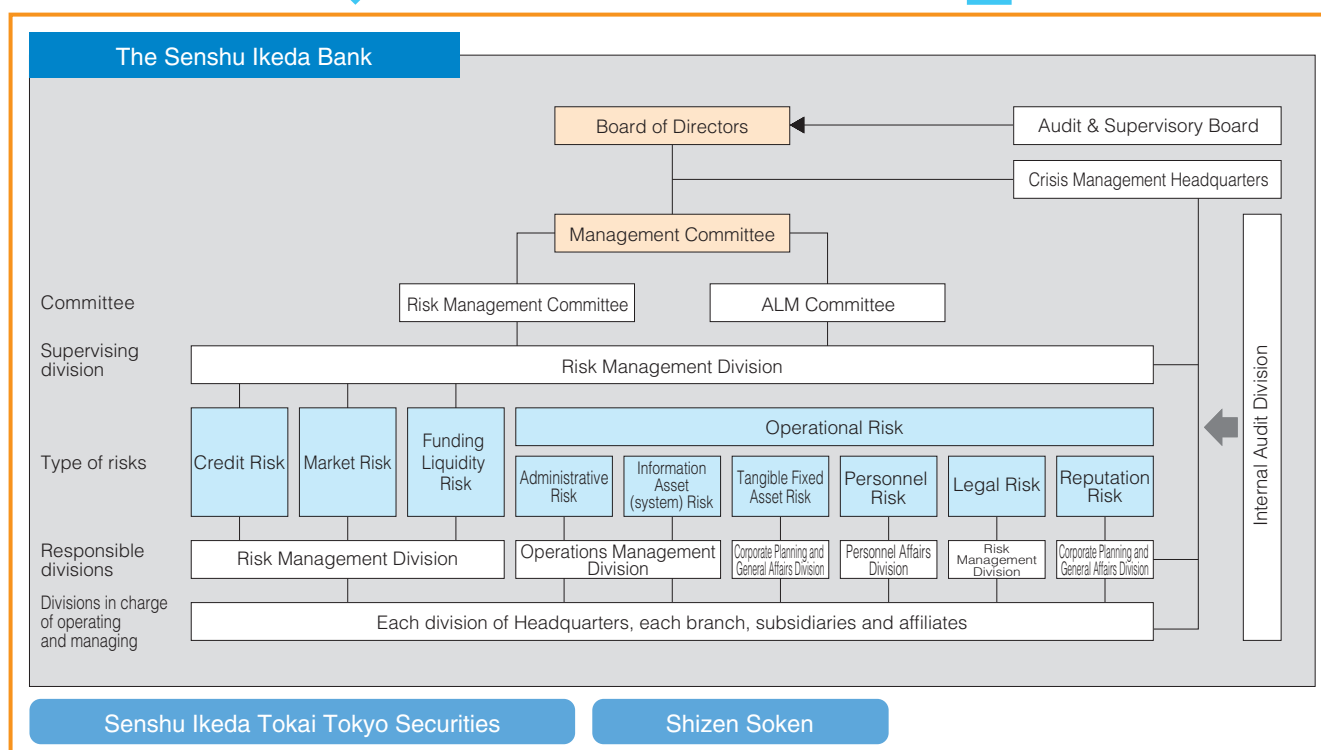
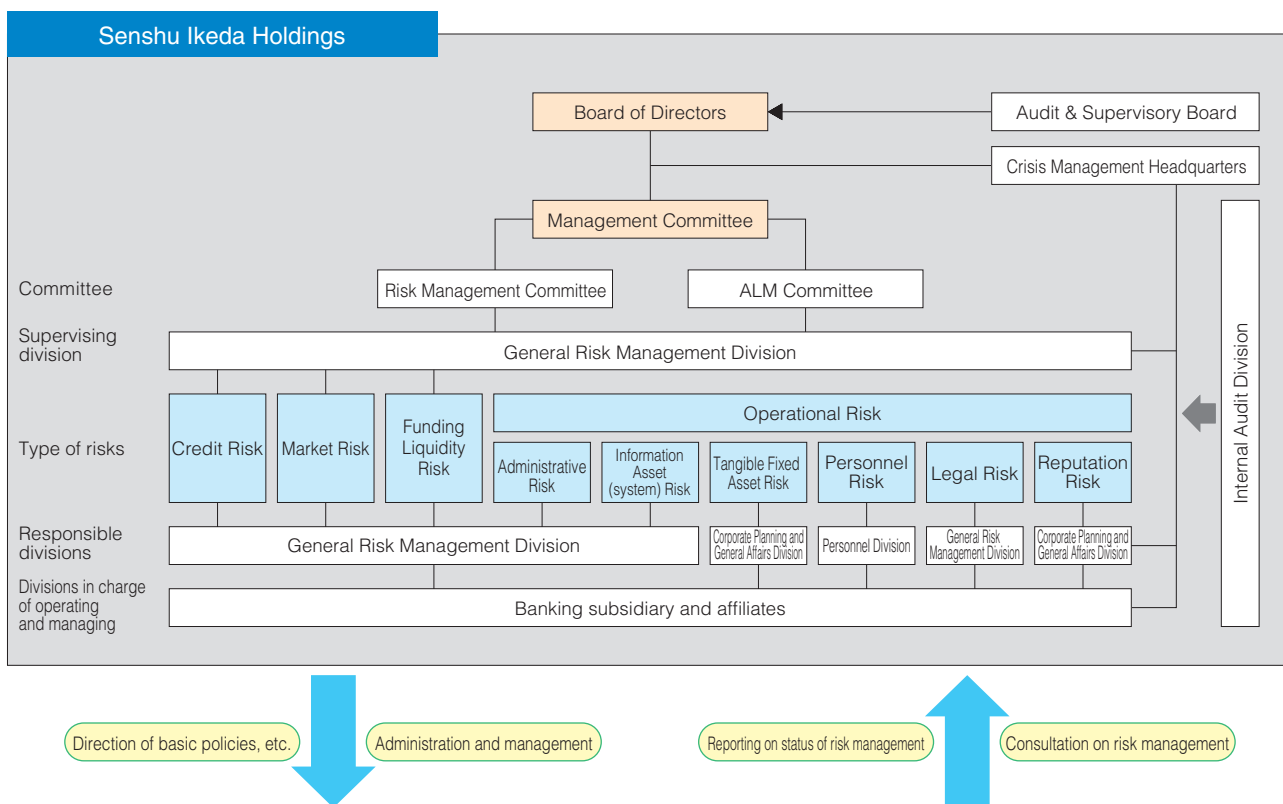
The Group works to avoid reputation risk by disclosing information proactively thorough increases the transparency of its management, taking into consideration the crucial influence on the management of the Group.

■ 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, 2020)



Approach to Facilitation of Financing

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

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

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

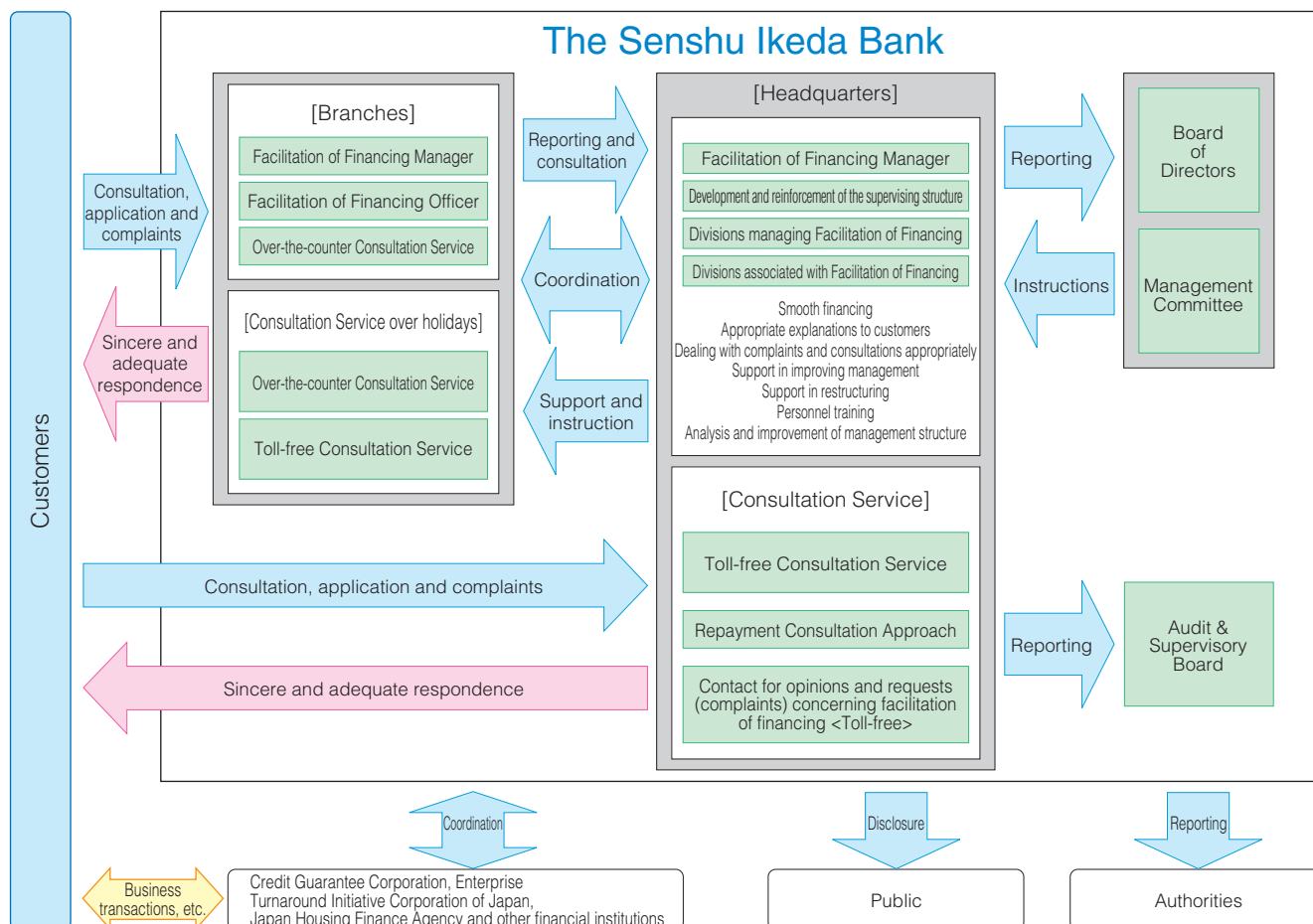
● Organizational structure

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

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

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

System for accepting consultation of facilitation of financing



● Basic Policies

- (1) On receiving consultations or applications for new loans, or changes in loan terms from customers, the Bank intends to make sincere effort to conduct adequate and prompt credit screening through considering customers' recent financial results, assets and income as well as future potential and prospect. The Bank also deals with the applications for new loans, after changes in loan terms in a similar way as referred to above.
- (2) The Bank intends to 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 2020)

Senshu Ikeda Holdings, Inc.

Establishment: October 1, 2009
Location: 18-14 Chayamachi, Kita-ku, Osaka-City, Osaka 530-0013, Japan
Phone: 81-(0)6-4802-0181
URL: <https://www.senshuikeda-hd.co.jp>
Share Capital: ¥102.9 billion
Business Activities: Management and other related operations of banks and affiliates whose shares can be held in accordance with the Banking Act and other related operations, and businesses which bank holding company can operate in accordance with the Banking Act.
Number of Employees: 105
Stock Listing: Tokyo Stock Exchange

The Senshu Ikeda Bank, Ltd.

Establishment: September 1, 1951
Location: 18-14 Chayamachi, Kita-ku, Osaka-City, Osaka 530-0013, Japan
Phone: 81-(0)6-6375-1005
URL: <https://www.sihd-bk.jp>
Share Capital: ¥61.3 billion
Deposits: ¥5.0076 trillion
Loans: ¥3.9835 trillion
Number of Branches: 139
Number of Employees: 2,346
Credit Ratings: A-(Japan Credit Rating Agency, Ltd.)

International Network

Suzhou Representative Office:

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

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

Ho Chi Minh City Representative Office:

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

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

Senshu Ikeda Tokai Tokyo Securities Co.,Ltd.

Establishment: January 30, 2013
Location: 18-14 Chayamachi, Kita-ku, Osaka-City, Osaka 530-0013, Japan
Phone: 81-(0)6-6485-0031
URL: <https://www.sittsec.co.jp>
Share Capital: ¥1.25 billion
Assets Under Management: ¥101.2 billion
Number of Branches: 5
Number of Employees: 117

Major Shareholders (As of March 31, 2020)

1. Common stock

Name	Number of Shares Owned (Thousands)	Proportion of Total Shares (%)
Japan Trustee Services Bank, Ltd. (Trust Account)* ¹	42,744	15.22
Japan Trustee Services Bank, Ltd.(Trust Account 9G)* ¹	12,933	4.60
The Master Trust Bank of Japan, Ltd. (Trust Account)* ¹	12,031	4.28
The Senshu Ikeda Bank Employees' Shareholders Association	9,591	3.41
MUFG Bank, Ltd.	5,934	2.11
DFA INTL SMALL CAP VALUE PORTOFOLIO (Standing proxy: Citibank, N.A., Tokyo Branch)	4,911	1.74
Japan Trustee Services Bank, Ltd.(Trust Account 5G)* ¹	4,595	1.63
JP MORGAN CHASE BANK 385151 (Standing proxy: Settlement & Clearing Service Division, Mizuho Bank, Ltd.)	4,419	1.57
ITAMI SANGYO CO., LTD.	3,692	1.31
STATE STREET BANK WEST CLIENT - TREATY 505234 (Standing proxy: Settlement & Clearing Service Division, Mizuho Bank, Ltd.)	3,514	1.25

