SIHD

ANNUAL REPORT 2022

Year Ended March 31,2022

SENSHU IKEDA HOLDINGS, INC.

THE SENSHU IKEDA BANK, LTD.

SENSHU IKEDA TOKAI TOKYO SECURITIES CO.,LTD.

SIHD

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.

CONTENTS

Pursuing thorough solutions and becoming a financial group that "endear ourselves to the regional community"

Atsushi Ukawa
Representative Director, President and CEO

Our mission as a regional financial institution is to firmly support our customers in a difficult business environment

I would like to express my sincere gratitude to all our investors and other stakeholders for their constant support of Senshu Ikeda Holdings and the Group.

I would like to talk about the environment and issues surrounding management, as well as our policies for future growth. First of all, the regional financial market is in a very difficult situation. However, rather than simply pointing out the negative factors and working to maintain the status quo, we will proactively find business opportunities within this difficult environment, and we are confident that by further refining and demonstrating the Group's strengths, we will be able to achieve business growth centered on improving profitability. In fact, the Group is taking on various initiatives without being bound by stereotypes, and we have been consistently achieving new growth opportunities. I believe it is my mission to further accelerate this and accurately communicate the results to stakeholders.

Regarding the current state of management, when I assumed the position of Representative Director and President in 2018, the lending service, which is our main business, was experiencing difficulty securing profits due to a decline in profit margins, despite an increase in the loan balance. Although we made efforts to invest in securities in order to supplement our profit source in the lending service, unrealized losses occurred. Moreover, in the midst of the adverse impact of negative interest rates, increases in consumption tax rates, and COVID-19, we have made company-wide efforts to restore base profitability in terms of management.

In terms of the current business environment, although the financial condition of small-to-medium-sized enterprises is relatively stable under so-called "zero-zero financing," I believe that many companies are actually suffering from a decline in profitability. In addition, the impact of geopolitical risks in Eastern Europe will increase risk aversion, and the reduction of financial assets will likely have a negative impact on all economic activities going forward. In light of this situation, from FY2022 onwards, when COVID-19 is expected to subside, we see it as an immediate priority for the Group to firmly support customers' efforts to improve their constitution and minimize the impact of the global economic downturn on regional economies.

As we strive to become a financial group that "endear ourselves to the regional community," we will place the utmost importance on expressing gratitude to our customers

The Group's business area is centered in urban areas such as the center of Osaka, which is a prosperous location. While it is true that the business environment surrounding the Group is extremely difficult, we cannot overlook our strengths in this market. In addition, the Expo 2025 Osaka, Kansai, Japan is scheduled for 2025, and a development plan for an integrated resort (IR) is underway.

On the other hand, looking at the changes in the number of businesses in Osaka, both the number of closures and the number of new openings are among the highest in Japan. In other words, remarkable economic metabolism is a major characteristic of this business area. We believe that there are many things that the Group can do to help customers in this environment of vigorous economic activity. Through initiatives such as the Innovation Promotion Council and the Innovation Fund, we are aiming to contribute to the revitalization of local communities as a so-called regional platformer.

In addition to the strength of our business area, our position as an independent financial institution is also one of our defining characteristics. Up to now, we have thoroughly developed customer-oriented solutions without being bound by capital ties. For about 20 years, we have continued to support the growth of our startup customers. We expect that the knowledge we have cultivated through initiatives that are ahead of their time will be of great use in the coming era.

Another strength and defining characteristic of the Group is that we strive to become a financial group that "endear ourselves to the regional community," as stated in our management principle. The core company of the Group is The Senshu Ikeda Bank, which is a combination of the Bank of Ikeda, which had operated mainly in the northern part of Osaka, and the Senshu Bank, which had operated mainly in the southern part of Osaka. Although they were originally financial institutions with different business areas, they are both regional financial institutions that were born about 70 years ago and have grown since then with the support of regional communities.

I have often told the Group's employees that I would like for them to always gratefully remember that it is because of the support of regional communities that we have been able to grow to this point. As small-to-medium-sized enterprise customers are in a difficult situation due to COVID-19, now is the time to return to our founding aspirations and fulfill our duty as a regional financial institution so that we may endear ourselves to the regional community.

Develop business solutions with the "balance sheet of potentials" as a unique strength

Within the Company, we refer to the various strengths of the Senshu Ikeda Holdings Group as the "balance sheet of potentials." These include prosperous business areas and growth opportunities as a regional financial institution, a wide range of industry-academia-government alliances that can be built because we are an independent financial institution, and the human resource base that we continue to strengthen, centered on the acquisition of the 1st-grade CSPFP (Certified Skilled Professional of Financial Planning) certification. We believe that these are the potential assets and driving forces for the sustainable growth of the Senshu Ikeda Holdings Group.

As stated in the Fifth Medium-Term Business Plan formulated last year, we are moving forward with our priority strategies, including the establishment and provision of thorough solutions as a regional financial institution that endears itself to customers, with the "balance sheet of potentials" at its core. The city of Osaka has a large economy and the ability to grow autonomously; therefore, the idea that regional financial institutions drive the economy does not apply. In this city with an underlying strength, we believe that it is our mission to be of service to customers by facing each problem one by one, concentrating our knowledge and working hard to find solutions. The results of this will lead to the growth of the Group itself.

For this reason, the Fifth Medium-Term Business Plan is positioned as a medium-term business plan that emphasizes growth strategies. In the previous medium-term business plan, we focused on improving the balance sheet and increasing profitability as a medium-term plan for strengthening our business constitution. Based on those results, we will draw a trajectory for growth over the three years until FY2023. The main concrete measure for growth is the establishment and provision of thorough solutions.

Below, I would like to discuss the three new arrows that will contribute to achieving the goals of the Fifth Medium-Term Business Plan.

1st Arrow: Improving potential

Aiming to improve skills for listening to customers

The first of the new arrows for the smooth development of solutions is about improving the potential of the Group, and at the root of this is the improvement of the potential of every employee. Two years ago in the New Year, we announced the "Declaration to Raise Potential!" The intention of the declaration was to sincerely listen to the requests and problems of our customers.

For financial institutions, sales are about offering financial products and services, and they tend to push to sell what they want to sell. However, this approach will make it difficult to gain the trust of customers. Therefore, I fundamentally changed my way of thinking and declared to the entire company that I would like for us to prioritize listening to customers over pushing sales. Two years ago, we abolished the performance award system for sales. To my knowledge, there are not many financial institutions that have eliminated this system. I believe that this is an unusual initiative, given that the main focus of sales is usually to achieve sales targets.

In order to seriously listen to customers, it is, of course, necessary for us to have the answers to their questions. This is the reason why we aim to improve the potential of every employee. Specifically, we have encouraged employees to acquire the 1st-grade CSPFP certification. Thanks to this, 47 employees obtained the 1st-grade certification in FY2021 alone. All employees of the Group, including those at The Senshu Ikeda Bank, are extremely diligent and talented. Once they decide to achieve something, they spare no effort in improving their abilities. Those who have obtained the 1st-grade certification have been able to demonstrate their knowledge to the fullest and respond to all needs of customers. Going forward, I expect that those who have obtained the 1st-grade certification will be a great help in developing solutions.

2nd Arrow: Improving empathy

Empathizing with customers' thoughts and working together to solve issues

The second arrow, which follows the first arrow whose aim is to improve the potential of every employee, aims to improve empathy. In this year's New Year's greeting to the Company, we announced the "Declaration to Raise Empathy!" It would be a waste to simply raise the potential of every employee and do nothing more. Therefore, I called on all Group companies to not only listen to customers, but to acquire the ability to empathize with the feelings of customers. This is because I believe that we can only offer truly useful solutions when we empathize with our customers' thoughts and dreams. Going forward, I am confident that we will be able to further increase value for our customers by sharing empathy throughout the entire Group.

3rd Arrow: Improving Presence

The third arrow, presence, aims to go beyond and further increase the improvement of potential and empathy. I would like to display the underlying strength of the entire Group so that we may demonstrate our presence

to the extent that customers will say such things as "It's helpful to have Senshu Ikeda by my side," and "This is something that only Senshu Ikeda can do." From this fiscal year onward, we will strengthen our initiatives to serve customers and improve business performance.

Maximizing the abilities of employees with thorough back-up systems

For the thorough development of solutions, it is important to provide offers and support that are rooted in the customer's situation while building a foundation with the three arrows. Rather than a strategy in which the head office makes uniform plans and assigns them to branches, each branch will determine the solutions to be provided based on an understanding of customer needs and issues. The head office is designed to play a supporting role to ensure that these activities proceed smoothly. A 180-degree shift from the conventional way of thinking of financial institutions is the key to these measures.

Receiving feedback from customers saying that Senshu Ikeda has changed, and deepening feelings of gratitude and confidence

In terms of the progress of the Fifth Medium-Term Business Plan, we are seeing a concrete response. For instance, upon visiting customers and talking to them, we have received comments such as, "Recently, the way that salespeople talk has changed." In the past, our salespeople tended to focus on sales when talking with customers, saying such things as, "How about a loan?" and "I'm here to inform you about investment trusts." However, with this, there is no hope of differentiating ourselves from our rivals.

One example of a solution that has seen significant growth in recent years is the staffing service. We are probably amongst one of the top regional banks for the number of placements made. This solution is a result of listening to our customers and responding to their needs. Led by The Senshu Ikeda Bank, the Group is not limited to staffing services and has started to move forward with solutions that meet a variety of needs. That is why I am proud that customers are saying that Senshu Ikeda has changed.

There are people within and outside of the Company who are concerned that eliminating the performance award system will negatively affect sales. Of course, we have not abandoned our sales goals, and, as an executive, I am fully aware that my responsibility to achieve successful sales figures is first and foremost. However, I believe that the Group will not be able to achieve sustainable growth unless it thoroughly implements customer-oriented sales. To that end, it is necessary to develop business solutions centered on sales sites, and, through this strategy, we intend to steadily build up our business performance and earn the trust of our stakeholders.

As a reborn Senshu Ikeda Holdings Group, we are making progress towards achieving the goals of the Fifth Medium-Term Business Plan

When it comes to offering solutions thoroughly, one of the reasons why I took on the challenge of a sales strategy that goes against the conventions of the financial industry is that I do not come from a sales background. If I had been a banker with extensive experience in sales, I would most likely have stuck to head office-driven, target-based sales. However, as times have changed dramatically, banks must also undergo a major shift in thinking. Moreover, it would be a contradiction to say that we are a customer-oriented bank that endears itself to customers while at the same time striving to push sales of financial products and services.

Sales are supposed to be helpful to customers, yet they seem to have become bank-oriented rather than customer-oriented activities. As we believe that the system of having sales offices and managers compete for performance awards was spurring bank orientation, we decided to conduct a drastic review of the sales strategy, including the abolition of the performance award system.

Stakeholders may feel concerned about the impact of the sales personnel with less competitive spirit on our business results. However, in terms of solutions, we are steadily increasing the number of cases supporting our customer's core business, business succession, etc., in addition to staffing service. At the same time, the atmosphere within the Company has definitely changed. We recognize that due to this, combined with the improvement of every individual's potential and empathy, we are making strong progress as a new Senshu Ikeda Holdings Group. Going forward, we will meet the expectations of all stakeholders by demonstrating new initiatives to increase performance and achieving the goals of the Fifth Medium-Term Business Plan.

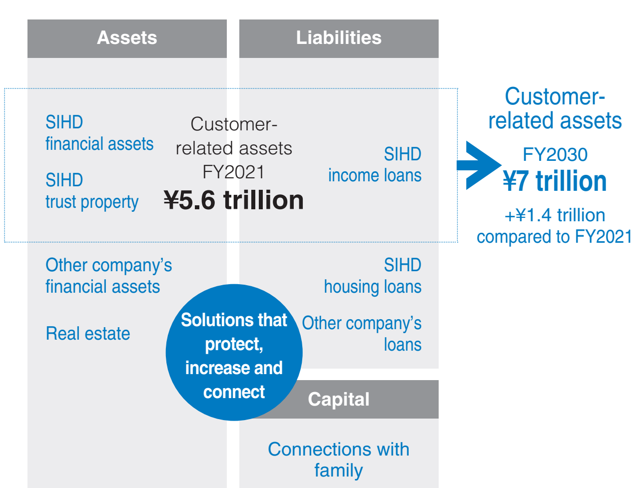
By 2030, we will develop business solutions related to customer assets worth ¥7 trillion

I am certain that the solutions pursued by the Group have a great potential going forward. They are business opportunities that should be called discontinuous. In conventional sales strategies, the head office sets a target such as "103% compared to the previous year" and orders each branch to achieve this target. Branches then do what it takes to achieve 103%, but achieving anything higher is difficult. On the other hand, by having each branch work closely with regional issues and develop markets through independent target setting at sales sites, it is possible to achieve discontinuous growth of 200% or 300% compared to the previous period. In fact, many branches are achieving such results one after another. Honestly speaking, at this point, the Group as a whole is only halfway there. However, I would like all our stakeholders to understand that we are taking on the challenge of new possibilities and steadily producing results.

In the Fifth Medium-Term Business Plan, we set a target of 10,000 cases of solution consulting by 2025. At the time, there were still only about 4,000 cases, so many employees did not believe that 10,000 cases could be possible. On the other hand, an outside director made a stern remark, saying, “if we were to take on 10,000 cases of solution consulting, how much profit would we make?” In the first year of the initiative, we had expected about 5,700 cases, but the number exceeded 7,000. We expect that 10,000 cases will be achieved as early as FY2023. Therefore, we would like to go beyond 10,000 cases by FY2025 and revise it to 12,000 cases. In terms of numbers, results are steadily improving in proportion to the increase in solution proposals in sales of deposited assets.

Looking at the development of solutions over the medium- to long-term up to 2030, we aim to increase the assets of customers involved with the Group to ¥7 trillion. At present, our deposit balance is approximately ¥5.6 trillion, and we expect an increase in deposits of approximately ¥300 billion. As for how to secure the remaining ¥1 trillion and more, we can achieve it by offering solutions and getting involved with all of our customers’ assets, including investment trusts, insurance, and real estate. We estimate that the total assets of our Group’s individual customers alone are roughly ¥13 trillion. Given this scale, we believe that an increase of ¥1 trillion in 2030 is sufficiently possible. The entire Senshu Ikeda Holdings Group, rather than just The Senshu Ikeda Bank alone, will work as one to achieve this goal. For this reason, we established an in-house Group Strategy Division last year to promote group-wide sales.

Customer’s personal balance sheet



Becoming a Senshu Ikeda Holdings Group that inspires customers to say, “I see how it has changed. I have high expectations for the future”

The pursuit of thorough solutions has also had a positive impact on the sales of corporate financing, which is the core of our business. In July last year, we integrated the Dojima Branch and the Shin-Osaka Branch into the Head Office Sales Department, which was the core base, to newly establish the Head Office Sales Division. The Division consists of first and second departments, and while the first department works toward traditional small-to-medium-sized enterprise financing, the second department is dedicated to large- and medium-sized enterprises. In the past, customers with large scales of business were not very interested in us, but when we approached them with proposals from the perspectives of solutions, the presidents themselves began to listen to what we had to say.

Looking at this alone, the Group is undergoing a major transformation. Regarding these initiatives, we intend to form a team of specialists from the perspective of Group-wide sales, dedicate ourselves to offering customer-oriented solutions, and produce results. As part of this, we will further strengthen our collaboration with outside specialists.

Over the past few years, stock prices have caused a great deal of concern to our stakeholders. However, based on the results of the Fourth Medium-Term Business Plan, we will set a definitive growth trajectory in the Fifth Medium-Term Business Plan and pave the way for sustainable growth.

In terms of sustainability, we announced the “Sustainability Declaration” last year. It was formulated from the perspective of aiming to be a company that endears itself to customers in regional communities. In terms of regional communities, the environment, and human resources, we will come up with measures that value on-site perspectives. In the process of implementing these initiatives, we will aim to be a corporate group that inspires investors, shareholders, regional customers, and Group employees to say, “I see how Senshu Ikeda has changed. I have high expectations for the future.” It is the mission of top management to realize this promise. We sincerely appreciate your continued support for the Group.

Representative Director, President and CEO

Outline of the Fifth Medium-Term Business Plan for Vision '25

Basic Policy

Customers: Offer the most suitable solutions exactly from customers' point of view through the various issues of customers.

