

SIHD REPORT



ANNUAL REPORT 2021

Year Ended March 31, 2021



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 strong support. I would also like to express my heartfelt sympathy to those damaged by the novel coronavirus (COVID-19).

Senshu Ikeda Holdings Group had positioned the three years from FY2018 to FY2020 as a period for strengthening our business structure. To earn stable profits from our core banking business while significantly restraining securities investment, we had been reforming profit structure, such as revising branch management. As a result, despite the significant impact of COVID-19, we recorded net income of ¥5.1 billion yen for the fiscal year ended March 2021 (FY2020). Core business profit has continued to increase after shifting to surplus. We had succeeded in the Fourth Medium-Term Business Plan and strengthen our business structure.

In May 2021, we formulated the Fifth Medium-Term Business Plan and positioned “growth strategy and productivity improvement” as our key strategy. We will promote “customer-oriented” sales policies, as our main theme, “establish and provide thorough solutions.” We will respond quickly our customers’ needs and create business opportunities for the Group by solving our customers’ issues, although the business environment change dramatically, such as domestic working-age population decline, digitalization, global competition intensification, COVID-19 epidemic and decarbonization.

In light of the recent rise in awareness of environmental and other social issues, the Group will accelerate to contribute to the realization of sustainable regional communities through our core business.

We have expressed this determination as “Sustainability Declaration.” Since The Group grow by the realization of sustainable regional communities, we will promote mutual understanding with our stakeholders while clarifying the promotion system.

All of our officers and employees will strive to become a financial group endeared by the regional communities. Appreciate your continued patronage and support.

Atsushi Ukawa
Representative Director, President and CEO
June, 2021

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

Launch the Fifth Medium-Term Business Plan

To realize Vision '25

In May 2020, 10th anniversary of the merger, the Group formulated Vision '25 as ourselves future image toward 2025, a year of great growth of Expo 2025. After strengthening our business structure under the Fourth Medium-Term Business Plan, the Group aims to achieve our growth strategy under the Fifth Medium-Term Business Plan toward Vision '25.

2018

2020

Vision '25

Fourth Medium-Term Business Plan

1st Arrow Completed

2nd Arrow Completed

3rd Arrow

Summary of the Fourth Medium-Term Management Plan

1st Arrow (Balance sheet issues)

Completed in FY2018

Dispose unrealized losses on securities thoroughly ▶ Posted net unrealized gains on available-for-sale securities

(¥ billion)

	FY2017	FY2018	FY2019	FY2020
Net unrealized gains (losses) on available-for-sale securities	(11.7)	+0.5	+1.7	+5.0

2nd Arrow (Profit and loss statement issues)

Completed in FY2019

Revise branch management ● Completed introduction of branch-in-branch system and area system ● Improve the efficiency of branch operations

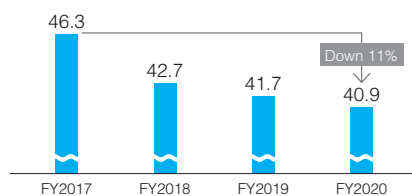
3rd Arrow

Announced in May 2020

Become a financial institution for regional communities and customers by offering thorough solutions

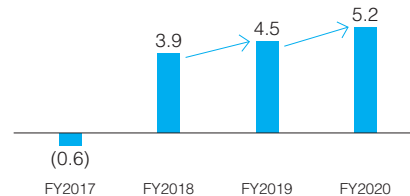
Looking ahead the next 10 years, we formulated "Vision '25" as ourselves future image toward 2025, the year of growth in Osaka and Kansai

Costs (¥ billion)



Period of Fourth Medium-Term Business Plan

Core business profit (Profits from customer service operations) (¥ billion)



Period of Fourth Medium-Term Business Plan

2021

2023

2025

2030

Fifth Medium-Term Business Plan

Realize Vision '25

Expo 2025

SDGs



Balance sheet of potentials

Advantages

Prosperous business areas

- Market (economic scale, gateway to Asia)
- Innovation (Concentration of universities & research institutions, many business openings)
- Wealthy elderly, SMEs in diverse industries

Growth opportunities

Umekita Second Phase (from 2024) Expo 2025



A hub of greenery and innovation

A living lab for a future society

Services, products

- Employment support, business succession, M&A support, etc.
- Senshu Ikeda Tokai Tokyo Securities, Shizen Soken, etc.

Alliances

Open collaboration/open innovation

- Industry, academia, government, etc.
- Other industries



Resources

- Diverse human resources
- High added value
- Strategic partners



Future social issues and customer needs



- Extension of asset life
- Sound asset formation
- Dementia and nursing care
- Smooth succession of assets



- Founders aging
- Mobility and polarization of human resources
- "New normal"
- Digital transformation, globalization



- Achieve SDGs and ESGs
- Generate innovation, revitalize regions through Expo 2025
- Structural regional issues, including low birthrate and aging population, and urban development

Thorough solutions

Expand the balance sheet of potentials with multiple networks and human resources development → High quality solutions

Realize Vision '25 (Fifth Medium-Term Business Plan)

Outline of Fifth Medium-Term Business Plan (FY2021 to FY2023)

Senshu Ikeda Holdings has formulated the Fifth Medium-Term Business Plan to realize growth strategy and productivity improvement.

We will continue to challenge the changing future society boldly.

To realize Vision '25

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

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

Strategic Priorities (growth strategies, productivity improvement)

- Establish and provide thorough solutions**
 Senshu Ikeda Holdings Group's comprehensive solutions sales structure (Established 5 divisions) Strengthen the holding group's functions
 - Swiftly provide comprehensive solutions by the Group
 - Demonstrate group synergy
 - Please refer to p.5 for details
- Thorough customer-oriented policy**
 - Reform the bank's sales structure to implement the thorough solutions stated in Vision '25
 - Disseminate and establish a customer-oriented and site-oriented sales structure and awareness reform (On-site: customer-oriented policy, Headquarters: site-oriented policy)
- Establish a structure for the Fifth Medium-Term Business Plan**
 Improve customer convenience and optimize operations/ counter-measures to COVID-19
 - Improve customer convenience by utilizing tablet devices
 - Promote rationalization and optimization of sales branches for 1,800 employees members
 - Human resource development for branch management with a small number of employees
- Human resources strategy**
 Human resource strategy / bank staff and human resource solution planning
 - Improve talent and engagement to support Vision '25
 - Respond to changes in age structure and employment environment
 - Advance human resource management
 - Diversity & inclusion
 - Create an organizational culture that encourages challenges and growth
- Capital and dividend policy**
 - Shareholder Return Policy
 - Dividend of ¥7.5 or more per share ▶ Shareholder return ratio of 30% or more
 - Capital policy
 - Preferred stock ¥25.0 billion acquired and retired on the call date (cost: - ¥750 million) (scheduled for July 2022)
- Sustainable management**
 - Formulate Senshu Ikeda Holdings Group's Sustainability Declaration.
 - See p.7 for details.

FY2023 Targets (changes from FY2020)

Senshu Ikeda Holdings (consolidated)

Net income*	¥7.0 billion (approx. +¥2.0 billion)
ROE	First half of 3% (approx. +1.0%)
Capital adequacy ratio	Half of 11% (approx. +2.0%)

Senshu Ikeda Bank (non-consolidated)

Core banking profit	¥11.5 billion (approx. +¥2.0 billion)
Core business profit	¥7.0 billion (approx. +¥2.0 billion)
Core OHR	78% level (approx. -3.0%)

*Net income = profit attributable to owners of the parent

Establish and provide thorough solutions

To provide thorough solutions, Senshu Ikeda Holdings Group has established five divisions to oversee the Group. We will strive to swiftly provide solutions by the Group, demonstrate Group synergy, respond quickly to changes in the environment, issues and needs, and boldly challenge changing future society.

Senshu Ikeda Holdings

Bank

Senshu Ikeda Bank, Ltd.

Securities

Senshu Ikeda Tokai Tokyo Securities Co., Ltd.

Leasing

Senshu Ikeda Lease Co., Ltd.

Credit card

Senshu Ikeda credit card companies

Capital

Senshu Ikeda Capital Co., Ltd.

Investment management

Senshu Ikeda Investment Management Co., Ltd.

Credit guarantee

Senshu Ikeda Guarantee Co., Ltd.

ATM management

Station Network Kansai Co., Ltd.

Non-financial services

Shizen Soken Co., Ltd.

Divisions

Retail Division

Major roles

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

Private Banking Division

Major roles

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

Corporate Solutions Division

Major roles

Provide accompany solutions to corporate customers

Customer Contact Division

Major roles

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

Regional Co-Revitalization Division

Major roles

Develop regional communities and industries
Generate innovation

Provide and establish solutions

1 For asset builders:

Strengthen very convenient face-to-face and non-face-to-face channels

2 For the elderly:

Support healthy and fulfilling lives by create a safe and secure environment

3 Integrated services of banking and securities:

Expand the range of products that can be handled, and build a sales and consulting structure that meets a wide range of customer needs

2,300 cases

4,000 cases (+1,700 compared to FY2020)

FY2020

FY2021

FY2022

FY2023

FY2025

1 The wealthy class: High value-added, tailor-made solutions

► Develop wealth management solutions

450 cases

650 cases (+200 compared to FY2020)

FY2020

FY2021

FY2022

FY2023

FY2025

1 Provide accompany solutions which address issues and needs at each life stage of company, based on business feasibility.

2 Strengthen M&A solutions (including hands-on solutions)

3 Strengthen human resource solutions to meet the diverse human resource needs of companies

1900 cases

5700 cases (+3,800 compared to FY2020)

FY2020

FY2021

FY2022

FY2023

FY2025

1 Expand sales area efficiently

2 New channel with customers

3 Strengthen a sales ability by digital technology

4 Build “Senshu Ikeda” brand

1 Generate innovation

► Generate innovation and revitalize regions through unique venture and startup support programs

2 Industry/regional revitalization

► Solve regional social issues through public-private partnerships

► Leverage regional growth opportunities to support the growth of regional companies

Number of cases of solution consulting: 10,000 in FY2025 (+6,000 compared to FY2020)

Efforts to
achieve SDGs
and ESGs

"Sustainability Declaration"

Management Philosophy

Vision '25

Sustainability Declaration

Based on our management philosophy, We will solve regional issues through our business activities by utilizing a wide range of partnerships. We will strive to contribute to realize sustainable regional communities and achieve ourselves sustainable growth.



Significance of the initiatives

- Contribute to achieve the SDGs in the region by working to solve regional issues through a wide range of partnerships.
- Realize sustainable regional communities and the Group grow.

Customers

Regions

Investors

Key issues (materiality) of the SDGs and specific initiatives

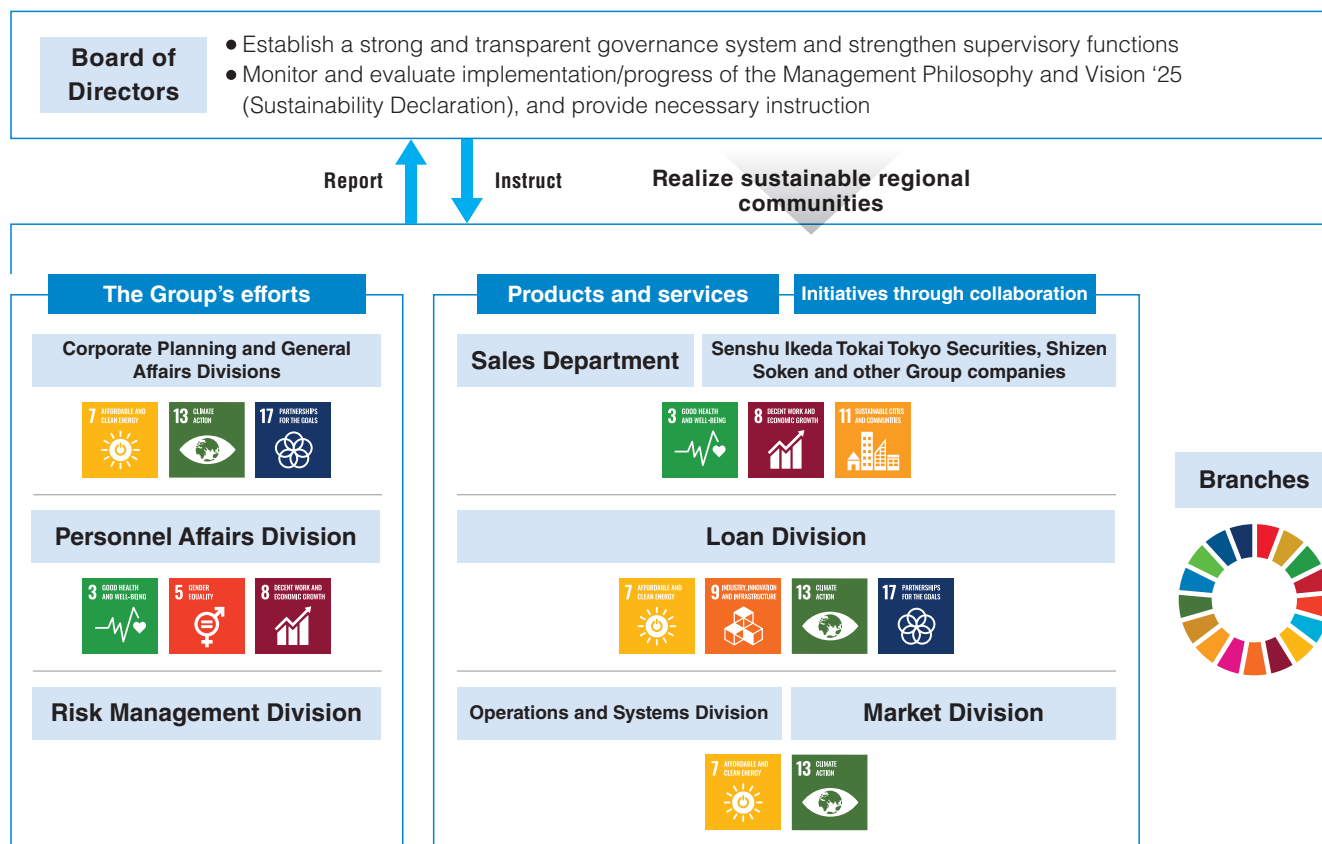
Themes	Basic policies	Key issues (materiality)
Regional communities (S)	<p>Contribute to regional revitalization through comprehensive solutions</p> <p>Specific initiatives</p> <ul style="list-style-type: none"> ■ Provide sincere solutions ■ Formation, utilization, management and succession of assets utilize alliances within and outside the Group ■ Accompany solutions based on business feasibility evaluation ■ Drive innovation by supporting ventures and startups ■ Build a regional ecosystem through industry-government-academia collaboration toward World Expo 2025 	 Good health and well-being Decent work and economic growth Industry, innovation and infrastructure Sustainable cities and communities Partnerships for the goals
Environment (E)	<p>Address environmental issues through our core business of financial services and conducting our business activities with an emphasis on the environment</p> <p>Specific initiatives</p> <ul style="list-style-type: none"> ■ Contribute to solve environmental issues by financing renewable energy and other projects ■ Provide home loans and other financial products that address the threat of natural disasters ■ Business activities with an emphasis on the environment, such as switching to led lighting 	 Affordable and clean energy Climate action
Human resources (S)	<p>Provide solutions to human resource issues for regional communities and customers</p> <p>Promote diversity and inclusion</p> <p>Specific initiatives</p> <ul style="list-style-type: none"> ■ Provide solutions for human resource issues of aging founders and business succession ■ Promote the activities of diverse human resources and women within the Group ■ Expand opportunities for senior human resources to be active ■ Employees' health promoting action (health management) 	 Good health and well-being Gender equality Decent work and economic growth

Corporate governance (governance and management base) p.7 (G)



Sustainable management promotion system

Senshu Ikeda Holdings Group will contribute to realize sustainable regional communities through our core business.



SDGs Topics

Toyono Town in Osaka Prefecture and Senshu Ikeda Bank sign "Revitalization Cooperation Agreement Leading to the Future"

Toyono Town in Osaka Prefecture and Senshu Ikeda Bank have concluded the "Town Revitalization Cooperation Agreement For the Future" to improve residents services and promote regional communities revitalization. Toyono Town conclude a partnership agreement with any private company, including a financial institution for the first time.

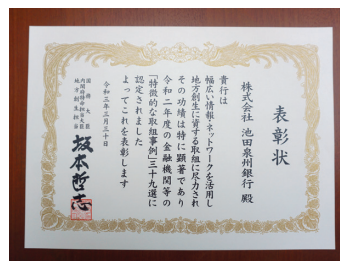
We will tackle regional issues, such as vacant houses while aiming to create a town where kind to the elderly and easy to raise children.



Award from the Cabinet Office for our initiatives to contribute to regional revitalization

Senshu Ikeda Bank received an award from Tetsushi Sakamoto, Minister in charge of Regional Revitalization.

The Headquarters of the Revitalization of Towns, People, and Workplaces, Cabinet Office Secretariat selected our initiatives to hold recruitment interview for international students as one of the "Distinctive Efforts by Financial Institutions for Regional Revitalization in FY2020."