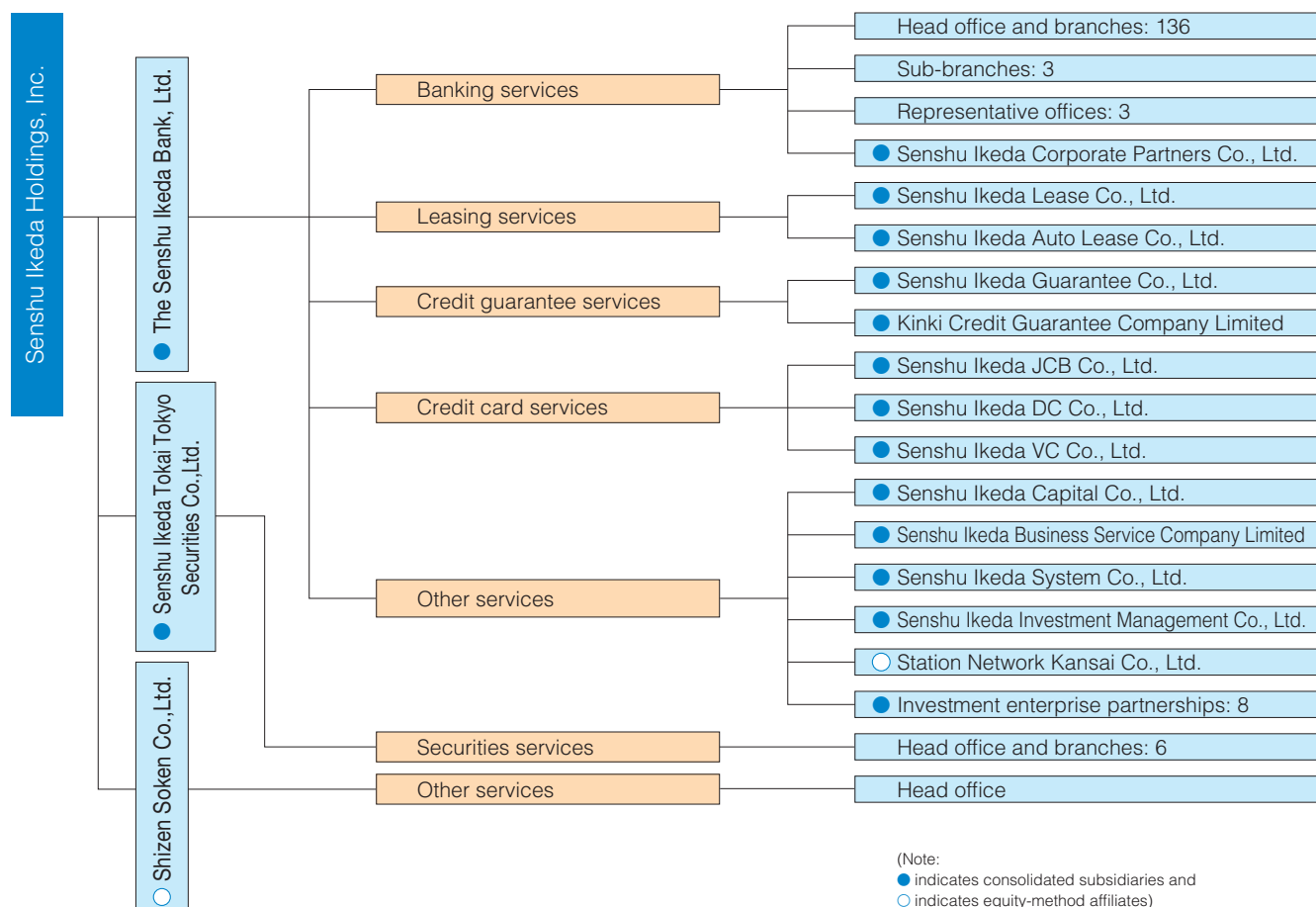
*1: These shares do not disclose the names of beneficiaries.

2. 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
Mizuho 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, 2020)



Senshu Ikeda Corporate Partners Co., Ltd. resolved to go into liquidation on July 3, 2020.

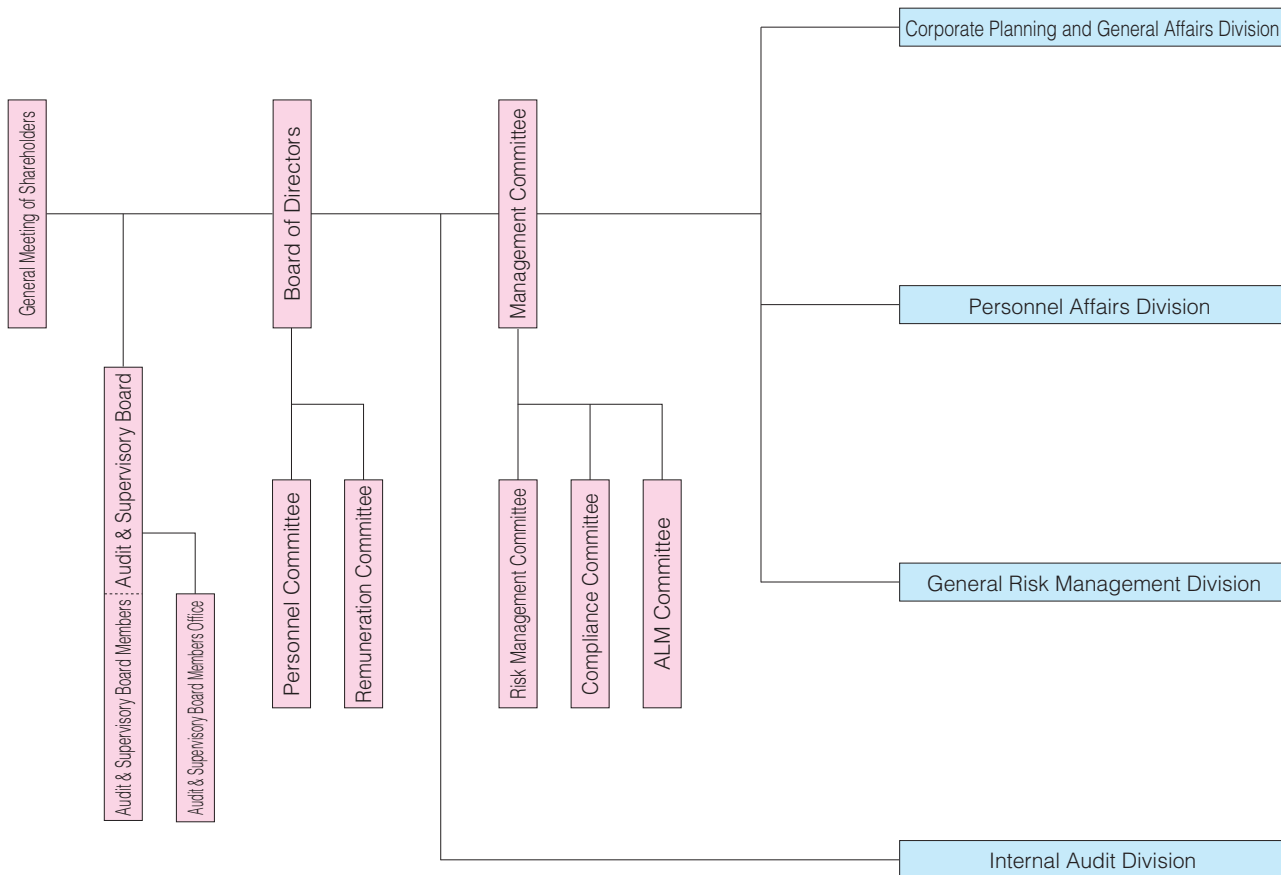
Subsidiaries and Affiliates (As of the end of June, 2020)

	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 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.	4-5-36, Miyahara, Yodogawa-ku, Osaka-city	Leasing services	April 1, 1986	50	—	100.00
	Senshu Ikeda Auto Lease Co., Ltd.	4-5-36, Miyahara, Yodogawa-ku, Osaka-city	Leasing services	July 10, 1996	80	—	95.00
	Senshu Ikeda Guarantee Co., Ltd.	2-1-11, Jonan, Ikeda-city	Credit guarantee services	July 20, 1973	180	—	100.00
	Kinki Credit Guarantee Company Limited	2-1-1, Nishiki, Kaizuka-city	Credit guarantee services	April 1, 1975	100	—	100.00
	Senshu Ikeda JCB Co., Ltd.	3-2-1, Toyosaki, Kita-ku, Osaka-city	Credit card services	February 1, 1983	60	—	100.00
	Senshu Ikeda DC Co., Ltd.	3-2-1, Toyosaki, Kita-ku, Osaka-city	Credit card services	September 5, 1990	30	—	100.00
	Senshu Ikeda VC Co., Ltd.	3-2-1, Toyosaki, Kita-ku, Osaka-city	Credit card services	November 2, 1990	40	—	100.00
	Senshu Ikeda Capital Co., Ltd.	18-14, Chayamachi, Kita-ku, Osaka-city	Venture capital services	March 6, 1989	90	—	100.00
	Senshu Ikeda Business Service Company Limited	18-14, Chayamachi, Kita-ku, Osaka-city	Back-office administration	April 1, 1983	30	—	100.00
	Senshu Ikeda 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	17.50	—
	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, 2020)



■ Board of Directors (As of June 25, 2020)

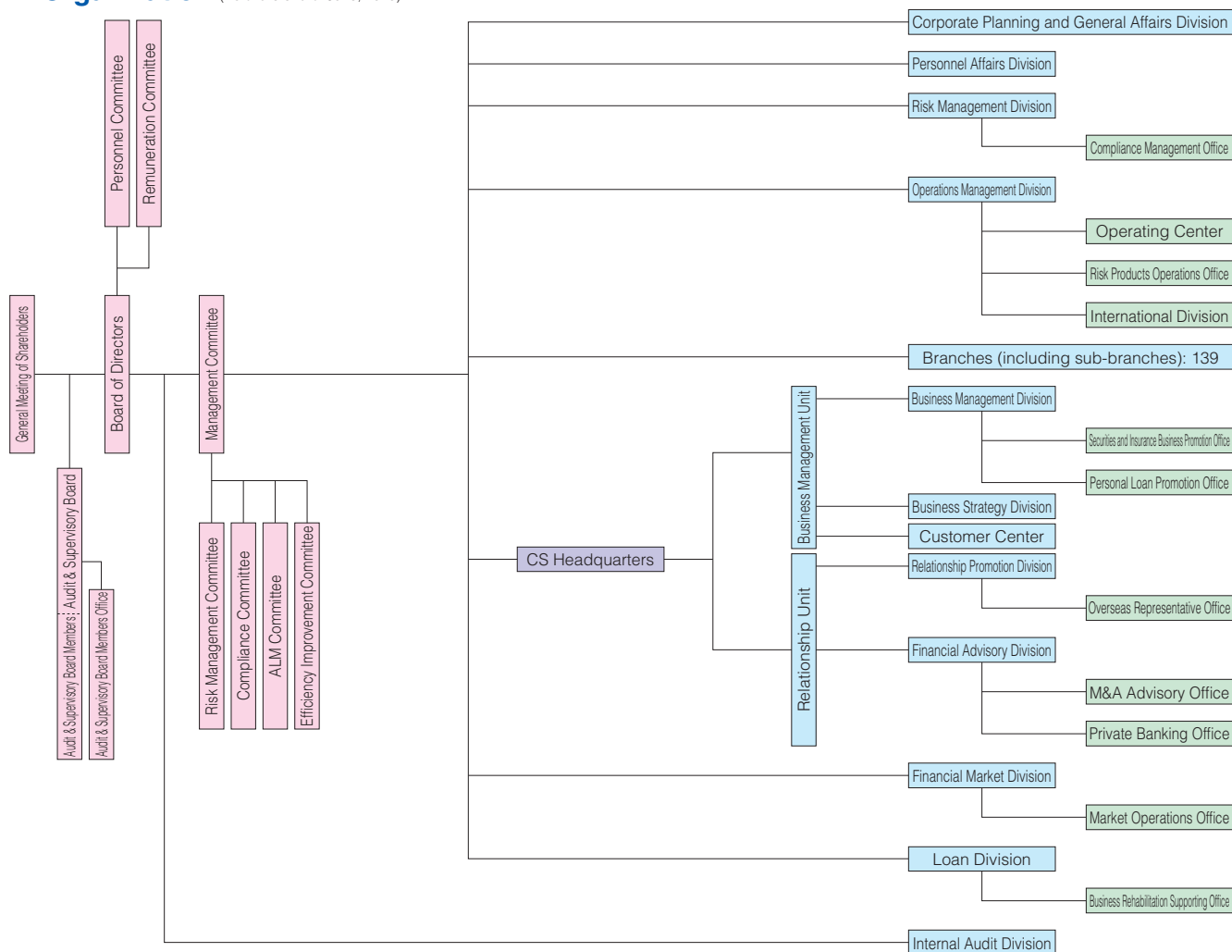
Representative Director and Chairman	Takayuki Ota	Director	Hiroo Maeno	Director (Outside)	Minoru Furukawa	Audit & Supervisory Board Member (Full-time)	Satoshi Kitagawa
Representative Director, President and CEO	Atsushi Ukawa	Director	Yasuki Hosomi	Director (Outside)	Takao Koyama	Audit & Supervisory Board Member (Outside)	Toshiaki Sasaki
		Director	Shinji Inoue	Director (Outside)	Tomokazu Yamazawa	Audit & Supervisory Board Member (Outside)	Seiji Morinobu
		Director	Toshiyuki Wada	Director (Outside)	Atsuko Ogasawara	Audit & Supervisory Board Member (Outside)	Kouhei Nakanishi
		Director	Hiromasa Hirai	Audit & Supervisory Board Member (Full-time)	Susumu Kawakami		

■ Executive Officers (As of June 25, 2020)

Executive Officer	Tsutomu Irie	Executive Officer	Osamu Tsukagoshi	Executive Officer	Takayoshi Fujiwara
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The Senshu Ikeda Bank

■ Organization (As of the end of June, 2020)



■ Board of Directors (As of June 25, 2020)

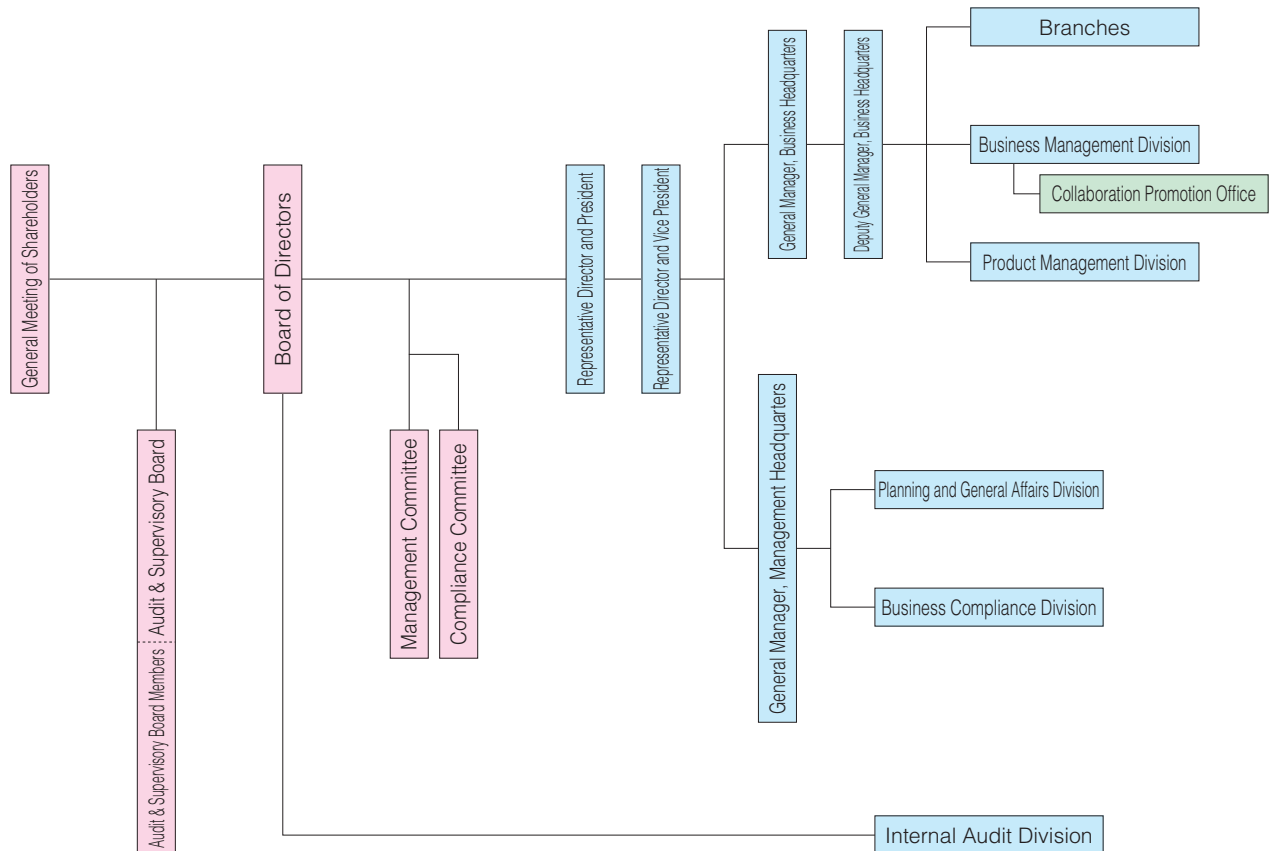
Representative Director and Chairman	Takayuki Ota	Director & Senior Managing Executive Officer	Hiroo Maeno	Non-executive Director (Non-full-time)	Minoru Furukawa	Audit & Supervisory Board Member (Full-time)	Osamu Horiuchi
Representative Director, President and CEO	Atsushi Ukawa	Director & Senior Managing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