Employees: Create a workplace where employees can be active in diverse fields by meeting customers' trust.

Regions: 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)

(As of May 2021)

1	**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**
2	**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)
3	**Establish a structure for the Fifth Medium-Term Business Plan** ● Improve customer convenience and optimize operations ● Countermeasures 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**
4	**Human resources 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
5	**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) (*)
6	**Sustainable management**	**Formulate Senshu Ikeda Holdings Group's** Sustainability Declaration

(*) The Board of Directors resolved to acquire and retire stock on July 15, 2022, at the Board of Directors meeting held on June 28, 2022.

Implementation of "Review of Senshu Ikeda Holdings Group's Growth Engine" in Response to Environmental Changes

Progress in the first year of the Fifth Medium-Term Business Plan was favorable, but in light of environmental changes such as the prolonged impact of COVID-19 and the uncertainty of the global economy due to the situation in Ukraine, we implemented the "Review of Senshu Ikeda Holdings Group's Growth Engine." While the foundation of our growth strategy (six strategic priorities) remains unchanged, we will work towards the realization of steady growth through reviews that respond to environmental changes.

There are many risk factors in the future outlook

- Prolonged impact of COVID-19
- Continuous supply chain disruptions
- Pressure on corporate profits due to soaring prices of resources and raw materials
- Impact of the situation in Ukraine on financial markets and the economy

Update the "growth strategy" in light of environmental changes

Implement a review of the Fifth Medium-Term Business Plan
(FY2022 to FY2023)

- Respond to an era of volatility, uncertainty, complexity, and ambiguity
- Highly agile management

Fifth Medium-Term Business Plan after review (FY2021 to FY2023)

		FY2021 results	Plan after review in FY2022	FY2023 targets: Initial plan	FY2023 targets: After review	Remarks
Senshu Ikeda Holdings (consolidated)	Net income	**¥11.4 billion**	**¥7.9 billion**	¥7.0 billion	¥8.6 billion	
	ROE	**4.6%**	**First half of 3%**	First half of 3%	Mid 3%	Long-term target: stable 5% or more
	Capital adequacy ratio	**9.9%**	**Mid 12%**	Mid 11%	First half of 12%	About 10% after 2028 Basel III finalization and implementation
The Senshu Ikeda Bank (non-consolidated)	Core banking profit	**¥11.3 billion**	**¥13.5 billion**	¥11.5 billion	¥13.7 billion	
	Core business profit	**¥6.4 billion**	**¥7.7 billion**	¥7.0 billion	¥9.7 billion	
	Core OHR	**79.0%**	**75% level**	78% level	74% level	

Shareholder Return Policy

Dividend of ¥7.5 or more per share → ¥10 or more

Shareholder return ratio 30% or more

Capital policy

Preferred stock ¥25.0 billion

July 2022 as originally planned
To be acquired and retired on the call date
(cost: - ¥750 million) (*)

(*) The Board of Directors resolved to acquire and retire stock on July 15, 2022, at the Board of Directors meeting held on June 28, 2022.

Establish and 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, and respond quickly to changes in the environment, issues and needs. In May 2022, we decided to move the KPI, which aimed for 10,000 cases of solution consulting by FY2025, two years ahead of schedule to achieve it by FY2023. Moreover, we set a new KPI, customer-related assets, to protect, enhance and connect with individual customers' financial assets, real estate and family. (customer-related assets = personal B/S)

Senshu Ikeda Holdings Group

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.

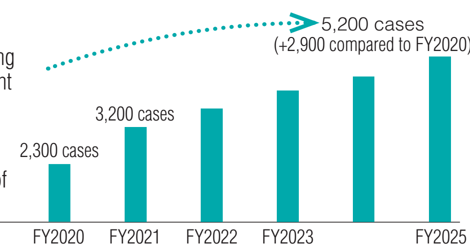
Provide solutions

Divisions
Retail Division

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

- **For asset builders:** Strengthen very convenient face-to-face and non-face-to-face channels
- **For the elderly:** Support healthy and fulfilling lives by creating a safe and secure environment
- **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

KPI Number of cases of solution consulting

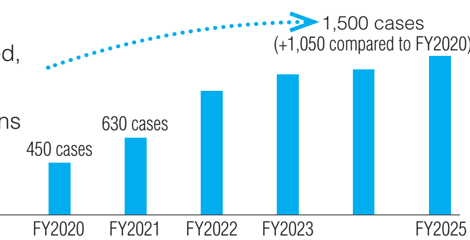


Divisions
Private Banking Division

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

- **The wealthy class:** High value-added, tailor-made solutions
  Develop wealth management solutions

KPI Number of cases of solution consulting

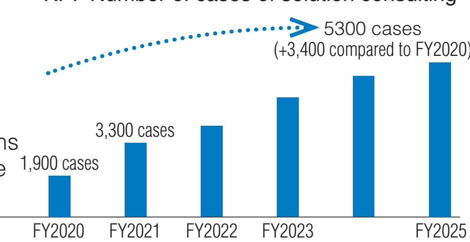


Divisions
Corporate Solutions Division

Major roles
Provide accompany solutions to corporate customers

- Provide accompany solutions which address issues and needs at each life stage of company, based on business feasibility
- Strengthen M&A solutions (including hands-on solutions)
- Strengthen human resource solutions to meet the diverse human resource needs of companies

KPI Number of cases of solution consulting



Establish solutions

Divisions
Customer Contact Division

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

- Expand sales area efficiently
- New channel with customers
- Strengthen a sales ability by digital technology
- Build "Senshu Ikeda" brand

Divisions
Regional Co-Revitalization Division

Major roles
Develop regional communities and industries, and generate innovation

- **Generate innovation**
  Generate innovation and revitalize regions through unique venture and startup support programs
- **Industry/regional revitalization**
  Solve regional social issues through public-private partnerships
  Leverage regional growth opportunities to support the growth of regional companies

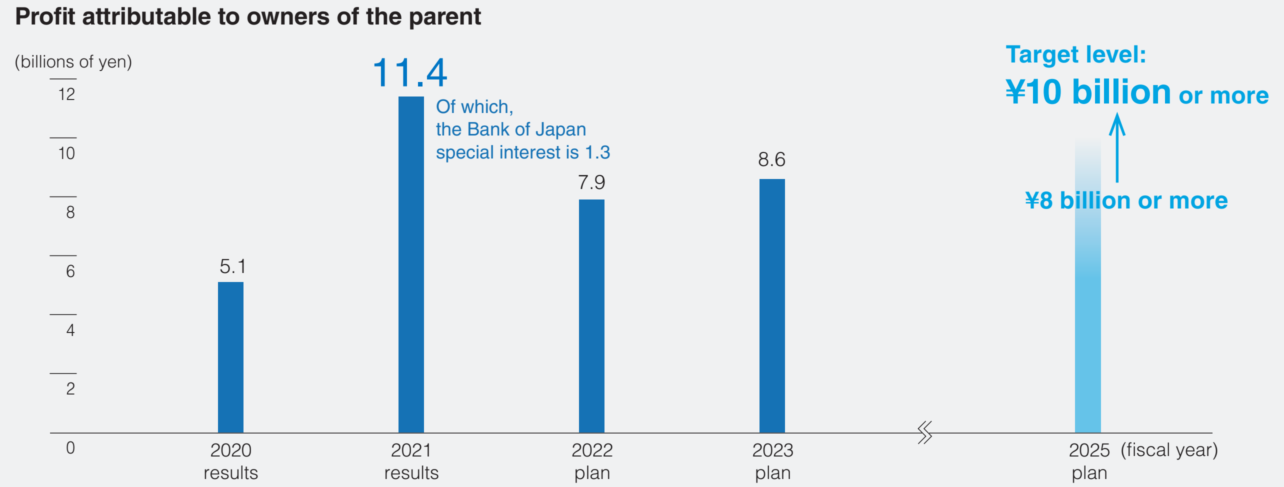
KPI

KPI	FY2021 results	Before revision	After revision
Number of cases of solution consulting	**7,200 cases** (1,400 more than planned)	FY2025 **10,000 cases**	FY2025 **12,000 cases**
Customer-related assets	**¥5.6 trillion**	–	FY2030 **¥7 trillion**

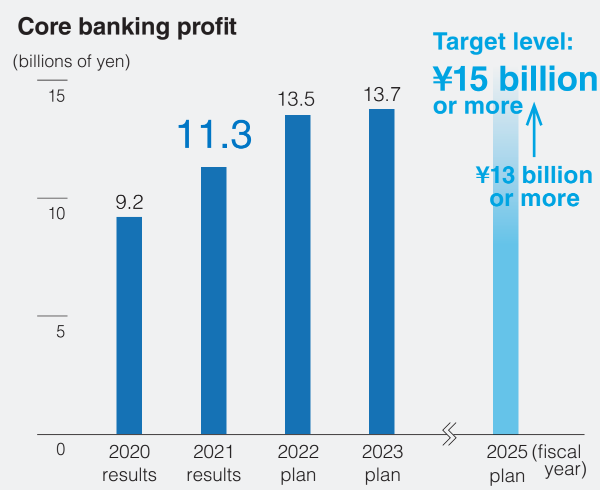
Financial and Non-financial Highlights

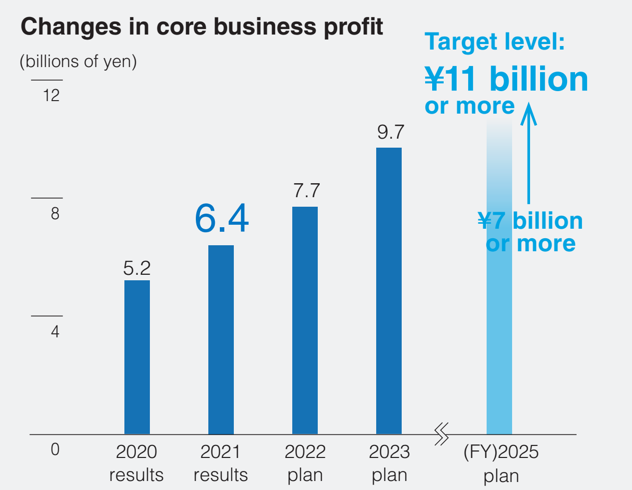
Financial Highlights

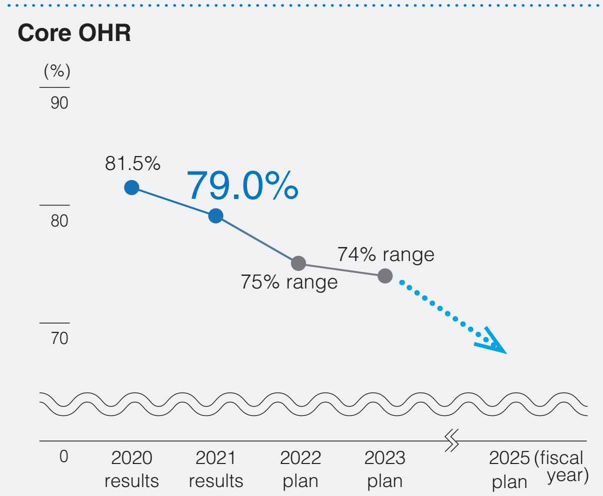
Senshu Ikeda Holdings

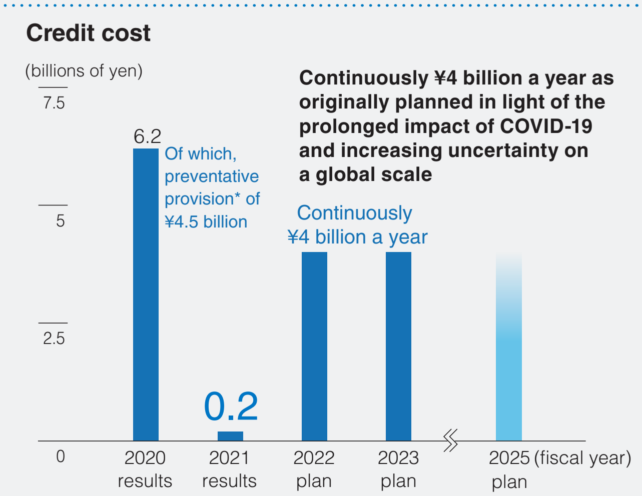


The Senshu Ikeda Bank









*Implementing a preventative provision in preparation for the risk of future credit cost increases due to the impact of COVID-19

Non-financial Highlights

Number of cases of solution consulting

FY2025 plan
12,000 cases

Before revision
FY2025: 10,000 cases

FY2021 results
7,200 cases
(1,400 more than planned)

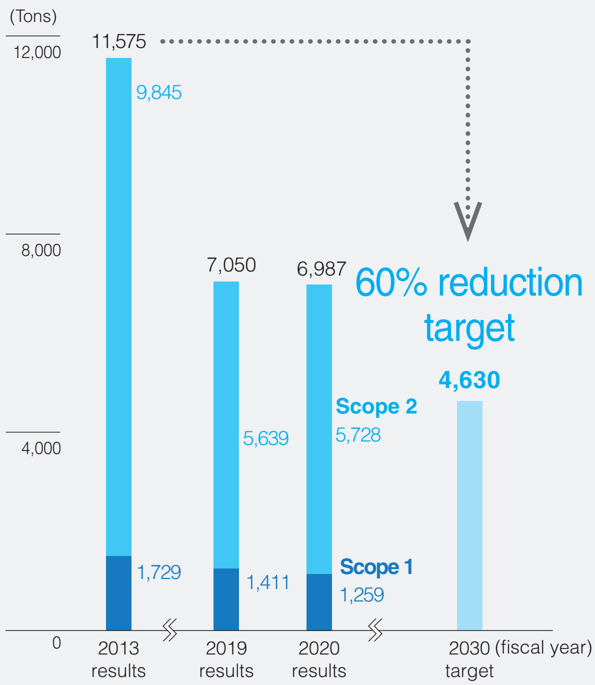
Customer-related assets (*)

FY2030 plan
¥7 trillion

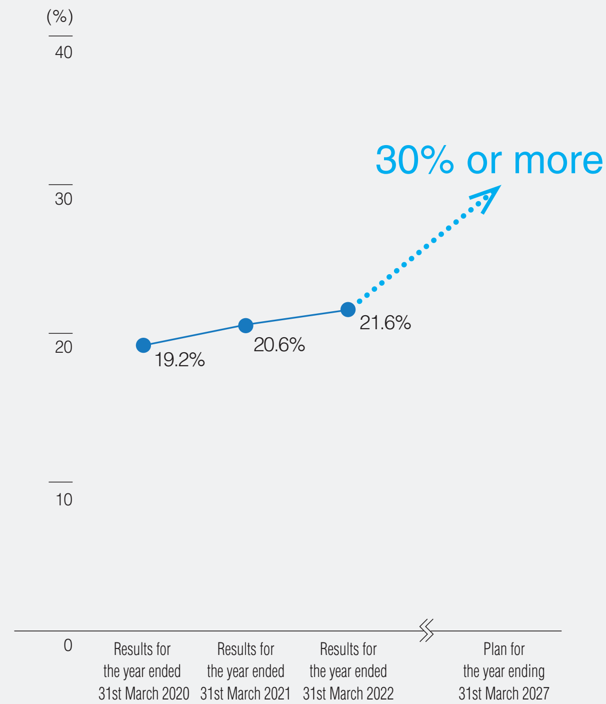
FY2021 results
¥5.6 trillion

(*) A newly established KPI to protect, enhance and connect with individual customers' financial assets, real estate and family

CO_2 emissions reduction targets



Percentage of women in managerial positions



Response to Climate Change

The Senshu Ikeda Holdings Group announced the Sustainability Declaration in May 2021 and set climate change as one of the important management issues (materiality). In November 2021, we endorsed the purpose of the TCFD (Task Force on Climate-related Financial Disclosures) and joined the TCFD Consortium, aiming for the enhancement of recommended information disclosure.

Governance

As mentioned above, we set climate change as an important management task. We are promoting concrete initiatives under the supervision of the Board of Directors.