Achievements in 2020

293 individual interviews

23 students newly employed by **18** companies

(32 companies and 221 international students participated)

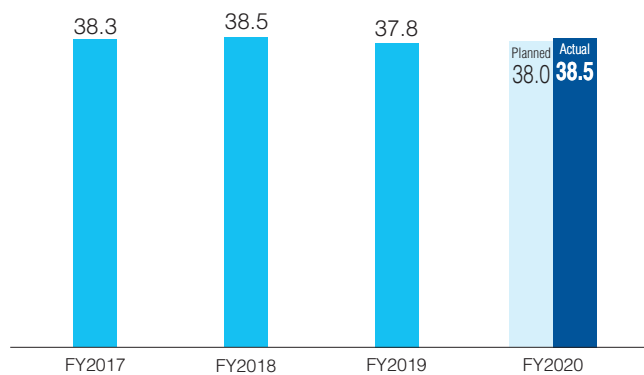
FY2020 Financial Results

Net profit ¥5.1 billion (+¥1.2 billion year-on-year)

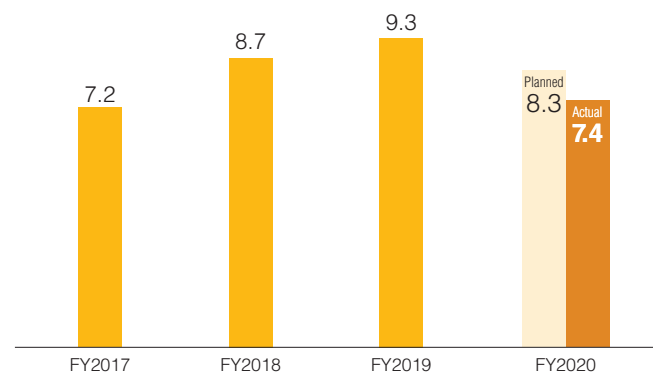
*Despite a precautionary allowance for doubtful accounts to uncertainty over the impact of COVID-19, we have achieved an increase of ¥1.1 billion from the plan.

Business Performance

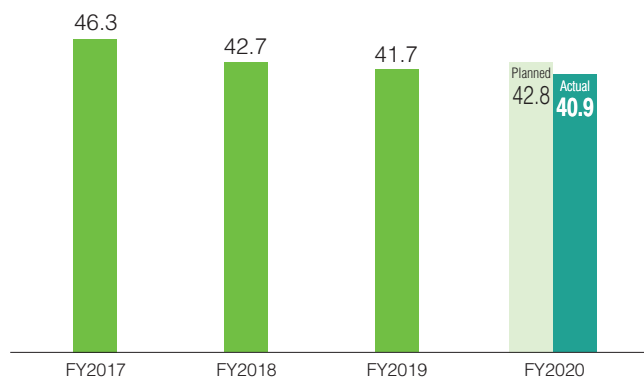
Net interest margin
¥38.5 billion (+¥0.7 billion year-on-year)
(¥ billion)



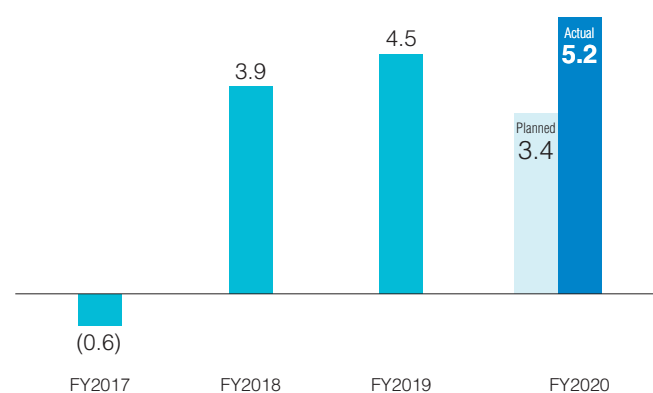
Non-interest income
¥7.4 billion (-¥1.9 billion year-on-year)
(¥ billion)



Cost reduction
¥40.9 billion (-¥0.8 billion year-on-year)
(¥ billion)



Core business profit*
¥5.2 billion (+¥0.7 billion year-on-year)
(¥ billion)



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

Corporate Governance

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

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

Outline of Corporate Governance Structure and Reasons for Adopting the Structure

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

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

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

Corporate governance functions within the Company

● Board of Directors

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

● Personnel Committee

The Personnel Committee has been established to deliberate matters including the selection of candidates for directors. The Committee is comprised of 5 directors including 1 internal director and 4 outside directors. As a voluntary advisory body to the Board of Directors, the Committee accepts the involvement and advice of independent outside directors, 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 6 directors including 2 internal directors and 4 outside directors. The Remuneration Committee, as a voluntary advisory body to the Board of Directors, accepts the involvement and advice of independent outside directors, for the purpose of ensuring the objectivity and transparency of board functions and strengthening corporate governance.

● Audit & Supervisory Board

The Audit & Supervisory Board is comprised of 4 audit & supervisory board members including 2 internal audit & supervisory board members and 2 outside audit & supervisory board members. Each audit & supervisory board member audits the business execution of directors through attendance at important meetings including the Board of Directors and the Management Committee, inspection of critical documents and other means, according to the auditing guidelines and audit plan decided by the Audit & Supervisory Board. Outside audit & supervisory board members are qualified with a high degree of integrity along with superior insight and capability, as well as expertise and hands-on experience in their respective areas of specialty, providing advice on management from diverse points of view.

● Management Committee

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

(List of members, etc. of each body)

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

* ◎: Chairman ○: Member ●: Observer

Status of Audits

● Audits by audit & supervisory board members

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

The Audit & Supervisory Board is comprised of 2 internal and 2 outside members (3 outside members in FY2020). The Company has allocated several staff members who support the duties of audit & supervisory board members.

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

Position	Name	Experience, etc.	Attendance at the Audit & Supervisory Board Meetings in the fiscal year under review
Audit & Supervisory Board Member (Full-time)	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 the Market Department and Sales Department. As Executive Officer, he successively held the positions of Officer in charge of the 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% (19/19)
Audit & Supervisory Board Member (Full-time)	Satoshi Kitagawa	Mr. Satoshi Kitagawa assumed the position of Executive Officer of The Senshu Ikeda Bank, Ltd., a Group company, after having served as General Manager of the Loan Division. He assumed the position of Audit & Supervisory Board Member of the bank in June 2013 and subsequently held the position of Audit & Supervisory Board Member at Group companies. He has a track record of serving as Audit & Supervisory Board Member for many years.	92% (13/14)
Audit & Supervisory Board Member (Outside)	Toshiaki Sasaki	Mr. Toshiaki Sasaki has abundant experience and a wide range of insight through his experience as an audit & supervisory board member at financial institutions for many years.	100% (19/19)
Audit & Supervisory Board Member (Outside)	Seiji Morinobu	Mr. Seiji Morinobu has a wide range of experience and insight as an attorney.	100% (19/19)
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.	100% (19/19)

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 19 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 the headquarters.

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

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

● Internal Audits

The Company has established the Internal Audit Division, which conducts internal audits based on the basic rules of intra-group audits, set out to provide objectives and guidelines of internal audits. The Company's Internal Audit Division comprises 10 members of whom 9 serve

concurrently in the Internal Audit Division of the banking subsidiary (as of March 31, 2021). The Internal Audit Division conducts internal audits on each division of the Company based on the internal audit plan approved by the Board of Directors each year. The Internal Audit Division also conducts internal audits on each Group company, as necessary, on its own or by cooperating and coordinating with internal audit divisions of the subsidiaries, etc. and provides specific instructions and advice on the improvement of operations, in addition to managing and overseeing internal audit operations of the entire Group. Furthermore, the results of the audits are regularly reported to the Board of Directors.

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

● Accounting Audits

Name of the auditing firm

Ernst & Young ShinNihon LLC

Successive period of audit services provided

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

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

Certified public accountants who conducted the latest accounting audit

Mr. Hideya Nanba and Mr. Tetsuro Tone

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

Composition of assistants for the accounting audit

Assistants for the accounting audit of the Company are 7 certified public accountants and 32 others.

Policy and reasons for selecting the auditing firm

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

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

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

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

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

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

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

Status of Outside Officers

The Company has 4 outside directors.

Outside Director Minoru Furukawa holds 17,900 shares of common stock of the Company and has ordinary banking transactions with The Senshu Ikeda Bank. He also concurrently serves as an officer at Hitachi Zosen Corporation, Unitika Corporation, and The Midori Kai Co. Ltd. The Senshu Ikeda Bank has ordinary banking transactions with Hitachi Zosen Corporation, Unitika Corporation and The Midori Kai Co., Ltd, and has concluded a temporary staff dispatch contract with The Midori Kai Co., Ltd.

As an outside director of the Company, he performs his duties of supervising the business execution based on his extensive experience and superior insight into corporate management as a representative director 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 17,900 shares of common stock of the Company and has ordinary banking transactions with The Senshu Ikeda Bank. He previously served as an officer at Hitachi, Ltd. and Hitachi Solutions, Ltd. The Senshu Ikeda Bank has ordinary banking transactions and commissions of system development and operation with Hitachi, Ltd. and Hitachi Solutions, Ltd.; and the Company has a capital relationship with Hitachi, Ltd.

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

Outside Director Tomokazu Yamazawa holds 18,640 shares of common stock of the Company and has ordinary banking transactions with The Senshu Ikeda Bank. He previously 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 and superior insight into corporate management as a representative director. He also concurrently serves as a non-executive director (non-full-time) at The Senshu Ikeda Bank.

Outside Director Atsuko Ogasawara holds 1,900 shares of common stock of the Company and has ordinary banking transactions with The Senshu Ikeda Bank.

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

The Company has 2 outside audit & supervisory board members

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

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

Outside Audit & Supervisory Board Member Kohei Nakanishi holds 7,100 shares of common stock of the Company and has ordinary banking transactions with The Senshu Ikeda Bank. He previously served as an officer at Japan Bank for International Cooperation ("JBIC"). Although The Senshu Ikeda Bank has concluded a memorandum of understanding with JBIC for supporting Japanese firms with expanding overseas, no consideration arises from transactions under the memorandum.

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

The Company has set forth the following standards for the independence of outside directors and outside audit &

supervisory board members (hereinafter “outside officers”) in order to objectively determine their independence and elects outside officers on the basis of these standards. All 6 outside officers, namely outside directors Minoru Furukawa, Takao Koyama, Tomokazu Yamazawa, and Atsuko Ogasawara and outside audit & supervisory board members Seiji Morinobu and Kohei Nakanishi, satisfy the standards for the independence. They have been designated as independent officers and registered with the Tokyo Stock Exchange as such, as they satisfy the requirements of independence stipulated by the relevant stock exchange and pose no potential conflict of interests with general shareholders.

<Standard for judging the independence>

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

1. A person who deems the Group to be a 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.”

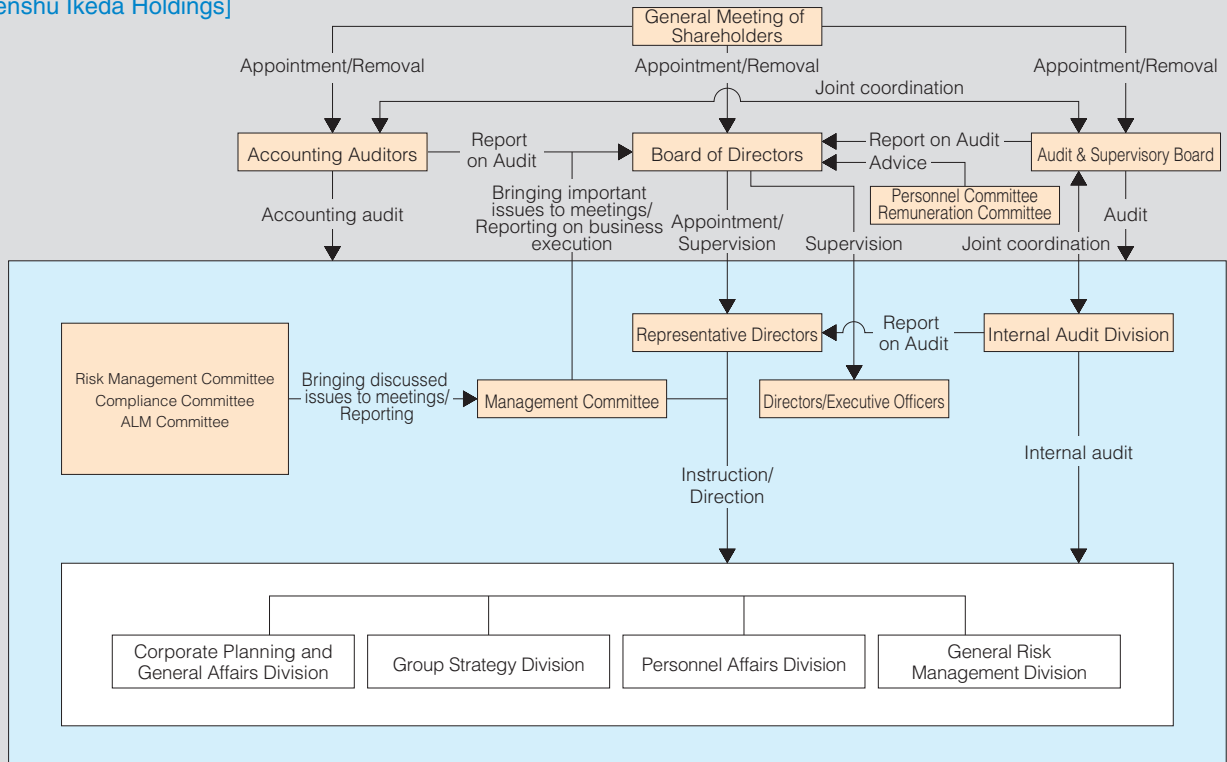
Supervision or Audit by Outside Directors or Outside Audit & Supervisory Board Members, Interconnection with Internal Auditing, Audits by Audit & Supervisory Board Members, and Accounting Auditing, and Relationship with the Internal Control Division

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.

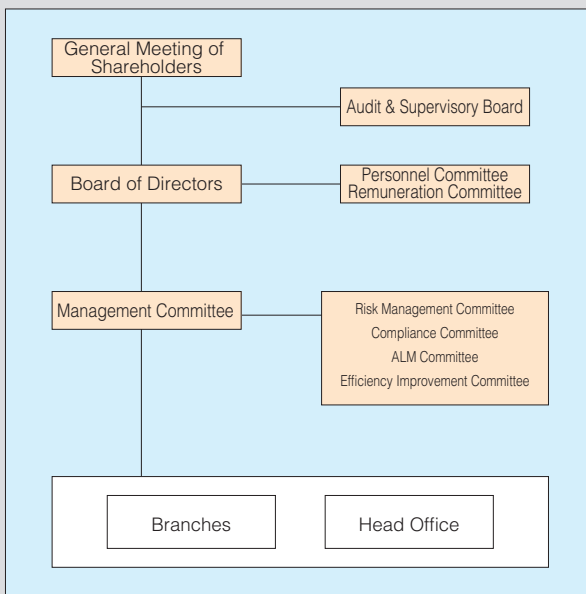
Corporate governance structure of the Group

(As of the end of June, 2021)

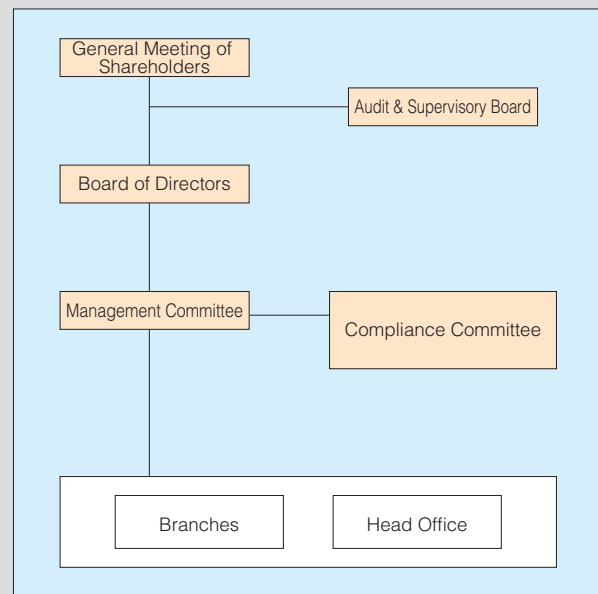
[Senshu Ikeda Holdings]



[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.