■ Executive Officers (As of June 25, 2020)

Senior Managing Executive Officer	Koji Miyata	Executive Officer	Osamu Tsukagoshi	Executive Officer	Keisuke Misaki	Executive Officer	Akira Sasaki
Managing Executive Officer	Akihito Okumura	Executive Officer	Yoshimasa Nishikawa	Executive Officer	Hideya Arimoto	Executive Officer	Tomoyuki Shinohara
Managing Executive Officer	Tsutomu Irie	Executive Officer	Takayoshi Fujiwara	Executive Officer	Atsushi Otsuka	Executive Officer	Hiroshi Sudo
Managing Executive Officer	Hirohito Sakaguchi	Executive Officer	Kouichi Nakanishi	Executive Officer	Hiromu Koujiya	Executive Officer	Yoshi Yamamoto
		Executive Officer	Kyoko Matsushita	Executive Officer	Shin-ichi Kojima		

Senshu Ikeda Tokai Tokyo Securities

■ Organization (As of the end of June, 2020)



■ Board of Directors (As of June 25, 2020)

Representative Director and President	Motoshi Inoue	Audit & Supervisory Board Member (Full-time)	Mamoru Kudo
Representative Director and Vice President	Toshifumi Takai	Audit & Supervisory Board Member (Non-full-time)	Sakae Fujishiro
Senior Managing Director	Muneharu Kurita	Audit & Supervisory Board Member (Non-full-time)	Jun Matsumura

■ Executive Officers (As of June 25, 2020)

Executive Officer	Toshiyuki Inoue	Executive Officer	Masaomi Umezawa
Executive Officer	Shigeki Kawamura		

Consolidated Financial Information of Senshu Ikeda Holdings

Consolidated Balance Sheets

Senshu Ikeda Holdings, Inc. and Consolidated Subsidiaries
As of 31st March, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Assets			
Cash and due from banks (Notes 26 and 32)	¥ 807,879	¥ 743,563	\$ 7,423,311
Call loans and bills bought (Note 32)	6,651	7,127	61,113
Monetary claims bought (Note 32)	99	100	909
Trading account securities (Notes 4 and 32)	50	112	459
Money held in trust (Notes 6 and 32)	19,988	27,003	183,662
Securities (Notes 5, 7, 12, 19, 32 and 33)	548,789	612,741	5,042,626
Loans and bills discounted (Notes 8, 31, 32 and 33)	3,963,504	3,913,086	36,419,222
Foreign exchange assets (Notes 9 and 32)	5,468	5,514	50,243
Other assets (Notes 10 and 12)	77,889	79,939	715,694
Tangible fixed assets (Note 11)	38,539	40,093	354,121
Intangible fixed assets	5,175	5,152	47,551
Net defined benefit assets (Note 17)	12,587	13,512	115,657
Deferred tax assets (Note 28)	9,104	8,403	83,653
Customers' liabilities for acceptances and guarantees	8,210	8,492	75,438
Reserve for possible loan losses	(11,385)	(13,965)	(104,612)
Total assets	¥ 5,492,555	¥ 5,450,878	\$ 50,469,126
Liabilities and net assets			
Liabilities			
Deposits (Notes 12, 13 and 32)	¥ 4,987,885	¥ 4,945,548	\$ 45,831,893
Payables under securities lending transactions (Notes 12 and 32)	—	87,321	—
Borrowed money (Notes 12, 14, 32 and 33)	209,104	123,077	1,921,381
Foreign exchange liabilities (Notes 15 and 32)	556	408	5,108
Other liabilities (Notes 12 and 16)	51,320	45,960	471,561
Provision for employees' bonuses	1,201	1,225	11,035
Net defined benefit liability (Note 17)	139	146	1,277
Accrued retirement benefits for directors and audit & supervisory board members	4	8	36
Reserve for reimbursement of deposits	519	611	4,768
Reserve for point services	183	254	1,681
Reserve for losses on guarantees	—	371	—
Reserve for contingent losses	873	799	8,021
Reserve under special laws	6	4	55
Deferred tax liabilities (Note 29)	176	184	1,617
Acceptances and guarantees (Note 20)	8,210	8,492	75,438
Total liabilities	5,260,182	5,214,416	48,333,933
Net assets			
Shareholders' equity (Note 20):			
Capital stock	102,999	102,999	946,421
Capital surplus	42,105	42,103	386,887
Retained earnings	78,839	78,804	724,423
Treasury stock	(94)	(831)	(863)
Total shareholders' equity	223,850	223,074	2,056,877
Accumulated other comprehensive income:			
Net unrealized gain (loss) on available-for-sale securities (Note 7)	5,752	9,285	52,853
Net unrealized gain (loss) on deferred hedges (Note 33)	(170)	(136)	(1,562)
Remeasurements of defined benefit plans	638	2,197	5,862
Total accumulated other comprehensive income	6,220	11,346	57,153
Stock subscription rights (Note 20)	79	71	725
Non-controlling interests	2,223	1,969	20,426
Total net assets	232,373	236,462	2,135,192
Total liabilities and net assets	¥ 5,492,555	¥ 5,450,878	\$ 50,469,126

See accompanying notes to consolidated financial statements

Consolidated Statements of Operations

Senshu Ikeda Holdings, Inc. and Consolidated Subsidiaries
For the years ended 31st March, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Income			
Interest income:			
Interest on loans and bills discounted (Note 31)	¥ 39,291	¥ 40,381	\$ 361,030
Interest and dividends on securities	5,060	7,758	46,494
Other interest income	633	533	5,816
Fees and commissions	21,731	21,087	199,678
Other operating income (Note 21)	6,290	4,933	57,796
Reversal of provision for possible loan losses	—	289	—
Recoveries of written-off claims	1,169	1,292	10,741
Gain on sales or disposal of fixed assets	363	10	3,335
Other income (Note 22)	14,044	21,026	129,045
Total income	88,584	97,313	813,966
Expenses			
Interest expenses:			
Interest on deposits	1,449	1,752	13,314
Interest on borrowings and rediscounts	255	383	2,343
Other interest expenses	950	2,978	8,729
Fees and commissions	7,450	6,783	68,455
Other operating expenses (Note 23)	8,835	11,752	81,181
General and administrative expenses	47,453	48,657	436,028
Loss on sales or disposal of fixed assets	29	118	266
Loss on impairment of fixed assets (Note 24)	99	2,101	909
Other expenses (Note 25)	17,017	15,299	156,363
Total expenses	83,541	89,826	767,628
Income before income taxes	5,042	7,487	46,329
Income taxes (Note 28)			
Current	607	1,313	5,577
Deferred	527	(19)	4,842
Total income taxes	1,134	1,294	10,419
Profit	3,908	6,192	35,909
Profit attributable to non-controlling interests	(35)	52	(321)
Profit attributable to owners of the parent	¥ 3,943	¥ 6,139	\$ 36,230

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, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Profit	¥ 3,908	¥ 6,192	\$ 35,909
Other comprehensive income (Note 29)			
Net unrealized gain (loss) on available-for-sale securities	(3,531)	2,303	(32,445)
Net unrealized gain (loss) on deferred hedges	(34)	(20)	(312)
Remeasurements of defined benefit plans	(1,558)	841	(14,315)
Total other comprehensive income	(5,124)	3,123	(47,082)
Comprehensive income	¥ (1,216)	¥ 9,316	\$ (11,173)
Total comprehensive income attributable to:			
Owners of the parent	(1,181)	9,263	(10,851)
Non-controlling interests	(34)	52	(312)

Consolidated Statements of Changes in Net Assets

Senshu Ikeda Holdings, Inc. and Consolidated Subsidiaries
Year Ended 31st March, 2020

	Millions of Yen										
	Accumulated other comprehensive income										Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholder's equity	Net unrealized gain (loss) on available-for-sale securities	Net unrealized gain (loss) on deferred hedges	Remeasurements of defined benefit plans	Stock subscription rights	Non-controlling interests	
BALANCE, 1st April, 2018	102,999	57,381	78,153	(1,476)	237,057	6,981	(115)	1,355	122	3,533	248,935
Change in subsidiaries' equity		1			1						1
Cash dividends			(5,488)		(5,488)						(5,488)
Profit attributable to owners of the parent			6,139		6,139						6,139
Acquisition of treasury stock				(15,359)	(15,359)						(15,359)
Disposal of treasury stock		(22)		746	723						723
Retirement of treasury stock		(15,256)		15,256	–						–
Net changes in items other than shareholders' equity						2,303	(20)	841	(50)	(1,563)	1,509
Total changes during the period	–	(15,278)	650	644	(13,982)	2,303	(20)	841	(50)	(1,563)	(12,473)
BALANCE, 31st March, 2019	102,999	42,103	78,804	(831)	223,074	9,285	(136)	2,197	71	1,969	236,462
Purchase of shares of consolidated subsidiaries		0			0						0
Cash dividends			(3,908)		(3,908)						(3,908)
Profit attributable to owners of the parent			3,943		3,943						3,943
Acquisition of treasury stock				(0)	(0)						(0)
Disposal of treasury stock		1		737	739						739
Net changes in items other than shareholders' equity						(3,533)	(34)	(1,558)	7	253	(4,864)
Total changes during the period	–	2	35	737	775	(3,533)	(34)	(1,558)	7	253	(4,088)
BALANCE, 31st March, 2020	102,999	42,105	78,839	(94)	223,850	5,752	(170)	638	79	2,223	232,373

	Thousands of U.S. Dollars (Note 1)										
	Accumulated other comprehensive income										Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholder's equity	Net unrealized gain (loss) on available-for-sale securities	Net unrealized gain (loss) on deferred hedges	Remeasurements of defined benefit plans	Stock subscription rights	Non-controlling interests	
BALANCE, 1st April, 2019	946,421	386,869	724,101	(7,635)	2,049,747	85,316	(1,249)	20,187	652	18,092	2,172,764
Purchase of shares of consolidated subsidiaries		0			0						0
Cash dividends			(35,909)		(35,909)						(35,909)
Profit attributable to owners of the parent			36,230		36,230						36,230
Acquisition of treasury stock				(0)	(0)						(0)
Disposal of treasury stock		9		6,772	6,790						6,790
Net changes in items other than shareholders' equity						(32,463)	(312)	(14,315)	64	2,324	(44,693)
Total changes during the period	–	18	321	6,772	7,121	(32,463)	(312)	(14,315)	64	2,324	(37,563)
BALANCE, 31st March, 2020	946,421	386,887	724,423	(863)	2,056,877	52,853	(1,562)	5,862	725	20,426	2,135,192

See notes to consolidated financial statements

Consolidated Statements of Cash Flows

Senshu Ikeda Holdings, Inc. and Consolidated Subsidiaries
For the years ended 31st March, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Cash flows from operating activities			
Income before income taxes	¥ 5,042	¥ 7,487	\$ 46,329
Depreciation	5,784	5,320	53,147
Loss on impairment of fixed assets	99	2,101	909
Amortization of goodwill	27	122	248
(Earnings) losses from investments under the equity method	(8)	(27)	(73)
Increase (decrease) in reserve for possible loan losses	(2,580)	(908)	(23,706)
Increase (decrease) in accrued bonuses	(23)	(650)	(211)
Decrease (increase) in net defined benefit asset	(1,352)	(1,608)	(12,423)
Increase (decrease) in net defined benefit liability	(7)	5	(64)
Increase (decrease) in accrued retirement benefits for directors and audit & supervisory board members	(3)	(24)	(27)
Increase (decrease) in reserve for reimbursement of deposits	(92)	99	(845)
Increase (decrease) in reserve for point services	(71)	8	(652)
Increase (decrease) in reserve for losses on guarantees	(371)	371	(3,408)
Increase (decrease) in reserve for contingent losses	74	29	679
Interest income	(44,985)	(48,673)	(413,351)
Interest expenses	2,655	5,114	24,395
(Gain) loss on securities	4,802	336	44,123
(Gain) loss on money held in trust	(43)	215	(395)
(Gain) loss on foreign exchange	3,524	(1,929)	32,380
(Gain) loss on sales or disposal of fixed assets, net	(341)	43	(3,133)
Net (increase) decrease in loans and bills discounted	(50,417)	(15,681)	(463,263)
Net increase (decrease) in deposits	42,337	43,444	389,019
Net increase (decrease) in negotiable certificates of deposit	—	(900)	—
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	86,027	(9,056)	790,471
Net (increase) decrease in due from banks (excluding due from the Bank of Japan)	833	587	7,654
Net (increase) decrease in trading account securities	61	63	560
Net (increase) decrease in call loans and bills bought and others	476	(3,344)	4,373
Net increase (decrease) in payables under securities lending transactions	(87,321)	(77,681)	(802,361)
Net (increase) decrease in foreign exchange (assets)	45	(65)	413
Net increase (decrease) in foreign exchange (liabilities)	147	(153)	1,350
Interest received	46,667	50,055	428,806
Interest paid	(2,917)	(5,583)	(26,803)
Other	10,002	(1,746)	91,904
Subtotal	18,074	(52,629)	166,075
Income taxes paid	(721)	(883)	(6,625)
Net cash provided by (used in) operating activities	¥ 17,352	¥ (53,512)	\$ 159,441

Consolidated Statements of Cash Flows

Senshu Ikeda Holdings, Inc. and Consolidated Subsidiaries
For the years ended 31st March, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Cash flows from investing activities			
Purchases of securities	¥ (191,732)	¥ (133,388)	\$ (1,761,756)
Proceeds from sales of securities	130,371	166,240	1,197,932
Proceeds from maturity of securities	109,227	97,792	1,003,647
Increase in money held in trust	(6,000)	—	(55,131)
Decrease in money held in trust	13,000	—	119,452
Purchases of tangible fixed assets	(2,937)	(4,841)	(26,987)
Purchases of intangible fixed assets	(1,872)	(1,658)	(17,201)
Proceeds from sales of tangible fixed assets	806	218	7,406
Proceeds from sales of intangible fixed assets	—	0	—
Net cash provided by (used in) investing activities	50,863	124,364	467,361
Cash flows from financing activities			
Decrease in subordinated bonds and bonds with stock subscription rights	—	(20,000)	—
Proceed from stock issuance for non-controlling interests	280	—	2,572
Cash dividends paid	(3,908)	(5,488)	(35,909)
Cash dividends paid for non-controlling interests	(7)	(39)	(64)
Purchases of treasury stock	(0)	(15,359)	(0)
Proceeds from disposition of treasury stock	739	723	6,790
Net cash provided by (used in) financing activities	(2,896)	(40,163)	(26,610)
Effect of exchange rate changes on cash and cash equivalents	(169)	90	(1,552)
Net increase (decrease) in cash and cash equivalents	65,149	30,778	598,630
Cash and cash equivalents at beginning of year	736,824	706,045	6,770,412
Cash and cash equivalents at end of year (Note 27)	¥ 801,973	¥ 736,824	\$ 7,369,043

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, 2020 and 2019

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 ¥108.83 = U.S.\$1.00, the exchange rate prevailing on 31st March, 2020. 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 22 (24 in 2019) 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

S.I.M.S Co., Ltd., AD Stable Profit Seeking Fund Silent Partnership and Senshu Ikeda Capital Business Succession Fund Kizuna Investment Enterprise Limited 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.