In April 2022, we established the Sustainability Committee, chaired by the President and CEO of Senshu Ikeda Holdings. The committee consists of the President and CEO of Senshu Ikeda Holdings, and directors in charge. We hold the committee meetings every quarter in principle. As a medium- to long-term growth strategy that contributes to the realization of sustainable regional communities, we aim to transform the business model by incorporating SDGs and ESG, including climate change issues, into management. We regularly report the content of discussion to the Bord of Directors, and we have a system in place to ensure appropriate supervision.

We submit and report key initiatives for climate change response to the Board of Directors after discussions by the Management Committee.

Moreover, we have newly established the SX (Sustainability Transformation) Strategy Office within the Corporate Planning and General Affairs Division in order to further promote SDGs and ESG-related measures for the entire Group.

Strategy

The impact of climate change is highly uncertain, and the period to be analyzed should be long. In our climate change analysis, we used two scenarios to understand the risks and opportunities that climate change poses to our business: one in which the average temperature rises by 1.5°C or less compared to before the Industrial Revolution and one in which the average temperature rises by 4°C compared to before the Industrial Revolution. Regarding the timeline of evaluation, we analyzed the impact over the short-term (less than 5 years), the medium-term (about 15 years), and the long-term (about 30 years).

Risks and Opportunities

		1.5°C or less	4°C
Risk	**Transition risks**	● Deterioration of the business environment of business partners due to policy changes and tightening of regulations, and damage to loans assets for these partners [medium- to long-term] ● Deterioration of the business environment of business partners due to a consumer-oriented shift to low-carbon products and services, and damage to loans assets for these partners [short- to long-term] ● Deterioration of the Company's reputation due to insufficient climate change response [short- to long-term]	● No particular impact is expected
	Physical risks	● No particular impact is expected (the impact of sudden disasters remains at the same level as it is now)	● Damage to real estate collateral due to disasters [medium- to long-term] ● Impact on business partners' business and employment due to disasters and decline in productivity [medium- to long-term] ● Impact of damage to the Company's base [medium- to long-term]
Opportunities		● Increased demand among companies for capital spending in order to respond to a low-carbon society [short- to long-term] ● Increased business opportunities and demand for funds for product and service-related businesses and renewable energy businesses that support decarbonization [short- to long-term] ● Reduction of business costs due to reduction of energy consumption [short-term]	● Increased demand among companies for capital spending for natural disaster response [medium- to long-term] ● Increased business opportunities and demand for funds in related industries due to increasing infrastructure resilience [medium- to long-term]

Ratio of carbon-related assets* in our loans, etc.: Approximately 0.9%

*Based on the definition initially endorsed by TCFD recommendations, we calculate exposure for the electric power sector (excluding solar power generation, biomass power generation and electrical work) and the energy sector (including oil retail and wholesale). We are currently investigating the calculation of the exposure ratio according to the definition announced by the TCFD in October 2021, and will consider disclosing it in the future.

Scenario Analysis

● Transition risks

- Based on analysis by various specialized institutions such as TCFD and SASB (Sustainability Accounting Standards Board), we investigated the magnitude of potential risk by sector and investigated the sectors with the greatest impact, taking into account the Company's exposure. As a result of this investigation, "electric power" and "oil, gas and consumable fuel (including oil retail and wholesale)" were selected as priority sectors in 2021. The priority sectors may be added to or changed based on future professional analysis and market trends.
- For the two selected sectors, we identified the risks and opportunities for businesses in these sectors and analyzed the impact on future business, based on the 1.5°C and the 4°C scenarios.
- In analyzing transition risks, we made forecasts of changes in the financial situation and business performance of borrowers by 2050 and analyzed changes in credit-related costs using forecast data and carbon tax forecast data related to resource demand and composition by power source in power generation found in the Net Zero Emissions by 2050 Scenario (NZE scenario), etc. of the International Energy Agency (IEA) World Energy Outlook report.
- The analysis results regarding transition risks are as follows.

Scenario	The IEA's NZE scenario, etc.
Analysis targets	"Electric power" and "oil, gas and consumable fuel (including oil retail and wholesale)"
Analysis period	Until 2050
Amount of risk	Increase in credit-related costs: up to approximately ¥3 billion

● **Physical risks**

Regarding physical risks, we analyzed the impact of the amount of collateral value damage caused by damage to real estate collateral of business loan partners and the impact of deterioration in business performance due to business stagnation, etc. on increases in credit-related costs using a hazard map, while referring to the RCP8.5 scenario (4°C scenario), etc. of the Intergovernmental Panel on Climate Change (IPCC).

The analysis results regarding physical risks are as follows.

Data and scenario	Use a hazard map of the loanee's head office location and collateral property location with reference to the 4°C scenario, etc.
Analysis content	Analysis of the impact of deterioration of business performance and damage to collateral, etc. in the event of a large-scale flood caused by climate change
Analysis period	Until 2050
Amount of risk	Increase in credit-related costs: up to approximately ¥5 billion

From the above analysis, we have confirmed that the impact of climate change risk on our strategy is limited. As this calculation is based on certain assumptions, we will continue to work on improving and refining scenario analyses.

Reflection in strategy

The Senshu Ikeda Bank, a subsidiary, has established a "sustainable loan policy". The Bank carefully considered whether or not to make loans that may have a negative impact on ESG (environment, society, governance), and strive to reduce and avoid this impact. In addition the Bank established a loan policy for specific sectors as follows.

Loan policy for specific sectors

1.
Weapons

We will not lend to companies involved in the development and manufacturing of inhumane weapons such as cluster munitions.

2.
Coal-fired power generation

As a general rule, we will not make loans that use the construction of new coal-fired power plants as funds. However, in the case of new power plant construction that contributes to the next generation and to higher efficiency, taking into account international guidelines, etc., we will carefully consider partaking by each individual project.

3.
Deforestation

We will carefully consider whether or not to make loans that use funds from development involving deforestation based on impact on the environment and involvement in illegal logging or illegal labor.

Similarly, we have formulated a "sustainable loan policy" in securities investment to limit investment in specific sectors.

Risk Management

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.

We recognize that the risks of climate change may have a significant impact on business operations, strategies and financial plans through the performance of our business partners. Based on the analysis results of transition risks and physical risks related to climate change, we respond to the impact on the business operations of our business partners within the framework of credit risk management.

The risks of climate change require consideration of the timeline and its uncertainties, but regarding the risks to the Group, which are driven by climate change, we will monitor the situation and consider an appropriate response while using the existing management framework.

As mentioned above, we have set a sustainable loan policy and a loan policy for specific sectors, and we carefully consider the negative impact of climate change when deciding whether or not to make a loan. Moreover, by exchanging opinions with business partners based on understanding risks in significant sectors using scenario analysis, we plan to promote support for climate change response, such as sustainable finance and initiatives to reduce CO_2. We believe that such a response will lead to the reduction of risks for the Group.

Indicators and Targets

The Group has set sustainable finance and CO_2 emissions reduction targets as long-term targets for climate change issues.

● **Sustainable finance**

As a financial institution, we believe that it is possible to contribute to the realization of a decarbonized society by financing through loans. The Group has set the following sustainable finance amount as a target for FY2030.

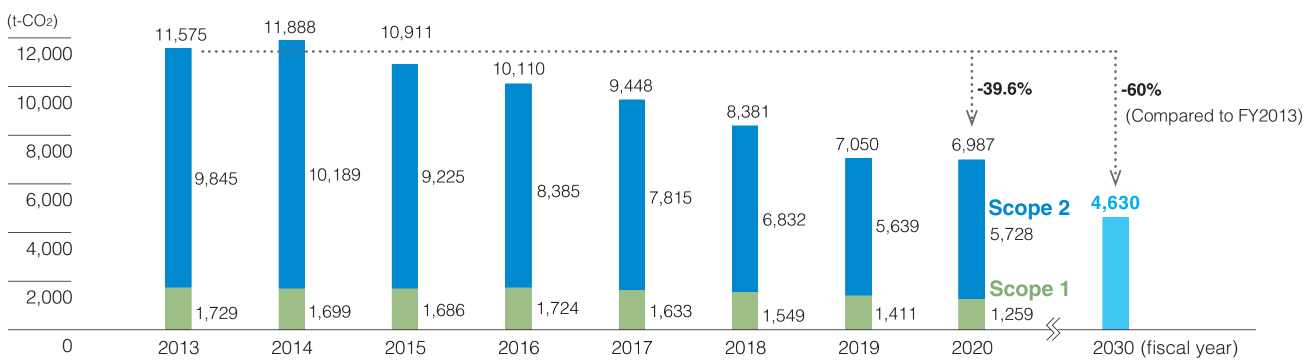
Cumulative amount of sustainable finance* to be executed (FY2022 to FY2030): ¥1 trillion

* Loans that use funds to solve problems in the environmental and social fields, and loans that support and promote initiatives towards SDGs

● **CO_2 emissions reduction**

The Group has set a target to reduce CO_2 emissions by 60% by FY2030 compared to FY2013, as well as a target to achieve carbon neutrality by FY2050. The graph below shows changes in the Group's CO_2 emissions.

Changes in CO_2 emissions (after adjustment)



We are also investigating the measurement of CO_2 emissions related to the Group's supply chain, and are considering setting targets in the future.

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 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 on important matters related to the personnel affairs of officers, including the selection of candidates for directors.

● Remuneration Committee

The Remuneration 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 on important matters related to the remuneration of directors, etc.

● 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, getting involved from diverse points of view.

● Management Committee

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

Organization and Personnel of Audits by Audit & Supervisory Board Members

The Audit & Supervisory Board is comprised of 4 audit & supervisory board members including 2 internal and 2 outside members (as of the date of submission of the annual securities report). 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)	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.	100% (19/19)
Audit & Supervisory Board Member (Full-time)	Hiroo Maeno	Mr. Hiroo Maeno has long experience in the Corporate Planning Headquarters of The Senshu Ikeda Bank, Ltd., a Group company. After having served in the Loan Division, the Risk Management, and several other Headquarters, he assumed the position of Director of the Company. He successively held the positions of Director in charge of the Risk Management Headquarters, General Manager of the Personnel Division, and Director in charge of Corporate Planning and General Affairs Division after his appointment as Director. 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% (14/14)
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 though 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.

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.

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 14 members of whom 13 serve concurrently in the Internal Audit Division of the banking subsidiary (as of March 31, 2022). 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 officer in charge of internal audits regularly reports the results of the audits to the Board of Directors and the Audit & Supervisory Board.

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
Twelve 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 6 certified public accountants and 13 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 (as of the date of submission of the annual securities report).

Outside Director Minoru Furukawa holds 25,000 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 Osaka International Convention Center Corp. The Senshu Ikeda Bank has ordinary banking transactions with Hitachi Zosen Corporation and Unitika Corporation, and has ordinary convention center use transactions with Osaka International Convention Center Corp.

As an outside director of the Company, he performs his duties of supervising the business execution based on his extensive experience 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 25,000 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 25,740 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 4,700 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 10,000 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 major[2] 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 sum[3] 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 shareholder[4] 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 relative[6] 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.

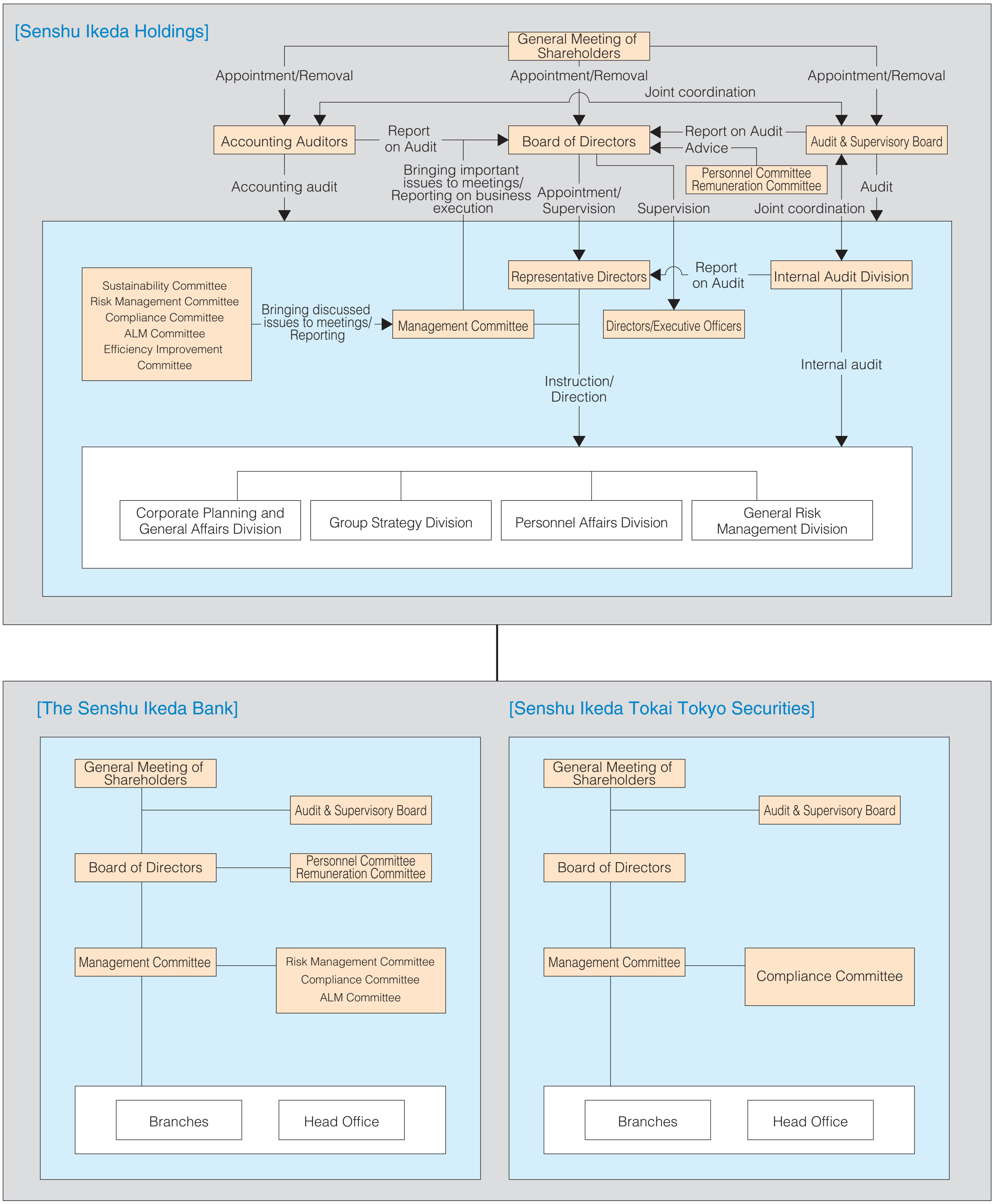
Notes:
1. Definition of "recently": Refers to cases that might be regarded as almost "at present," for example, including the case where said person fell under any infringement requirement item since the content of a proposal for the selection as Outside Director or Outside Audit & Supervisory Board 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, 2022)



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, outside 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.