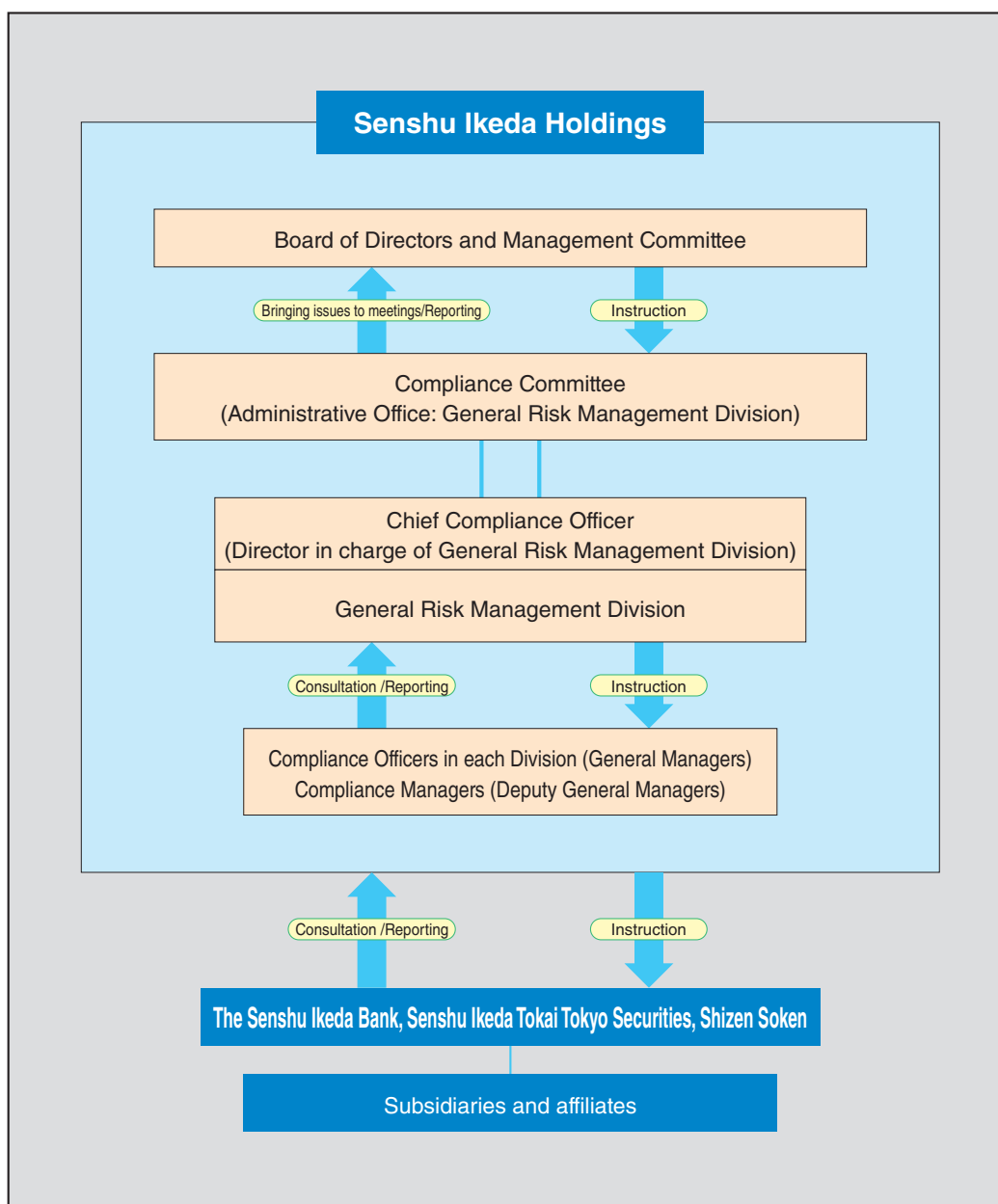
Compliance Structure

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

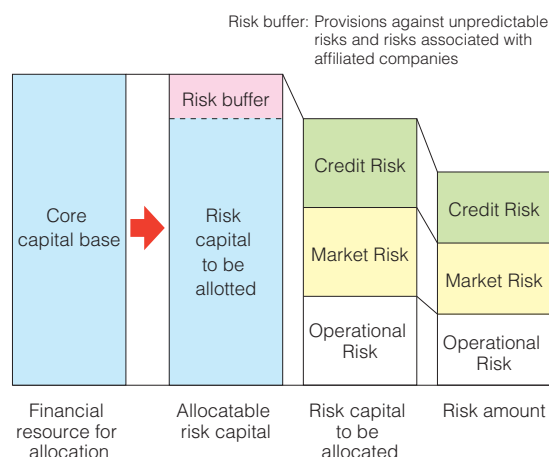
categories of credit risk, credit concentration risk outside the calculation of capital ratio, interest rate risk in banking accounts, market risk and operational risk, and compares them with its management strength (capital ratio).

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.

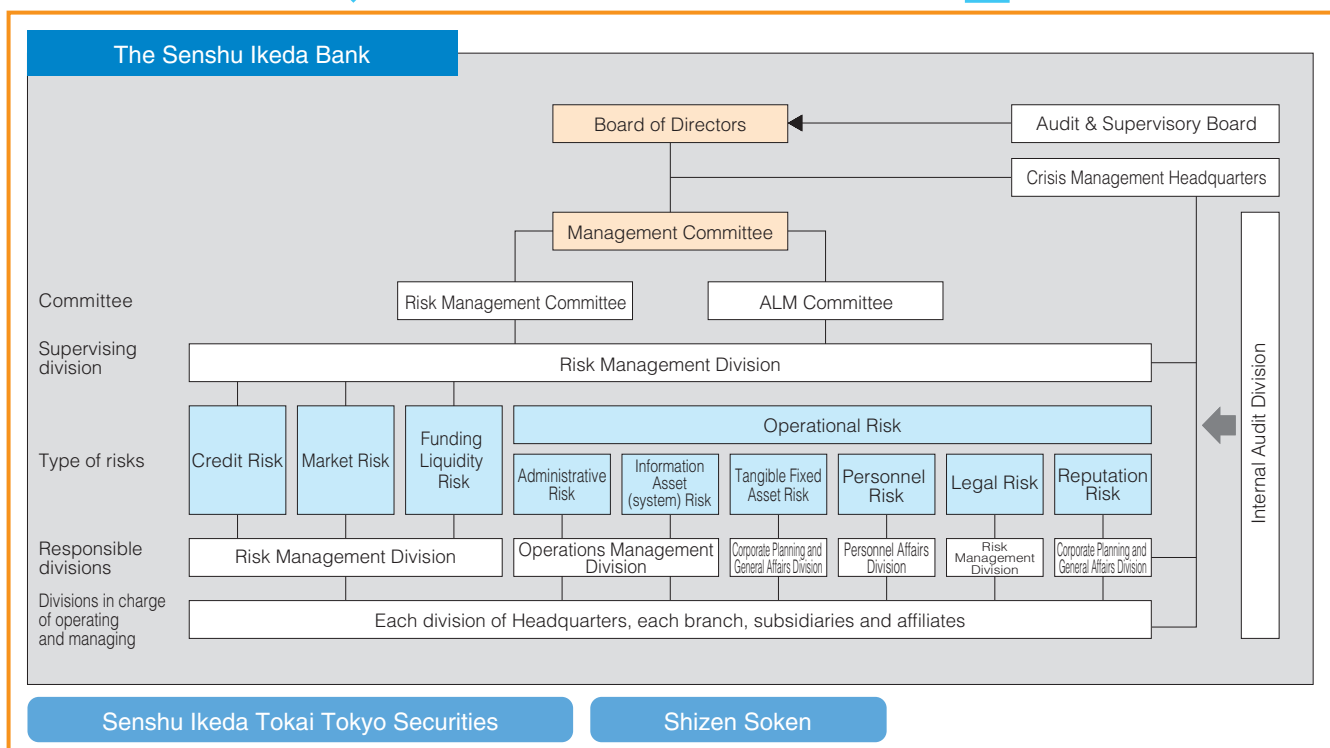
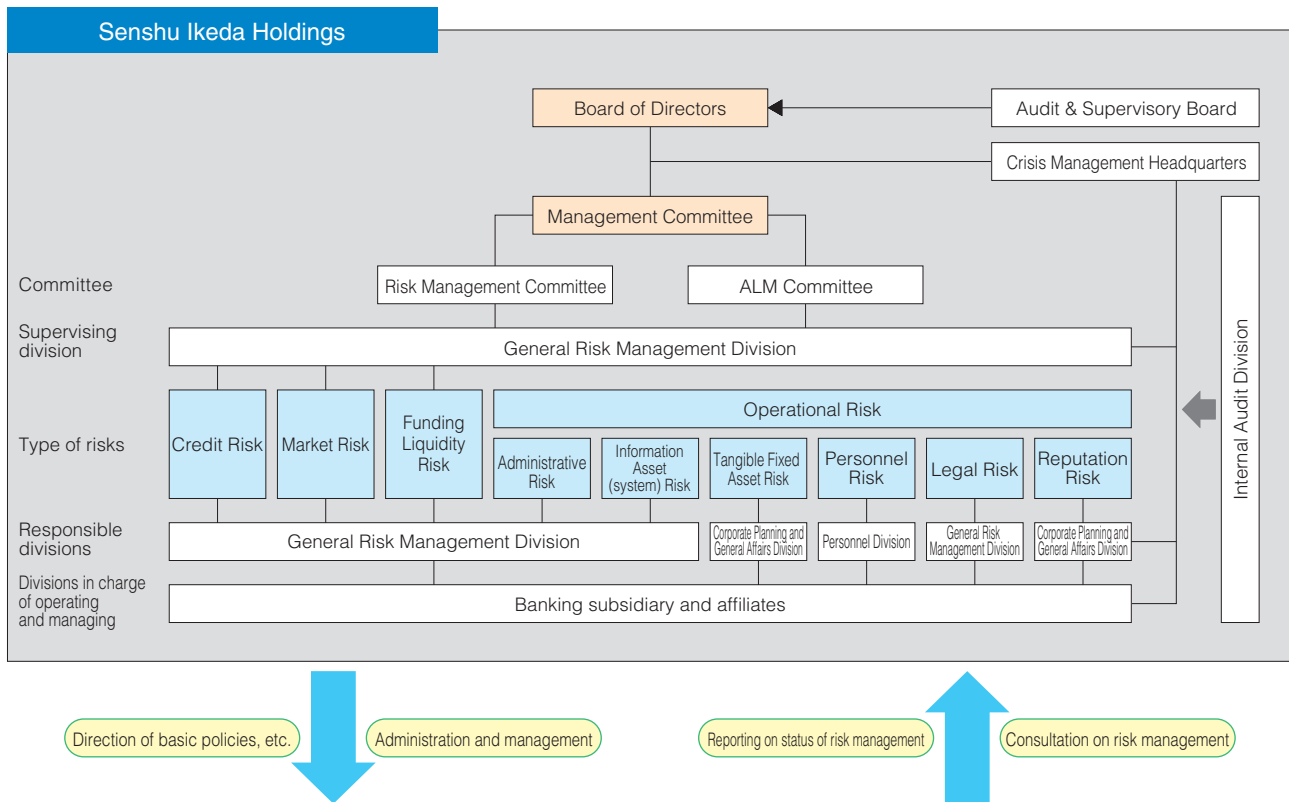
The Group works to avoid reputation risk by disclosing information proactively thorough increases the transparency of its management, taking into consideration the crucial influence on the management of the Group.

■ 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, 2021)



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.

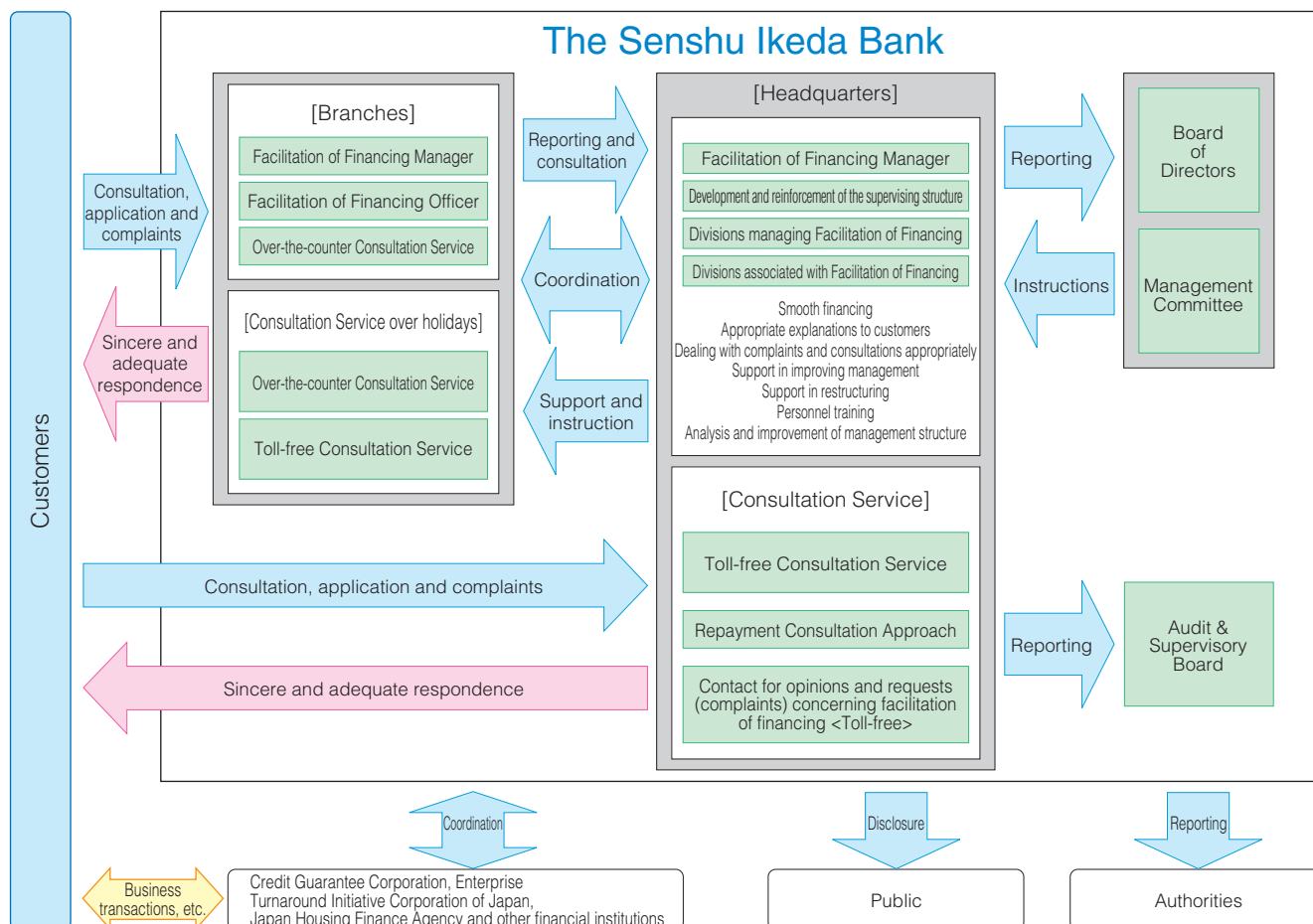
● Organizational structure

- (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 2021)

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: 104
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: ¥5.4203 trillion
Loans: ¥4.3115 trillion
Number of Branches: 139
Number of Employees: 2,280
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: ¥133.5 billion
Number of Branches: 7
Number of Employees: 127

Major Shareholders (As of March 31, 2021)

1. Common stock

Name	Number of Shares Owned (Thousands)	Proportion of Total Shares (%)
Custody Bank of Japan, Ltd. (Trust Account)* ¹	35,481	12.66
The Master Trust Bank of Japan, Ltd. (Trust Account)* ¹	13,323	4.75
The Senshu Ikeda Bank Employees' Shareholders Association	11,077	3.95
MUFG Bank, Ltd.	5,934	2.11
ITAMI SANGYO CO., LTD.	3,692	1.31
Custody Bank of Japan, Ltd. (Trust Account 9G)* ¹	3,657	1.30
SMBC Nikko Securities Inc.	3,630	1.29
STATE STREET BANK WEST CLIENT - TREATY 505234 (Standing proxy: Settlement & Clearing Service Division, Mizuho Bank, Ltd.)	3,609	1.28
Custody Bank of Japan, Ltd. (Trust Account 5G)* ¹	3,459	1.23
JP MORGAN CHASE BANK 385781 (Standing proxy: Settlement & Clearing Service Division, Mizuho Bank, Ltd.)	3,370	1.20

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

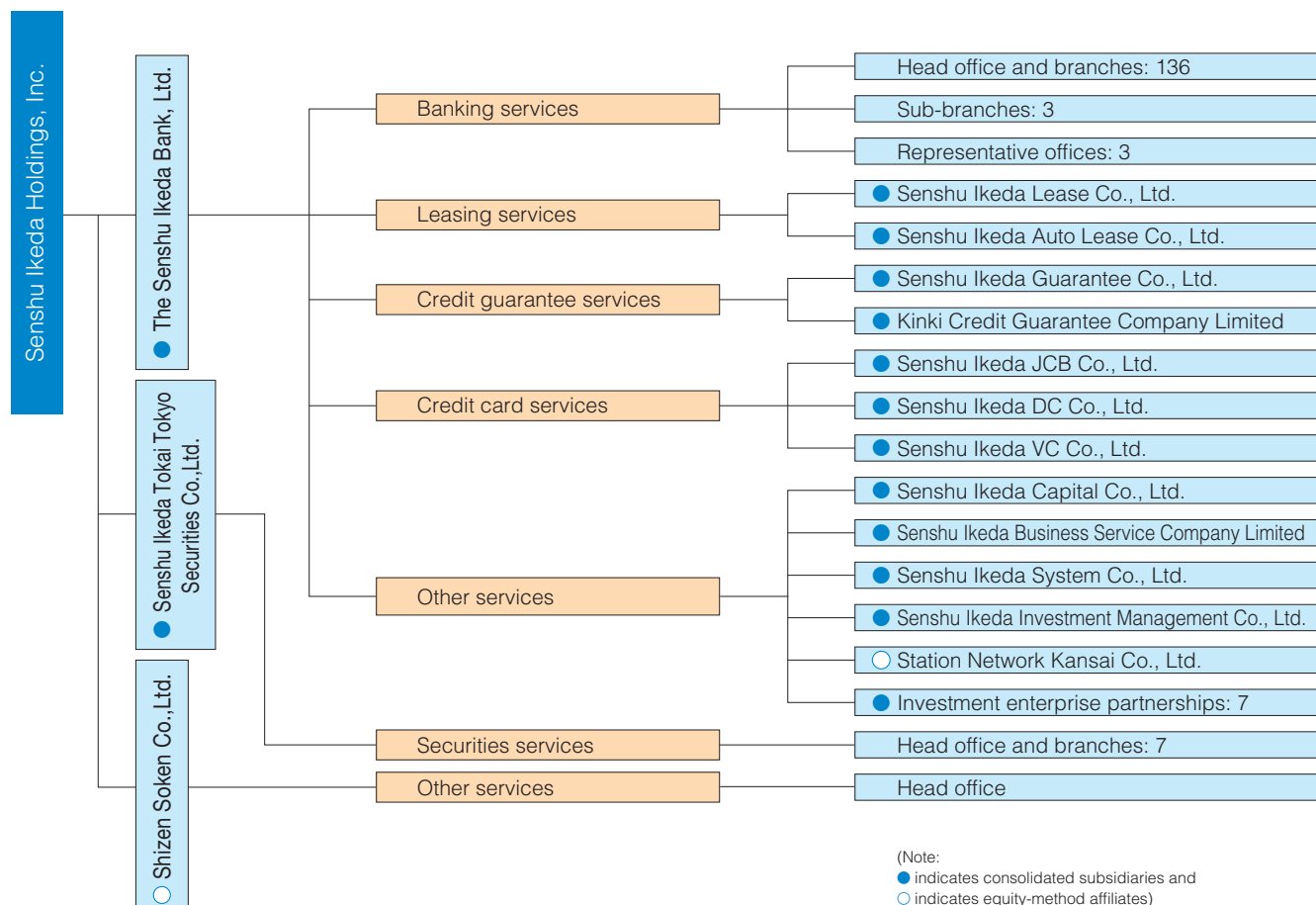
2: Japan Trustee Services Bank, Ltd. merged with JTC Holdings, Ltd. and Trust & Custody Services Bank, Ltd. on 27th July, 2020. The company changed its name to Custody Bank of Japan, Ltd.