Kansai Innovation Network Investment Limited Partnership has been included in the scope of consolidation from the

fiscal year ended 31st March, 2020 as a result of contribution by the Company.

The company has applied the equity method to its investments in 2 affiliates for the years ended 31st March, 2020 and 2019, respectively.

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

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

The balance sheet date of 8 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 straightline 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 projected and provided primarily at the amount of estimated losses over a subsequent one-year period or three-year period. Estimated losses are calculated using a loss rate based on the average historical loan-loss ratio over a certain period obtained from historical loan losses for a one-year period or three-year period.

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

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

For collateralized or guaranteed claims on bankrupt borrowers and effectively bankrupt borrowers, the amount of the claims exceeding the estimated value of collateral and guarantees is deemed to be uncollectible and is written off against the total amount of the outstanding claims. These write-offs amounted to ¥28,177 million (\$258,908 thousand) and ¥32,351 million for the years ended 31st March, 2020 and 2019, 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 audit & supervisory board members

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

(10) Reserve for reimbursements of deposits

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

(11) Reserve for 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 ¥6 million (\$55 thousand) as of 31st March, 2020, posted by Senshu Ikeda Tokai Tokyo Securities Co., Ltd., which were calculated according to the specifications of Article 46-5 of the Financial Instruments and Exchange Act and Article 175 of the Cabinet Office Ordinance Related to the Financial Instruments Business, to prepare for losses originating from incidents relating to the purchase and sale of securities or other transactions.

(14) Accounting treatment for retirement benefits

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

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

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

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

(15) Foreign currency transactions

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

(16) Leases

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

As lessee:

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

As lessor:

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

(17) Hedge accounting

Interest rate risk hedging

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

Foreign exchange rate risk hedging

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

For the items transitioned to the group tax sharing system established under the "Act for Partial Amendment to the Income Tax Act, etc." (Act No. 8 of 2020) and items that underwent revisions to the individual taxation system upon the transition to the group tax sharing system, the amounts of deferred tax assets and deferred tax liabilities are recorded based on the provisions of tax laws before amendment without applying the provisions in Item 44 of the "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018) in accordance with the treatment in Paragraph 3 of the "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (PITF No. 39, March 31, 2020).

(22) New accounting pronouncements

1. Accounting standard for revenue recognition, etc.
 - "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020)
 - "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 31, 2020)
 - (1) Overview

This is a comprehensive accounting standard concerning the recognition of revenue. Revenue is recognized by applying the following five steps.

Step 1: Identify the contract(s) with the customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) each performance obligation is satisfied
 - (2) Planned date of application

The Company plans to apply this standard and guidance from the beginning of the fiscal year ending March 31, 2022.
 - (3) Impact of applying this accounting standard, etc.

The amount of impact is under evaluation at the time these consolidated financial statements are being prepared.
2. Accounting standard for fair value measurement, etc.
 - "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019)
 - "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019)
 - "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019)
 - "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020)
 - (1) Overview

The "Accounting Standard for Fair Value Measurement" and "Implementation Guidance on Accounting Standard for Fair Value Measurement" ("Fair Value Measurement Standards, etc.") were developed to enhance comparability with international accounting standards, and guidances and other rules were established with regard to the method for fair value measurement. Fair Value Measurement Standards, etc. are applicable for fair value of the following items:

 - Financial instruments under the "Accounting Standard for Financial Instruments"

In addition, "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" was revised to include notes regarding the breakdown of financial instruments by level in the fair value hierarchy.
 - (2) Planned date of application

The Company plans to apply these standards and guidances from the beginning of the fiscal year ending March 31, 2022.

- (3) Impact of applying this accounting standard, etc.

The amount of impact is under evaluation at the time these consolidated financial statements are being prepared.

3. "Revised Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections" (ASBJ Statement No. 24, March 31, 2020)
 - (1) Overview

The purpose of this accounting standard is to clarify the overview of the principles and procedures of the accounting treatment adopted, in cases where the provisions of relevant accounting standards, etc. are unclear.
 - (2) Planned date of application

The Company plans to apply this standard from the end of the fiscal year ending March 31, 2021.
4. "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020)
 - (1) Overview

The purpose of this accounting standard is to disclose information that will facilitate understanding of users of financial statements, with regard to accounting estimates that will have the risk significantly impacting to the financial statements for the following fiscal year, among amounts recorded based on accounting estimates in financial statements for the current fiscal year.
 - (2) Planned date of application

The Company plans to apply this standard from the end of the fiscal year ending March 31, 2021.

(23) Additional Information

- The Company conducted 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 had 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 was terminated on 24th December, 2019. The Plan was 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 established a "Senshu Ikeda Bank Employees' Shareholders Association Exclusive Trust Account (hereinafter "Employees' Shareholder Trust") at a trust bank, and the Employees' Shareholder Trust purchased in advance a certain number of the Company's shares equivalent to the number of shares the Shareholders Association was expected to purchase over the next five years.

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

Meanwhile, as the Company was to provide a guarantee on the loan for the Employees' Shareholder Trust to acquire the Company's shares, should the price of the Company's shares falls and should losses on sale of shares accumulate within the Employees' Shareholder Trust, and if remaining debt exists equivalent to the losses on sale of shares at the time of termination of the Employees' Shareholder Trust, the Company was 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 were recorded as treasury stock under the category of Net assets at their book value in the Employees' Shareholder Trust (excluding the amount of ancillary expenses). The book value and number of shares of such treasury stock for the fiscal year ended 31st March, 2019 were ¥730 million and 1,546 thousand shares.
There were no own shares held in trust as of 31st March, 2020.
- (3) Book value of borrowings recorded from application of the gross method
¥825 million for the fiscal year ended 31st March, 2019.
There was no book value of borrowings.

Impact of coronavirus disease (COVID-19)

Although currently it is difficult to project when COVID-19 pandemic will be over, the Company assumes that economic activity will recover over the latter half of the fiscal year ending March 31, 2021. Based on this assumption, in the fiscal year ended March 31, 2020, the Company determined the recoverability of deferred tax assets upon estimating future revenue mainly expecting decreases in fees and commissions affected by restrictions on sales calls and other business activities. With regard to credit risks, the Company estimates the impact will be limited by the government policy such as funding support and calculates reserve for possible loan losses.

As these assumptions contain uncertainty, depending on the status of COVID-19 pandemic and its impact on economic activities, there may be a material impact on the consolidated financial statements for the fiscal years ending March 31, 2021 and onward.

4. Trading account securities

Valuation gain or loss on trading account securities included in income before income taxes and non-controlling interests were ¥(0) million (\$0 thousand) and ¥(0) million for the years ended 31st March, 2020 and 2019, respectively.

5. Securities

Securities at 31st March, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Stocks	¥ 26,419	¥ 34,273	\$ 242,754
Bonds:			
Government bonds	26,380	64,115	242,396
Local government bonds	113,365	60,118	1,041,670
Corporate bonds	299,326	256,732	2,750,399
Other	83,297	197,500	765,386
Total	¥ 548,789	¥ 612,741	\$ 5,042,626

Stocks in the above table include investments in affiliates of ¥120 million (\$1,102 thousand) and ¥112 million at 31st March, 2020 and 2019, respectively.

The securities loaned under unsecured securities lending transactions are included in Government bonds under "Securities" in the amount of ¥23,171 million (\$212,910 thousand) and 18,855 million at 31st March, 2020 and 2019, respectively.

Held-to-maturity debt securities with fair value at 31st March, 2020 and 2019 were as follows:

There were no held-to-maturity debt securities at 31st March, 2020.

	Millions of yen	
	31st March, 2019	31st March, 2019
	Carrying value	Fair value
Government bonds	¥ —	¥ —
Corporate bonds	—	—
Other	1,000	1,005
Total	¥ 1,000	¥ 1,005

	Millions of yen		
	31st March, 2019	Unrealized gain	Unrealized loss
	Difference		
Government bonds	¥ —	¥ —	¥ —
Corporate bonds	—	—	—
Other	5	5	—
Total	¥ 5	¥ 5	¥ —

There were no held-to-maturity debt securities sold during the years ended 31st March, 2020 and 2019.

Available-for-sale securities with fair value at 31st March, 2020 and 2019 were as follows:

Millions of yen			
31st March, 2020	Carrying value	Acquisition cost	
Equity securities	¥ 20,419	¥ 14,589	
Bonds:			
Government bonds	26,380	26,344	
Local government bonds	113,365	113,458	
Corporate bonds	299,326	299,388	
Subtotal	439,072	439,191	
Other	78,680	76,334	
Total	¥ 538,172	¥ 530,116	

Millions of yen			
31st March, 2020	Difference	Unrealized gain	Unrealized loss
Equity securities	¥ 5,829	¥ 6,898	¥ (1,069)
Bonds:			
Government bonds	36	49	(13)
Local government bonds	(93)	42	(136)
Corporate bonds	(62)	384	(446)
Subtotal	(119)	476	(596)
Other	2,346	4,111	(1,765)
Total	¥ 8,055	¥ 11,487	¥ (3,431)

Millions of yen			
31st March, 2019	Carrying value	Acquisition cost	
Equity securities	¥ 28,097	¥ 16,933	
Bonds:			
Government bonds	64,115	63,958	
Local government bonds	60,118	60,068	
Corporate bonds	256,732	255,864	
Subtotal	380,966	379,892	
Other	191,789	191,904	
Total	¥ 600,853	¥ 588,730	

Millions of yen			
31st March, 2019	Difference	Unrealized gain	Unrealized loss
Equity securities	¥ 11,163	¥ 12,059	¥ (896)
Bonds:			
Government bonds	156	156	—
Local government bonds	50	83	(33)
Corporate bonds	867	907	(40)
Subtotal	1,073	1,147	(74)
Other	(114)	5,134	(5,249)
Total	¥ 12,122	¥ 18,342	¥ (6,219)

Thousands of U.S. dollars			
31st March, 2020	Carrying value	Acquisition cost	
Equity securities	\$ 187,622	\$ 134,053	
Bonds:			
Government bonds	242,396	242,065	
Local government bonds	1,041,670	1,042,525	
Corporate bonds	2,750,399	2,750,969	
Subtotal	4,034,475	4,035,569	
Other	722,962	701,405	
Total	\$ 4,945,070	\$ 4,871,046	

Thousands of U.S. dollars			
31st March, 2020	Difference	Unrealized gain	Unrealized loss
Equity securities	\$ 53,560	\$ 63,383	\$ (9,822)
Bonds:			
Government bonds	330	450	(119)
Local government bonds	(854)	385	(1,249)
Corporate bonds	(569)	3,528	(4,098)
Subtotal	(1,093)	4,373	(5,476)
Other	21,556	37,774	(16,217)
Total	\$ 74,014	\$ 105,549	\$ (31,526)

Available-for-sale securities sold during the years ended 31st March, 2020 and 2019 were as follows:

Millions of yen			
2020	Proceeds from sales	Gain	Loss
Equity securities	¥ 2,769	¥ 1,631	¥ (38)
Bonds:			
Government bonds	—	—	—
Local government bonds	1,357	0	—
Corporate bonds	8,358	25	(12)
Subtotal	9,716	25	(12)
Other	118,687	1,549	(6,246)
Total	¥ 131,172	¥ 3,207	¥ (6,297)

Millions of yen			
2019	Proceeds from sales	Gain	Loss
Equity securities	¥ 15,458	¥ 9,304	¥ —
Bonds:			
Government bonds	—	—	—
Local government bonds	—	—	—
Corporate bonds	1,299	1	(0)
Subtotal	1,299	1	(0)
Other	151,317	579	(9,310)
Total	¥ 168,075	¥ 9,885	¥ (9,310)

Thousands of U.S. dollars			
2020	Proceeds from sales	Gain	Loss
Equity securities	\$ 25,443	\$ 14,986	\$ (349)
Bonds:			
Government bonds	—	—	—
Local government bonds	12,468	0	—
Corporate bonds	76,798	229	(110)
Subtotal	89,276	229	(110)
Other	1,090,572	14,233	(57,392)
Total	\$ 1,205,292	\$ 29,467	\$ (57,860)

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, 2020 was ¥1,259 million (\$11,568 thousand), which consisted of ¥1,202 million (\$11,044 thousand) on equity securities and ¥57 million (\$523 thousand) on corporate bonds for the year ended 31st March, 2020.

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, 2020 and 2019 consisted of the following:

Money held in trust for trading purposes

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Carrying value	¥ 19,988	¥ 27,003	\$ 183,662
Valuation gain (loss) included in consolidated statements of income	47	(80)	431

There were no money held in trust owned for other purposes at 31st March, 2020 and 2019.