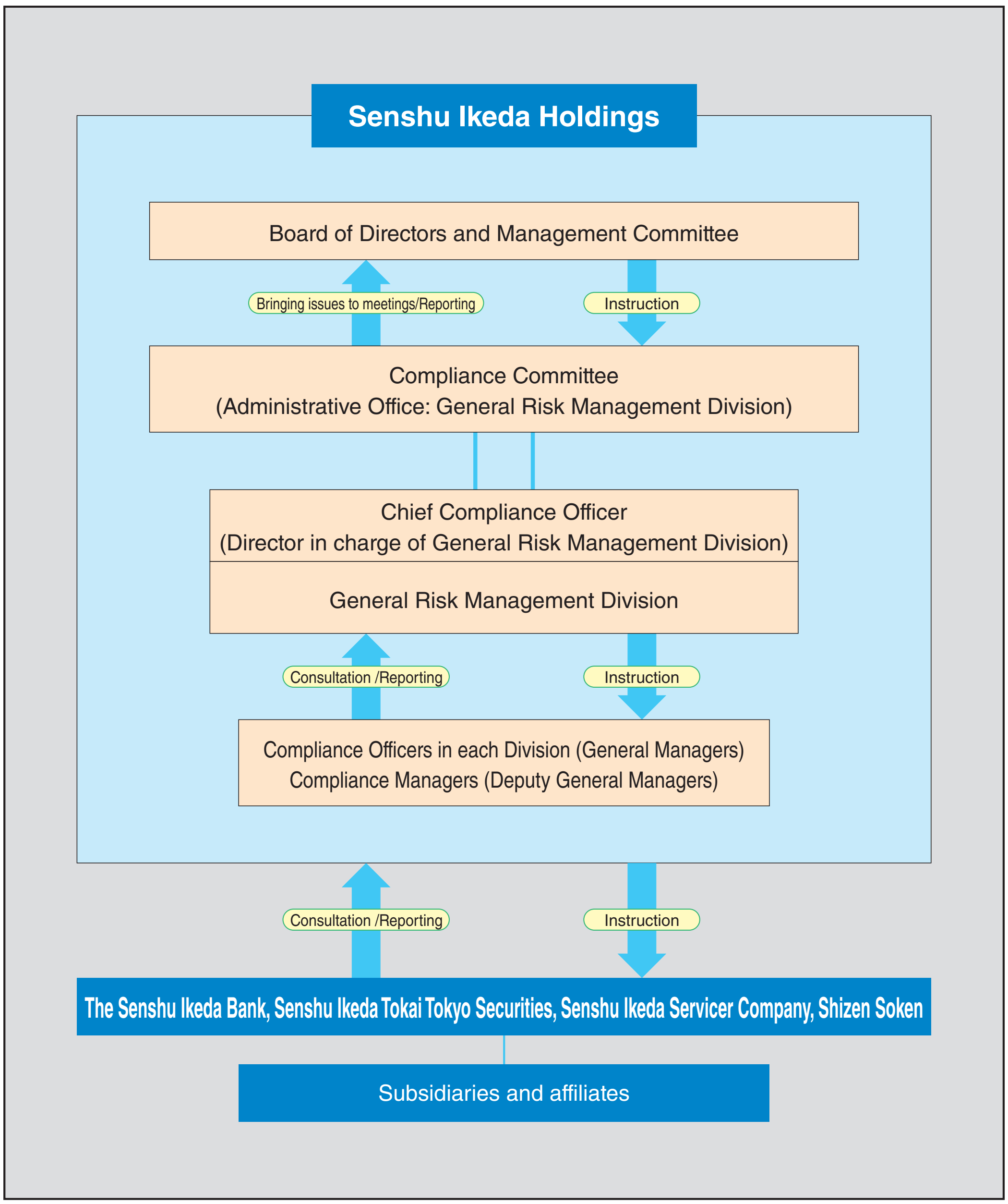
Compliance Structure

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 independents 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.

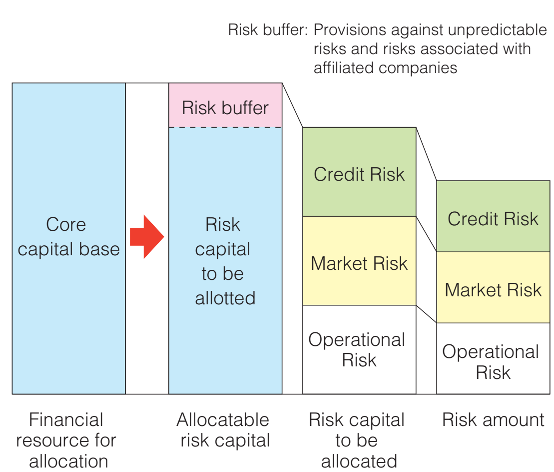
● Risk capital management system

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.

● Risk management related to cyberattacks, etc.

Risk related to cyberattacks, etc., as identified by the Group, is the risk of suffering losses due to cyberattacks, etc., such as targeted email attacks and website defacement.

To prepare for risks such as computer viruses, which have been rapidly increasing recently, and increasingly sophisticated cyberattacks, the Group is implementing various measures such as establishing a system to appropriately manage risks related to cyber security, improving security measures according to the degree of risk impact, and formulating contingency plans.

Furthermore, the Group has established a specialized team for computer security (CSIRT) and is working to strengthen its structure by enhancing various security measures and conducting cyberattack exercises.

● 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.

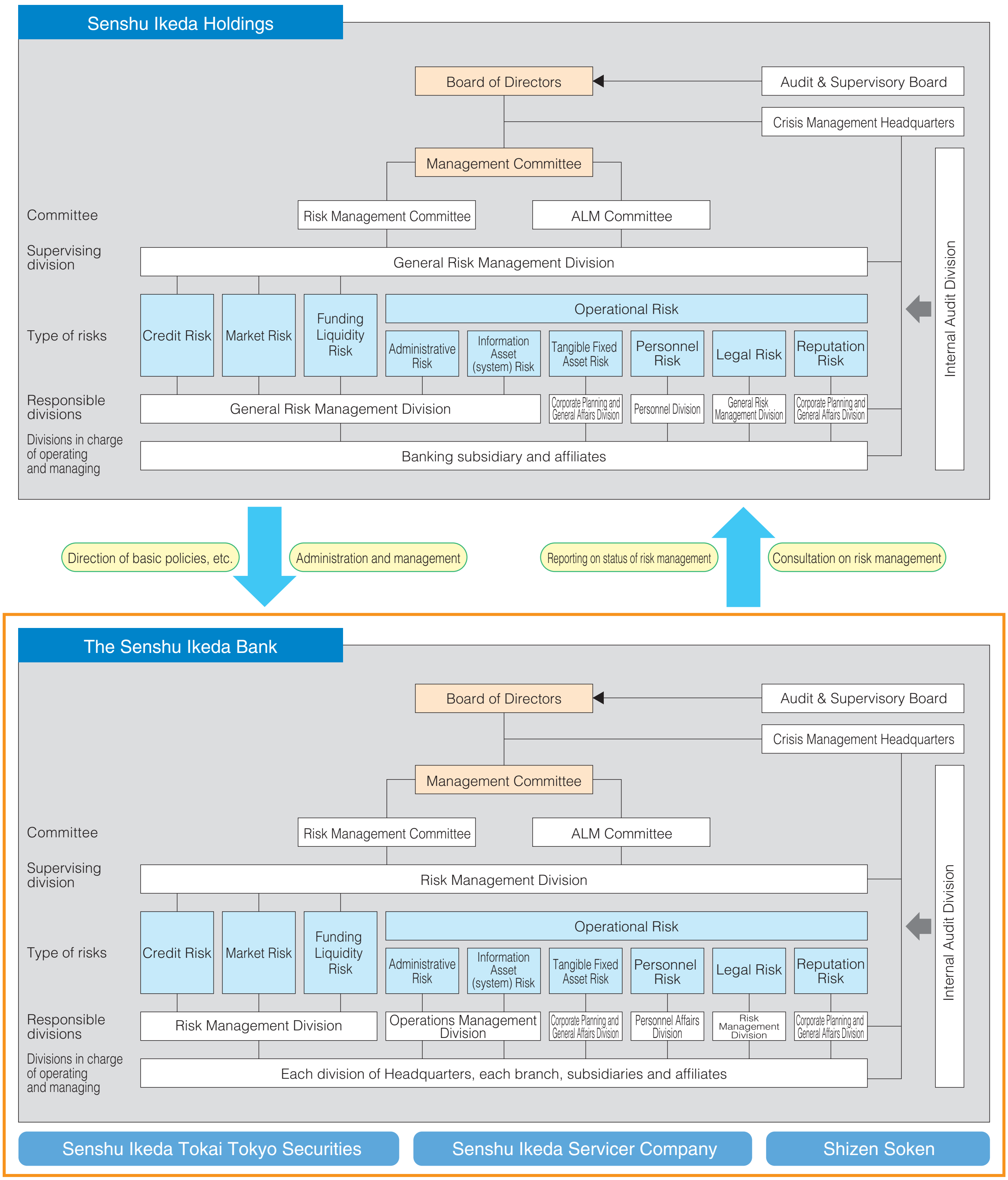
The Group works to avoid reputation risk by disclosing information proactively thorough increases the transparency of its management, taking into consideration the crucial influence on the management of the Group.

■ 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

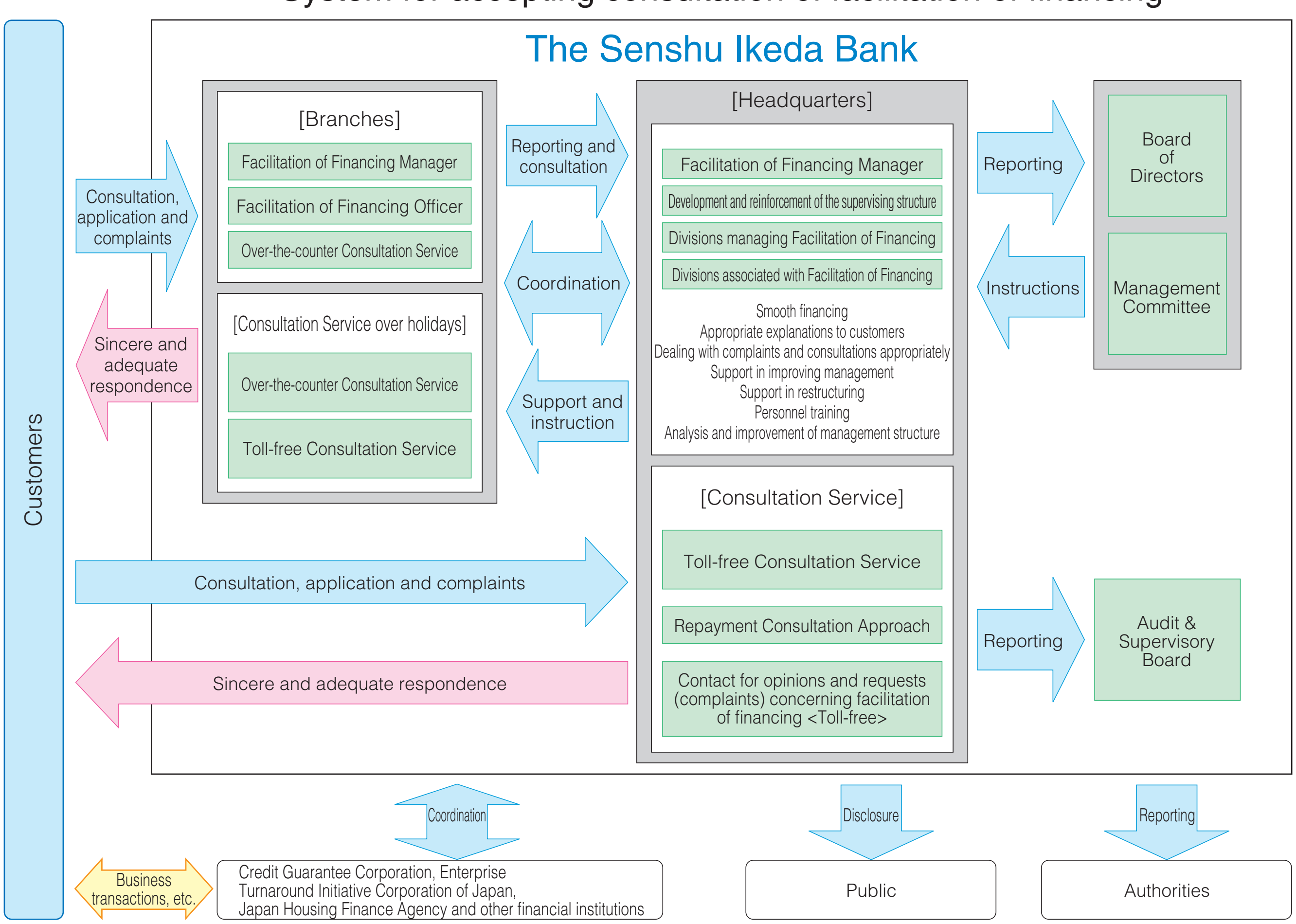
(1) With the purpose to develop a management structure necessary to supply facilitation of financing (hereinafter “Facilitation of Financing Management”) under the Policy, the Bank appoints the Facilitation of Financing Manager to check whether Facilitation of Financing Management is effectively working.

(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 2022)

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:	117
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:	¥5.5681 trillion
Loans:	¥4.5628 trillion
Number of Branches:	139
Number of Employees:	2,226
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:	3-2-1 Toyosaki, 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:	¥149.5 billion
Number of Branches:	7
Number of Employees:	132

Major Shareholders (As of March 31, 2022)

1. Common stock

Name	Number of Shares Owned (Thousands)	Proportion of Total Shares (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	34,886	12.44
Custody Bank of Japan, Ltd. (Trust Account)	31,038	11.07
The Senshu Ikeda Bank Employees' Shareholders Association	12,943	4.61
MUFG Bank, Ltd.	5,934	2.11
DFA INTL SMALL CAP VALUE PORTOFOLIO (Standing proxy: Citibank, N.A., Tokyo Branch)	5,118	1.82
ITAMI SANGYO CO., LTD.	3,692	1.31
JP MORGAN CHASE BANK 385781 (Standing proxy: Settlement & Clearing Service Division, Mizuho Bank, Ltd.)	3,497	1.24
Custody Bank of Japan, Ltd. (Trust Account 4G)	2,968	1.05
Nippon Life Insurance Company (Standing proxy: The Master Trust Bank of Japan, Ltd.)	2,505	0.89
MSCO CUSTOMER SECURITIES (Standing proxy: Morgan Stanley MUFG Securities Co., Ltd.)	2,468	0.88

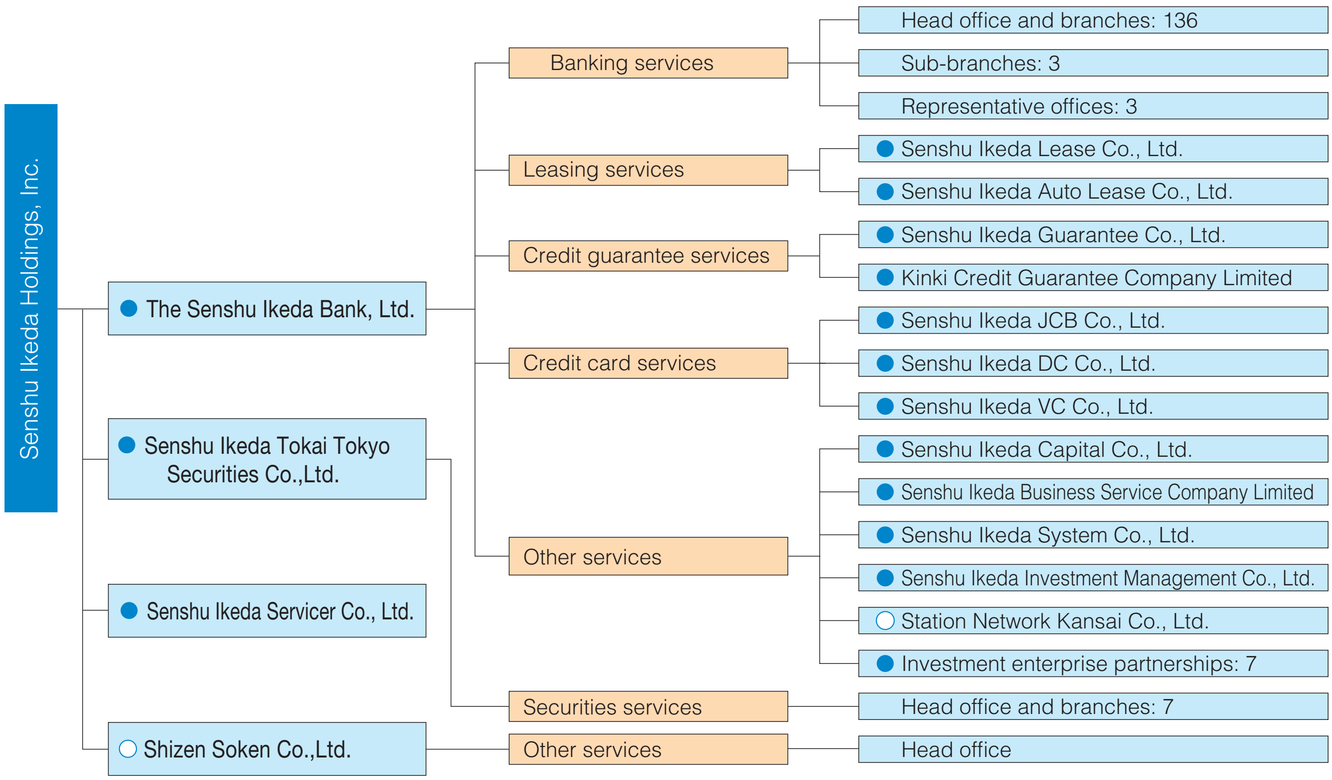
2. First series of seventh-class preferred stock

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

(Note) At the Board of Directors meeting held on June 28, 2022, the Company resolved to acquire and retire the first series of seventh-class preferred stock, and implemented this on July 15, 2022.