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, 2021)



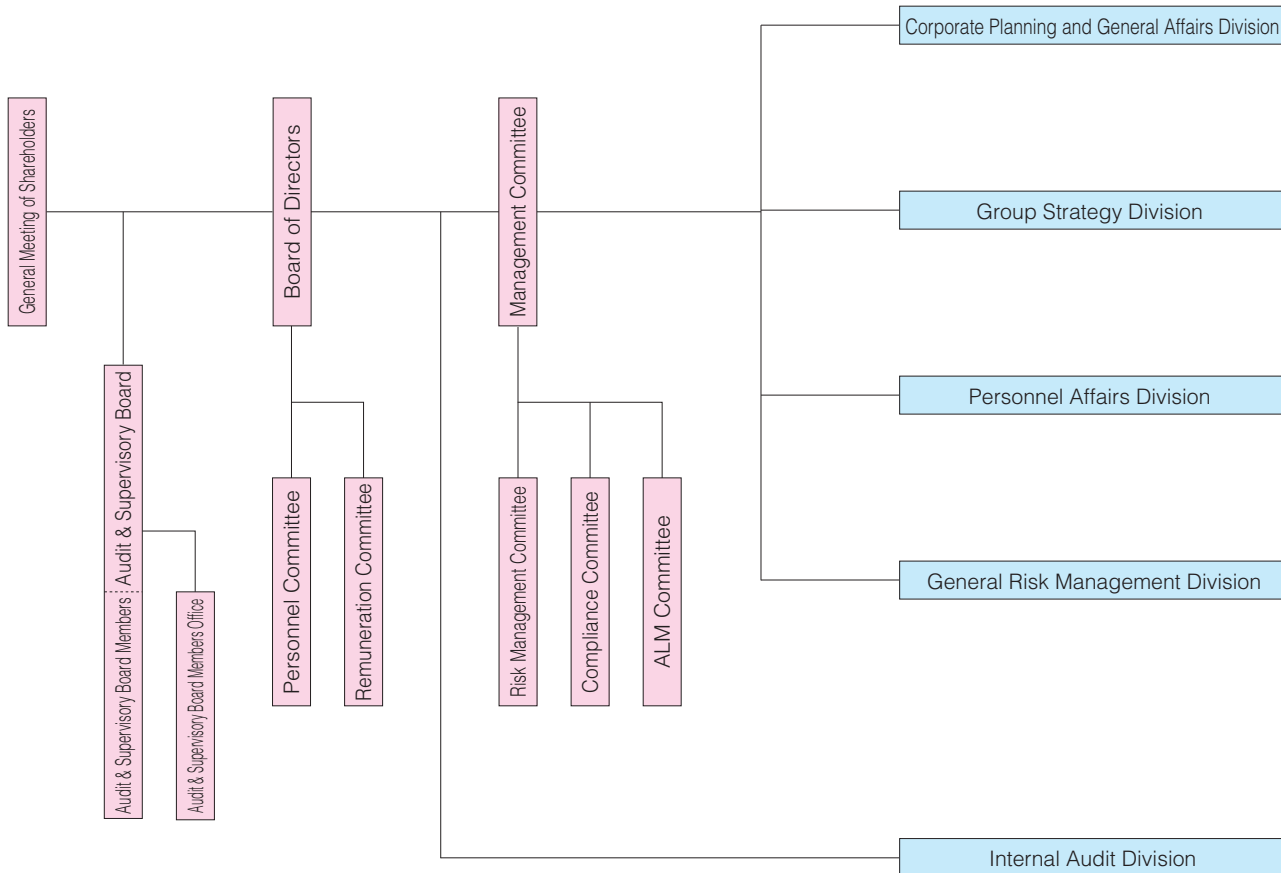
■ Subsidiaries and Affiliates (As of the end of June, 2021)

	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 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.	3-1-22, Toyosaki, Kita-ku, Osaka-city	Credit guarantee services	July 20, 1973	180	—	100.00
	Kinki Credit Guarantee Company Limited	3-1-22, Toyosaki, Kita-ku, Osaka-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
	Shizen Soken Co., Ltd.	2-1-11, Jonan, Ikeda-city	Information offering services	November 1, 1996	80	17.50	—
Affiliates	Station Network Kansai Co., Ltd.	1-4-8, Shibata, Kita-ku, Osaka-city	Planning and operation of ATM at station	June 29, 2000	100	—	40.00

Organization and Board of Directors

Senshu Ikeda Holdings

■ Organization (As of the end of June, 2021)



■ Board of Directors (As of June 23, 2021)

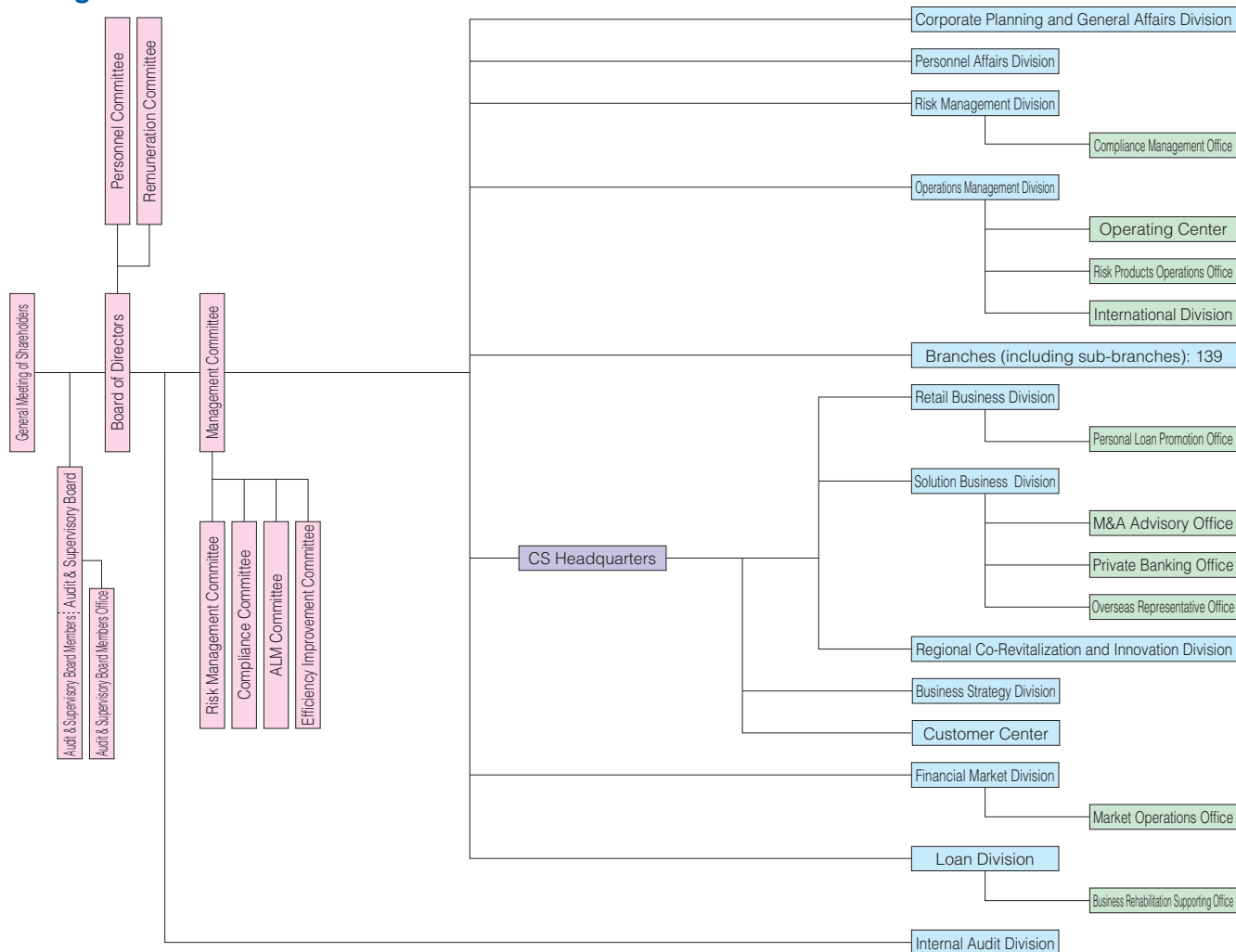
Representative Director and Chairman	Takayuki Ota	Director & Senior Managing Executive Officer	Yasuki Hosomi	Director (Outside)	Takao Koyama	Audit & Supervisory Board Member (Full-time)	Hiroo Maeno
Representative Director, President and CEO	Atsushi Ukawa	Director	Shinji Inoue	Director (Outside)	Tomokazu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

■ Executive Officers (As of June 23, 2021)

Senior Managing Executive Officer	Akira Harada	Managing Executive Officer	Osamu Tsukagoshi	Executive Officer	Katsumi Hiramatsu	Executive Officer	Tomoyuki Shinohara
Managing Executive Officer	Tsutomu Irie	Executive Officer	Keisuke Misaki	Executive Officer	Atsushi Otsuka		

The Senshu Ikeda Bank

■ Organization (As of the end of June, 2021)



■ Board of Directors (As of June 23, 2021)

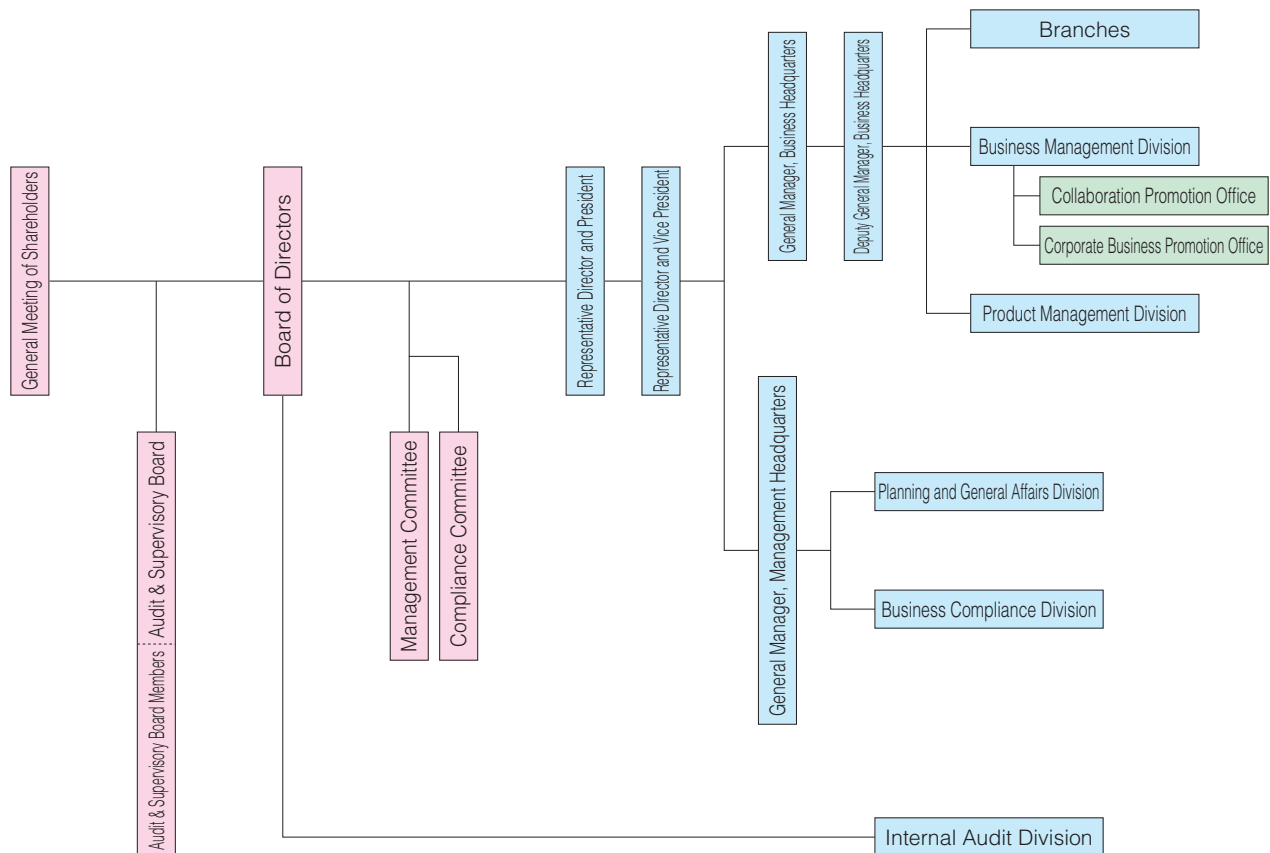
Representative Director and Chairman	Takayuki Ota	Director & Senior Managing Executive Officer	Shinji Inoue	Non-executive Director (Non-full-time)	Minoru Furukawa	Audit & Supervisory Board Member (Full-time)	Osamu Horiuchi
Representative Director, President and CEO	Atsushi Ukawa	Director & Senior Managing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

■ Executive Officers (As of June 23, 2021)

Senior Managing Executive Officer	Koji Miyata	Executive Officer	Kyoko Matsushita	Executive Officer	Shin-ichi Kojima	Executive Officer	Ryoichi Iimuro
Managing Executive Officer	Tsutomu Irie	Executive Officer	Keisuke Misaki	Executive Officer	Akira Sasaki	Executive Officer	Masahide Inui
Managing Executive Officer	Susumu Yamagata	Executive Officer	Atsushi Otsuka	Executive Officer	Hiroshi Sudo	Executive Officer	Yasuji Kanbayashi
Managing Executive Officer	Takayoshi Fujiwara	Executive Officer	Hiromu Koujiya	Executive Officer	Yoshi Yamamoto	Executive Officer	Takahiro Doki

Senshu Ikeda Tokai Tokyo Securities

■ Organization (As of the end of June, 2021)



■ Board of Directors (As of June 23, 2021)

Representative Director and President	Motoshi Inoue	Audit & Supervisory Board Member (Full-time)	Mamoru Kudo
Representative Director and Vice President	Hironobu Furusawa	Audit & Supervisory Board Member (Outside)	Jun Matsumura
Senior Managing Director	Muneharu Kurita	Audit & Supervisory Board Member (Outside)	Katsuo Saitou

■ Executive Officers (As of June 23, 2021)

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, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Assets			
Cash and due from banks (Notes 26 and 32)	¥ 1,671,441	¥ 807,879	\$ 15,097,470
Call loans and bills bought (Note 32)	9,414	6,651	85,032
Monetary claims bought (Note 32)	79	99	713
Trading account securities (Notes 4 and 32)	—	50	—
Money held in trust (Notes 6 and 32)	20,001	19,988	180,661
Securities (Notes 5, 7, 12, 19, 32 and 33)	564,580	548,789	5,099,629
Loans and bills discounted (Notes 8, 31, 32 and 33)	4,291,531	3,963,504	38,763,716
Foreign exchange assets (Notes 9 and 32)	5,061	5,468	45,714
Other assets (Notes 10 and 12)	83,958	77,889	758,359
Tangible fixed assets (Note 11)	37,122	38,539	335,308
Intangible fixed assets	4,632	5,175	41,839
Net defined benefit assets (Note 17)	23,462	12,587	211,923
Deferred tax assets (Note 28)	2,751	9,104	24,848
Customers' liabilities for acceptances and guarantees	7,407	8,210	66,904
Reserve for possible loan losses	(15,899)	(11,385)	(143,609)
Total assets	¥ 6,705,548	¥ 5,492,555	\$ 60,568,584
Liabilities and net assets			
Liabilities			
Deposits (Notes 12, 13 and 32)	¥ 5,408,845	¥ 4,987,885	\$ 48,855,975
Payables under securities lending transactions (Notes 12 and 32)	10,323	—	93,243
Borrowed money (Notes 12, 14, 32 and 33)	973,225	209,104	8,790,759
Foreign exchange liabilities (Notes 15 and 32)	487	556	4,398
Other liabilities (Notes 12 and 16)	54,420	51,320	491,554
Provision for employees' bonuses	1,655	1,201	14,948
Net defined benefit liability (Note 17)	136	139	1,228
Accrued retirement benefits for directors and audit & supervisory board members	4	4	36
Reserve for reimbursement of deposits	392	519	3,540
Reserve for point services	175	183	1,580
Reserve for contingent losses	1,171	873	10,577
Reserve under special laws	8	6	72
Deferred tax liabilities (Note 29)	250	176	2,258
Acceptances and guarantees (Note 20)	7,407	8,210	66,904
Total liabilities	6,458,505	5,260,182	58,337,142
Net assets			
Shareholders' equity (Note 20):			
Capital stock	102,999	102,999	930,349
Capital surplus	42,107	42,105	380,336
Retained earnings	81,087	78,839	732,427
Treasury stock	(163)	(94)	(1,472)
Total shareholders' equity	226,030	223,850	2,041,640
Accumulated other comprehensive income:			
Net unrealized gain (loss) on available-for-sale securities (Note 7)	10,744	5,752	97,046
Net unrealized gain (loss) on deferred hedges (Note 33)	(133)	(170)	(1,201)
Remeasurements of defined benefit plans	7,889	638	71,258
Total accumulated other comprehensive income	18,500	6,220	167,103
Stock subscription rights (Note 20)	76	79	686
Non-controlling interests	2,434	2,223	21,985
Total net assets	247,042	232,373	2,231,433
Total liabilities and net assets	¥ 6,705,548	¥ 5,492,555	\$ 60,568,584