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

Net unrealized gain (loss) on available-for-sale securities at 31st March, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Differences between acquisition cost and fair value:			
Available-for-sale securities	¥ 8,055	¥ 12,122	\$ 74,014
Deferred tax liabilities	(2,302)	(2,837)	(21,152)
Differences between acquisition cost and fair value, net of taxes	5,753	9,285	52,862
Amounts corresponding to non-controlling interests	(1)	(0)	(9)
Net unrealized gain (loss) on available-for-sale securities, net of taxes	¥ 5,752	¥ 9,285	\$ 52,853

8. Loans and Bills Discounted and Risk Monitored Loans

Loans and bills discounted:

Loans and bills discounted at 31st March, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Bills discounted	¥ 13,000	¥ 19,122	\$ 119,452
Loans on bills	47,747	53,794	438,730
Loans on deeds	3,642,718	3,594,664	33,471,634
Overdrafts	260,038	245,505	2,389,396
Total	¥ 3,963,504	¥ 3,913,086	\$ 36,419,222

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, 2020 and 2019 totaled ¥13,281 million (\$122,034 thousand) and ¥19,347 million, respectively. At 31st March, 2020 and 2019, 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 ¥11,693 million (\$107,442 thousand) and ¥11,570 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 ¥720,585 million (\$6,621,198 thousand) and ¥742,625 million at 31st March, 2020 and 2019, respectively, including the contracts whose contractual periods were either less than one year or revocable at any time, in the amount of ¥702,298 million (\$6,453,165 thousand) and ¥727,407 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, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Loans to bankrupt borrowers	¥ 1,649	¥ 1,387	\$ 15,152
Delinquent loans	24,997	29,295	229,688
Loans past due for 3 months or more	175	111	1,608
Restructured loans	5,568	4,875	51,162
Total	¥ 32,391	¥ 35,670	\$ 297,629

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, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Due from foreign correspondent banks	¥ 4,762	¥ 4,451	\$ 43,756
Foreign bills of exchange bought	263	207	2,416
Foreign bills of exchange receivable	441	855	4,052
Total	¥ 5,468	¥ 5,514	\$ 50,243

10. Other Assets

Other assets at 31st March, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Investment in leased assets	¥ 20,456	¥ 18,118	\$ 187,962
Other receivables	22,185	20,566	203,850
Accrued income	4,079	5,164	37,480
Prepaid expenses	644	647	5,917
Other	30,523	35,442	280,464
Total	¥ 77,889	¥ 79,939	\$ 715,694

11. Tangible Fixed Assets

At 31st March, 2020 and 2019, accumulated depreciation of tangible fixed assets were ¥54,237 million (\$498,364 thousand) and ¥53,725 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, 2020 and 2019 were ¥363 million (\$3,335 thousand) and ¥374 million, respectively.

12. Assets Pledged

Assets pledged as collateral at 31st March, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Securities	¥ 242,231	¥ 269,454	\$ 2,225,774
Other assets	984	826	9,041

The liabilities secured by the above pledged assets at 31st March, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Deposits	¥ 14,546	¥ 3,592	\$ 133,657
Payables under securities lending transactions	—	87,321	—
Borrowed money	190,075	100,832	1,746,531
Other liabilities	150	245	1,378

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 ¥1,003 million at 31st March, 2019.

At 31st March, 2020 and 2019, margins on futures contracts in the amounts of ¥730 million (\$6,707 thousand) and ¥2,013 million, guarantee deposits of ¥4,337 million (\$39,851 thousand) and ¥4,562 million, deposits for futures transactions of ¥3 million (\$27 thousand) and ¥503 million, collateral money deposited for financial instruments of ¥269 million (\$2,471 thousand) and ¥964 million and margins for Central Counter Party of ¥20,000 million (\$183,772 thousand) and ¥20,000 million were included in "Other assets", respectively.

13. Deposits

Deposits at 31st March, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Current deposits	¥ 209,725	¥ 206,172	\$ 1,927,088
Ordinary deposits	2,671,170	2,494,879	24,544,427
Savings deposits	23,354	23,608	214,591
Deposits at notice	12,667	13,225	116,392
Time deposits	2,017,194	2,175,904	18,535,275
Other deposits	53,773	31,757	494,100
Total	¥ 4,987,885	¥ 4,945,548	\$ 45,831,893

14. Borrowed Money

Borrowed money at 31st March, 2020 and 2019 consisted of borrowings from the Bank of Japan and certain other financial institutions.

The average interest rate applicable to borrowed money at 31st March, 2020 and 2019 were 0.08% and 0.29%, respectively.

The aggregate annual maturities of borrowed money subsequent to 31st March, 2020 were summarized as follows:

Year ending 31st March,	Millions of yen	Thousands of U.S. dollars
2021	¥ 112,149	\$ 1,030,497
2022	1,783	16,383
2023	1,195	10,980
2024	93,665	860,654
2025	310	2,848
Total	¥ 209,104	\$ 1,921,381

15. Foreign Exchange Liabilities

Foreign exchange liabilities at 31st March, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Foreign bills sold	¥ 433	¥ 326	\$ 3,978
Foreign bills of exchange payable	122	81	1,121
Total	¥ 556	¥ 408	\$ 5,108

16. Other Liabilities

Other liabilities at 31st March, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Accrued expenses	¥ 2,465	¥ 2,709	\$ 22,650
Unearned income	16,596	16,119	152,494
Accrued income taxes	741	1,199	6,808
Other	31,515	25,932	289,580
Total	¥ 51,320	¥ 45,960	\$ 471,561

The amounts of lease obligations included in "Other" were ¥5 million (\$45 thousand) and ¥8 million at 31st March, 2020 and 2019, respectively. The average interest rates on lease obligations at 31st March, 2020 with maturity dates on or before and subsequent to 31st March, 2021 were 3.00%. The average interest rates on lease obligations at 31st March, 2019 with maturity dates on or before and subsequent to 31st March, 2020 were 3.00%.

The aggregate annual maturities of lease obligations subsequent to 31st March, 2020 were summarized as follows:

Year ending 31st March,	Thousands of U.S. dollars	
	Millions of yen	U.S. dollars
2021	¥ 2	\$ 18
2022	1	9
2023	1	9
2024	0	0
2025	0	0
2026 and thereafter	—	—
Total	¥ 5	\$ 45

17. 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
	2020	2019	2020
Retirement benefit obligation at beginning of the year	¥ 37,963	¥ 38,534	\$ 348,828
Service cost	1,195	1,289	10,980
Interest cost	153	155	1,405
Actuarial gain or loss incurred during the year	(805)	(226)	(7,396)
Payment of retirement benefits	(1,909)	(1,806)	(17,541)
Other	19	15	174
Retirement benefit obligation at end of the year	¥ 36,616	¥ 37,963	\$ 336,451

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Pension plan assets at beginning of the year	¥ 51,329	¥ 49,497	\$ 471,643
Expected return on plan assets	1,089	1,044	10,006
Actuarial gain or loss incurred during the year	(3,081)	562	(28,310)
Contributions from employer	1,328	1,742	12,202
Payment of retirement benefits	(1,600)	(1,518)	(14,701)
Pension plan assets at end of the year	¥ 49,064	¥ 51,329	\$ 450,831

(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
	2020	2019	2020
Funded retirement benefit obligation	¥ 36,477	¥ 37,816	\$ 335,174
Pension plan assets	(49,064)	(51,329)	(450,831)
	(12,587)	(13,512)	(115,657)
Unfunded retirement benefit obligation	139	146	1,277
Net amount of liability and asset on consolidated balance sheets	¥ (12,448)	¥ (13,365)	\$ (114,380)

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Net defined benefit liability	¥ 139	¥ 146	\$ 1,277
Net defined benefit asset	(12,587)	(13,512)	(115,657)
Net amount of liability and asset on consolidated balance sheets	¥ (12,448)	¥ (13,365)	\$ (114,380)

(4) Retirement benefit expenses consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Service cost	¥ 1,195	¥ 1,289	\$ 10,980
Interest cost	153	155	1,405
Expected return on plan assets	(1,089)	(1,044)	(10,006)
Amortization of actuarial loss	294	684	2,701
Amortization of prior service cost	(262)	(262)	(2,407)
Net periodic retirement benefit expenses for defined benefit pension plans	¥ 291	¥ 823	\$ 2,673

(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
	2020	2019	2020
Prior service cost	¥ (262)	¥ (262)	\$ (2,407)
Actuarial gain or loss	(1,982)	1,474	(18,211)
Total	¥ (2,244)	¥ 1,212	\$ (20,619)

(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
	2020	2019	2020
Unrecognized prior service cost	¥ (655)	¥ (917)	\$ (6,018)
Unrecognized actuarial gain or loss	(265)	(2,247)	(2,434)
Total	¥ (920)	¥ (3,165)	\$ (8,453)

(7) Matters related to pension plan assets

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

	2020	2019
Bonds	18%	17%
Stocks	50%	54%
Short-term investment fund including cash and deposits	8%	6%
Life insurance company general accounts	4%	4%
Others	20%	19%
Total	100%	100%

Note:

Total pension plan assets include retirement benefit trust of which securities are contributed for the pension plan, which accounts for 32% of the total at 31st March, 2020 and 2019, 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

	2020	2019
Discount rate	0.00%-0.65%	0.00%-0.65%
Expected rate of return on plan assets	2.5%	2.5%
Expected rate of salary increase	1.79%-4.34%	1.75%-4.02%

18. Asset Retirement Obligations

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

19. Contingent Liabilities

Contingent liabilities for guarantee of corporate bonds included in "Securities," which were issued by private placement (Article 2, Paragraph 3 of the Financial Instruments and Exchange Act of Japan) amounted to ¥24,847 million (\$228,310 thousand) and ¥16,274 million at 31st March, 2020 and 2019, respectively.

20. Shareholders' Equity

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

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

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

Movements in common stock, third-class preferred stock, first series of seventh-class preferred stock and treasury stock during the years ended 31st March, 2020 and 2019 were summarized as follows:

Number of shares (in thousands)						Note
Year ended 31st March, 2020	1st April, 2019	Increase	Decrease	31st March, 2020		
Outstanding shares:						
Common stock	281,008	—	—	281,008	1, 2 and 3	
First series of seventh-class preferred stock	25,000	—	—	25,000		
Total	306,008	—	—	306,008		
Treasury stock:						
Common stock	1,845	0	1,569	227	1, 2 and 3	
Total	1,845	0	1,569	227		

Notes:

1. The number of treasury stock as of 1st April, 2019 includes the Company's shares owned by the Employees' Shareholder Trust of 1,546 thousand shares.
2. Increase in treasury stock of common stock (0 thousand shares) was due to acquisition of shares from the shareholders who owned fractional shares less than one unit (0 thousand shares).
3. Decrease in treasury stock of common stock (1,569 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 (23 thousand shares) and transfer to the Shareholders Association (1,546 thousand shares).

Number of shares (in thousands)					Note
Year ended 31st March, 2019	1st April, 2018	Increase	Decrease	31st March, 2019	
Outstanding shares:					
Common stock	281,008	—	—	281,008	1
Third-class preferred stock	7,500	—	7,500	—	
First series of seventh-class preferred stock	25,000	—	—	25,000	
Total	313,508	—	7,500	306,008	
Treasury stock:					
Common stock	3,089	302	1,545	1,845	2, 3 and 4
Third-class preferred stock	—	7,500	7,500	—	5 and 6
Total	3,089	7,802	9,045	1,845	

Notes:

1. Decrease in outstanding shares of Third-class preferred stock (7,500 thousand shares) was due to retirement of treasury stock.
2. The number of treasury stock as of 1st April, 2018 and as of 31st March, 2019 includes the Company's shares owned by the Employees' Shareholder Trust of 2,924 thousand shares and 1,546 thousand shares, respectively.
3. Increase in treasury stock of common stock (302 thousand shares) was due to purchase based on resolution of the Board of Directors (300 thousand shares) and acquisition of shares from the shareholders who owned fractional shares less than one unit (2 thousand shares)

4. Decrease in treasury stock of common stock (1,545 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 (167 thousand shares) and transfer to the Shareholders Association (1,378 thousand shares).
5. Increase in treasury stock of Third-class preferred stock (7,500 thousand shares) was due to purchase of treasury stock based on resolution of the Board of Directors.
6. Decrease in treasury stock of Third-class preferred stock (7,500 thousand shares) was due to retirement of treasury stock based on resolution of the Board of Directors.

(2) Stock subscription rights

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

The balance of stock subscription rights granted for stock option program are ¥79 million (\$725 thousand) and ¥71 million at 31st March, 2020 and 2019, respectively. Stock option related expenses for the years ended 31st March, 2020 and 2019 amounted to ¥17 million (\$156 thousand) and ¥22 million, respectively.

The stock option outstanding at 31st March, 2020 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

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

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

(*) 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
Non-vested:					
31st March, 2019-Outstanding	2,200	2,300	3,100	7,600	14,800
Granted	—	—	—	—	—
Forfeited	—	—	—	—	—
Vested	1,100	1,060	1,400	1,400	2,600
31st March, 2020-Outstanding	1,100	1,240	1,700	6,200	12,200
Vested:					
31st March, 2019-Outstanding	—	—	—	—	—
Vested	1,100	1,060	1,400	1,400	2,600
Exercised	1,100	1,060	1,400	1,400	2,600
Forfeited	—	—	—	—	—
31st March, 2020-Outstanding	—	—	—	—	—
Date of resolution	29th July, 2015	27th July, 2016	31st July, 2017	31st July, 2018	30th July, 2019
Non-vested:					
31st March, 2019-Outstanding	15,100	44,900	51,000	58,500	—
Granted	—	—	—	—	117,400
Forfeited	—	—	—	—	—
Vested	2,400	5,100	4,200	3,800	—
31st March, 2020-Outstanding	12,700	39,800	46,800	54,700	117,400
Vested:					
31st March, 2019-Outstanding	—	—	—	—	—
Vested	2,400	5,100	4,200	3,800	—
Exercised	2,400	5,100	4,200	3,800	—
Forfeited	—	—	—	—	—
31st March, 2020-Outstanding	—	—	—	—	—

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

Price information is as follows:

Date of resolution	24th February, 2011	28th July, 2011	31st August, 2012	31st July, 2013	30th July, 2014
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	1
Average stock price at exercise	¥ 202	¥ 202	¥ 202	¥ 202	202
Fair value price at grant date	¥ 490	¥ 535	¥ 449	¥ 430	497
Date of resolution	29th July, 2015	27th July, 2016	31st July, 2017	31st July, 2018	30th July, 2019
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	1
Average stock price at exercise	¥ 202	¥ 202	¥ 202	¥ 202	—
Fair value price at grant date	¥ 474	¥ 410	¥ 353	¥ 325	140
Date of resolution	24th February, 2011	28th July, 2011	31st August, 2012	31st July, 2013	30th July, 2014
Exercise price	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	0.00
Average stock price at exercise	\$ 1.85	\$ 1.85	\$ 1.85	\$ 1.85	1.85
Fair value price at grant date	\$ 4.50	\$ 4.91	\$ 4.12	\$ 3.95	4.56
Date of resolution	29th July, 2015	27th July, 2016	31st July, 2017	31st July, 2018	30th July, 2019
Exercise price	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	0.00
Average stock price at exercise	\$ 1.85	\$ 1.85	\$ 1.85	\$ 1.85	—
Fair value price at grant date	\$ 4.35	\$ 3.76	\$ 3.24	\$ 2.98	1.28

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 2019 stock option granted in the year ended 31st March, 2020 were as follows:

Measurement method: Black-Scholes model

Major fundamental factors and assumptions used to measure fair value

Date of resolution	30th July, 2019
Volatility of stock price *1	25.425%
Estimated remaining outstanding period *2	4.648 years
Estimated dividend *3	4.335%
Interest rate with risk free *4	0.349%

*1 Actual stock price during the period (from 3rd January, 2015 to 28th August, 2019) 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 ¥7.5 (\$0.06) of latest annual dividend (including the effect of reverse stock split) / ¥173 (\$1.58) of stock price on the base date

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

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

21. Other Operating Income

Other operating income for the years ended 31st March, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Gain on sales of securities and trading account securities	¥ 4,973	¥ 3,648	\$ 45,695
Other	1,316	1,284	12,092
Total	¥ 6,290	¥ 4,933	\$ 57,796

22. Other Income

Other income for the years ended 31st March, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Gain on sales of equity securities	¥ 1,782	¥ 9,445	\$ 16,374
Gain on money held in trust	184	108	1,690
Other	12,077	11,472	110,971
Total	¥ 14,044	¥ 21,026	\$ 129,045

23. Other Operating Expenses

Other operating expenses for the years ended 31st March, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Loss on sales of debt securities	¥ 8,778	¥ 11,752	\$ 80,657
Other	57	—	523
Total	¥ 8,835	¥ 11,752	\$ 81,181

24. Other Expenses

Other expenses for the years ended 31st March, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Write-offs of loans and bills discounted	¥ 3,250	¥ 4,202	\$ 29,863
Loss on sales of equity securities	144	1	1,323
Loss on devaluation of equity securities	1,243	412	11,421
Loss on money held in trust	140	324	1,286
Provision for contingent losses	74	29	679
Other	12,164	10,329	111,770
Total	¥ 17,017	¥ 15,299	\$ 156,363

Note:

“Other” for the year ended 31st March, 2020 includes ¥136 million (\$1,249 thousand) of one-time costs associated with branch relocations based on a fundamental review of branch functions at the banking subsidiary, The Senshu Ikeda Bank.