Business Description of the Group

Organizational Chart of the Group (As of the end of June, 2022)



(Note:
● indicates consolidated subsidiaries and
○ indicates equity-method affiliates)

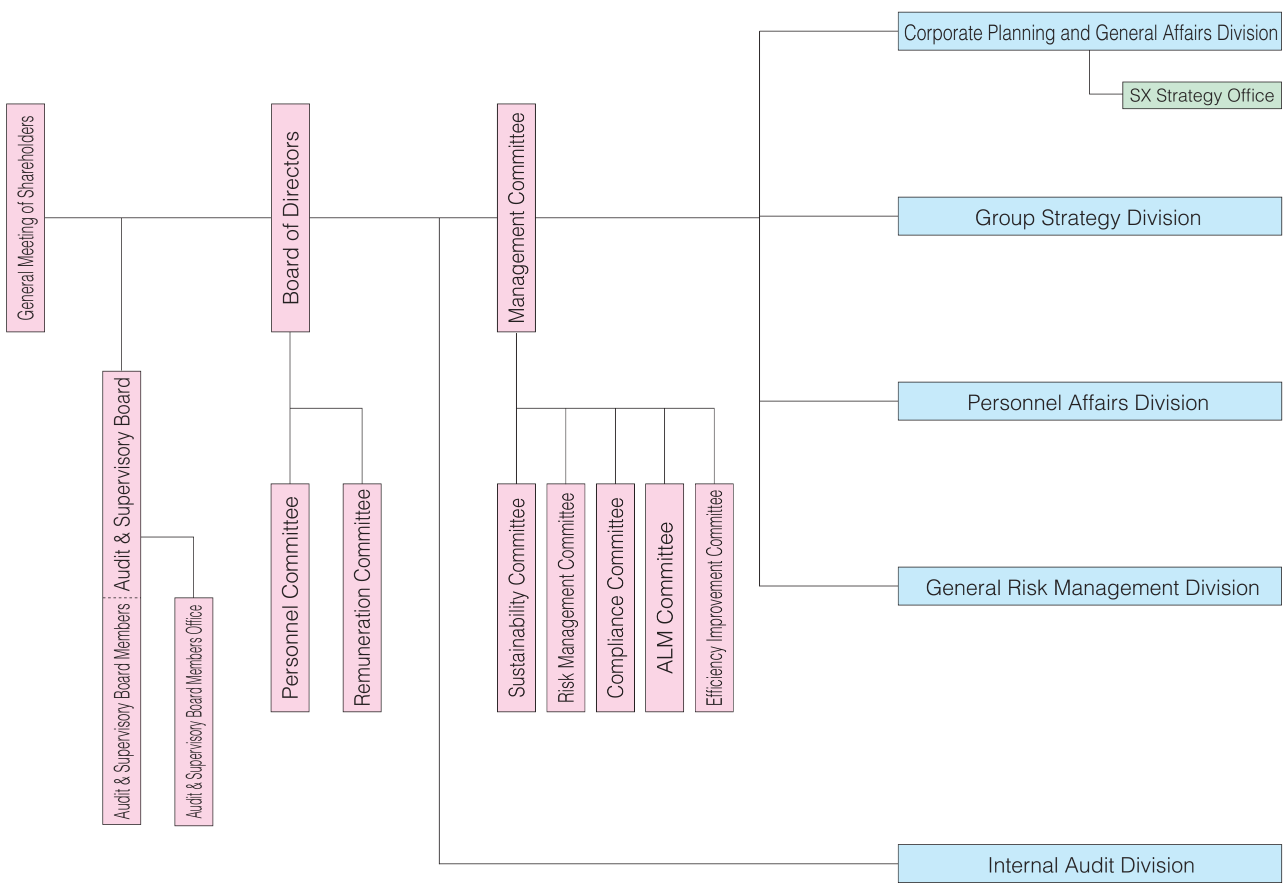
Subsidiaries and Affiliates (As of the end of June, 2022)

	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.	3-2-1, Toyosaki, Kita-ku, Osaka-city	Securities services	January 30, 2013	1,250	60.00	–
	Senshu Ikeda Servicer Co., Ltd.	3-1-22, Toyosaki, Kita-ku, Osaka-city	Receivables management and collection business	April 15, 2022	500	100.00	–
	Senshu Ikeda Lease Co., Ltd.	4-5-36, Miyahara, Yodogawa-ku, Osaka-city	Leasing services	April 1, 1986	50	–	100.00
	Senshu Ikeda Auto Lease Co.,Ltd.	4-5-36, Miyahara, Yodogawa-ku, Osaka-city	Leasing services	July 10, 1996	80	–	95.00
	Senshu Ikeda Guarantee Co., Ltd.	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	Investment 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	–	100.00
	Senshu Ikeda Investment Management Co., Ltd.	3-1-22, Toyosaki, Kita-ku, Osaka-city	Investment advisory and discretionary investment services	April 1, 1987	120	–	100.00
Affiliates	Shizen Soken Co., Ltd.	2-1-11, Jonan, Ikeda-city	Information offering services	November 1, 1996	80	17.50	–
	Station Network Kansai Co., Ltd.	1-4-8, Shibata, Kita-ku, Osaka-city	Planning and operation of ATM at station	June 29, 2000	100	–	40.00

Organization and Board of Directors

Senshu Ikeda Holdings

Organization (As of the end of June, 2022)



Board of Directors (As of June 28, 2022)

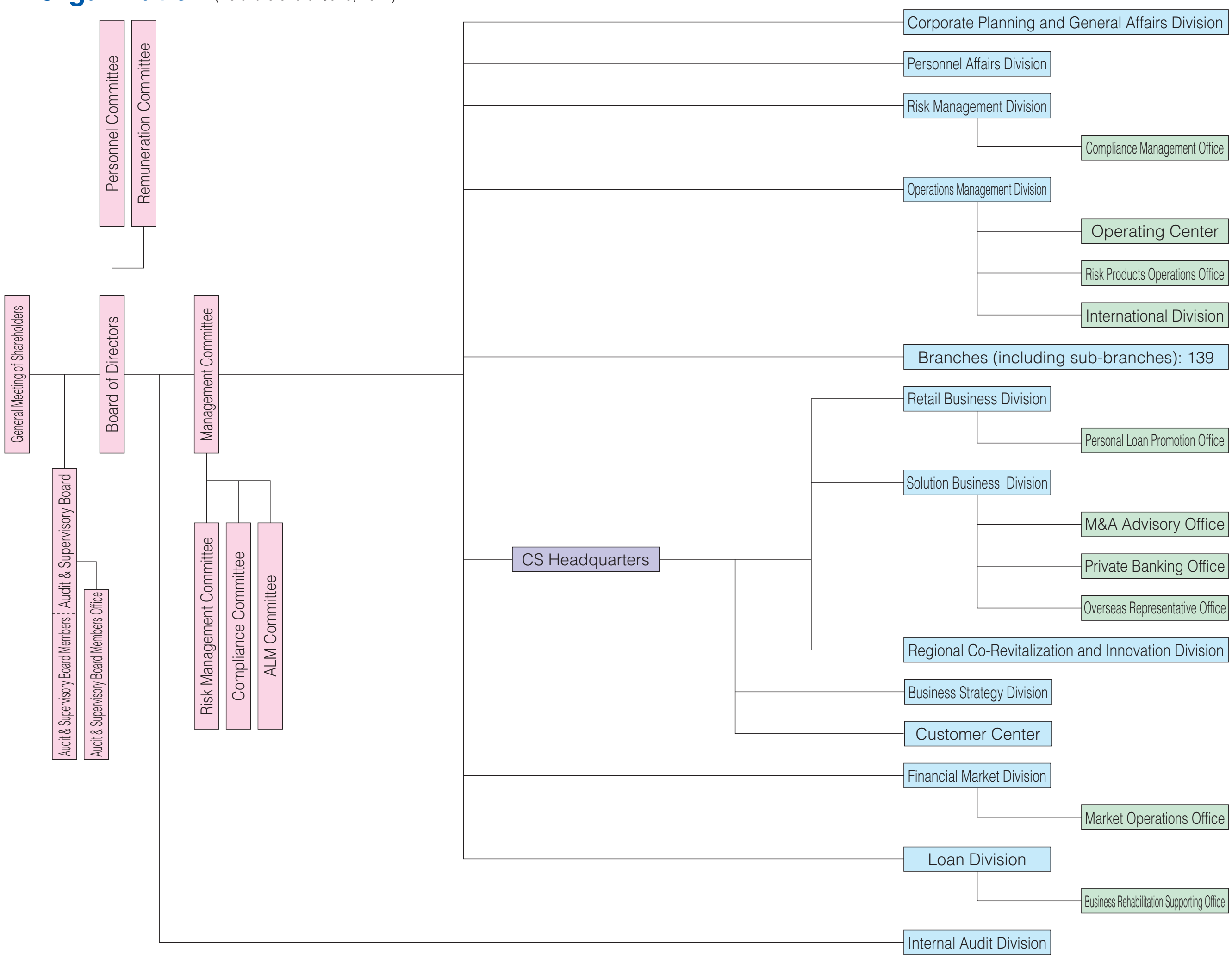
Representative Director and Chairman	Takayuki Ota
Representative Director, President and CEO	Atsushi Ukawa
Director & Senior Managing Executive Officer	Toshiyuki Wada
Director & Managing Executive Officer	Hirohito Sakaguchi
Director & Managing Executive Officer	Osamu Tsukagoshi
Director (Outside)	Minoru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

Executive Officers (As of June 28, 2022)

Senior Managing Executive Officer	Yasuki Hosomi
Senior Managing Executive Officer	Shinji Inoue
Managing Executive Officer	Hiromasa Hirai
Managing Executive Officer	Keisuke Misaki
Executive Officer	Atsushi Otsuka
Executive Officer	Tomoyuki Shinohara

The Senshu Ikeda Bank

■ Organization (As of the end of June, 2022)



■ Board of Directors (As of June 28, 2022)

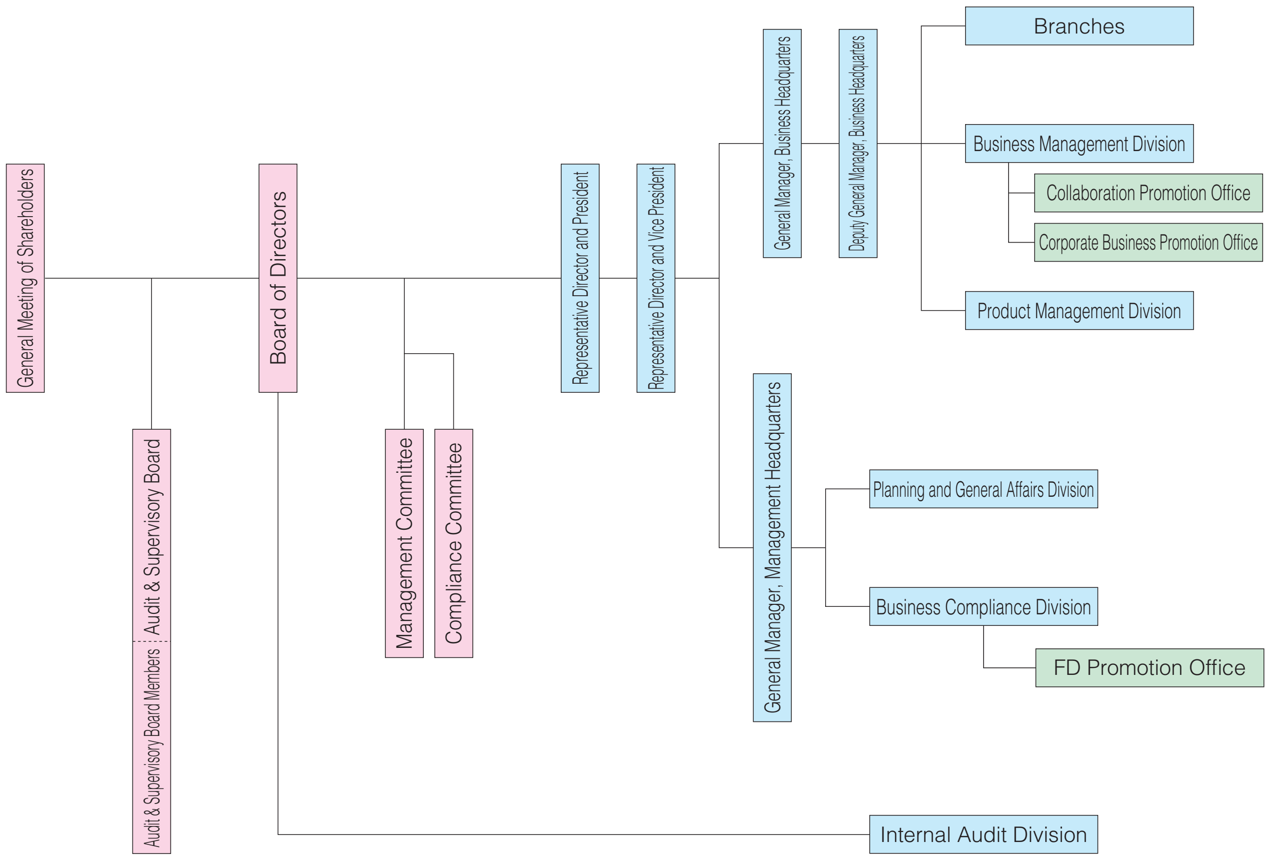
Representative Director and Chairman	Takayuki Ota
Representative Director, President and CEO	Atsushi Ukawa
Director & Senior Managing Executive Officer	Toshiyuki Wada
Director & Managing Executive Officer	Hiromasa Hirai
Director & Managing Executive Officer	Hirohito Sakaguchi
Director & Managing Executive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

■ Executive Officers (As of June 28, 2022)

Senior Managing Executive Officer	Koji Miyata
Senior Managing Executive Officer	Akira Harada
Managing Executive Officer	Tsutomu Irie
Managing Executive Officer	Susumu Yamagata
Managing Executive Officer	Kyoko Matsushita
Managing Executive Officer	Keisuke Misaki
Executive Officer	Atsushi Otsuka
Executive Officer	Hiromu Koujiya
Executive Officer	Shin-ichi Kojima
Executive Officer	Yoshi Yamamoto
Executive Officer	Ryoichi Iimuro
Executive Officer	Masahide Inui
Executive Officer	Yasuji Kanbayashi
Executive Officer	Takahiro Doki
Executive Officer	Masayoshi Onishi
Executive Officer	Tsuyoshi Kotani
Executive Officer	Akira Nishikawa
Executive Officer	Kengo Hounoki
Executive Officer	Yasushi Yamanaka

Senshu Ikeda Tokai Tokyo Securities

Organization (As of the end of June, 2022)



Board of Directors (As of June 28, 2022)

Representative Director and President	Motoshi Inoue	Audit & Supervisory Board Member (Full-time)	Ken-ichi Hanadate
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 28, 2022)