See accompanying notes to consolidated financial statements

Consolidated Statements of Operations

Senshu Ikeda Holdings, Inc. and Consolidated Subsidiaries
For the years ended 31st March, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Income			
Interest income:			
Interest on loans and bills discounted (Note 31)	¥ 39,549	¥ 39,291	\$ 357,230
Interest and dividends on securities	2,956	5,060	26,700
Other interest income	619	633	5,591
Fees and commissions	20,452	21,731	184,734
Other operating income (Note 21)	2,533	6,290	22,879
Recoveries of written-off claims	686	1,169	6,196
Gain on sales or disposal of fixed assets	27	363	243
Other income (Note 22)	14,530	14,044	131,243
Total income	81,356	88,584	734,856
Expenses			
Interest expenses:			
Interest on deposits	1,085	1,449	9,800
Interest on borrowings and rediscounts	97	255	876
Other interest expenses	123	950	1,111
Fees and commissions	7,407	7,450	66,904
Other operating expenses (Note 23)	24	8,835	216
General and administrative expenses	45,483	47,453	410,830
Loss on sales or disposal of fixed assets	46	29	415
Loss on impairment of fixed assets	6	99	54
Other expenses (Note 24)	19,453	17,017	175,711
Total expenses	73,728	83,541	665,956
Income before income taxes	7,628	5,042	68,900
Income taxes (Note 28)			
Current	493	607	4,453
Deferred	1,964	527	17,740
Total income taxes	2,458	1,134	22,202
Profit	5,169	3,908	46,689
Profit attributable to non-controlling interests	65	(35)	587
Profit attributable to owners of the parent	¥ 5,103	¥ 3,943	\$ 46,093

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, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Profit	¥ 5,169	¥ 3,908	\$ 46,689
Other comprehensive income (Note 29)			
Net unrealized gain (loss) on available-for-sale securities	4,990	(3,531)	45,072
Net unrealized gain (loss) on deferred hedges	37	(34)	334
Remeasurements of defined benefit plans	7,250	(1,558)	65,486
Total other comprehensive income	12,279	(5,124)	110,911
Comprehensive income	¥ 17,448	¥ (1,216)	\$ 157,600
Total comprehensive income attributable to:			
Owners of the parent	17,384	(1,181)	157,022
Non-controlling interests	64	(34)	578

Consolidated Statements of Changes in Net Assets

Senshu Ikeda Holdings, Inc. and Consolidated Subsidiaries
Year Ended 31st March, 2021

	Millions of Yen										
	Accumulated other comprehensive income										
	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	Total net assets
BALANCE, 1st April, 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
Purchase of shares of consolidated subsidiaries		5			5						5
Cash dividends			(2,855)		(2,855)						(2,855)
Profit attributable to owners of the parent			5,103		5,103						5,103
Acquisition of treasury stock				(95)	(95)						(95)
Disposal of treasury stock		(3)		25	21						21
Net changes in items other than shareholders' equity						4,991	37	7,250	(2)	211	12,489
Total changes during the period	—	1	2,248	(69)	2,179	4,991	37	7,250	(2)	211	14,669
BALANCE, 31st March, 2021	102,999	42,107	81,087	(163)	226,030	10,744	(133)	7,889	76	2,434	247,042

	Thousands of U.S. Dollars (Note 1)										
	Accumulated other comprehensive income										
	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	Total net assets
BALANCE, 1st April, 2020	930,349	380,317	712,121	(849)	2,021,949	51,955	(1,535)	5,762	713	20,079	2,098,934
Purchase of shares of consolidated subsidiaries		45			45						45
Cash dividends			(25,788)		(25,788)						(25,788)
Profit attributable to owners of the parent			46,093		46,093						46,093
Acquisition of treasury stock				(858)	(858)						(858)
Disposal of treasury stock		(27)		225	189						189
Net changes in items other than shareholders' equity						45,081	334	65,486	(18)	1,905	112,808
Total changes during the period	–	9	20,305	(623)	19,682	45,081	334	65,486	(18)	1,905	132,499
BALANCE, 31st March, 2021	930,349	380,336	732,427	(1,472)	2,041,640	97,046	(1,201)	71,258	686	21,985	2,231,433

See notes to consolidated financial statements

Consolidated Statements of Cash Flows

Senshu Ikeda Holdings, Inc. and Consolidated Subsidiaries
For the years ended 31st March, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Cash flows from operating activities			
Income before income taxes	¥ 7,628	¥ 5,042	\$ 68,900
Depreciation	5,207	5,784	47,032
Loss on impairment of fixed assets	6	99	54
Amortization of goodwill	27	27	243
(Earnings) losses from investments under the equity method	28	(8)	252
Increase (decrease) in reserve for possible loan losses	4,513	(2,580)	40,764
Increase (decrease) in accrued bonuses	453	(23)	4,091
Decrease (increase) in net defined benefit asset	(46)	(1,352)	(415)
Increase (decrease) in net defined benefit liability	(2)	(7)	(18)
Increase (decrease) in accrued retirement benefits for directors and audit & supervisory board members	—	(3)	—
Increase (decrease) in reserve for reimbursement of deposits	(127)	(92)	(1,147)
Increase (decrease) in reserve for point services	(8)	(71)	(72)
Increase (decrease) in reserve for losses on guarantees	—	(371)	—
Increase (decrease) in reserve for contingent losses	297	74	2,682
Interest income	(43,124)	(44,985)	(389,522)
Interest expenses	1,306	2,655	11,796
(Gain) loss on securities	(2,147)	4,802	(19,393)
(Gain) loss on money held in trust	19	(43)	171
(Gain) loss on foreign exchange	(492)	3,524	(4,444)
(Gain) loss on sales or disposal of fixed assets, net	—	(341)	—
Net (increase) decrease in loans and bills discounted	(328,026)	(50,417)	(2,962,930)
Net increase (decrease) in deposits	420,959	42,337	3,802,357
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	764,120	86,027	6,901,996
Net (increase) decrease in due from banks (excluding due from the Bank of Japan)	(5,379)	833	(48,586)
Net (increase) decrease in trading account securities	50	61	451
Net (increase) decrease in call loans and bills bought and others	(2,742)	476	(24,767)
Net increase (decrease) in payables under securities lending transactions	10,323	(87,321)	93,243
Net (increase) decrease in foreign exchange (assets)	406	45	3,667
Net increase (decrease) in foreign exchange (liabilities)	(68)	147	(614)
Interest received	43,249	46,667	390,651
Interest paid	(1,549)	(2,917)	(13,991)
Other	5,280	10,002	47,692
Subtotal	880,162	18,074	7,950,158
Income taxes paid	(136)	(721)	(1,228)
Net cash provided by (used in) operating activities	¥ 880,026	¥ 17,352	\$ 7,948,929

Consolidated Statements of Cash Flows

Senshu Ikeda Holdings, Inc. and Consolidated Subsidiaries
For the years ended 31st March, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Cash flows from investing activities			
Purchases of securities	¥ (144,950)	¥ (191,732)	\$ (1,309,276)
Proceeds from sales of securities	16,962	130,371	153,211
Proceeds from maturity of securities	112,220	109,227	1,013,639
Increase in money held in trust	–	(6,000)	–
Decrease in money held in trust	–	13,000	–
Purchases of tangible fixed assets	(2,432)	(2,937)	(21,967)
Purchases of intangible fixed assets	(1,163)	(1,872)	(10,504)
Proceeds from sales of tangible fixed assets	439	806	3,965
Net cash provided by (used in) investing activities	(18,923)	50,863	(170,924)
Cash flows from financing activities			
Proceed from stock issuance for non-controlling interests	360	280	3,251
Cash dividends paid	(2,855)	(3,908)	(25,788)
Cash dividends paid for non-controlling shareholders	(7)	(7)	(63)
Payment for non-controlling shareholders	(200)	–	(1,806)
Purchases of treasury stock	(95)	(0)	(858)
Proceeds from disposition of treasury stock	21	739	189
Net cash provided by (used in) financing activities	(2,776)	(2,896)	(25,074)
Effect of exchange rate changes on cash and cash equivalents	(143)	(169)	(1,291)
Net increase (decrease) in cash and cash equivalents	858,182	65,149	7,751,621
Cash and cash equivalents at beginning of year	801,973	736,824	7,243,907
Cash and cash equivalents at end of year (Note 27)	¥ 1,660,156	¥ 801,973	\$ 14,995,537

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, 2021 and 2020

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 ¥110.71 = U.S.\$1.00, the exchange rate prevailing on 31st March, 2021. This translation should not be construed as a representation that yen can be converted into U.S. dollars at the above or any other rate.

2. Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its 20 (22 in 2020) significant subsidiaries which it controls directly or indirectly. Affiliates over which the Company exercises significant influence in terms of their operating and financial policies have been included in the accompanying consolidated financial statements on an equity basis.

Change in the scope of consolidation

Senshu Ikeda Corporate Partners Co., Ltd. and Senshu Ikeda Capital Yumejikomi Fund OI Investment Enterprise Limited Partnership, all of which were consolidated subsidiaries of the Company in the fiscal year ended 31st March, 2020, were excluded from the scope of consolidation from the fiscal year ended 31st March, 2021, due to completion of their liquidation procedures.

The company has applied the equity method to its investments in 2 affiliates for the years ended 31st March, 2021 and 2020, 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 7 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.

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

(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 ¥26,096 million (\$235,714 thousand) and ¥28,177 million for the years ended 31st March, 2021 and 2020, 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 ¥8 million (\$72 thousand) as of 31st March, 2021, 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) Revenue recognition for share dividends

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

(1) Shares with a market price

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

(2) Shares without a market price

Dividends to be paid within the period normally required after the effective date of a resolution regarding dividends passed at a general meeting of shareholders, a meeting of the board of directors, or other body with decision-making authority of the issuing company are recorded in the fiscal year that includes the date of payment.

(18) Hedge accounting

Interest rate risk hedging

With respect to hedge accounting for the interest rate risk arising from financial assets and liabilities of the banking subsidiaries, the Group applies deferral hedge accounting, under which gains or losses on derivatives are deferred until maturity of the hedged transactions, as stipulated in the Japanese Institute of Certified Public Accountants (JICPA) Industry Committee Practical Guidelines No. 24, 8th October, 2020.

Foreign exchange rate risk hedging

With respect to hedge accounting for derivative transactions used to hedge the risk of financial assets and liabilities denominated in foreign currencies of the banking subsidiaries, the Group applies deferral hedge accounting, under which gains or losses on derivatives are deferred until maturity of the hedged transactions, as stipulated in the JICPA Industry Committee Practical Guidelines No. 25, 8th October, 2020. The Group assesses the effectiveness of its currency swaps and foreign exchange swaps transactions, etc. entered into in order to hedge the risk of fluctuation in foreign exchange rates by comparing the foreign-currency amount of each underlying hedged item with the corresponding foreigncurrency amount of the respective hedging instruments.

(19) Cash flows

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

(20) Consumption taxes

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

(21) 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).

(22) 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).

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

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

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

(24) Significant accounting estimates

1. Valuation of loans and bills discounted

(1) Amount recorded in the consolidated financial statements for the fiscal year under review
Reserve for possible loan losses ¥15,899 million (\$143,609 thousand)

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

(i) Calculation method

Provision for possible loan losses of consolidated subsidiaries engaged in banking business is calculated by assessing the borrower classification based on the asset self-assessment standards and using a certain calculation method according to the borrower classification as described in “3. Significant Accounting Policies (7) Reserve for possible loan losses.”

Although the financial conditions of borrowers have deteriorated due to the rapid deterioration of the economic environment caused by the spread of COVID-19, the number of bankruptcies has remained low due to the implementation of fiscal and monetary policies, flexible repayment terms and other funding support from financial institutions, and there were other structural changes that were not anticipated with the previous method of calculating expected losses. In order to respond to such structural changes, the Company has recognized an additional ¥4,513 million in reserve for possible loan losses as of March 31, 2021, based on the “deemed borrower classification” that takes into account the possibility of a future downward shift in the borrower classification.

(ii) Key assumptions

The key assumption in determining the borrower classification is “Outlook for future performance of borrowers.” “Outlook for performance of borrowers” is established based on an individual assessment of each borrower’s ability to earn a profit.

In considering the “deemed borrower classification,” the financial position stated in financial statements of the borrowers (excluding listed companies, etc.) to be obtained in the fiscal year ending March 31, 2022 is estimated based on certain economic recovery scenarios and forecasts of increase (decrease) in revenues of the borrowers. The key assumptions are as follows.

Economic recovery scenario	Assume that in FY2020 the economy was in a trough, and that economic recovery will begin after FY2021 as the impact of COVID-19 will be controlled by expanding vaccination
Forecasts of increase (decrease) in revenues of borrowers	Assume that borrowers will be affected to almost the same extent as indicated by the forecast of increase (decrease) in revenues by industry announced by external organizations

(iii) Impact on the consolidated financial statements for the fiscal year ending March 31, 2022

If the assumptions used in the initial estimates change due to the situation of the spread of COVID-19, the future economic environment, or changes in the business performance of individual borrowers, there may be a significant impact on reserve for possible loan losses stated in the consolidated financial statements for the fiscal year ending March 31, 2022.

2. Recoverability of deferred tax assets

(1) Amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2021

Deferred tax assets (net) ¥2,751 million
(\$24,848 thousand)
(amount before offsetting with deferred tax liabilities is ¥11,308 million (\$102,140 thousand))

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

(i) Calculation method

Deferred tax assets are recognized to the extent that it is possible to reduce the future tax burden due to deductible temporary differences and tax losses carried forward as of March 31, 2021, based on the classification of companies as stipulated in the "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, February 16, 2018). The Company estimates taxable income before adjusting temporary differences based on future profitability.

In calculating future taxable income before adjusting temporary differences, the earnings plan included in the Fifth Medium-Term Business Plan (hereinafter referred to as the "Medium-Term Plan") is adjusted to reflect earnings stress scenarios that take into account future uncertainties, and tax adjustment items that will arise in the future are added or subtracted.

As the Company has adopted a consolidated taxation system, the income of the entire group for consolidated taxation is estimated based on "Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 1)" (PITF No.5, January 16, 2015) and "Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 2)" (PITF No. 7, January 16, 2015).

(ii) Key assumptions

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

Net interest income	The average value during the recoverable period is assumed to be 0.2% lower than the FY2020 level
Fees and commissions	Assume that the average value over the recoverable period will be 0.9% lower than the FY2020 level, taking into account the earnings stress scenario in the earnings plan included in the Medium-Term Plan
Credit cost	The average value during the recoverable period is assumed to be 0.1% of the loan balance for each year

(iii) Impact on the consolidated financial statements for the fiscal year ending March 31, 2022

If the assumptions used in the initial estimates change due to the situation of the spread of COVID-19 and the future economic environment, there may be a significant impact on deferred tax assets stated in the consolidated financial statements for the fiscal year ending March 31, 2022.

If the assumptions for future taxable income before adjusting temporary differences during the recoverable period change as shown below, the estimated amount of impact (sensitivity) for the fiscal year ended March 31, 2021, will be as follows.

Assumption	Expected change	Reversal of deferred tax assets
Taxable income before adjusting temporary differences	¥1,000 million decrease	¥100 million to ¥300 million

(25) 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.

(26) Change in presentation method

The Company has adopted the "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) from the consolidated financial statements for the fiscal year ended March 31, 2021, and notes regarding significant accounting estimates are included in the consolidated financial statements. However, in accordance with the transitional treatment prescribed in the proviso to paragraph 11 of the accounting standard, details for previous fiscal year are not described in the notes to the financial statements.

(27) Additional Information

The Company has adopted the "Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections" (ASBJ Statement No. 24, March 31, 2020) from the consolidated financial statements for the fiscal year ended March 31, 2021, and notes regarding accounting principles and procedures adopted when the provisions of relevant accounting standards, etc., are unclear are included in the consolidated financial statements.

4. Trading account securities

There were no valuation gain or loss on trading account securities included in income before income taxes and non-controlling interests at 31st March, 2021

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

5. Securities

Securities at 31st March, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Stocks	¥ 28,208	¥ 26,419	\$ 254,791
Bonds:			
Government bonds	33,500	26,380	302,592
Local government bonds	119,972	113,365	1,083,660
Corporate bonds	264,730	299,326	2,391,202
Other	118,167	83,297	1,067,356
Total	¥ 564,580	¥ 548,789	\$ 5,099,629

Stocks in the above table include investments in affiliates of ¥91 million (\$821 thousand) and ¥120 million at 31st March, 2021 and 2020, respectively.

The securities loaned under unsecured securities lending transactions are included in Government bonds and Corporate bonds under "Securities" in the amount of ¥25,397 million (\$229,401 thousand) and 23,171 million at 31st March, 2021 and 2020, respectively.

There were no held-to-maturity debt securities at 31st March, 2021 and 2020.

There were no held-to-maturity debt securities sold during the years ended 31st March, 2021 and 2020.