25. Dividends

Cash dividends paid during the fiscal year ended 31st March, 2020

Resolution by annual shareholders’ meeting on 25th June, 2019

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, 2019	26th June, 2019	¥ 2,105	\$ 19,342	¥ 7.50	\$ 0.06
First series of seventh-class preferred stock	31st March, 2019	26th June, 2019	¥ 375	\$ 3,445	¥ 15.00	\$ 0.13

Note:

The amount of cash dividends on common stock by resolution of annual shareholders’ meeting on 25th June, 2019 includes the ¥11 million (\$101 thousand) in cash dividends on the Company’s shares owned by the Employees’ Shareholder Trust.

Resolution by Board of Directors on 14th November, 2019

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, 2019	2nd December, 2019	¥ 1,052	\$ 9,666	¥ 3.75	\$ 0.03
First series of seventh-class preferred stock	30th September, 2019	2nd December, 2019	¥ 375	\$ 3,445	¥ 15.00	\$ 0.13

Note:

The amount of cash dividends on common stock by resolution of Board of Directors on 14th November, 2019 includes the ¥1 million (\$9thousand) in cash dividends on the Company's shares owned by the Employees' Shareholder Trust.

Cash dividends with record dates falling in the fiscal year ended 31st March, 2020 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, 2020	26th June, 2020
First series of seventh-class preferred stock	Retained earnings	31st March, 2020	26th June, 2020

Dividend amount		Dividends per share	
Types of stock	Millions of yen	Thousands of U.S. dollars	Yen
Common stock	¥ 1,052	\$ 9,666	¥ 3.75
First series of seventh-class preferred stock	¥ 375	\$ 3,445	¥ 15.00

Cash dividends paid during the fiscal year ended 31st March, 2019

Resolution by annual shareholders' meeting on 26th June, 2018

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, 2018	27th June, 2018	¥ 2,106	\$ 18,974	¥ 7.50	\$ 0.06
Third-class preferred stock	31st March, 2018	27th June, 2018	¥ 262	\$ 2,360	¥ 35.00	\$ 0.31
First series of seventh-class preferred stock	31st March, 2018	27th June, 2018	¥ 375	\$ 3,378	¥ 15.00	\$ 0.13

Note:

The amount of cash dividends on common stock by resolution of annual shareholders' meeting on 26th June, 2018 includes the ¥21 million (\$189 thousand) in cash dividends on the Company's shares owned by the Employees' Shareholder Trust.

Resolution by Board of Directors on 13th November, 2018

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, 2018	3rd December, 2018	¥ 2,107	\$ 18,983	¥ 7.50	\$ 0.06
Third-class preferred stock	30th September, 2018	3rd December, 2018	¥ 262	\$ 2,360	¥ 35.00	\$ 0.31
First series of seventh-class preferred stock	30th September, 2018	3rd December, 2018	¥ 375	\$ 3,378	¥ 15.00	\$ 0.13

Note:

The amount of cash dividends on common stock by resolution of Board of Directors on 13th November, 2018 includes the ¥17 million (\$153 thousand) in cash dividends on the Company's shares owned by the Employees' Shareholder Trust.

Cash dividends with record dates falling in the fiscal year ended 31st March, 2019 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, 2019	26th June, 2019
First series of seventh-class preferred stock	Retained earnings	31st March, 2019	26th June, 2019

Dividend amount		Dividends per share	
Types of stock	Millions of yen	Thousands of U.S. dollars	Yen
Common stock	¥ 2,105	\$ 18,965	¥ 7.50
First series of seventh-class preferred stock	¥ 375	\$ 3,378	¥ 15.00

Note:

The amount of cash dividends on common stock by resolution of annual shareholders' meeting on 25th June, 2019 includes the ¥11 million (\$99 thousand) in cash dividends on the Company's shares owned by the Employees' Shareholder Trust.

26. Cash and Cash Equivalents

A reconciliation of cash and due from banks in the accompanying consolidated balance sheets to cash and cash equivalents in the accompanying consolidated statements of cash flows at 31st March, 2020 and 2019 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Cash and due from banks	¥ 807,879	¥ 743,563	\$ 7,423,311
Deposits other than deposits with the Bank of Japan	(5,905)	(6,738)	(54,258)
Cash and cash equivalents	¥ 801,973	¥ 736,824	\$ 7,369,043

27. Leases

a. Finance leases

As Lessee

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

b. Operating leases

As Lessee

Future minimum lease payments under non-cancellable operating leases subsequent to 31st March, 2020 were as follows:

Year ending 31st March	Millions of yen	Thousands of U.S. dollars
2021	¥ 870	\$ 7,994
2022 and thereafter	5,537	50,877
Total	¥ 6,407	\$ 58,871

28. Income Taxes

Income taxes applicable to the Company and its domestic subsidiaries comprise corporate tax, inhabitants' taxes and enterprise tax which, in the aggregate, resulted in a statutory tax rate of 30.5% for the years ended 31st March, 2020 and 2019, respectively.

The tax effect of temporary differences which gave rise to significant portions of the deferred tax assets and liabilities at 31st March, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Deferred tax assets:			
Reserve for possible loan losses	¥ 10,138	¥ 11,285	\$ 93,154
Tax loss carryforwards	8,124	7,846	74,648
Loss on devaluation of securities	2,784	2,640	25,581
Depreciation	657	760	6,036
Provision for employees' bonuses	370	377	3,399
Impairment loss	201	201	1,846
Net unrealized loss on available-for-sale securities	175	8	1,608
Net defined benefit liability	47	50	431
Reserve for losses on guarantees	—	110	—
Other	3,119	3,201	28,659
Gross deferred tax assets	25,618	26,482	235,394
Valuation allowance for tax loss carryforwards (Note 2)	(6,532)	(6,575)	(60,020)
Valuation allowance for total deductible temporary differences	(6,085)	(6,551)	(55,912)
Valuation allowance subtotal (Note 1)	(12,617)	(13,127)	(115,933)
Total deferred tax assets	13,000	13,355	119,452
Deferred tax liabilities:			
Net unrealized gain on available-for-sale securities	(2,312)	(2,885)	(21,244)
Stocks returned of retirement benefit trust	(647)	(647)	(5,945)
Net defined benefit asset	(950)	(1,364)	(8,729)
Non-taxable accrued dividend income	(107)	(130)	(983)
Other	(54)	(107)	(496)
Total deferred tax liabilities	(4,072)	(5,136)	(37,416)
Net deferred tax assets	¥ 8,927	¥ 8,218	\$ 82,027

Notes:

1. Valuation allowance decreased by ¥509 million (\$4,677 thousand), mainly due to a decline in valuation allowance for deductible temporary differences of the reserve for possible loan losses of The Senshu Ikeda Bank, Ltd.

2. Tax loss carryforwards and deferred tax assets by expiration of carryforward are as follows:

Fiscal year ended 31st March, 2020

	Millions of yen						Total
	One year or less	After one year through two years	After two years through three years	After three years through four years	After four years through five years	After five years	
Tax loss carryforwards (*1)	—	0	180	109	4,709	3,124	8,124
Valuation allowance	—	—	(180)	(103)	(3,179)	(3,068)	(6,532)
Deferred tax assets	—	0	0	5	1,529	56	(*)1,591

	Thousands of U.S. dollars						Total
	One year or less	After one year through two years	After two years through three years	After three years through four years	After four years through five years	After five years	
Tax loss carryforwards (*1)	—	0	1,653	1,001	43,269	28,705	74,648
Valuation allowance	—	—	(1,653)	(946)	(29,210)	(28,190)	(60,020)
Deferred tax assets	—	0	0	45	14,049	514	(*)14,619

(*1) Amounts of tax loss carryforwards are multiplied by the statutory tax rate.

(*2) Deferred tax assets of ¥1,591 million (\$14,619 thousand) are recorded for tax loss carryforward of ¥8,124 million (\$74,648 thousand). This tax loss carryforward is deemed to be recoverable as it is expected that there will be taxable income in the future.

A reconciliation of the statutory tax rate to the effective tax rate for the years ended 31st March, 2020 and 2019 were as follows:

	2020	2019
Statutory tax rate	30.5%	30.5%
Permanently non-taxable income	(0.0)	(0.1)
Permanently non-deductible expenses	0.8	0.7
Per capita portion of inhabitants' taxes	2.1	1.3
Valuation allowance	(13.4)	(50.1)
Deduction limit of tax loss carryforwards	—	27.5
Amortization of goodwill	0.2	0.5
Consolidation adjustment to gain on sales of shares of consolidated subsidiaries	1.6	5.7
Tax rate difference with consolidated subsidiaries	1.7	1.9
Effects of tax examination	(1.5)	—
Other	0.4	(0.6)
Effective tax rate	22.4%	17.3%

29. Comprehensive Income

Reclassification adjustments and tax effect amounts of other comprehensive income for the year ended 31st March, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Unrealized gain (loss) on available-for-sale securities:			
Amount for the year	¥ (8,423)	¥ 1,339	\$ (77,395)
Reclassification adjustment	4,356	(304)	40,025
Amount before tax effect	(4,066)	1,034	(37,361)
Tax effect amount	534	1,269	4,906
Net unrealized gain (loss) on available-for-sale securities	(3,531)	2,303	(32,445)
Unrealized gain (loss) on deferred hedges			
Amount for the year	(371)	(568)	(3,408)
Reclassification adjustment	322	538	2,958
Amount before tax effect	(49)	(29)	(450)
Tax effect amount	15	9	137
Net unrealized gain on deferred hedges	(34)	(20)	(312)
Remeasurements of defined benefit plans:			
Amount for the year	(2,276)	789	(20,913)
Reclassification adjustment	31	422	284
Amount before tax effect	(2,244)	1,212	(20,619)
Tax effect amount	686	(370)	6,303
Remeasurements of defined benefit plans	(1,558)	841	(14,315)
Total other comprehensive income	¥ (5,124)	¥ 3,123	\$ (47,082)

30. Segment Information and Related Information

(1) Segment Information

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

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

(2) Change in segment classification

Reportable segment information had been omitted in the past because the Group was formerly engaged only in banking business, and "other" in its operating results was immaterial. However, as importance of leasing business quantitatively increased, reportable segments have been changed to banking business and leasing business from the fiscal year ended 31st March, 2020.

Reportable segment information for the previous fiscal year states information compiled according to the new classification.

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

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

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

Segment information for the fiscal years ended March 31, 2020 and 2019 is summarized as follows:

Millions of yen							
2020							
	Reportable segments			Other	Total	Adjustment	Consolidated
	Banking	Leasing	Total				
Ordinary income:							
Outside customers	¥ 71,679	¥ 11,425	¥ 83,105	¥ 5,115	¥ 88,221	¥ —	¥ 88,221
Intersegment income	1,703	148	1,852	2,043	3,895	(3,895)	—
Total	73,383	11,574	84,958	7,158	92,117	(3,895)	88,221
Segment profit(loss)	5,744	(64)	5,680	(307)	5,372	(425)	4,946
Segment assets	5,462,090	33,166	5,495,257	27,109	5,522,367	(29,811)	5,492,555
Segment liabilities	5,244,499	31,528	5,276,028	13,948	5,289,976	(29,793)	5,260,182
Others:							
Depreciation	4,396	1,288	5,685	98	5,784	—	5,784
Interest income	45,370	33	45,404	152	45,556	(571)	44,985
Interest expense	2,615	101	2,716	73	2,790	(134)	2,655
Extraordinary gain	380	0	380	—	380	(17)	363
Extraordinary loss	254	4	259	8	267	—	267
Tax expense	928	15	943	190	1,134	—	1,134
Increase in tangible and intangible fixed assets	3,302	1,676	4,979	55	5,034	(225)	4,809

Note:

- Ordinary income ("Total income" less extraordinary gain included in "Other income" in the consolidated statements of income) is presented in place of net sales of operating companies of other industry groups.
- "Other" includes business segments which are not included in the reportable segments and comprises credit cards business and securities business.
- Adjustments are as below:
 - Adjustment of segment profit of negative ¥425million is the elimination of intersegment transactions.
 - Adjustment of segment assets of negative ¥29,811million is the elimination of intersegment transactions.
 - Adjustment of segment liabilities of negative ¥29,793million is the elimination of intersegment transactions.
 - Adjustment of interest income of negative ¥571million is the elimination of intersegment transactions.
 - Adjustment of interest expense of negative ¥134million is the elimination of intersegment transactions.
 - Adjustment of extraordinary gain of negative ¥17million is the elimination of intersegment transactions.
- Segment profit is reconciled to ordinary profit, which represents ordinary income less ordinary expenses. Ordinary expenses represent "Total expenses" less extraordinary loss included in "Other expenses" in the consolidated statements of income. Therefore, consolidated segment profit, which shows ordinary profit, is reconciled to "Income before income taxes" through the addition/deduction of extraordinary gain/loss, net.