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 March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	**2022**
Assets			
Cash and due from banks (Notes 26 and 32)	**¥ 1,723,186**	¥ 1,671,441	**$ 14,079,467**
Call loans and bills bought (Note 32)	**368**	9,414	**3,006**
Monetary claims bought (Note 32)	**49**	79	**400**
Money held in trust (Notes 6 and 32)	**24,521**	20,001	**200,351**
Securities (Notes 5, 7, 12, 19, 32 and 33)	**648,256**	564,580	**5,296,641**
Loans and bills discounted (Notes 8, 31, 32 and 33)	**4,503,834**	4,291,531	**36,799,035**
Foreign exchange assets (Notes 9 and 32)	**7,506**	5,061	**61,328**
Other assets (Notes 10 and 12)	**76,322**	83,958	**623,596**
Tangible fixed assets (Note 11)	**36,452**	37,122	**297,834**
Intangible fixed assets	**4,165**	4,632	**34,030**
Net defined benefit assets (Note 17)	**23,402**	23,462	**191,208**
Deferred tax assets (Note 28)	**3,778**	2,751	**30,868**
Customers' liabilities for acceptances and guarantees	**7,437**	7,407	**60,764**
Reserve for possible loan losses	**(14,865)**	(15,899)	**(121,456)**
Total assets	**¥ 7,044,417**	¥ 6,705,548	**$ 57,557,128**
Liabilities and net assets			
Liabilities			
Deposits (Notes 12, 13 and 32)	**¥ 5,557,248**	¥ 5,408,845	**$ 45,406,062**
Payables under securities lending transactions (Notes 12 and 32)	**84,792**	10,323	**692,801**
Borrowed money (Notes 12, 14, 32 and 33)	**1,082,890**	973,225	**8,847,863**
Foreign exchange liabilities (Notes 15 and 32)	**302**	487	**2,467**
Borrowed money from trust account	**513**	-	**4,191**
Other liabilities (Notes 12 and 16)	**55,870**	54,420	**456,491**
Provision for employees' bonuses	**2,504**	1,655	**20,459**
Provision for directors' bonuses	**90**	-	**735**
Net defined benefit liability (Note 17)	**141**	136	**1,152**
Accrued retirement benefits for directors and audit & supervisory board members	**4**	4	**32**
Reserve for reimbursement of deposits	**286**	392	**2,336**
Reserve for point services	**64**	175	**522**
Reserve for contingent losses	**1,160**	1,171	**9,477**
Reserve under special laws	**11**	8	**89**
Deferred tax liabilities (Note 29)	**237**	250	**1,936**
Acceptances and guarantees (Note 20)	**7,437**	7,407	**60,764**
Total liabilities	**6,793,557**	6,458,505	**55,507,451**
Net assets			
Shareholders' equity (Note 20):			
Capital stock	**102,999**	102,999	**841,563**
Capital surplus	**42,108**	42,107	**344,047**
Retained earnings	**89,320**	81,087	**729,798**
Treasury stock	**(145)**	(163)	**(1,184)**
Total shareholders' equity	**234,283**	226,030	**1,914,233**
Accumulated other comprehensive income:			
Net unrealized gain (loss) on available-for-sale securities (Note 7)	**7,607**	10,744	**62,153**
Net unrealized gain (loss) on deferred hedges (Note 33)	**(24)**	(133)	**(196)**
Remeasurements of defined benefit plans	**6,468**	7,889	**52,847**
Total accumulated other comprehensive income	**14,051**	18,500	**114,805**
Stock subscription rights (Note 20)	**86**	76	**702**
Non-controlling interests	**2,438**	2,434	**19,919**
Total net assets	**250,860**	247,042	**2,049,677**
Total liabilities and net assets	**¥ 7,044,417**	¥ 6,705,548	**$ 57,557,128**

See accompanying notes to consolidated financial statements

Consolidated Statements of Operations

Senshu Ikeda Holdings, Inc. and Consolidated Subsidiaries
For the years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	**2022**
Income			
Interest income:			
Interest on loans and bills discounted (Note 31)	¥ **39,784**	¥ 39,549	$ **325,059**
Interest and dividends on securities	**2,906**	2,956	**23,743**
Other interest income	**2,619**	619	**21,398**
Trust fees	**11**	-	**89**
Fees and commissions	**21,211**	20,452	**173,306**
Other ordinary income (Note 21)	**2,253**	2,533	**18,408**
Reversal of provision for possible loan losses	**500**	-	**4,085**
Recoveries of written-off claims	**868**	686	**7,092**
Gain on sales or disposal of fixed assets	**89**	27	**727**
Other income (Note 22)	**13,858**	14,530	**113,228**
Total income	**84,102**	81,356	**687,163**
Expenses			
Interest expenses:			
Interest on deposits	**902**	1,085	**7,369**
Interest on borrowings and rediscounts	**39**	97	**318**
Other interest expenses	**72**	123	**588**
Fees and commissions	**7,195**	7,407	**58,787**
Other ordinary expenses (Note 23)	**2,120**	24	**17,321**
General and administrative expenses	**46,155**	45,483	**377,114**
Loss on sales or disposal of fixed assets	**109**	46	**890**
Loss on impairment of fixed assets	**177**	6	**1,446**
Other expenses (Note 24)	**13,491**	19,453	**110,229**
Total expenses	**70,263**	73,728	**574,091**
Income before income taxes	**13,839**	7,628	**113,072**
Income taxes (Note 28)			
Current	**1,640**	493	**13,399**
Deferred	**622**	1,964	**5,082**
Total income taxes	**2,262**	2,458	**18,481**
Profit	**11,576**	5,169	**94,582**
Profit attributable to non-controlling interests	**176**	65	**1,438**
Profit attributable to owners of the parent	¥ **11,400**	¥ 5,103	$ **93,144**

See accompanying notes to consolidated financial statements

Consolidated Statements of Comprehensive Income

Senshu Ikeda Holdings, Inc. and Consolidated Subsidiaries
For the years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	**2022**
Profit	¥ **11,576**	¥ 5,169	$ **94,582**
Other comprehensive income (Note 29)			
Net unrealized gain (loss) on available-for-sale securities	**(3,136)**	4,990	**(25,623)**
Net unrealized gain (loss) on deferred hedges	**108**	37	**882**
Remeasurements of defined benefit plans	**(1,421)**	7,250	**(11,610)**
Total other comprehensive income	**(4,449)**	12,279	**(36,351)**
Comprehensive income	¥ **7,127**	¥ 17,448	$ **58,231**
Total comprehensive income attributable to:			
Owners of the parent	**6,950**	17,384	**56,785**
Non-controlling interests	**176**	64	**1,438**

Consolidated Statements of Changes in Net Assets

Senshu Ikeda Holdings, Inc. and Consolidated Subsidiaries
Year Ended March 31, 2022

	Millions of Yen										
						Accumulated other comprehensive income					
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' 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, April 1, 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, March 31, 2021	**102,999**	**42,107**	**81,087**	**(163)**	**226,030**	**10,744**	**(133)**	**7,889**	**76**	**2,434**	**247,042**
Cumulative effect of change in accounting policy			(315)		(315)					(0)	(315)
Balance at the beginning of current period which reflects the change in accounting policy	102,999	42,107	80,772	(163)	225,715	10,744	(133)	7,889	76	2,434	246,727
Cash dividends			(2,851)		(2,851)						(2,851)
Profit attributable to owners of the parent			11,400		11,400						11,400
Acquisition of treasury stock				(0)	(0)						(0)
Disposal of treasury stock		1		18	19						19
Net changes in items other than shareholders' equity						(3,136)	108	(1,421)	10	4	(4,435)
Total changes during the period	–	1	8,548	17	8,567	(3,136)	108	(1,421)	10	4	4,132
BALANCE, March 31, 2022	**102,999**	**42,108**	**89,320**	**(145)**	**234,283**	**7,607**	**(24)**	**6,468**	**86**	**2,438**	**250,860**

	Thousands of U.S. Dollars (Note 1)										
						Accumulated other comprehensive income					
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' 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, April 1, 2021	**841,563**	**344,039**	**662,529**	**(1,331)**	**1,846,801**	**87,784**	**(1,086)**	**64,457**	**620**	**19,887**	**2,018,481**
Cumulative effect of change in accounting policy			(2,573)		(2,573)					(0)	(2,573)
Balance at the beginning of current period which reflects the change in accounting policy	841,563	344,039	659,955	(1,331)	1,844,227	87,784	(1,086)	64,457	620	19,887	2,015,908
Cash dividends			(23,294)		(23,294)						(23,294)
Profit attributable to owners of the parent			93,144		93,144						93,144
Acquisition of treasury stock				(0)	(0)						(0)
Disposal of treasury stock		8		147	155						155
Net changes in items other than shareholders' equity						(25,623)	882	(11,610)	81	32	(36,236)
Total changes during the period	–	8	69,842	138	69,997	(25,623)	882	(11,610)	81	32	33,760
BALANCE, March 31, 2022	**841,563**	**344,047**	**729,798**	**(1,184)**	**1,914,233**	**62,153**	**(196)**	**52,847**	**702**	**19,919**	**2,049,677**

See notes to consolidated financial statements

Consolidated Statements of Cash Flows

Senshu Ikeda Holdings, Inc. and Consolidated Subsidiaries
For the years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	**2022**
Cash flows from operating activities			
Income before income taxes	**¥ 13,839**	¥ 7,628	**$ 113,072**
Depreciation	**4,650**	5,207	**37,993**
Loss on impairment of fixed assets	**177**	6	**1,446**
Amortization of goodwill	**27**	27	**220**
(Earnings) losses from investments under the equity method	**1**	28	**8**
Increase (decrease) in reserve for possible loan losses	**(1,033)**	4,513	**(8,440)**
Increase (decrease) in accrued bonuses	**848**	453	**6,928**
Increase (decrease) in provision for directors' bonuses	**90**	-	**735**
Decrease (increase) in net defined benefit asset	**(331)**	(46)	**(2,704)**
Increase (decrease) in net defined benefit liability	**(4)**	(2)	**(32)**
Increase (decrease) in reserve for reimbursement of deposits	**(105)**	(127)	**(857)**
Increase (decrease) in reserve for point services	**6**	(8)	**49**
Increase (decrease) in reserve for contingent losses	**(10)**	297	**(81)**
Interest income	**(45,310)**	(43,124)	**(370,209)**
Interest expenses	**1,013**	1,306	**8,276**
(Gain) loss on securities	**1,372**	(2,147)	**11,210**
(Gain) loss on money held in trust	**65**	19	**531**
(Gain) loss on foreign exchange	**(6,634)**	(492)	**(54,203)**
(Gain) loss on sales or disposal of fixed assets, net	**(70)**	(0)	**(571)**
Net (increase) decrease in loans and bills discounted	**(212,303)**	(328,026)	**(1,734,643)**
Net increase (decrease) in deposits	**148,403**	420,959	**1,212,541**
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	**109,665**	764,120	**896,029**
Net (increase) decrease in due from banks (excluding due from the Bank of Japan)	**542**	(5,379)	**4,428**
Net (increase) decrease in trading account securities	**–**	50	**–**
Net (increase) decrease in call loans and bills bought and others	**9,076**	(2,742)	**74,156**
Net increase (decrease) in payables under securities lending transactions	**74,468**	10,323	**608,448**
Net (increase) decrease in foreign exchange (assets)	**(2,445)**	406	**(19,977)**
Net increase (decrease) in foreign exchange (liabilities)	**(185)**	(68)	**(1,511)**
Net increase (decrease) in borrowed money from trust account	**513**	-	**4,191**
Interest received	**45,471**	43,249	**371,525**
Interest paid	**(1,072)**	(1,549)	**(8,758)**
Other	**(1,569)**	5,280	**(12,819)**
Subtotal	**139,157**	880,162	**1,136,996**
Income taxes paid	**(352)**	(136)	**(2,876)**
Net cash provided by (used in) operating activities	**¥ 138,804**	¥ 880,026	**$ 1,134,112**

Consolidated Statements of Cash Flows

Senshu Ikeda Holdings, Inc. and Consolidated Subsidiaries
For the years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	**2022**
Cash flows from investing activities			
Purchases of securities	**¥ (304,026)**	¥ (144,950)	**$ (2,484,075)**
Proceeds from sales of securities	**123,123**	16,962	**1,005,989**
Proceeds from maturity of securities	**105,531**	112,220	**862,251**
Increase in money held in trust	**(4,500)**	–	**(36,767)**
Purchases of tangible fixed assets	**(2,850)**	(2,432)	**(23,286)**
Purchases of intangible fixed assets	**(1,041)**	(1,163)	**(8,505)**
Proceeds from sales of tangible fixed assets	**229**	439	**1,871**
Net cash provided by (used in) investing activities	**(83,534)**	(18,923)	**(682,523)**
Cash flows from financing activities			
Proceed from stock issuance for non-controlling shareholders	**-**	360	**-**
Cash dividends paid	**(2,851)**	(2,855)	**(23,294)**
Cash dividends paid for non-controlling shareholders	**(172)**	(7)	**(1,405)**
Payment for non-controlling shareholders	**-**	**(200)**	**-**
Purchases of treasury stock	**(0)**	(95)	**(0)**
Proceeds from disposition of treasury stock	**19**	21	**155**
Net cash provided by (used in) financing activities	**(3,004)**	(2,776)	**(24,544)**
Effect of exchange rate changes on cash and cash equivalents	**22**	(143)	**179**
Net increase (decrease) in cash and cash equivalents	**52,287**	858,182	**427,216**
Cash and cash equivalents at beginning of period	**1,660,156**	801,973	**13,564,474**
Cash and cash equivalents at end of period (Note 27)	**¥ 1,712,443**	¥ 1,660,156	**$ 13,991,690**

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, 2022 and 2021

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 ¥122.39 = U.S.$1.00, the exchange rate prevailing on March 31, 2022. 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 (20 in 2021) 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 Capital Business Succession Fund Kizuna No.2 Investment Enterprise Limited Partnership which was consolidated subsidiaries of the Company in the fiscal year ended March 31, 2021 was excluded from the scope of consolidation from the fiscal year ended March 31, 2022, due to completion of their liquidation procedures.
Senshu Ikeda Capital Business Succession Fund Kizuna No.3 Investment Enterprise Limited Partnership has been included in the scope of consolidation from the fiscal year ended March 31, 2022 as a result of contribution by the Company.

The company has applied the equity method to its investments in 2 affiliates for the years ended March 31, 2022 and 2021, 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 December 31. Appropriate adjustments have been made for significant intervening transactions occurring during the period from December 31 to March 31.

3. Significant Accounting Policies

(1) 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. Available-for-sale securities whose fair values are available 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. Non-marketable equity securities 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.

(2) 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.

(3) Derivatives
Derivatives are stated at fair value.

(4) 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

(5) 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.

(6) 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 ¥24,645 million ($201,364 thousand) and ¥26,096 million for the years ended March 31, 2022 and 2021, respectively.

(7) Provision for employees' bonuses

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

(8) Provision for directors' bonuses

Provision for directors' bonuses is calculated based on an estimated payment amount for directors, which is attributable to the fiscal year, in order to prepare for the payment of performance-linked compensation to directors, etc.

(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 ¥11 million ($89 thousand) as of March 31, 2022, 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 this fiscal year.
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 March 31, 2008.

(17) Revenues and expenses

Revenue from contracts with customers is recognized when control of the promised goods or services is transferred to the customer. The amount of revenue recognized from contracts with customers is calculated based on the amount expected to be received in exchange for goods or services. For point programs operated by other companies in which the Company's consolidated subsidiaries participate, the amount expected to be used in the future is recognized as an amount to be collected on behalf of third parties and deducted from fees and commissions.

(18) 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.

(19) 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 foreign currency amount of the respective hedging instruments.

(20) 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.

(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).

From the beginning of the next consolidated fiscal year, the Company intends to apply the "Practical Solution on the Accounting and Disclosure under the Group Tax Sharing System" (PITF No.42, August 12, 2021), which stipulates the accounting procedures and disclosure for income and local taxes effect accounting when the group tax sharing system is applied.

(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 this fiscal year.

	Millions of yen		Thousands of U.S.dollars
	2022	2021	**2022**
Reserve for possible loan losses	¥ 14,865	¥ 15,899	$ 121,456
Of which, reserve for possible loan losses considering the impact of COVID-19	¥ 2,131	¥ 4,513	$ 17,411

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

(i) Calculation method

Reserve 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 (6) Reserve for possible loan losses.”

With regards to the borrowers for which additional reserve for possible loan losses was provided in the fiscal year ended March 31, 2021, based on the “deemed borrower classification” that takes into account the possibility of a future downward shift in the borrower classification, the Company continues to provide reserve for possible loan losses based on the “deemed borrower classification” for those borrowers for which the possibility of a future downward shift in borrower classification is still considered in light of the uncertainty caused by COVID-19.

(ii) Key assumptions

The key assumption in determining the borrower classification for business loan borrowers with deteriorating business conditions is “Outlook for future performance of business loan borrowers”. “Outlook for future performance of business loan borrowers” is determined based on an individual assessment of each business loan borrower's ability to earn a profit.