Available-for-sale securities with fair value at 31st March, 2021 and 2020 were as follows:

31st March, 2021	Millions of yen	
	Carrying value	Acquisition cost
Equity securities	¥ 22,267	¥ 13,605
Bonds:		
Government bonds	33,500	33,521
Local government bonds	119,972	120,015
Corporate bonds	264,730	264,724
Subtotal	418,204	418,261
Other	114,134	108,441
Total	¥ 554,606	¥ 540,308

Millions of yen			
31st March, 2021	Difference	Unrealized gain	Unrealized loss
Equity securities	¥ 8,662	¥ 8,716	¥ (54)
Bonds:			
Government bonds	(21)	—	(21)
Local government bonds	(42)	34	(76)
Corporate bonds	6	282	(276)
Subtotal	(57)	316	(373)
Other	5,693	6,324	(630)
Total	¥ 14,298	¥ 15,357	¥ (1,058)

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)

Thousands of U.S. dollars			
31st March, 2021	Carrying value	Acquisition cost	
Equity securities	\$ 201,129	\$ 122,888	
Bonds:			
Government bonds	302,592	302,782	
Local government bonds	1,083,660	1,084,048	
Corporate bonds	2,391,202	2,391,148	
Subtotal	3,777,472	3,777,987	
Other	1,030,927	979,505	
Total	\$ 5,009,538	\$ 4,880,390	

Thousands of U.S. dollars			
31st March, 2021	Difference	Unrealized gain	Unrealized loss
Equity securities	\$ 78,240	\$ 78,728	\$ (487)
Bonds:			
Government bonds	(189)	—	(189)
Local government bonds	(379)	307	(686)
Corporate bonds	54	2,547	(2,492)
Subtotal	(514)	2,854	(3,369)
Other	51,422	57,122	(5,690)
Total	\$ 129,148	\$ 138,713	\$ (9,556)

Available-for-sale securities sold during the years ended 31st March, 2021 and 2020 were as follows:

Millions of yen			
2021	Proceeds from sales	Gain	Loss
Equity securities	¥ 2,756	¥ 1,766	¥ (0)
Bonds:			
Government bonds	—	—	—
Local government bonds	—	—	—
Corporate bonds	9,938	8	(1)
Subtotal	9,938	8	(1)
Other	11,270	413	(9)
Total	¥ 23,965	¥ 2,187	¥ (10)

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)

Thousands of U.S. dollars			
2021	Proceeds from sales	Gain	Loss
Equity securities	\$ 24,893	\$ 15,951	\$ (0)
Bonds:			
Government bonds	—	—	—
Local government bonds	—	—	—
Corporate bonds	89,766	72	(9)
Subtotal	89,766	72	(9)
Other	101,797	3,730	(81)
Total	\$ 216,466	\$ 19,754	\$ (90)

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, 2021 was ¥40 million (\$361 thousand), which consisted of ¥26 million (\$234 thousand) on equity securities and ¥14 million (\$126 thousand) on corporate bonds for the year ended 31st March, 2021.

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, 2021 and 2020 consisted of the following:

Money held in trust for trading purposes

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Carrying value	¥ 20,001	¥ 19,988	\$ 180,661
Valuation gain (loss) included in consolidated statements of income	16	47	144

There were no money held in trust owned for other purposes at 31st March, 2021 and 2020.

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

Net unrealized gain (loss) on available-for-sale securities at 31st March, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Differences between acquisition cost and fair value:			
Available-for-sale securities	¥ 14,298	¥ 8,055	\$ 129,148
Deferred tax liabilities	(3,554)	(2,302)	(32,101)
Differences between acquisition cost and fair value, net of taxes	10,744	5,753	97,046
Amounts corresponding to non-controlling interests	(0)	(1)	(0)
Net unrealized gain (loss) on available-for-sale securities, net of taxes	¥ 10,744	¥ 5,752	\$ 97,046

8. Loans and Bills Discounted and Risk Monitored Loans

Loans and bills discounted:

Loans and bills discounted at 31st March, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Bills discounted	¥ 8,343	¥ 13,000	\$ 75,359
Loans on bills	41,758	47,747	377,183
Loans on deeds	4,017,174	3,642,718	36,285,556
Overdrafts	224,255	260,038	2,025,607
Total	¥ 4,291,531	¥ 3,963,504	\$ 38,763,716

Discounting of bills is accounted for as finance transactions rather than as purchasing of bills in accordance with the JICPA Industry Committee Practical Guidelines No. 24. The Group has the right to sell or pledge such bills without any restrictions. These include bankers acceptances bought, commercial bills discounted, documentary bills and foreign exchange bills. The total face value of such outstanding bills at 31st March, 2021 and 2020 totaled ¥8,485 million (\$76,641 thousand) and ¥13,281 million, respectively.

At 31st March, 2021 and 2020, 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 ¥8,003 million (\$72,287 thousand) and ¥11,693 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 ¥759,036 million (\$6,856,074 thousand) and ¥720,585 million at 31st March, 2021 and 2020, respectively, including the contracts whose contractual periods were either less than one year or revocable at any time, in the amount of ¥737,192 million (\$6,658,766 thousand) and ¥702,298 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, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Loans to bankrupt borrowers	¥ 879	¥ 1,649	\$ 7,939
Delinquent loans	28,241	24,997	255,089
Loans past due for 3 months or more	70	175	632
Restructured loans	5,804	5,568	52,425
Total	¥ 34,996	¥ 32,391	\$ 316,105

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, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Due from foreign correspondent banks	¥ 4,735	¥ 4,762	\$ 42,769
Foreign bills of exchange bought	124	263	1,120
Foreign bills of exchange receivable	202	441	1,824
Total	¥ 5,061	¥ 5,468	\$ 45,714

10. Other Assets

Other assets at 31st March, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Investment in leased assets	¥ 21,039	¥ 20,456	\$ 190,037
Other receivables	28,815	22,185	260,274
Accrued income	4,098	4,079	37,015
Prepaid expenses	781	644	7,054
Other	29,222	30,523	263,950
Total	¥ 83,958	¥ 77,889	\$ 758,359

11. Tangible Fixed Assets

At 31st March, 2021 and 2020, accumulated depreciation of tangible fixed assets were ¥54,788 million (\$494,878 thousand) and ¥54,237 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, 2021 and 2020 were ¥373 million (\$3,369 thousand) and ¥363 million, respectively.

12. Assets Pledged

Assets pledged as collateral at 31st March, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Securities	¥ 306,612	¥ 242,231	\$ 2,769,505
Loans	1,044,944	—	9,438,569
Other assets	1,130	984	10,206

The liabilities secured by the above pledged assets at 31st March, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Deposits	¥ 3,371	¥ 14,546	\$ 30,448
Payables under securities lending transactions	10,323	—	93,243
Borrowed money	959,375	190,075	8,665,658
Other liabilities	74	150	668

At 31st March, 2021 and 2020, margins on futures contracts in the amounts of ¥653 million (\$5,898 thousand) and ¥730 million, guarantee deposits of ¥3,954 million (\$35,714 thousand) and ¥4,337 million, deposits for futures transactions of ¥- million (\$- thousand) and ¥3million, collateral money deposited for financial instruments of ¥98 million (\$885 thousand) and ¥269 million and margins for Central Counter Party of ¥20,000 million (\$180,652 thousand) and ¥20,000 million were included in “Other assets”, respectively.

13. Deposits

Deposits at 31st March, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Current deposits	¥ 256,917	¥ 209,725	\$ 2,320,630
Ordinary deposits	3,139,734	2,671,170	28,359,985
Savings deposits	23,966	23,354	216,475
Deposits at notice	20,419	12,667	184,436
Time deposits	1,937,067	2,017,194	17,496,766
Other deposits	30,740	53,773	277,662
Total	¥ 5,408,845	¥ 4,987,885	\$ 48,855,975

14. Borrowed Money

Borrowed money at 31st March, 2021 and 2020 consisted of borrowings from the Bank of Japan and certain other financial institutions.

The average interest rate applicable to borrowed money at 31st March, 2021 and 2020 were 0.00% and 0.08%, respectively.

The aggregate annual maturities of borrowed money subsequent to 31st March, 2021 were summarized as follows:

Year ending 31st March,	Millions of yen	Thousands of U.S. dollars
2022	¥ 834,918	\$ 7,541,486
2023	1,555	14,045
2024	72,025	650,573
2025	64,470	582,332
2026	255	2,303
Total	¥ 973,225	\$ 8,790,759

15. Foreign Exchange Liabilities

Foreign exchange liabilities at 31st March, 2021 and 2020 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
	2021	2020
Foreign bills sold	¥ 428	¥ 433
Foreign bills of exchange payable	58	122
Total	¥ 487	¥ 556

16. Other Liabilities

Other liabilities at 31st March, 2021 and 2020 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
	2021	2020
Accrued expenses	¥ 2,365	¥ 2,465
Unearned income	16,937	16,596
Accrued income taxes	654	741
Other	34,463	31,515
Total	¥ 54,420	¥ 51,320

The amounts of lease obligations included in "Other" were ¥9 million (\$81 thousand) and ¥5 million at 31st March, 2021 and 2020, respectively. The average interest rates on lease obligations at 31st March, 2021 with maturity dates on or before and subsequent to 31st March, 2022 were 3.00%. 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 aggregate annual maturities of lease obligations subsequent to 31st March, 2021 were summarized as follows:

Year ending 31st March,	Millions of yen	Thousands of U.S. dollars
2022	¥ 1	\$ 9
2023	2	18
2024	2	18
2025	1	9
2026	1	9
2027 and thereafter	—	—
Total	¥ 9	\$ 81

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
	2021	2020
Retirement benefit obligation at beginning of the year	¥ 36,616	¥ 37,963
Service cost	1,068	1,195
Interest cost	140	153
Actuarial gain or loss incurred during the year	(57)	(805)
Payment of retirement benefits	(1,854)	(1,909)
Other	15	19
Retirement benefit obligation at end of the year	¥ 35,928	¥ 36,616

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

	Millions of yen	Thousands of U.S. dollars
	2021	2020
Pension plan assets at beginning of the year	¥ 49,064	¥ 51,329
Expected return on plan assets	1,070	1,089
Actuarial gain or loss incurred during the year	10,770	(3,081)
Contributions from employer	189	1,328
Payment of retirement benefits	(1,841)	(1,600)
Pension plan assets at end of the year	¥ 59,254	¥ 49,064

(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
	2021	2020	2021
Funded retirement benefit obligation	¥ 35,791	¥ 36,477	\$ 323,286
Pension plan assets	(59,254)	(49,064)	(535,218)
	(23,462)	(12,587)	(211,923)
Unfunded retirement benefit obligation	136	139	1,228
Net amount of liability and asset on consolidated balance sheets	¥ (23,325)	¥ (12,448)	\$ (210,685)

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Net defined benefit liability	¥ 136	¥ 139	\$ 1,228
Net defined benefit asset	(23,462)	(12,587)	(211,923)
Net amount of liability and asset on consolidated balance sheets	¥ (23,325)	¥ (12,448)	\$ (210,685)

(4) Retirement benefit expenses consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Service cost	¥ 1,068	¥ 1,195	\$ 9,646
Interest cost	140	153	1,264
Expected return on plan assets	(1,070)	(1,089)	(9,664)
Amortization of actuarial loss	(120)	294	(1,083)
Amortization of prior service cost	(262)	(262)	(2,366)
Net periodic retirement benefit expenses for defined benefit pension plans	¥ (243)	¥ 291	\$ (2,194)

(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
	2021	2020	2021
Prior service cost	¥ (262)	¥ (262)	\$ (2,366)
Actuarial gain or loss	10,707	(1,982)	96,712
Total	¥ 10,445	¥ (2,244)	\$ 94,345

(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
	2021	2020	2021
Unrecognized prior service cost	¥ (393)	¥ (655)	\$ (3,549)
Unrecognized actuarial gain or loss	(10,972)	(265)	(99,105)
Total	¥ (11,365)	¥ (920)	\$ (102,655)

(7) Matters related to pension plan assets

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

	2021	2020
Bonds	15%	18%
Stocks	58%	50%
Short-term investment fund including cash and deposits	6%	8%
Life insurance company general accounts	4%	4%
Others	17%	20%
Total	100%	100%

Note:

Total pension plan assets included retirement benefit trust of which securities were contributed for the pension plan, which accounts for 38% and 32% of the total at 31st March, 2021 and 2020, 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

	2021	2020
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	1.76%-3.99%	1.79%-4.34%

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 ¥26,795 million (\$242,028 thousand) and ¥24,847 million at 31st March, 2021 and 2020, respectively.

20. Shareholders' Equity

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

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

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

Movements in common stock, first series of seventh-class preferred stock and treasury stock during the years ended 31st March, 2021 and 2020 were summarized as follows:

Year ended 31st March, 2021	Number of shares (in thousands)				Note
	1st April, 2020	Increase	Decrease	31st March, 2021	
Outstanding shares:					
Common stock	281,008	—	—	281,008	
First series of seventh-class preferred stock	25,000	—	—	25,000	
Total	306,008	—	—	306,008	
Treasury stock:					
Common stock	277	602	75	804	1 and 2
Total	277	602	75	804	

Notes:

- Increase in treasury stock of common stock (602 thousand shares) was due to purchase based on resolution of the Board of Directors (600 thousand shares) and acquisition of shares from the shareholders who owned fractional shares less than one unit (2 thousand shares)
- Decrease in treasury stock of common stock (75 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) and transfer due to exercise of stock option (75 thousand shares) .

Year ended 31st March, 2020	Number of shares (in thousands)				Note
	1st April, 2019	Increase	Decrease	31st March, 2020	
Outstanding shares:					
Common stock	281,008	—	—	281,008	
First series of seventh-class preferred stock	25,000	—	—	25,000	
Total	306,008	—	—	306,008	
Treasury stock:					
Common stock	1,845	0	1,569	277	1,2 and 3
Total	1,845	0	1,569	277	

Notes:

- The number of treasury stock as of 1st April, 2019 included the Company's shares owned by the Employees' Shareholder Trust of 1,546 thousand shares.
- 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).
- 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).

(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, 31st July, 2020, 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 were ¥76 million (\$686 thousand) and ¥79 million at 31st March, 2021 and 2020, respectively. Stock option related expenses for the years ended 31st March, 2021 and 2020 amounted to ¥19 million (\$171 thousand) and ¥17 million, respectively.

The stock option outstanding at 31st March, 2021 was 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

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

(*) 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, 2020- Outstanding	1,100	1,240	1,700	6,200	12,200
Granted	—	—	—	—	—
Forfeited	—	—	—	—	—
Vested	—	—	—	—	2,600
31st March, 2021- Outstanding	1,100	1,240	1,700	6,200	9,600
Vested:					
31st March, 2020- Outstanding	—	—	—	—	—
Vested	—	—	—	—	2,600
Exercised	—	—	—	—	2,600
Forfeited	—	—	—	—	—
31st March, 2021- Outstanding	—	—	—	—	—

Date of resolution	29th July, 2015	27th July, 2016	31st July, 2017	31st July, 2018	30th July, 2019
Non-vested:					
31st March, 2020- Outstanding	12,700	39,800	46,800	54,700	117,400
Granted	—	—	—	—	—
Forfeited	—	—	—	—	—
Vested	3,600	12,000	14,800	14,200	28,000
31st March, 2021- Outstanding	9,100	27,800	32,000	40,500	89,400
Vested:					
31st March, 2020- Outstanding	—	—	—	—	—
Vested	3,600	12,000	14,800	14,200	28,000
Exercised	3,600	12,000	14,800	14,200	28,000
Forfeited	—	—	—	—	—
31st March, 2021- Outstanding	—	—	—	—	—

Date of resolution	31st July, 2020
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Non-vested:	
31st March, 2020- Outstanding	—
Granted	156,300
Forfeited	—
Vested	—
31st March, 2021- Outstanding	156,300
Vested:	
31st March, 2020- Outstanding	—
Vested	—
Exercised	—
Forfeited	—
31st March, 2021- 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	1
Average stock price at exercise	¥ —	¥ —	¥ —	¥ —	¥ —	158
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	31st July, 2020
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	1
Average stock price at exercise	¥ 158	¥ 158	¥ 158	¥ 158	¥ 158	—
Fair value price at grant date	¥ 474	¥ 410	¥ 353	¥ 325	¥ 140	¥ 132

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	0.00
Average stock price at exercise	\$ —	\$ —	\$ —	\$ —	\$ —	1.42
Fair value price at grant date	\$ 4.42	\$ 4.83	\$ 4.05	\$ 3.88	\$ 4.48	

Date of resolution	29th July, 2015	27th July, 2016	31st July, 2017	31st July, 2018	30th July, 2019	31st July, 2020
Exercise price	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Average stock price at exercise	\$ 1.42	\$ 1.42	\$ 1.42	\$ 1.42	\$ 1.42	—
Fair value price at grant date	\$ 4.28	\$ 3.70	\$ 3.18	\$ 2.93	\$ 1.26	\$ 1.19

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 2020 stock option granted in the year ended 31st March, 2021 were as follows:

Measurement method: Black-Scholes model

Major fundamental factors and assumptions used to measure fair value

Date of resolution	31st July, 2020
Volatility of stock price *1	28.867%
Estimated remaining outstanding period *2	4.731 years
Estimated dividend *3	4.545%
Interest rate with risk free *4	(0.090%)

*1 Actual stock price during the period (from 5th December, 2015 to 28th August, 2020) 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 /¥165 (\$1.49) 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, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Gain on sales of securities and trading account securities	¥ 2,034	¥ 4,973	\$ 18,372
Other	499	1,316	4,507
Total	¥ 2,533	¥ 6,290	\$ 22,879

22. Other Income

Other income for the years ended 31st March, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Gain on sales of equity securities	¥ 1,862	¥ 1,782	\$ 16,818
Gain on money held in trust	111	184	1,002
Other	12,556	12,077	113,413
Total	¥ 14,530	¥ 14,044	\$ 131,243

23. Other Operating Expenses

Other operating expenses for the years ended 31st March, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Loss on sales of debt securities	¥ 10	¥ 8,778	\$ 90
Other	14	57	126
Total	¥ 24	¥ 8,835	\$ 216

24. Other Expenses

Other expenses for the years ended 31st March, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Write-offs of loans and bills discounted	¥ 1,583	¥ 3,250	\$ 14,298
Loss on sales of equity securities	7	144	63
Loss on devaluation of equity securities	104	1,243	939
Loss on money held in trust	131	140	1,183
Provision for contingent losses	297	74	2,682
Other	17,328	12,164	156,517
Total	¥ 19,453	¥ 17,017	\$ 175,711

Note:

"Other" for the year ended 31st March, 2021 and 2020 includes ¥57 million (\$514 thousand) and ¥136 million of one-time costs associated with branch relocations based on a fundamental review of branch functions at the banking subsidiary, The Senshu Ikeda Bank.