Millions of yen							
2019							
	Reportable segments			Other	Total	Adjustment	Consolidated
	Banking	Leasing	Total				
Ordinary income:							
Outside customers	¥ 81,706	¥ 10,426	¥ 92,132	¥ 5,171	¥ 97,303	¥ —	¥ 97,303
Intersegment income	1,173	116	1,290	2,698	3,989	(3,989)	—
Total	82,880	10,543	93,423	7,869	101,292	(3,989)	97,303
Segment profit(loss)	9,648	241	9,890	(3)	9,886	(188)	9,698
Segment assets	5,420,067	31,221	5,451,288	27,554	5,478,843	(27,964)	5,450,878
Segment liabilities	5,198,507	29,005	5,227,513	14,848	5,242,362	(27,945)	5,214,416
Others:							
Depreciation	4,028	1,185	5,214	106	5,320	—	5,320
Interest income	48,753	2	48,755	170	48,925	(252)	48,673
Interest expense	5,071	101	5,172	70	5,242	(128)	5,114
Extraordinary gain	32	—	32	0	32	(22)	10
Extraordinary loss	2,215	0	2,216	5	2,221	—	2,221
Tax expense	628	239	867	426	1,294	—	1,294
Increase in tangible and intangible fixed assets	4,706	1,885	6,592	202	6,795	(295)	6,500

Notes:

- Ordinary income ("Total income" less extraordinary gain included in "Other income" in the consolidated statements of income) is presented in place of net sales of operating companies of other industry groups.
- "Other" includes business segments which are not included in the reportable segments and comprises credit cards business and securities business.
- Adjustments are as below:
 - Adjustment of segment profit of negative ¥188million is the elimination of intersegment transactions.
 - Adjustment of segment assets of negative ¥27,964million is the elimination of intersegment transactions.
 - Adjustment of segment liabilities of negative ¥27,945million is the elimination of intersegment transactions.
 - Adjustment of interest income of negative ¥252million is the elimination of intersegment transactions.
 - Adjustment of interest expense of negative ¥128million is the elimination of intersegment transactions.
 - Adjustment of extraordinary gain of negative ¥22million is the elimination of intersegment transactions.
- Segment profit is reconciled to ordinary profit, which represents ordinary income less ordinary expenses. Ordinary expenses represent "Total expenses" less extraordinary loss included in "Other expenses" in the consolidated statements of income. Therefore, consolidated segment profit, which shows ordinary profit, is reconciled to "Income before income taxes" through the addition/deduction of extraordinary gain/loss, net.

Thousands of U.S. dollars							
2020							
	Reportable segments			Other	Total	Adjustment	Consolidated
	Banking	Leasing	Total				
Ordinary income:							
Outside customers	\$ 658,632	\$ 104,980	\$ 763,622	\$ 46,999	\$ 810,631	\$ —	\$ 810,631
Intersegment income	15,648	1,359	17,017	18,772	35,789	(35,789)	—
Total	674,290	106,349	780,648	65,772	846,430	(35,789)	810,631
Segment profit(loss)	52,779	(588)	52,191	(2,820)	49,361	(3,905)	45,447
Segment assets	50,189,194	304,750	50,493,953	249,094	50,743,057	(273,922)	50,469,126
Segment liabilities	48,189,828	289,699	48,479,536	128,163	48,607,700	(273,757)	48,333,933
Others:							
Depreciation	40,393	11,834	52,237	900	53,147	—	53,147
Interest income	416,888	303	417,201	1,396	418,597	(5,246)	413,351
Interest expense	24,028	928	24,956	670	25,636	(1,231)	24,395
Extraordinary gain	3,491	0	3,491	—	3,491	(156)	3,335
Extraordinary loss	2,333	36	2,379	73	2,453	—	2,453
Tax expense	8,527	137	8,664	1,745	10,419	—	10,419
Increase in tangible and intangible fixed assets	30,340	15,400	45,750	505	46,255	(2,067)	44,188

Notes:

- Ordinary income ("Total income" less extraordinary gain included in "Other income" in the consolidated statements of income) is presented in place of net sales of operating companies of other industry groups.
- "Other" includes business segments which are not included in the reportable segments and comprises credit cards business and securities business.
- Adjustments are as below:
 - Adjustment of segment profit of negative \$3,905thousand is the elimination of intersegment transactions.
 - Adjustment of segment assets of negative \$273,922thousand is the elimination of intersegment transactions.
 - Adjustment of segment liabilities of negative \$273,757thousand is the elimination of intersegment transactions.
 - Adjustment of interest income of negative \$5,246thousand is the elimination of intersegment transactions.
 - Adjustment of interest expense of negative \$1,231thousand is the elimination of intersegment transactions.
 - Adjustment of extraordinary gain of negative \$156thousand is the elimination of intersegment transactions.
- Segment profit is reconciled to ordinary profit, which represents ordinary income less ordinary expenses. Ordinary expenses represent "Total expenses" less extraordinary loss included in "Other expenses" in the consolidated statements of income. Therefore, consolidated segment profit, which shows ordinary profit, is reconciled to "Income before income taxes" through the addition/deduction of extraordinary gain/loss, net.

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

Millions of yen					
2020					
	Reportable segments		Other	Total	
	Banking	Leasing			
Impairment loss	¥ 99	¥ —	¥ —	¥ —	¥ 99

Millions of yen					
2019					
	Reportable segments		Other	Total	
	Banking	Leasing			
Impairment loss	¥ 2,101	¥ —	¥ —	¥ —	¥ 2,101

Thousands of U.S. dollars					
2020					
	Reportable segments		Other	Total	
	Banking	Leasing			
Impairment loss	\$ 909	\$ —	\$ —	\$ —	\$ 909

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

Millions of yen					
2020					
	Reportable segments		Other	Total	
	Banking	Leasing			
Amortization of goodwill	¥ —	¥ 27	¥ —	¥ —	¥ 27
Remaining balance	¥ —	¥ 55	¥ —	¥ —	¥ 55

Millions of yen					
2019					
	Reportable segments		Other	Total	
	Banking	Leasing			
Amortization of goodwill	¥ —	¥ 27	¥ —	¥ —	¥ 27
Remaining balance	¥ —	¥ 82	¥ —	¥ —	¥ 82

Thousands of U.S. dollars					
2020					
	Reportable segments		Other	Total	
	Banking	Leasing			
Amortization of goodwill	\$ —	\$ 248	\$ —	\$ —	\$ 248
Remaining balance	\$ —	\$ 505	\$ —	\$ —	\$ 505

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

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

(8) Related information**a. Information about services**

For the year ended 31st March, 2020

Millions of yen					
	Lending	Securities trading and investment	Leasing	Other	Total
Income from external customers	¥ 39,291	¥ 10,717	¥ 11,412	¥ 26,800	¥ 88,221

For the year ended 31st March, 2019

Millions of yen					
	Lending	Securities trading and investment	Leasing	Other	Total
Income from external customers	¥ 40,381	¥ 19,857	¥ 10,476	¥ 26,588	¥ 97,303

Note:

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

For the year ended 31st March, 2020

Thousands of U.S. dollars					
	Lending	Securities trading and investment	Leasing	Other	Total
Income from external customers	\$ 361,030	\$ 98,474	\$ 104,860	\$ 246,255	\$ 810,631

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, 2020 and 2019.

(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, 2020 and 2019.

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, 2020 and 2019.

31. Related Party Transactions

Transactions between a consolidated subsidiary and related parties:

SHIBUHICHI CO., LTD.

A director of the Company, Yasuki Hosomi and his relatives directly own 100% shares in SHIBUHICHI Co., Ltd. ("SHIBUHICHI"). SHIBUHICHI is located in Ikeda-city, Osaka, records share capital of ¥3 million (\$27 thousand) and is engaged in the property leasing business. Transactions and balances with SHIBUHICHI as of 31st March, 2020 and 2019 were summarized as follows.

2020					
Transactions			Balances		
Type of transaction	Millions of yen	Thousands of U.S. dollars	Account name	Millions of yen	Thousands of U.S. dollars
Loan	¥ –	\$ –	Loans on deeds	¥ 303	\$ 2,784
			Accrued income	¥ 0	\$ 0
			Unearned income	¥ 0	\$ 0

2019					
Transactions			Balances		
Type of transaction	Millions of yen	Thousands of U.S. dollars	Account name	Millions of yen	Thousands of U.S. dollars
Loan	¥ –	\$ –	Loans on deeds	¥ 316	\$ 2,847
			Accrued income	¥ 0	\$ 0
			Unearned income	¥ 0	\$ 0

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

32. Financial Instruments and Related Disclosures

1. General Information

(1) Policy for financial instruments

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

(2) Contents of financial instruments and their risks

Financial assets held by the Group mainly consist of loans to domestic corporate and individual customers, which are exposed to credit risk arising from customers' nonperformance of contractual obligations and interest rate movement risk. Securities held by the Group principally consist of equity securities, debt securities and investment trusts, which are held for pure investment purpose and strategic investment purpose as available-for-sale securities and partially, for holding to maturity and trading purposes. These financial assets are exposed to credit risk of issuers and market risk associated with interest rates, stock prices and foreign exchanges.

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

(3) Risk management system for financial instruments

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

a. Integrated risk management

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

b. Credit risk management

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

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

c. Market risk management

(i) Market risk management

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

The ALM Committee identifies and confirms the make-up of assets and liabilities and interest rate risk and discusses future measures. Specifically, the responsible department of the 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 ¥10.1 billion (\$92.8 million) for interest rate and ¥10.7 billion (\$98.3 million) for stocks at 31st March, 2020. The value of market risk as a whole with correlation in consideration was ¥31.1 billion (\$285.7 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.

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, 2020 and 2019 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, 2020	Carrying value	Fair value	Difference
Cash and due from banks	¥ 807,879	¥ 807,879	¥ —
Call loans and bills bought	6,651	6,651	—
Monetary claims bought (*1)	99	99	—
Trading account securities:			
Trading securities	50	50	—
Money held in trust	19,988	19,988	—
Securities:			
Available-for-sale securities	538,172	538,172	—
Loans and bills discounted	3,963,504		
Reserve for possible loan losses (*1)	(9,671)		
	3,953,832	3,955,576	1,743
Foreign exchange assets (*1)	5,468	5,468	0
Total assets	¥ 5,332,144	¥ 5,333,888	¥ 1,743
Deposits	¥ 4,987,885	¥ 4,987,851	¥ (34)
Borrowed money	209,104	209,087	(17)
Foreign exchange liabilities	556	556	—
Total liabilities	¥ 5,197,546	¥ 5,197,494	¥ (52)
Derivative transactions (*2)			
To which hedge accounting is not applied	¥ 149	¥ 149	¥ —
To which hedge accounting is applied	49	49	—
Total derivative transactions	¥ 199	¥ 199	¥ —

Millions of yen			
31st March, 2019	Carrying value	Fair value	Difference
Cash and due from banks	¥ 743,563	¥ 743,563	¥ —
Call loans and bills bought	7,127	7,127	—
Monetary claims bought (*1)	100	100	—
Trading account securities			
Trading securities	112	112	—
Money held in trust	27,003	27,003	—
Securities			
Held-to-maturity debt securities	1,000	1,005	5
Available-for-sale securities	600,853	600,853	—
Loans and bills discounted	3,913,086		
Reserve for possible loan losses (*1)	(12,627)		
	3,900,459	3,909,209	8,750
Foreign exchange assets (*1)	5,514	5,514	0
Total assets	¥ 5,285,733	¥ 5,294,489	¥ 8,756
Deposits	¥ 4,945,548	¥ 4,945,535	¥ (12)
Payables under securities lending transactions	87,321	87,321	—
Borrowed money	123,077	123,078	1
Foreign exchange liabilities	408	408	—
Total liabilities	¥ 5,156,355	¥ 5,156,345	¥ (10)
Derivative transactions (*2)			
To which hedge accounting is not applied	¥ 194	¥ 194	¥ —
To which hedge accounting is applied	(692)	(692)	—
Total derivative transactions	¥ (498)	¥ (498)	¥ —

Thousands of U.S. dollars

31st March, 2020	Carrying value	Fair value	Difference
Cash and due from banks	\$ 7,423,311	\$ 7,423,311	\$ —
Call loans and bills bought	61,113	61,113	—
Monetary claims bought (*1)	909	909	—
Trading account securities:			
Trading securities	459	459	—
Money held in trust	183,662	183,662	—
Securities:			
Available-for-sale securities	4,945,070	4,945,070	—
Loans and bills discounted	36,419,222		
Reserve for possible loan losses (*1)	(88,863)		
	36,330,350	36,346,375	16,015
Foreign exchange assets (*1)	50,243	50,243	0
Total assets	\$ 48,995,166	\$ 49,011,191	\$ 16,015
Deposits	\$ 45,831,893	\$ 45,831,581	\$ (312)
Borrowed money	1,921,381	1,921,225	(156)
Foreign exchange liabilities	5,108	5,108	—
Total liabilities	\$ 47,758,393	\$ 47,757,916	\$ (477)
Derivative transactions (*2)			
To which hedge accounting is not applied	\$ 1,369	\$ 1,369	\$ —
To which hedge accounting is applied	450	450	—
Total derivative transactions	\$ 1,828	\$ 1,828	\$ —

- (*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

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.

Derivative transactions:

See Note 33.

(Note 2) Financial instruments whose fair value is extremely difficult to determine at 31st March, 2020 and 2019 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
	2020	2019	2020
Unlisted equity securities (*1) (*2) ￥	5,880 ￥	6,064	\$ 54,029
Investments in partnerships (*3)	4,610	4,705	42,359
Other	5	5	45
Total ￥	10,496 ￥	10,775	\$ 96,443

(*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 ¥40 million (\$367 thousand) and ¥7 million for the years ended 31st March, 2020 and 2019, respectively.