Regarding the impact of COVID-19, it is difficult to predict when the pandemic will end, but we assume that the situation will settle down to a certain degree and economic activities will gradually recover.

However, for borrowers that were assigned to “deemed borrower classification” in the fiscal year ended March 31, 2021, if their financial condition or performance meets certain requirements in this fiscal year, the Company will continue to assign them to “deemed borrower classification,” assuming that there is a possibility that their business performance will not recover and their borrower classification will shift downward.

(iii) Impact on the consolidated financial statements for the fiscal year ending March 31, 2023

The future economic environment, including the impact of COVID-19, as well as changes in the business performance of borrowers and the success or failure of their business strategies, could have a significant impact on reserve for possible loan losses stated in the consolidated financial statements for the fiscal year ending March 31, 2023.

2. Recoverability of deferred tax assets

(1) Amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2022

	Millions of yen		Thousands of U.S.dollars
	2022	2021	**2022**
Deferred tax assets (net)	¥ 3,778	¥ 2,751	$ 30,868
(before offsetting with deferred tax liabilities)	¥ 11,550	¥ 11,308	$ 94,370

(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, 2022, based on the classification of companies as stipulated by 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 for consolidated subsidiaries engaged in banking business, the earnings plan included in the revised Fifth Medium-Term Business 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). In addition, the Company will shift to a group tax sharing system from the fiscal year ending March 31, 2023, and its response to this shift is described in “Notes (Significant Accounting Policies for Preparation of Consolidated Financial Statements) 3. Significant Accounting Policies (22) Application of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system.

(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	Assume that the average value during the recoverable period will be 9.1% lower than that of FY2021 by taking into account the stress scenario in the earnings plan included in the revised Fifth Medium-Term Business Plan
Fees and commissions	Assume that the average value during the recoverable period will be 13.8% lower than that of FY2021 by taking into account the stress scenario in the earnings plan included in the revised Fifth Medium-Term Business Plan
Operating expenses	The average value during the recoverable period is assumed to be 8.1% lower than that of FY2021
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, 2023

If the assumptions used in the initial estimates change due to the impact of COVID-19 on 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, 2023.

If the assumptions for future taxable income before adjusting temporary differences during the recoverable period change as shown below and the schedule for reversal of temporary differences during the recoverable period remains unchanged, the estimated amount of impact (sensitivity) for the fiscal year ended March 31, 2022, will be as follows.

Assumption	Expected change	Impact amount (Sensitivity)
Taxable income before adjusting temporary differences	¥1,000 million decrease each year during the recoverable period	Approx. ¥500 million in reversal of deferred tax assets

(25) Change in accounting policies

Application of Accounting Standard for Revenue Recognition and other standards

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020, hereinafter “Revenue Recognition Standard”) and related changes in other standards from the beginning of the fiscal year ended March 31, 2022. The Company recognizes revenue when control of promised goods or services is transferred to a customer in an amount that the Company expects to be entitled to receive in exchange for those goods and services.

Accordingly, for certain securities-related and credit card services provided by consolidated subsidiaries, the Company previously recognized the full amount of the consideration as revenue when it was received and recorded it in “Fees and commissions”, but changed its method to recognize revenue when the obligation is fulfilled for goods or services for which the performance obligation is satisfied over a certain period of time. With respect to point programs operated by other companies in which the Company's consolidated subsidiaries participate, the Company previously accounted for the balance of unused credits converted into monetary value and the amount expected to be used in the future as “Reserve for point services” and included the amount provided as the reserve for point services in “Operating expenses”, but changed the method to recognize the amount expected to be used in the future as the amount to be collected on behalf of a third party and deduct it from revenue.

The Company applies the Revenue Recognition Standard and related changes in standards in accordance with the transitional treatment stipulated in the proviso to Paragraph 84 of the Revenue Recognition Standard. The cumulative impact of retrospectively applying the new accounting policies to prior periods is added to or subtracted from retained earnings at the beginning of this fiscal year, with the new accounting policies applied from the beginning balance.

As a result, deferred tax assets and other liabilities increased by ¥117 million and ¥503 million, respectively, in the consolidated balance sheet for this fiscal year, while reserve for point services, retained earnings, and non-controlling interests decreased by ¥134 million, ¥251 million, and ¥0 million, respectively. In the consolidated statements of income for this fiscal year, fees and commissions and operating expenses decreased by ¥30 million and ¥122 million, respectively, while ordinary income and income before income taxes each increased by ¥91 million.
In the consolidated statements of cash flows for this fiscal year, income before income taxes increased by ¥91 million, while increase (decrease) in reserve for point services and others decreased by ¥17 million and ¥74 million, respectively.
The cumulative impact of this change has been reflected on net assets at the beginning of this fiscal year. As a result, the beginning balances of retained earnings and non-controlling interests decreased by ¥315 million and ¥0 million, respectively, in the consolidated statements of changes in net assets.
Net assets per share for this fiscal year decreased by ¥0.89, while net income per share increased by ¥0.22 and diluted net income per share increased by ¥0.19.
In accordance with the transitional treatment stipulated in Paragraph 89-3 of the Revenue Recognition Standard, notes on revenue recognition for the fiscal year ended March 31, 2021 are not presented.

Application of Accounting Standard for Fair Value Measurement and other standards
The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019, hereinafter “Fair Value Measurement Standard”) and related changes in standards from the beginning of the fiscal year ended March 31, 2022, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard, etc. in accordance with the transitional treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). Accordingly, valuation of available-for-sale securities with a market price, such as stocks and investment trusts, was changed from the fair value method based on the average market price in the month prior to the balance sheet date to the fair value method based on the market price at the end of the fiscal year. In addition, the Company will include notes on fair value information by level within the fair value hierarchy in the notes on financial instruments and related disclosures. However, in accordance with the transitional treatment stipulated in Paragraph 7-4 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, July 4, 2019), notes pertaining to the fiscal year ended March 31, 2021 are not presented

(26) New accounting pronouncements

“Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021)
Overview
The accounting standard prescribes the treatment of fair value measurement for investment trusts and notes to such fair value measurement, as well as notes to fair value of investments in partnerships, etc., in which the net amount of the Company's equity interest is recorded on the balance sheet.

Planned date of application
The Company plans to apply the accounting standard from the beginning of the fiscal year ending March 31, 2023

Impact of applying this accounting standard, etc.
It has no impact on 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 March 31, 2022 and 2021, respectively.

5. Securities

Securities at March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Stocks	¥ 27,589	¥ 28,208	$ 225,418
Bonds:			
Government bonds	68,167	33,500	556,965
Local government bonds	130,055	119,972	1,062,627
Corporate bonds	227,449	264,730	1,858,395
Other	194,995	118,167	1,593,226
Total	¥ 648,256	¥ 564,580	$ 5,296,641

Stocks in the above table include investments in affiliates of ¥90 million ($735 thousand) and ¥91 million at March 31, 2022 and 2021, respectively.

The securities loaned under unsecured securities lending transactions are included in Government bonds and Corporate bonds under “Securities” in the amount of ¥30,942 million ($252,814 thousand) and ¥25,397 million at March 31, 2022 and 2021, respectively.

There were no held-to-maturity debt securities at March 31, 2022 and 2021.

There were no held-to-maturity debt securities sold during the years ended March 31, 2022 and 2021.

Available-for-sale securities with fair value at March 31, 2022 and 2021 were as follows:

	Millions of yen	
March 31, 2022	Carrying value	Acquisition cost
Equity securities	¥ 21,731	¥ 13,083
Bonds:		
Government bonds	68,167	68,242
Local government bonds	130,055	130,547
Corporate bonds	227,449	228,221
Subtotal	425,672	427,011
Other	188,797	185,983
Total	¥ 636,200	¥ 626,078

	Millions of yen		
March 31, 2022	Difference	Unrealized gain	Unrealized loss
Equity securities	¥ 8,647	¥ 9,146	¥ (499)
Bonds:			
Government bonds	(75)	54	(129)
Local government bonds	(491)	3	(495)
Corporate bonds	(772)	54	(827)
Subtotal	(1,339)	113	(1,452)
Other	2,813	6,240	(3,426)
Total	¥ 10,121	¥ 15,500	¥ (5,378)

	Millions of yen	
March 31, 2021	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	112,489	106,910
Total	¥ 552,961	¥ 538,777

	Millions of yen		
March 31, 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	5,578	6,185	(606)
Total	¥ 14,183	¥ 15,218	¥ (1,034)

	Thousands of U.S. dollars	
March 31, 2022	Carrying value	Acquisition cost
Equity securities	$ 177,555	$ 106,895
Bonds:		
Government bonds	556,965	557,578
Local government bonds	1,062,627	1,066,647
Corporate bonds	1,858,395	1,864,702
Subtotal	3,477,996	3,488,937
Other	1,542,585	1,519,593
Total	$ 5,198,137	$ 5,115,434

	Thousands of U.S. dollars		
March 31, 2022	Difference	Unrealized gain	Unrealized loss
Equity securities	$ 70,651	$ 74,728	$ (4,077)
Bonds:			
Government bonds	(612)	441	(1,054)
Local government bonds	(4,011)	24	(4,044)
Corporate bonds	(6,307)	441	(6,757)
Subtotal	(10,940)	923	(11,863)
Other	22,983	50,984	(27,992)
Total	$ 82,694	$ 126,644	$ (43,941)

Available-for-sale securities sold during the years ended March 31, 2022 and 2021 were as follows:

	Millions of yen		
2022	Proceeds from sales	Gain	Loss
Equity securities	¥ 830	¥ 373	¥ ¥(25)
Bonds:			
Government bonds	24,725	–	(330)
Local government bonds	–	–	–
Corporate bonds	13,062	1	(21)
Subtotal	37,787	1	(351)
Other	74,600	49	(1,765)
Total	¥ 113,218	¥ 424	¥ (2,143)

	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)

	Thousands of U.S. dollars		
2022	Proceeds from sales	Gain	Loss
Equity securities	$ 6,781	$ 3,047	$ (204)
Bonds:			
Government bonds	202,018	–	(2,696)
Local government bonds	–	–	–
Corporate bonds	106,724	8	(171)
Subtotal	308,742	8	(2,867)
Other	609,526	400	(14,421)
Total	$ 925,059	$ 3,464	$ (17,509)

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 March 31, 2022 was ¥39 million ($318 thousand), which consisted of ¥39 million ($318 thousand) on equity securities for the year ended March 31, 2022.

Determining whether the fair value is "significantly declined" is based on the fair value determined by the monthly average market price during one month preceding the balance sheet date 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 determined by the monthly average market orice during one month preceding the balance sheet date declined between 30% and 50% of the acquisition cost.

6. Money Held in Trust

Money held in trust at March 31, 2022 and 2021 consisted of the following:

Money held in trust for trading purposes

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Carrying value	¥ 24,521	¥ 20,001	$ 200,351
Valuation gain (loss) included in consolidated statements of income	17	16	138

There were no money held in trust owned for other purposes at March 31, 2022 and 2021.

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

Net unrealized gain (loss) on available-for-sale securities at March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Differences between acquisition cost and fair value:			
Available-for-sale securities	¥ 10,224	¥ 14,298	$ 83,536
Deferred tax liabilities	(2,616)	(3,554)	21,374
Differences between acquisition cost and fair value, net of taxes	7,608	10,744	62,161
Amounts corresponding to non-controlling interests	(0)	(0)	(0)
Net unrealized gain (loss) on available-for-sale securities, net of taxes	¥ 7,607	¥ 10,744	$ 62,153

8. Loans and Bills Discounted and Risk Monitored Loans

Loans and bills discounted:

Loans and bills discounted at March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Bills discounted	¥ 8,245	¥ 8,343	$ 67,366
Loans on bills	37,241	41,758	304,281
Loans on deeds	4,243,404	4,017,174	34,671,165
Overdrafts	214,944	224,255	1,756,221
Total	¥ 4,503,834	¥ 4,291,531	$ 36,799,035

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 March 31, 2022 and 2021 totaled ¥8,487 million ($69,343 thousand) and ¥8,485 million, respectively.

At March 31, 2022 and 2021, 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 ¥7,973 million ($65,144 thousand) and ¥8,003 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 ¥741,183 million ($6,055,911 thousand) and ¥759,036 million at March 31, 2022 and 2021, respectively, including the contracts whose contractual periods were either less than one year or revocable at any time, in the amount of ¥721,415 million ($5,894,394 thousand) and ¥737,192 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 March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Bankruptcy and quasi-baknrupt claim	¥ 2,141	¥ 3,320	$ 17,493
Doubtful claim	37,573	27,089	306,994
Loans past due for 3 months or more	86	70	702
Restructured loans	4,685	5,804	38,279
Total	¥ 44,486	¥ 36,285	$ 363,477

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

Doubtful claim represent the claim to borrowers who have not yet failed but their financial and business performances have deteriorated, with a high possibility that the principal and interest on these claim will not to be received.

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 "bankruptcy and quasi-bankrupt claim" or "doubtful claim."

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.

(Change in presentation method)

In accordance with Cabinet Office Order Partially Amending the Ordinance for Enforcement of the Banking Act, etc. (Cabinet Office Order No. 3, January 24, 2020), which came into effect on March 31, 2022, the classification, etc. of "Risk-monitored loans" under the Banking Act is presented in accordance with the classification, etc. of disclosed receivables under the Act on Emergency Measures for the Revitalization of the Financial Functions.

9. Foreign Exchange Assets

Foreign exchange assets at March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Due from foreign correspondent banks	¥ 6,981	¥ 4,735	$ 57,038
Foreign bills of exchange bought	224	124	1,830
Foreign bills of exchange receivable	300	202	2,451
Total	¥ 7,506	¥ 5,061	$ 61,328

10. Other Assets

Other assets at March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Investment in leased assets	¥ 22,210	¥ 21,039	$ 181,469
Other receivables	19,983	28,815	163,273
Accrued income	4,155	4,098	33,948
Prepaid expenses	725	781	5,923
Other	29,248	29,222	238,973
Total	¥ 76,322	¥ 83,958	$ 623,596

11. Tangible Fixed Assets

At March 31, 2022 and 2021, accumulated depreciation of tangible fixed assets were ¥55,459 million ($453,133 thousand) and ¥54,788 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 March 31, 2022 and 2021 were ¥372 million ($3,039 thousand) and ¥373 million, respectively.

12. Assets Pledged

Assets pledged as collateral at March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Securities	¥ 294,017	¥ 306,612	$ 2,402,295
Loans	1,170,517	1,044,944	9,563,828
Other assets	912	1,130	7,451

The liabilities secured by the above pledged assets at March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Deposits	¥ 4,239	¥ 3,371	$ 34,635
Payables under securities lending transactions	84,792	10,323	692,801
Borrowed money	1,072,295	959,375	8,761,295
Other liabilities	45	74	367

At March 31, 2022 and 2021, margins on futures contracts in the amounts of ¥- million ($- thousand) and ¥653 million, guarantee deposits of ¥3,801 million ($31,056 thousand) and ¥3,954 million, collateral money deposited for financial instruments of ¥392 million ($3,202 thousand) and ¥98 million and margins for Central Counter Party of ¥20,000 million ($163,412 thousand) and ¥20,000 million were included in "Other assets", respectively.

13. Deposits

Deposits at March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Current deposits	¥ 246,680	¥ 256,917	$ 2,015,524
Ordinary deposits	3,335,508	3,139,734	27,253,108
Savings deposits	23,983	23,966	195,955
Deposits at notice	18,128	20,419	148,116
Time deposits	1,885,008	1,937,067	15,401,650
Other deposits	47,940	30,740	391,698
Total	¥ 5,557,248	¥ 5,408,845	$ 45,406,062

14. Borrowed Money

Borrowed money at March 31, 2022 and 2021 consisted of borrowings from the Bank of Japan and certain other financial institutions.

The average interest rate applicable to borrowed money at March 31, 2022 and 2021 were 0.00%.