25. Dividends

Cash dividends paid during the fiscal year ended 31st March, 2021

Resolution by annual shareholders' meeting on 25th June, 2020

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, 2020	26th June, 2020	¥ 1,052	\$ 9,502	¥ 3.75	\$ 0.03
First series of seventh-class preferred stock	31st March, 2020	26th June, 2020	¥ 375	\$ 3,387	¥ 15.00	\$ 0.13

Resolution by Board of Directors on 12th November, 2020

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, 2020	1st December, 2020	¥ 1,053	\$ 9,511	¥ 3.75	\$ 0.03
First series of seventh-class preferred stock	30th September, 2020	1st December, 2020	¥ 375	\$ 3,387	¥ 15.00	\$ 0.13

Cash dividends with record dates falling in the fiscal year ended 31st March, 2021 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, 2021	24th June, 2021
First series of seventh-class preferred stock	Retained earnings	31st March, 2021	24th June, 2021

Types of stock	Dividend amount		Dividends per share	
	Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars
Common stock	¥ 1,050	\$ 9,484	¥ 3.75	\$ 0.03
First series of seventh-class preferred stock	¥ 375	\$ 3,387	¥ 15.00	\$ 0.13

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 included 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 included the ¥1 million (\$9 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, 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

Types of stock	Dividend amount		Dividends per share	
	Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars
Common stock	¥ 1,052	\$ 9,666	¥ 3.75	\$ 0.03
First series of seventh-class preferred stock	¥ 375	\$ 3,445	¥ 15.00	\$ 0.13

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, 2021 and 2020 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Cash and due from banks	¥ 1,671,441	¥ 807,879	\$ 15,097,470
Deposits other than deposits with the Bank of Japan	(11,285)	(5,905)	(101,932)
Cash and cash equivalents	¥ 1,660,156	¥ 801,973	\$ 14,995,537

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, 2021 were as follows:

Year ending 31st March	Millions of yen	Thousands of U.S. dollars
2022	¥ 897	\$ 8,102
2023 and thereafter	5,320	48,053
Total	¥ 6,218	\$ 56,164

28. Income Taxes

Income taxes applicable to the Company and its domestic subsidiaries comprise corporate tax, inhabitants' taxes and enterprise tax which, in the aggregate, resulted in a statutory tax rate of 30.6% for the years ended 31st March, 2021 and 2020, respectively.

The tax effect of temporary differences which gave rise to significant portions of the deferred tax assets and liabilities at 31st March, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Deferred tax assets:			
Reserve for possible loan losses	¥ 10,632	¥ 10,138	\$ 96,034
Tax loss carryforwards	5,891	8,124	53,211
Loss on devaluation of securities	2,777	2,784	25,083
Depreciation	586	657	5,293
Provision for employees' bonuses	509	370	4,597
Impairment loss	199	201	1,797
Net defined benefit liability	46	47	415
Net unrealized loss on available-for-sale securities	3	175	27
Other	2,983	3,119	26,944
Gross deferred tax assets	23,630	25,618	213,440
Valuation allowance for tax loss carryforwards (Note)	(3,843)	(6,532)	(34,712)
Valuation allowance for total deductible temporary differences	(8,478)	(6,085)	(76,578)
Valuation allowance subtotal	(12,321)	(12,617)	(111,290)
Total deferred tax assets	11,308	13,000	102,140
Deferred tax liabilities:			
Net defined benefit asset	(4,422)	(950)	(39,942)
Net unrealized gain on available-for-sale securities	(3,603)	(2,312)	(32,544)
Stocks returned of retirement benefit trust	(647)	(647)	(5,844)
Non-taxable accrued dividend income	(90)	(107)	(812)
Other	(44)	(54)	(397)
Total deferred tax liabilities	(8,808)	(4,072)	(79,559)
Net deferred tax assets	¥ 2,500	¥ 8,927	\$ 22,581

Note:

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

Fiscal year ended 31st March, 2021

Millions of yen							
	One year or less	After one year through two years	After two years through three years	After three years through four years	After four years through five years	After five years	Total
Tax loss carryforwards (*1)	0	104	—	4,710	16	1,059	5,891
Valuation allowance	—	(101)	—	(2,917)	—	(824)	(3,843)
Deferred tax assets	0	3	—	1,792	16	235	(*2)2,047

Thousands of U.S. dollars							
	One year or less	After one year through two years	After two years through three years	After three years through four years	After four years through five years	After five years	Total
Tax loss carryforwards (*1)	0	939	—	42,543	144	9,565	53,211
Valuation allowance	—	(912)	—	(26,348)	—	(7,442)	(34,712)
Deferred tax assets	0	27	—	16,186	144	2,122	(*2)18,489

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

(*2) Deferred tax assets of ¥5,891 million (\$53,211 thousand) are recorded for tax loss carryforward of ¥2,047 million (\$18,489 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, 2021 and 2020 were as follows:

	2021	2020
Statutory tax rate	30.6%	30.6%
Permanently non-taxable income	(0.0)	(0.0)
Permanently non-deductible expenses	0.4	0.8
Per capita portion of inhabitants' taxes	1.4	2.1
Valuation allowance	(1.6)	(13.4)
Amortization of goodwill	0.1	0.2
Consolidation adjustment to gain on sales of shares of consolidated subsidiaries	0.3	1.6
Tax rate difference with consolidated subsidiaries	1.0	1.6
Effects of tax examination	—	(1.5)
Other	(0.0)	0.4
Effective tax rate	32.2%	22.4%

29. Comprehensive Income

Reclassification adjustments and tax effect amounts of other comprehensive income for the year ended 31st March, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Unrealized gain (loss) on available-for-sale securities:			
Amount for the year	¥ 8,225	¥ (8,423)	\$ 74,293
Reclassification adjustment	(1,982)	4,356	(17,902)
Amount before tax effect	6,242	(4,066)	56,381
Tax effect amount	(1,251)	534	(11,299)
Net unrealized gain (loss) on available-for-sale securities	4,990	(3,531)	45,072
Unrealized gain (loss) on deferred hedges			
Amount for the year	(77)	(371)	(695)
Reclassification adjustment	131	322	1,183
Amount before tax effect	53	(49)	478
Tax effect amount	(16)	15	(144)
Net unrealized gain on deferred hedges	37	(34)	334
Remeasurements of defined benefit plans:			
Amount for the year	10,827	(2,276)	97,796
Reclassification adjustment	(382)	31	(3,450)
Amount before tax effect	10,445	(2,244)	94,345
Tax effect amount	(3,194)	686	(28,850)
Remeasurements of defined benefit plans	7,250	(1,558)	65,486
Total other comprehensive income	¥ 12,279	¥ (5,124)	\$ 110,911

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

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

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

Segment information for the fiscal years ended March 31, 2021 and 2020 was summarized as follows:

Millions of yen							
2021							
	Reportable segments			Other	Total	Adjustment	Consolidated
	Banking	Leasing	Total				
Ordinary income:							
Outside customers	¥ 63,461	¥ 12,017	¥ 75,479	¥ 5,849	¥ 81,328	¥ —	¥ 81,328
Intersegment income	2,036	220	2,257	1,961	4,218	(4,218)	—
Total	65,498	12,238	77,736	7,810	85,547	(4,218)	81,328
Segment profit	7,484	209	7,694	496	8,190	(476)	7,714
Segment assets	6,672,874	33,292	6,706,167	30,061	6,736,228	(30,679)	6,705,548
Segment liabilities	6,440,986	31,562	6,472,548	16,635	6,489,184	(30,678)	6,458,505
Others:							
Depreciation	3,826	1,286	5,113	93	5,207	—	5,207
Interest income	43,555	79	43,635	99	43,735	(610)	43,124
Interest expense	1,269	103	1,372	69	1,441	(135)	1,306
Extraordinary gain	47	0	47	—	47	(19)	27
Extraordinary loss	105	4	110	4	114	—	114
Tax expense	2,070	115	2,186	272	2,458	—	2,458
Increase in tangible and intangible fixed assets	2,306	1,226	3,532	62	3,595	—	3,595

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 ¥476 million is the elimination of intersegment transactions.
 - Adjustment of segment assets of negative ¥30,679 million is the elimination of intersegment transactions.
 - Adjustment of segment liabilities of negative ¥30,678million is the elimination of intersegment transactions.
 - Adjustment of interest income of negative ¥610 million is the elimination of intersegment transactions.
 - Adjustment of interest expense of negative ¥135 million is the elimination of intersegment transactions.
 - Adjustment of extraordinary gain of negative ¥19 million 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							
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

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 ¥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.

Thousands of U.S. dollars							
2021							
	Reportable segments			Other	Total	Adjustment	Consolidated
	Banking	Leasing	Total				
Ordinary income:							
Outside customers	\$ 573,218	\$ 108,544	\$ 681,772	\$ 52,831	\$ 734,603	\$ —	\$ 734,603
Intersegment income	18,390	1,987	20,386	17,712	38,099	(38,099)	—
Total	591,617	110,541	702,158	70,544	772,712	(38,099)	734,603
Segment profit	67,600	1,887	69,496	4,480	73,977	(4,299)	69,677
Segment assets	60,273,453	300,713	60,574,175	271,529	60,845,704	(277,111)	60,568,584
Segment liabilities	58,178,899	285,087	58,463,986	150,257	58,614,253	(277,102)	58,337,142
Others:							
Depreciation	34,558	11,615	46,183	840	47,032	—	47,032
Interest income	393,415	713	394,137	894	395,041	(5,509)	389,522
Interest expense	11,462	930	12,392	623	13,015	(1,219)	11,796
Extraordinary gain	424	0	424	—	424	(171)	243
Extraordinary loss	948	36	993	36	1,029	—	1,029
Tax expense	18,697	1,038	19,745	2,456	22,202	—	22,202
Increase in tangible and intangible fixed assets	20,829	11,073	31,903	560	32,472	—	32,472

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 \$4,299 thousand is the elimination of intersegment transactions.
 - Adjustment of segment assets of negative \$277,111 thousand is the elimination of intersegment transactions.
 - Adjustment of segment liabilities of negative \$277,102 thousand is the elimination of intersegment transactions.
 - Adjustment of interest income of negative \$5,509 thousand is the elimination of intersegment transactions.
 - Adjustment of interest expense of negative \$1,219 thousand is the elimination of intersegment transactions.
 - Adjustment of extraordinary gain of negative \$171 thousand 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					
2021					
	Reportable segments		Other	Total	
	Banking	Leasing			
Impairment loss	¥ 3	¥ 2	¥ —	¥ —	¥ 6

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

Thousands of U.S. dollars					
2021					
	Reportable segments		Other	Total	
	Banking	Leasing			
Impairment loss	\$ 27	\$ 18	\$ —	\$ —	\$ 54

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

Millions of yen					
2021					
	Reportable segments		Other	Total	
	Banking	Leasing			
Amortization of goodwill	¥ —	¥ 27	¥ —	¥ —	¥ 27
Remaining balance	¥ —	¥ 27	¥ —	¥ —	¥ 27

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

Thousands of U.S. dollars					
2021					
	Reportable segments		Other	Total	
	Banking	Leasing			
Amortization of goodwill	\$ —	\$ 243	\$ —	\$ —	\$ 243
Remaining balance	\$ —	\$ 243	\$ —	\$ —	\$ 243

(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, 2021

Millions of yen					
	Lending	Securities trading and investment	Leasing	Other	Total
Income from external customers	¥ 39,549	¥ 5,360	¥ 12,016	¥ 24,402	¥ 81,328

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

Note:

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

For the year ended 31st March, 2021

Thousands of U.S. dollars					
	Lending	Securities trading and investment	Leasing	Other	Total
Income from external customers	\$ 357,230	\$ 48,414	\$ 108,535	\$ 220,413	\$ 734,603

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, 2021 and 2020.

(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, 2021 and 2020.

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, 2021 and 2020.

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 owned 100% shares in SHIBUHICHI Co., Ltd. ("SHIBUHICHI"). SHIBUHICHI was 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, 2021 and 2020 were summarized as follows.

There were no transactions and balances with SHIBUHICHI as of 31st March, 2021.

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

The conditions of the loan transactions were 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 ¥11.2 billion (\$101.1 million) for interest rate and ¥8.3 billion (\$74.9 million) for stocks at 31st March, 2021. The value of market risk as a whole with correlation in consideration was ¥24.2 billion (\$218.5 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, 2021 and 2020 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, 2021	Carrying value	Fair value	Difference
Cash and due from banks	¥ 1,671,441	¥ 1,671,441	¥ —
Call loans and bills bought	9,414	9,414	—
Monetary claims bought (*1)	79	79	—
Trading account securities:			
Trading securities	—	—	—
Money held in trust	20,001	20,001	—
Securities:			
Available-for-sale securities	554,606	554,606	—
Loans and bills discounted	4,291,531		
Reserve for possible loan losses (*1)	(14,157)		
	4,277,374	4,286,752	9,377
Foreign exchange assets (*1)	5,061	5,061	0
Total assets	¥ 6,537,981	¥ 6,547,359	¥ 9,377
Deposits	¥ 5,408,845	¥ 5,408,823	¥ (21)
Payables under securities lending transactions	10,323	10,323	—
Borrowed money	973,225	973,218	(7)
Foreign exchange liabilities	487	487	—
Total liabilities	¥ 6,392,881	¥ 6,392,853	¥ (28)
Derivative transactions (*2)			
To which hedge accounting is not applied	¥ 33	¥ 33	¥ —
To which hedge accounting is applied	(306)	(306)	—
Total derivative transactions	¥ (272)	¥ (272)	¥ —

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)
Payables under securities lending transactions	—	—	—
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	¥ —

Thousands of U.S. dollars			
31st March, 2021	Carrying value	Fair value	Difference
Cash and due from banks	\$ 15,097,470	\$ 15,097,470	\$ —
Call loans and bills bought	85,032	85,032	—
Monetary claims bought (*1)	713	713	—
Trading account securities:			
Trading securities	—	—	—
Money held in trust	180,661	180,661	—
Securities:			
Available-for-sale securities	5,009,538	5,009,538	—
Loans and bills discounted	38,763,716		
Reserve for possible loan losses (*1)	(127,874)		
	38,635,841	38,720,549	84,698
Foreign exchange assets (*1)	45,714	45,714	0
Total assets	\$ 59,055,017	\$ 59,139,725	\$ 84,698
Deposits	\$ 48,855,975	\$ 48,855,776	\$ (189)
Payables under securities lending transactions	93,243	93,243	—
Borrowed money	8,790,759	8,790,696	(63)
Foreign exchange liabilities	4,398	4,398	—
Total liabilities	\$ 57,744,386	\$ 57,744,133	\$ (252)
Derivative transactions (*2)			
To which hedge accounting is not applied	\$ 298	\$ 298	\$ —
To which hedge accounting is applied	(2,763)	(2,763)	—
Total derivative transactions	\$ (2,456)	\$ (2,456)	\$ —

(*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, 2021 and 2020 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
	2021	2020	2021
Unlisted equity securities (*1) (*2) ￥	5,849 ￥	5,880	\$ 52,831
Investments in partnerships (*3)	4,027	4,610	36,374
Other	5	5	45
Total	￥ 9,881 ￥	10,496	\$ 89,251

(*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 ¥77 million (\$695 thousand) and ¥40 million for the years ended 31st March, 2021 and 2020, 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, 2021	Due in one year or less	Due after one year through three years	Due after three years through five years
Due from banks	¥ 1,620,812	¥ —	¥ —
Call loans and bills bought	9,414	—	—
Monetary claims bought (*1)	79	—	—
Securities:	93,488	92,700	101,448
Available-for-sale securities with maturities:	93,488	92,700	101,448
Government bonds	10,000	4,300	19,000
Local government bonds	25,252	28,290	42,493
Corporate bonds	58,165	57,050	33,431
Other	71	3,059	6,524
Loans and bills discounted (*1, 2)	838,278	654,432	532,836
Foreign exchanges assets	5,061	—	—
Total	¥ 2,567,136	¥ 747,132	¥ 634,284

Millions of yen			
31st March, 2021	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:	56,155	49,644	101,681
Available-for-sale securities with maturities:	56,155	49,644	101,681
Government bonds	—	—	—
Local government bonds	8,100	15,568	—
Corporate bonds	19,347	11,051	85,465
Other	28,708	23,025	16,215
Loans and bills discounted (*1, 2)	411,333	519,414	1,306,236
Foreign exchanges assets	—	—	—
Total	¥ 467,488	¥ 569,059	¥ 1,407,917

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

Thousands of U.S. dollars			
31st March, 2021	Due in one year or less	Due after one year through three years	Due after three years through five years
Due from banks	\$ 14,640,158	\$ —	\$ —
Call loans and bills bought	85,032	—	—
Monetary claims bought (*1)	713	—	—
Securities:	844,440	837,322	916,339
Available-for-sale			
securities with maturities:	844,440	837,322	916,339
Government bonds	90,326	38,840	171,619
Local government bonds	228,091	255,532	383,822
Corporate bonds	525,381	515,310	301,969
Other	641	27,630	58,928
Loans and bills discounted (*1, 2)	7,571,836	5,911,227	4,812,898
Foreign exchanges assets	45,714	—	—
Total	\$ 23,187,932	\$ 6,748,550	\$ 5,729,238