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

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

Millions of yen			
31st March, 2020	Due in one year or less	Due after one year through three years	Due after three years through five years
Due from banks	¥ 747,450	¥ —	¥ —
Call loans and bills bought	6,651	—	—
Monetary claims bought (*1)	99	—	—
Securities:	87,817	148,690	96,264
Available-for-sale securities with maturities:	87,817	148,690	96,264
Government bonds	16,300	10,000	—
Local government bonds	6,915	39,674	48,461
Corporate bonds	64,079	98,398	45,314
Other	523	616	2,489
Loans and bills discounted (*1, 2)	784,137	655,281	467,083
Foreign exchanges assets	5,468	—	—
Total	¥ 1,631,625	¥ 803,971	¥ 563,347

Millions of yen			
31st March, 2020	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:	19,688	53,771	78,223
Available-for-sale securities with maturities:	19,688	53,771	78,223
Government bonds	—	—	—
Local government bonds	5,100	12,768	—
Corporate bonds	12,588	9,151	69,483
Other	2,000	31,852	8,739
Loans and bills discounted (*1, 2)	345,794	390,757	1,292,572
Foreign exchanges assets	—	—	—
Total	¥ 365,482	¥ 444,529	¥ 1,370,795

Millions of yen			
31st March, 2019	Due in one year or less	Due after one year through three years	Due after three years through five years
Due from banks	¥ 680,997	¥ —	¥ —
Call loans and bills bought	7,127	—	—
Monetary claims bought (*1)	100	—	—
Securities:	106,018	158,604	59,709
Held-to maturity debt securities:	1,000	—	—
Other	1,000	—	—
Available-for-sale securities with maturities:	105,018	158,604	59,709
Government bonds	47,642	16,300	—
Local government bonds	6,450	31,047	19,464
Corporate bonds	50,066	108,860	34,852
Other	860	2,397	5,391
Loans and bills discounted (*1, 2)	750,619	681,267	463,454
Foreign exchanges assets	5,514	—	—
Total	¥ 1,550,378	¥ 839,872	¥ 523,163

Millions of yen			
31st March, 2019	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:	8,953	120,468	64,326
Held-to maturity debt securities:	—	—	—
Other	—	—	—
Available-for-sale securities with maturities:	8,953	120,468	64,326
Government bonds	—	—	—
Local government bonds	2,570	—	—
Corporate bonds	3,307	4,759	53,755
Other	3,076	115,709	10,571
Loans and bills discounted (*1, 2)	324,319	392,069	1,268,508
Foreign exchanges assets	—	—	—
Total	¥ 333,273	¥ 512,538	¥ 1,332,834

Thousands of U.S. dollars			
31st March, 2020	Due in one year or less	Due after one year through three years	Due after three years through five years
Due from banks	\$ 6,868,051	\$ —	\$ —
Call loans and bills bought	61,113	—	—
Monetary claims bought (*1)	909	—	—
Securities:	806,919	1,366,259	884,535
Available-for-sale securities with maturities:	806,919	1,366,259	884,535
Government bonds	149,774	91,886	—
Local government bonds	63,539	364,550	445,290
Corporate bonds	588,799	904,144	416,374
Other	4,805	5,660	22,870
Loans and bills discounted (*1, 2)	7,205,154	6,021,143	4,291,858
Foreign exchanges assets	50,243	—	—
Total	\$ 14,992,419	\$ 7,387,402	\$ 5,176,394

Thousands of U.S. dollars			
31st March, 2020	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:	180,906	494,082	718,763
Available-for-sale securities with maturities:	180,906	494,082	718,763
Government bonds	—	—	—
Local government bonds	46,862	117,320	—
Corporate bonds	115,666	84,085	638,454
Other	18,377	292,676	80,299
Loans and bills discounted (*1, 2)	3,177,377	3,590,526	11,876,982
Foreign exchanges assets	—	—	—
Total	\$ 3,358,283	\$ 4,084,618	\$ 12,595,745

(*1) Loans and bills discounted and monetary claims bought do not include ¥27,878 million (\$256,160 thousand) and ¥32,847 million of receivables such as those due from bankrupt, effectively bankrupt or likely to become bankrupt borrowers at 31st March, 2020 and 2019, 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, 2020	Due in one year or less	Due after one year through three years	Due after three years through five years
Deposits (*1)	¥ 4,744,304	¥ 199,033	¥ 18,543
Borrowed money	112,149	2,978	93,976
Total	¥ 4,856,454	¥ 202,011	¥ 112,519

Millions of yen			
31st March, 2020	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Deposits (*1)	¥ 257	¥ 251	¥ —
Borrowed money	—	—	—
Total	¥ 257	¥ 251	¥ —

Millions of yen			
31st March, 2019	Due in one year or less	Due after one year through three years	Due after three years through five years
Deposits (*1)	¥ 4,684,197	¥ 212,306	¥ 21,661
Payables under securities lending transactions	87,321	—	—
Borrowed money	22,653	99,504	919
Total	¥ 4,794,172	¥ 311,810	¥ 22,580

Millions of yen			
31st March, 2019	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Deposits (*1)	¥ 656	¥ 272	¥ —
Payables under securities lending transactions	—	—	—
Borrowed money	—	—	—
Total	¥ 656	¥ 272	¥ —

Thousands of U.S. dollars			
31st March, 2020	Due in one year or less	Due after one year through three years	Due after three years through five years
Deposits (*1)	\$ 43,593,714	\$ 1,828,843	\$ 170,385
Borrowed money	1,030,497	27,363	863,511
Total	\$ 44,624,221	\$ 1,856,206	\$ 1,033,896

Thousands of U.S. dollars			
31st March, 2020	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Deposits (*1)	\$ 2,361	\$ 2,306	\$ —
Borrowed money	—	—	—
Total	\$ 2,361	\$ 2,306	\$ —

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

Deposits do not include ¥25,495 million (\$234,264 thousand) and ¥26,454 million of time deposits beyond maturity at 31st March, 2020 and 2019, respectively.

33. Derivatives

1. Derivative transactions to which hedge accounting is not applied

With respect to derivatives to which hedge accounting is not applied, contract amount or notional principal, fair value and related valuation gain or loss 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, 2020 and 2019

Millions of yen				
Contract amount /notional principal				
31st March, 2020	Total	Over one year	Fair value	Valuation gain (loss)
Over-the-counter transactions:				
Currency swaps	¥ 59,500	¥ 45,391	¥ 142	¥ 142
Forward foreign exchange contracts:				
Selling	7,421	—	(85)	(85)
Buying	5,925	—	92	92
Currency options:				
Selling	43,325	29,697	(1,132)	859
Buying	43,325	29,697	1,132	(397)
Total	—	—	¥ 149	¥ 611

Millions of yen				
Contract amount /notional principal				
31st March, 2019	Total	Over one year	Fair value	Valuation gain (loss)
Over-the-counter transactions:				
Currency swaps	¥ 47,944	¥ 42,420	¥ 185	¥ 185
Forward foreign exchange contracts:				
Selling	7,514	51	(26)	(26)
Buying	3,255	51	35	35
Currency options:				
Selling	37,792	21,732	(1,090)	735
Buying	37,792	21,732	1,090	(374)
Total	—	—	¥ 194	¥ 555

Thousands of U.S. dollars				
Contract amount /notional principal				
31st March, 2020	Total	Over one year	Fair value	Valuation gain (loss)
Over-the-counter transactions:				
Currency swaps	\$ 546,724	\$ 417,081	\$ 1,304	\$ 1,304
Forward foreign exchange contracts:				
Selling	68,188	—	(781)	(781)
Buying	54,442	—	845	845
Currency options:				
Selling	398,097	272,875	(10,401)	7,893
Buying	398,097	272,875	10,401	(3,647)
Total	—	—	\$ 1,369	\$ 5,614

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. Derivative transactions to which hedge accounting is applied

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

(1) Interest related derivatives at 31st March, 2020 and 2019

There were no interest related derivatives at 31st March, 2020.

31st March, 2019		Millions of yen			
		Contract amount /notional principal			
Hedge accounting method	Transaction type	Major hedged item	Total	Over one year	Fair value
Fair value hedge accounting	Interest rate swaps: Receivable floating rate/ Payable fixed rate	Securities denominated in foreign currencies	¥ 49,945	¥ 49,945	¥ (817)
Total			—	—	¥ (817)

Note:

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

(2) Currency related derivatives at 31st March, 2020 and 2019

31st March, 2020		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	¥ 9,587	¥ 4,146	¥ 49
	Forward foreign exchange contracts	—	—	—	—
Total			—	—	¥ 49

31st March, 2019		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	¥ 13,440	¥ 9,778	¥ 125
	Forward foreign exchange contracts	—	—	—	—
Total			—	—	¥ 125

31st March, 2020		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	\$ 88,091	\$ 38,096	\$ 450
	Forward foreign exchange contracts	—	—	—	—
Total			—	—	\$ 450

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.

34. Amounts per Share

Amounts per share at 31st March, 2020 and 2019 and for the years then ended were summarized as follows:

	Yen		U.S. dollars
	2020	2019	2020
Net assets	¥ 729.15	¥ 748.83	\$ 6.69
Net income:			
Basic	11.40	18.40	0.10
Diluted	11.39	17.66	0.10
Cash dividends			
Common stock	¥ 7.5	¥ 15	\$ 0.06
Third-class preferred stock	¥ –	¥ 35	\$ –
First series of seventh-class preferred stock	¥ 30	¥ 30	\$ 0.13

Net assets per share as of 31st March, 2020 and 2019 were computed based on the following information:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Total net assets	¥ 232,373	¥ 236,462	\$ 2,135,192
Payment for first series of seventh-class preferred stock	(25,000)	(25,000)	(229,716)
Dividends for first series of seventh-class preferred stock	(375)	(375)	(3,445)
Stock subscription rights	(79)	(71)	(725)
Non-controlling interests	(2,223)	(1,969)	(20,426)
Amounts to be deducted from total net assets	(27,677)	(27,416)	(254,314)
Net assets attributable to common stock as of 31st March, 2019 and 2018	¥ 204,696	¥ 209,046	\$ 1,880,878
Number of shares of common stock as of 31st March, 2019 and 2018 used to compute net asset per share (Unit: thousand shares)	280,731	279,163	

Net income per share for the years ended 31st March, 2020 and 2019 are computed based on the following information:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Net income attributable to owners of the parent for the year	¥ 3,943	¥ 6,139	\$ 36,230
Dividends for third-class preferred stock based on the resolution by Board of Directors	–	(262)	–
Dividends for first series of seventh-class preferred stock based on the resolution by Board of Directors	(375)	(375)	(3,445)
Dividends for first series of seventh-class preferred stock based on the resolution at the regular general shareholders' meeting	(375)	(375)	(3,445)
Amounts not attributed to common stock share	(750)	(1,012)	(6,891)
Net income attributable to owners of the parent attributable to common stock	¥ 3,193	¥ 5,127	\$ 29,339
Average outstanding number of shares of common stock (Unit: thousand shares)	280,142	278,580	2,574,124
Diluted net income per share after adjusting potential shares			
Dividends for first series of seventh-class preferred stock based on the resolution by Board of Directors	–	375	–
Dividends for first series of seventh-class preferred stock based on the resolution at the regular general shareholders' meeting	–	375	–
Adjustment to net income attributable to owners of the parent	¥ –	¥ 750	\$ –
Number of increased common stock (Unit: thousand shares)	236	54,090	
Of which, stock subscription rights	236	211	
Of which, for first series of seventh-class preferred stock	–	53,879	
Summary of potential shares excluded from the calculation of diluted net income per share due to their anti-dilutive effect	first series of seventh-class preferred stock 53,879	–	

(Unit: thousand shares)

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 2,282 thousand shares for the year ended 31st March, 2019 and 583 thousand shares for the year ended 31st March, 2020. The number of treasury stock at the end of the fiscal year subtracted for the calculation of net assets per share is 1,546 thousand shares for the year ended 31st March, 2019 and there were no treasury stocks for the year ended 31st March, 2020.

Report of Independent Auditor

Senshu Ikeda Holdings, Inc.



Independent Auditor's Report

The Board of Directors
Senshu Ikeda Holdings, Inc..

Opinion

We have audited the accompanying consolidated financial statements of Senshu Ikeda Holdings, Inc. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheets as at March 31, 2020, and the consolidated statements of operations, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

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

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

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

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



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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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



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

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

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

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

June 24, 2020

南 波 秀 哉 (印)
/s/Hideya Nanba
Designated Engagement Partner
Certified Public Accountant

刀 禰 哲 朗 (印)
/s/Tetsuro Tone
Designated Engagement Partner
Certified Public Accountant

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

Non-consolidated Balance Sheets (Unaudited)

The Senshu Ikeda Bank, Ltd.
As of 31st March, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Assets			
Cash and due from banks	¥ 804,194	¥ 740,142	\$ 7,389,451
Call loans and bills bought	6,651	7,127	61,113
Monetary claims bought	99	100	909
Trading account securities	50	112	459
Money held in trust	19,988	27,003	183,662
Securities	566,004	629,846	5,200,808
Loans and bills discounted	3,983,560	3,926,357	36,603,510
Foreign exchange assets	5,468	5,514	50,243
Other assets	36,763	41,439	337,802
Tangible fixed assets	33,247	34,864	305,494
Intangible fixed assets	5,139	5,195	47,220
Prepaid pension cost	11,667	10,347	107,203
Deferred tax assets	8,440	8,123	77,552
Customers' liabilities for acceptances and guarantees	8,210	8,492	75,438
Reserve for possible loan losses	(8,188)	(8,587)	(75,236)
Reserve for possible investment losses	(1,934)	(1,874)	(17,770)
Total assets	¥ 5,479,366	¥ 5,434,204	\$ 50,347,937
Liabilities and net assets			
Liabilities			
Deposits	¥ 5,007,681	¥ 4,990,415	\$ 46,013,792
Negotiable certificates of deposit	27,800	—	255,444
Payables under securities lending transactions	—	87,321	—
Borrowed money	198,571	112,276	1,824,597
Foreign exchange liabilities	556	408	5,108
Other liabilities	24,419	18,829	224,377
Provision for employees' bonuses	1,014	1,035	9,317
Accrued retirement benefits for directors and audit & supervisory board members	4	7	36
Reserve for reimbursement of deposits	519	611	4,768
Reserve for point services	56	141	514
Reserve for contingent losses	873	799	8,021
Acceptances and guarantees	8,210	8,492	75,438
Total liabilities	5,269,708	5,220,340	48,421,464
Net assets			
Shareholders' equity:			
Capital stock	61,385	61,385	564,044
Capital surplus	88,862	88,862	816,521
Retained earnings	54,180	54,862	497,840
Total shareholders' equity	204,429	205,110	1,878,425
Net unrealized gain (loss) on available-for-sale securities	5,399	8,889	49,609
Net unrealized gain (loss) on deferred hedges	(170)	(136)	(1,562)
Total valuation and translation adjustments	5,228	8,753	48,038
Total net assets	209,657	213,864	1,926,463
Total liabilities and net assets	¥ 5,479,366	¥ 5,434,204	\$ 50,347,937

Non-consolidated Statements of Operations (Unaudited)

The Senshu Ikeda Bank, Ltd.

For the years ended 31st March, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Income			
Interest income:			
Interest on loans and bills discounted	¥ 39,325	¥ 40,348	\$ 361,343
Interest and dividends on securities	5,922	8,937	54,415
Other interest income	616	514	5,660
Fees and commissions	17,398	16,455	159,864
Other operating income	4,949	3,642	45,474
Reversal of provision for possible loan losses	—	501	—
Recoveries of written-off claims	585	501	5,375
Gain on sales or disposal of fixed assets	363	10	3,335
Other income	2,634	10,436	24,202
Total income	71,796	81,348	659,707
Expenses			
Interest expenses:			
Interest on deposits	1,450	1,752	13,323
Interest on borrowings and rediscounts	218	345	2,003
Other interest expenses	949	2,975	8,720
Fees and commissions	9,357	8,800	85,978
Other operating expenses	8,835	11,717	81,181
General and administrative expenses	42,112	43,179	386,952
Loss on sales or disposal of fixed assets	23	114	211
Loss on impairment of fixed assets	99	2,101	909
Other expenses	5,480	4,587	50,353
Total expenses	68,526	75,574	629,660
Income before income taxes	3,269	5,774	30,037
Income taxes			
Current	(190)	(40)	(1,745)
Deferred	204	100	1,874
Total income taxes	14	60	128
Net income	¥ 3,254	¥ 5,713	\$ 29,899



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