Thousands of U.S. dollars			
31st March, 2021	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:	507,226	448,414	918,444
Available-for-sale			
securities with maturities:	507,226	448,414	918,444
Government bonds	—	—	—
Local government bonds	73,164	140,619	—
Corporate bonds	174,753	99,819	771,971
Other	259,308	207,975	146,463
Loans and bills discounted (*1, 2)	3,715,409	4,691,662	11,798,717
Foreign exchanges assets	—	—	—
Total	\$ 4,222,635	\$ 5,140,086	\$ 12,717,161

(*1) Loans and bills discounted and monetary claims bought do not include ¥28,999 million (\$261,936 thousand) and ¥27,878 million of receivables such as those due from bankrupt, effectively bankrupt or likely to become bankrupt borrowers at 31st March, 2021 and 2020, 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, 2021	Due in one year or less	Due after one year through three years	Due after three years through five years
Deposits (*1)	¥ 5,182,945	¥ 188,507	¥ 15,077
Payables under securities lending transactions	10,323	—	—
Borrowed money	834,918	73,580	64,725
Total	¥ 6,028,187	¥ 262,088	¥ 79,802

Millions of yen			
31st March, 2021	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Deposits (*1)	¥ 176	¥ 192	¥ —
Payables under securities lending transactions	—	—	—
Borrowed money	—	—	—
Total	¥ 176	¥ 192	¥ —

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	¥ —

Thousands of U.S. dollars			
31st March, 2021	Due in one year or less	Due after one year through three years	Due after three years through five years
Deposits (*1)	\$ 46,815,508	\$ 1,702,709	\$ 136,184
Payables under securities lending transactions	93,243	—	—
Borrowed money	7,541,486	664,619	584,635
Total	\$ 54,450,248	\$ 2,367,338	\$ 720,820

Thousands of U.S. dollars			
31st March, 2021	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Deposits (*1)	\$ 1,589	\$ 1,734	\$ —
Payables under securities lending transactions	—	—	—
Borrowed money	—	—	—
Total	\$ 1,589	\$ 1,734	\$ —

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

Deposits did not include ¥21,946 million (\$198,229 thousand) and ¥25,495 million of time deposits beyond maturity at 31st March, 2021 and 2020, 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, 2021 and 2020

Millions of yen				
Contract amount /notional principal				
31st March, 2021	Total	Over one year	Fair value	Valuation gain (loss)
Over-the-counter transactions:				
Currency swaps	¥ 51,506	¥ 45,099	¥ 83	¥ 83
Forward foreign exchange contracts:				
Selling	3,744	11	(173)	(173)
Buying	2,910	—	123	123
Currency options:				
Selling	38,515	26,369	(885)	889
Buying	38,515	26,369	885	(463)
Total	—	—	¥ 33	¥ 459

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

Thousands of U.S. dollars				
Contract amount /notional principal				
31st March, 2021	Total	Over one year	Fair value	Valuation gain (loss)
Over-the-counter transactions:				
Currency swaps	\$ 465,233	\$ 407,361	\$ 749	\$ 749
Forward foreign exchange contracts:				
Selling	33,818	99	(1,562)	(1,562)
Buying	26,284	—	1,111	1,111
Currency options:				
Selling	347,890	238,180	(7,993)	8,029
Buying	347,890	238,180	7,993	(4,182)
Total	—	—	\$ 298	\$ 4,145

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, 2021 and 2020

There were no interest related derivatives at 31st March, 2021 and 2020.

(2) Currency related derivatives at 31st March, 2021 and 2020

31st March, 2021		Millions of yen			
		Contract amount /notional principal			
Hedge accounting method	Transaction type	Major hedged item	Total	Over one year	Fair value
Deferral hedge accounting	Currency swaps	Loans denominated in foreign currencies	¥ 6,432	¥ 5,314	¥ (306)
	Forward foreign exchange contracts	—	—	—	—
	Total		—	—	¥ (306)

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, 2021		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	\$ 58,097	\$ 47,999	\$ (2,763)
	Forward foreign exchange contracts	—	—	—	—
	Total		—	—	\$ (2,763)

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

34. Amounts per Share

Amounts per share at 31st March, 2021 and 2020 and for the years then ended were summarized as follows:

	Yen		U.S. dollars
	2021	2020	2021
Net assets	¥ 782.13	¥ 729.15	\$ 7.06
Net income:			
Basic	15.51	11.40	0.14
Diluted	15.24	11.39	0.13
Cash dividends			
Common stock	¥ 7.5	¥ 7.5	\$ 0.06
First series of seventh-class preferred stock	¥ 30	¥ 30	\$ 0.27

Net assets per share as of 31st March, 2021 and 2020 were computed based on the following information:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Total net assets	¥ 247,042	¥ 232,373	\$ 2,231,433
Payment for first series of seventh-class preferred stock	(25,000)	(25,000)	(225,815)
Dividends for first series of seventh-class preferred stock	(375)	(375)	(3,387)
Stock subscription rights	(76)	(79)	(686)
Non-controlling interests	(2,434)	(2,223)	(21,985)
Amounts to be deducted from total net assets	(27,886)	(27,677)	(251,883)
Net assets attributable to common stock as of 31st March, 2021 and 2020	¥ 219,156	¥ 204,696	\$ 1,979,550
Number of shares of common stock as of 31st March, 2021 and 2020 used to compute net asset per share (Unit: thousand shares)	280,204	280,731	

Net income per share for the years ended 31st March, 2021 and 2020 were computed based on the following information:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Net income attributable to owners of the parent for the year	¥ 5,103	¥ 3,943	\$ 46,093
Dividends for first series of seventh-class preferred stock based on the resolution by Board of Directors	(375)	(375)	(3,387)
Dividends for first series of seventh-class preferred stock based on the resolution at the regular general shareholders' meeting	(375)	(375)	(3,387)
Amounts not attributed to common stock share	(750)	(750)	(6,774)
Net income attributable to owners of the parent attributable to common stock	¥ 4,353	¥ 3,193	\$ 39,318
Average outstanding number of shares of common stock (Unit: thousand shares)	280,578	280,142	
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	—	3,387
Dividends for first series of seventh-class preferred stock based on the resolution at the regular general shareholders' meeting	375	—	3,387
Adjustment to net income attributable to owners of the parent	¥ 750	¥ —	\$ 6,774
Number of increased common stock (Unit: thousand shares)	54,187	236	489,449
Of which, stock subscription rights	308	236	
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	
(Unit: thousand shares)		53,879	

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 was 583 thousand shares for the year ended 31st March, 2020 and there were no treasury stocks for the year ended 31st March, 2021.

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, 2021, 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, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

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



Determination of the borrower classification which provides the basis to assess the reserve for possible loan losses for the business loan borrowers whose repayment status, financial position, or business performance is deteriorating and the “deemed borrower classification” considering the impact of COVID-19.

Description of Key Audit Matter	Auditor’s Response
<p>The Group is engaged in the lending business mainly in the entity – The Senshu Ikeda Bank, Ltd. As at March 31, 2021, loans outstanding amounting to ¥4,291,531 million included ¥1,711,342 million for business loans to small and medium enterprises and ¥1,800,333 million for housing loans. These loans represent a significant portion of the Group’s consolidated total assets amounting to ¥6,705,548 million.</p> <p>The credit risk of loans is affected by economic trends, borrowers’ business conditions and fluctuations in real estate market, stock prices, etc. To manage the credit risk, the Group recognized a reserve for possible loan losses of ¥15,899 million in the consolidated financial statements as at March 31, 2021, which includes additional ¥4,513 million recognized considering the impact of COVID-19.</p> <p>The details of the applicable accounting standards for the reserve for possible loan losses are described in Note 3. Significant Accounting Policies (7) Reserve for possible loan losses, and the details of the estimation of the reserve for possible loan losses are described in Note 3. Significant Accounting Policies (24) Significant accounting estimates 1. Valuation of loans and bills discounted.</p>	<p>We mainly performed the following audit procedures to assess the borrower classification which provides the basis to assess the reserve for possible loan losses for the business loan borrowers whose repayment status, financial position, or business performance is deteriorating and the “deemed borrower classification” considering the impact of COVID-19, among others:</p> <p>(1) Determination of the borrower classification which provides the basis to assess the reserve for possible loan losses for the business loan borrowers whose repayment status, financial position, or business performance is deteriorating -</p> <ul style="list-style-type: none"> • We evaluated the internal controls of the Group for determining borrower classification. The controls tested included but were not limited to controls to verify the accuracy and completeness of the schedules used in determining the borrower classification and controls around the underlying credit rating data of the borrower. • We selected samples by taking into account the increase in business loans to small and medium enterprises, industries susceptible to COVID-19, repayment status of business loans, financial position or the degree of deterioration in their business performance to test that the management’s classification of the borrower was appropriate. We also considered the monetary impact of changes in borrower classification on the amount recorded in the reserve for possible loan losses.

The reserve for possible loan losses is recognized in accordance with the predetermined standards for asset self-assessment, write-offs and allowances. The calculation process includes the determination of the borrower classification, which is assessed according to the relevant borrower's ability to repay loans. In addition to the repayment status, the financial position, business performance, future prospects, etc. are important factors in determining the borrower classification of business loans. If the business loan borrowers whose repayment status, financial position, or business performance is deteriorating, the assessment of the reasonableness and feasibility of the business improvement plan, which embodies the outlook for future business performance of borrowers, will be more important in making the relevant judgments regarding the borrower's classification.

In estimating the reserve for possible loan losses, additional consideration has been given to the impact of COVID-19. Specifically, the Group has recognized an additional reserve for possible loan losses, based on the "deemed borrower classification", that takes into account the possibility of future downward shift in the borrower classification. In considering the "deemed borrower classification", the Group estimates the financial position stated in financial statements of the borrowers (excluding listed companies, etc.) to be obtained in the fiscal year ending March 31, 2022. The estimation of the financial position of the borrowers includes certain economic recovery scenarios and forecasts of increase (decrease) in revenue of the borrowers based on the forecast of increase (decrease) in revenues by industry determined by external organizations.

The key assumptions involved are affected by changes in the business environment surrounding the borrower and the success or failure of the borrowers' business strategy, including the impact of COVID-19 and critically rely on uncertainty of estimates and management's judgment.

- For the selected samples, we evaluated the business borrowers' recent repayment status, financial position, and business performance, by inspecting evidences related to self - assessment, conducting trend analysis of major profit and loss items and additionally, carried out inquiries with the Loan Division and inspected business logs as necessary to supplement our understanding.
 - In order to examine the reasonableness and feasibility of business improvement plans for business borrowers, we evaluated the accuracy of estimates of major profit and loss items based on the outcome of trend analyses of historical business performance and plans, and the degree of achievement of objectives of business improvement plans in previous years. When necessary, we also considered and evaluated relevant available external information such as market trends of the industry to which business borrowers belong and the status of major clients, and also carried out inquiries with the executive of the Loan Division.
- (2) Determination of the "deemed borrower classification" considering the impact of COVID-19 -
- We examined the borrower's estimated financial position by involving the credit risk assessment specialists from our network firm.
 - We compared the economic recovery scenario assumptions with several external databases over GDP growth projections.
 - To assess the assumption of forecasts of increase (decrease) in revenue of borrowers, we evaluated the accuracy of the estimate by comparing the historical forecasts of increase (decrease) in revenue with external information for historical forecasts of increase (decrease) in revenue by industry.
 - We examined the management's judgment of "deemed borrower classification" considering the possibility of future downward shift in the classification is carried out according to the self - assessment standard considering the evaluation of the financial position of the borrower.



Based on the above factors, we have identified that determination of the borrower classification which provides the basis to assess the reserve for possible loan losses for the business loan borrowers whose repayment status, financial position, or business performance is deteriorating and the “deemed borrower classification” considering the impact of COVID-19 as a key audit matter.

Recoverability of Deferred Tax Assets (“DTA”)

Description of Key Audit Matter	Auditor’s Response
<p>As described in Note 28. Income Taxes – The tax effect of temporary differences which gave rise to significant portions of the deferred tax assets and liabilities (“DTL”), the Group recorded DTA of ¥2,751 million as at March 31, 2021 in the consolidated financial statements. The gross DTA before offsetting with DTL amount to ¥11,308 million of which, DTA related to tax loss carryforwards is ¥2,047 million, net of valuation allowance of ¥3,843 million.</p> <p>As described in Note 3. Significant Accounting Policies (24) Significant accounting estimates 2. Recoverability of deferred tax assets, the Group provides information on their estimate of the recoverability of DTA and recognize DTA to the extent that it is possible to reduce the future tax burden due to deductible temporary differences and tax losses carried forward. The Group estimates taxable income before adjusting temporary differences based on future profitability.</p> <p>The estimate of future taxable income before adjusting temporary differences are based on future business plans which involve key assumptions of forecasts of outstanding bank loan balances, loan interest rates, commissions on sale of assets under custody, commissions on new products, and credit costs of The Senshu Ikeda Bank, Ltd., reflecting earning stress scenarios that take into account future uncertainties.</p> <p>Based on the above factors, we have identified the recoverability of DTA as a key audit matter due to involvement of significant assumptions, uncertainty of estimates and management judgement.</p>	<p>The main audit procedures we performed to assess the recoverability of DTA included the following, among others:</p> <ul style="list-style-type: none"> • We compared the balance of deductible temporary differences and tax loss carryforwards with tax returns, and involved our tax specialists to review tax returns. • We assessed the underlying business plans to evaluate the estimate of taxable income before additions or deductions of temporary differences in the future. Further, we carried out inquiries with the management and considered the consistency of the business plan with Medium-Term Business Plan approved by the Board of Directors. • In order to evaluate the effectiveness of management’s estimation process in business planning, we compared the past business plans with the actual results. • In order to examine the key assumptions considered in the future business plans, we compared forecasts of outstanding bank loan balances, loan interest rates, commissions on sale of assets under custody and commissions on new products which reflect revenue stress scenarios, with our estimates based on historical trends and available external information, including market trends and information published by other banks. We assessed the forecast of credit cost by comparing historical data and evaluating alternative assumptions considered by the management.



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.

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

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

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



Ernst & Young ShinNihon LLC
Tokyo, Japan

南波秀哉 (印)
/s/Hideya Nanba
Designated Engagement Partner
Certified Public Accountant

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

Non-consolidated Balance Sheets (Unaudited)

The Senshu Ikeda Bank, Ltd.
As of 31st March, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Assets			
Cash and due from banks	¥ 1,665,017	¥ 804,194	\$ 15,039,445
Call loans and bills bought	9,414	6,651	85,032
Monetary claims bought	79	99	713
Trading account securities	—	50	—
Money held in trust	20,001	19,988	180,661
Securities	571,287	566,004	5,160,211
Loans and bills discounted	4,311,595	3,983,560	38,944,946
Foreign exchange assets	5,061	5,468	45,714
Other assets	43,056	36,763	388,907
Tangible fixed assets	32,108	33,247	290,018
Intangible fixed assets	4,573	5,139	41,306
Prepaid pension cost	12,097	11,667	109,267
Deferred tax assets	5,286	8,440	47,746
Customers' liabilities for acceptances and guarantees	7,388	8,210	66,732
Reserve for possible loan losses	(12,825)	(8,188)	(115,843)
Reserve for possible investment losses	—	(1,934)	—
Total assets	¥ 6,674,143	¥ 5,479,366	\$ 60,284,915
Liabilities and net assets			
Liabilities			
Deposits	¥ 5,420,391	¥ 5,007,681	\$ 48,960,265
Negotiable certificates of deposit	29,300	27,800	264,655
Payables under securities lending transactions	10,323	—	93,243
Borrowed money	962,961	198,571	8,698,048
Foreign exchange liabilities	487	556	4,398
Other liabilities	24,718	24,419	223,267
Provision for employees' bonuses	1,458	1,014	13,169
Accrued retirement benefits for directors and audit & supervisory board members	4	4	36
Reserve for reimbursement of deposits	392	519	3,540
Reserve for point services	57	56	514
Reserve for contingent losses	1,171	873	10,577
Acceptances and guarantees	7,388	8,210	66,732
Total liabilities	6,458,655	5,269,708	58,338,496
Net assets			
Shareholders' equity:			
Capital stock	61,385	61,385	554,466
Capital surplus	88,862	88,862	802,655
Retained earnings	55,164	54,180	498,274
Total shareholders' equity	205,413	204,429	1,855,415
Net unrealized gain (loss) on available-for-sale securities	10,208	5,399	92,204
Net unrealized gain (loss) on deferred hedges	(133)	(170)	(1,201)
Total valuation and translation adjustments	10,075	5,228	91,003
Total net assets	215,488	209,657	1,946,418
Total liabilities and net assets	¥ 6,674,143	¥ 5,479,366	\$ 60,284,915

Non-consolidated Statements of Operations (Unaudited)

The Senshu Ikeda Bank, Ltd.

For the years ended 31st March, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Income			
Interest income:			
Interest on loans and bills discounted	¥ 39,629	¥ 39,325	\$ 357,953
Interest and dividends on securities	3,910	5,922	35,317
Other interest income	603	616	5,446
Fees and commissions	16,063	17,398	145,090
Other operating income	906	4,949	8,183
Recoveries of written-off claims	310	585	2,800
Gain on sales or disposal of fixed assets	27	363	243
Other income	2,400	2,634	21,678
Total income	63,853	71,796	576,759
Expenses			
Interest expenses:			
Interest on deposits	1,086	1,450	9,809
Interest on borrowings and rediscounts	62	218	560
Other interest expenses	122	949	1,101
Fees and commissions	9,133	9,357	82,494
Other operating expenses	24	8,835	216
General and administrative expenses	40,573	42,112	366,479
Loss on sales or disposal of fixed assets	55	23	496
Loss on impairment of fixed assets	3	99	27
Other expenses	7,672	5,480	69,298
Total expenses	58,734	68,526	530,521
Income before income taxes	5,119	3,269	46,237
Income taxes			
Current	(742)	(190)	(6,702)
Deferred	1,971	204	17,803
Total income taxes	1,229	14	11,101
Net income	¥ 3,890	¥ 3,254	\$ 35,136



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