The aggregate annual maturities of borrowed money subsequent to March 31, 2022 were summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2023	¥ 910,335	$ 7,437,985
2024	72,582	593,038
2025	65,031	531,342
2026	34,679	283,348
2027	262	2,140
Total	¥ 1,082,890	$ 8,847,863

15. Foreign Exchange Liabilities

Foreign exchange liabilities at March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Foreign bills sold	¥ 168	¥ 428	$ 1,372
Foreign bills of exchange payable	134	58	1,094
Total	¥ 302	¥ 487	$ 2,467

16. Other Liabilities

Other liabilities at March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Accrued expenses	¥ 2,245	¥ 2,365	$ 18,343
Unearned income	15,408	16,937	125,892
Accrued income taxes	1,036	654	8,464
Other	37,179	34,463	303,774
Total	¥ 55,870	¥ 54,420	$ 456,491

The amounts of lease obligations included in “Other” were ¥7 million ($57 thousand) and ¥9 million at March 31, 2022 and 2021, respectively. The average interest rates on lease obligations at March 31, 2022 with maturity dates on or before and subsequent to March 31, 2023 were 3.00%.The average interest rates on lease obligations at March 31, 2021 with maturity dates on or before and subsequent to March 31, 2022 were 3.00%.

The aggregate annual maturities of lease obligations subsequent to March 31, 2022 were summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2023	¥ 2	$ 16
2024	2	16
2025	1	8
2026	1	8
2027	-	-
2028 and thereafter	-	-
Total	¥ 7	$ 57

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
	2022	2021	2022
Retirement benefit obligation at beginning of the year	¥ 35,928	¥ 36,616	$ 293,553
Service cost	1,009	1,068	8,244
Interest cost	138	140	1,127
Actuarial gain or loss incurred during the year	490	(57)	4,003
Payment of retirement benefits	(1,527)	(1,854)	(12,476)
Other	12	15	98
Retirement benefit obligation at end of the year	¥ 36,053	¥ 35,928	$ 294,574

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Pension plan assets at beginning of the year	¥ 59,254	¥ 49,064	$ 484,140
Expected return on plan assets	1,149	1,070	9,388
Actuarial gain or loss incurred during the year	99	10,770	808
Contributions from employer	325	189	2,655
Payment of retirement benefits	(1,515)	(1,841)	(12,378)
Pension plan assets at end of the year	¥ 59,313	¥ 59,254	$ 484,622

(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
	2022	2021	2022
Funded retirement benefit obligation	¥ 35,911	¥ 35,791	$ 293,414
Pension plan assets	(59,313)	(59,254)	(484,622)
	(23,402)	(23,462)	(191,208)
Unfunded retirement benefit obligation	141	136	1,152
Net amount of liability and asset on consolidated balance sheets	¥ (23,260)	¥ (23,325)	$ (190,048)

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Net defined benefit liability	¥ 141	¥ 136	$ 1,152
Net defined benefit asset	(23,402)	(23,462)	(191,208)
Net amount of liability and asset on consolidated balance sheets	¥ (23,260)	¥ (23,325)	$ (190,048)

(4) Retirement benefit expenses consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Service cost	¥ 1,009	¥ 1,068	$ 8,244
Interest cost	138	140	1,127
Expected return on plan assets	(1,149)	(1,070)	(9,388)
Amortization of actuarial loss	(1,395)	(120)	(11,397)
Amortization of prior service cost	(262)	(262)	(2,140)
Other	2	-	16
Net periodic retirement benefit expenses for defined benefit pension plans	¥ (1,655)	¥ (243)	$ (13,522)

(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
	2022	2021	2022
Prior service cost	¥ (262)	¥ (262)	$ (2,140)
Actuarial gain or loss	(1,786)	10,707	(14,592)
Total	¥ (2,048)	¥ 10,445	$ (16,733)

(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
	2022	2021	2022
Unrecognized prior service cost	¥ (131)	¥ (393)	$ (1,070)
Unrecognized actuarial gain or loss	(9,186)	(10,972)	(75,055)
Total	¥ (9,317)	¥ (11,365)	$ (76,125)

(7) Matters related to pension plan assets

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

	2022	2021
Bonds	14%	15%
Stocks	59%	58%
Short-term investment fund including cash and deposits	6%	6%
Life insurance company general accounts	4%	4%
Others	17%	17%
Total	100%	100%

Note:

Total pension plan assets included retirement benefit trust of which securities were contributed for the pension plan, which accounts for 39% and 38% of the total at March 31, 2022 and 2021, 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

	2022	2021
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	1.73%-3.88%	1.76%-3.99%

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 ¥26,019 million ($212,590 thousand) and ¥26,795 million at March 31, 2022 and 2021, 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 March 31, 2022 and 2021 were summarized as follows:

Number of shares (in thousands)

Year ended March 31, 2022	1st April, 2021	Increase	Decrease	March 31, 2022	Note
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	804	1	89	716	1 and 2
Total	804	1	89	716	

Notes:

1. Increase in treasury stock of common stock (1 thousand shares) was due to acquisition of shares from the shareholders who owned fractional shares less than one unit (1 thousand shares).
2. Decrease in treasury stock of common stock (89 thousand shares) consisted of transfers due to exercise of stock option (89 thousand shares) .

Number of shares (in thousands)

Year ended March 31, 2021	1st April, 2020	Increase	Decrease	March 31, 2021	Note
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:

1. 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).
2. 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) .

(2) Stock subscription rights

The Company resolved to grant stock subscription rights (stock option) to certain directors, executive officers and certain directors and executive officers of its subsidiaries at the Board of Directors' meeting held on, July 30, 2021, July 31, 2020, July 30, 2019, July 31, 2018, July 31, 2017, July 27, 2016, July 29, 2015, July 30, 2014, July 31, 2013, August 31, 2012, July 28, 2011 and February 24, 2011.

The balance of stock subscription rights granted for stock option program were ¥86 million ($702 thousand) and ¥76 million at March 31, 2022 and 2021, respectively.

Stock option related expenses for the years ended March 31, 2022 and 2021 amounted to ¥29 million ($236 thousand) and ¥19 million, respectively.

The stock option outstanding at March 31, 2022 was as follows:

Date of resolution	February 24, 2011	July 28, 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	March 15, 2011	August 31, 2011
Vesting conditions	To exercise within 10 days after retirement	To exercise within 10 days after retirement
Applicable service period	From March 15, 2011 to the date of retirement	From August 31, 2011 to the date of retirement
Exercise period	From March 16, 2011 to July 31, 2041	From September 1, 2011 to July 31, 2041

Date of resolution	August 31, 2012	July 31, 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	October 1, 2012	September 2, 2013
Vesting conditions	To exercise within 10 days after retirement	To exercise within 10 days after retirement
Applicable service period	From October 1, 2012 to the date of retirement	From September 2, 2013 to the date of retirement
Exercise period	From October 2, 2012 to July 31, 2042	From September 3, 2013 to July 31, 2043

Date of resolution	July 30, 2014	July 29, 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	August 28, 2014	September 1, 2015
Vesting conditions	To exercise within 10 days after retirement	To exercise within 10 days after retirement
Applicable service period	From August 28, 2014 to the date of retirement	From September 1, 2015 to the date of retirement
Exercise period	From August 29, 2014 to July 31, 2044	From September 2, 2015 to July 31, 2045

Date of resolution	July 27, 2016	July 31, 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	August 30, 2016	August 31, 2017
Vesting conditions	To exercise within 10 days after retirement	To exercise within 10 days after retirement
Applicable service period	From August 30, 2016 to the date of retirement	From August 31, 2017 to the date of retirement
Exercise period	From August 31, 2016 to July 31, 2046	From September 1,2017 to July 31, 2047

Date of resolution	July 31, 2018	July 30, 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	August 30, 2018	August 28, 2019
Vesting conditions	To exercise within 10 days after retirement	To exercise within 10 days after retirement
Applicable service period	From August 30, 2018 to the date of retirement	From the August 28, 2019 to the date for retirement
Exercise period	From August 31, 2018 to July 31, 2048	From the August 29, 2019 to July 31, 2049

Date of resolution	July 31, 2020	July 30, 2021
Persons granted	Directors of the subsidiaries: 7 Executive officers of the subsidiaries: 17	Directors: 4 Executive officers: 7 Directors of the subsidiaries: 7 Executive officers of the subsidiaries: 16
Number of stock option by type of shares (*)	Common stock: 156,300	Common stock: 254,900
Date of grant	August 28, 2020	August 27, 2021
Vesting conditions	To exercise within 10 days after retirement	To exercise within 1 year after retirement
Applicable service period	From the August 28, 2020 to the date for retirement	From the August 27, 2021 to the date for retirement
Exercise period	From the August 31, 2020 to July 31, 2050	From the August 30, 2021 to July 31, 2051

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

The stock option activity is as follows:

Date of resolution	February 24, 2011	July 28, 2011	August 31, 2012	July 31, 2013	July 30, 2014
Non-vested:					
March 31, 2021-Outstanding	1,100	1,240	1,700	6,200	9,600
Granted	–	–	–	–	–
Forfeited	–	–	–	–	–
Vested	–	–	–	2,400	2,800
March 31, 2022-Outstanding	1,100	1,240	1,700	3,800	6,800
Vested:					
March 31, 2021-Outstanding	–	–	–	–	–
Vested	–	–	–	2,400	2,800
Exercised	–	–	–	2,400	2,800
Forfeited	–	–	–	–	–
March 31, 2022-Outstanding	–	–	–	–	–

Date of resolution	July 29, 2015	July 27, 2016	July 31, 2017	July 31, 2018	July 30, 2019
Non-vested:					
March 31, 2021-Outstanding	9,100	27,800	32,000	40,500	89,400
Granted	–	–	–	–	–
Forfeited	–	–	–	–	–
Vested	2,700	6,800	7,200	8,400	24,100
March 31, 2022-Outstanding	6,400	21,000	24,800	32,100	65,300
Vested:					
March 31, 2021-Outstanding	–	–	–	–	–
Vested	2,700	6,800	7,200	8,400	24,100
Exercised	2,700	6,800	7,200	8,400	24,100
Forfeited	–	–	–	–	–
March 31, 2022-Outstanding	–	–	–	–	–

Date of resolution	July 31, 2020	July 30, 2021
Non-vested:		
March 31, 2021-Outstanding	156,300	–
Granted	–	254,900
Forfeited	–	–
Vested	35,000	–
March 31, 2022-Outstanding	121,300	254,900
Vested:		
March 31, 2021-Outstanding	–	–
Vested	35,000	–
Exercised	35,000	–
Forfeited	–	–
March 31, 2022-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 August 1, 2012.

Price information is as follows:

Date of resolution	February 24, 2011	July 28, 2011	August 31, 2012	July 31, 2013	July 30, 2014	July 29, 2015
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average stock price at exercise	¥ –	¥ –	¥ –	¥ –	¥ 158	¥ 158
Fair value price at grant date	¥ 490	¥ 535	¥ 449	¥ 430	¥ 497	¥ 474

Date of resolution	July 27, 2016	July 31, 2017	July 31, 2018	July 30, 2019	July 31, 2020	July 30, 2021
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average stock price at exercise	¥ 158	¥ 158	¥ 161	¥ 160	¥ 160	¥ –
Fair value price at grant date	¥ 410	¥ 353	¥ 325	¥ 140	¥ 132	¥ 133

Date of resolution	February 24, 2011	July 28, 2011	August 31, 2012	July 31, 2013	July 30, 2014	July 29, 2015
Exercise price	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Average stock price at exercise	$ –	$ –	$ –	$ –	$ 1.29	$ 1.29
Fair value price at grant date	$ 4.00	$ 4.37	$ 3.66	$ 3.51	$ 4.06	$ 3.87

Date of resolution	July 27, 2016	July 31, 2017	July 31, 2018	July 30, 2019	July 31, 2020	July 30, 2021
Exercise price	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Average stock price at exercise	$ 1.29	$ 1.29	$ 1.31	$ 1.30	$ 1.30	$ –
Fair value price at grant date	$ 3.34	$ 2.88	$ 2.65	$ 1.14	$ 1.07	$ 1.08

Note:

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

The method for estimating the fair value price of 2021 stock option granted in the year ended March 31, 2022 were as follows:
Measurement method: Black-Scholes model
Major fundamental factors and assumptions used to measure fair value

Date of resolution	July 30,2021
Volatility of stock price *1	27.192%
Estimated remaining outstanding period *2	4.786 years
Estimated dividend *3	4.518%
Interest rate with risk free *4	(0.120%)

*1 Actual stock price during the period (from November 13, 2016 to August 27, 2021) 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 /¥166 ($1.35) 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 Ordinary Income

Other ordinary income for the years ended March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Gain on sales of securities and trading account securities	¥ 1,526	¥ 2,034	$ 12,468
Other	727	499	5,940
Total	¥ 2,253	¥ 2,533	$ 18,408

22. Other Income

Other income for the years ended March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Gain on sales of equity securities	¥ 812	¥ 1,862	$ 6,634
Gain on money held in trust	33	111	269
Other	13,012	12,556	106,315
Total	¥ 13,858	¥ 14,530	$ 113,228

23. Other Ordinary Expenses

Other ordinary expenses for the years ended March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Loss on sales of debt securities	¥ 2,117	¥ 10	$ 17,297
Other	3	14	24
Total	¥ 2,120	¥ 24	$ 17,321

24. Other Expenses

Other expenses for the years ended March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Write-offs of loans and bills discounted	¥ 1,359	¥ 1,583	$ 11,103
Loss on sales of equity securities	26	7	212
Loss on devaluation of equity securities	92	104	751
Loss on money held in trust	98	131	800
Provision for contingent losses	-	297	-
Other	11,914	17,328	97,344
Total	¥ 13,491	¥ 19,453	$ 110,229

Note:
“Other”for the year ended March 31, 2022 and 2021 includes ¥8 million ($65 thousand) and ¥57 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 March 31, 2022

Resolution by annual shareholders’ meeting on June 23, 2021

			Dividend amount		Dividends per share	
Type of stock	Record date	Effective date	Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars
Common stock	March 31, 2021	June 24, 2021	¥ 1,050	$ 8,579	¥ 3.75	$ 0.03
First series of seventh-class preferred stock	March 31, 2021	June 24, 2021	¥ 375	$ 3,063	¥ 15.00	$ 0.12

Resolution by Board of Directors on November 11, 2021

			Dividend amount		Dividends per share	
Type of stock	Record date	Effective date	Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars
Common stock	September 30, 2021	December 1, 2021	¥ 1,051	$ 8,587	¥ 3.75	$ 0.03
First series of seventh-class preferred stock	September 30, 2021	December 1, 2021	¥ 375	$ 3,063	¥ 15.00	$ 0.12

Cash dividends with record dates falling in the fiscal year ended March 31, 2022 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	March 31, 2022	June 29, 2022
First series of seventh-class preferred stock	Retained earnings	March 31, 2022	June 29, 2022

	Dividend amount		Dividends per share	
Types of stock	Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars
Common stock	¥ 1,751	$ 14,306	¥ 6.25	$ 0.05
First series of seventh-class preferred stock	¥ 375	$ 3,063	¥ 15.00	$ 0.12

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

Resolution by annual shareholders' meeting on June 25, 2020

			Dividend amount		Dividends per share	
Type of stock	Record date	Effective date	Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars
Common stock	March 31, 2020	June 26, 2020	¥ 1,052	$ 9,502	¥ 3.75	$ 0.03
First series of seventh-class preferred stock	March 31, 2020	June 26, 2020	¥ 375	$ 3,387	¥ 15.00	$ 0.13

Resolution by Board of Directors on November 12, 2020

			Dividend amount		Dividends per share	
Type of stock	Record date	Effective date	Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars
Common stock	September 30, 2020	December 1, 2020	¥ 1,053	$ 9,511	¥ 3.75	$ 0.03
First series of seventh-class preferred stock	September 30, 2020	December 1, 2020	¥ 375	$ 3,387	¥ 15.00	$ 0.13

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

	Dividend amount		Dividends per share	
Types of stock	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

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 March 31, 2022 and 2021 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Cash and due from banks	¥ 1,723,186	¥ 1,671,441	$ 14,079,467
Deposits other than deposits with the Bank of Japan	(10,743)	(11,285)	(87,776)
Cash and cash equivalents	¥ 1,712,443	¥ 1,660,156	$ 13,991,690

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 March 31, 2022 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2023	¥ 829	$ 6,773
2024 and thereafter	4,791	39,145
Total	¥ 5,620	$ 45,918

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 March 31, 2022 and 2021, respectively.

The tax effect of temporary differences which gave rise to significant portions of the deferred tax assets and liabilities at March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Deferred tax assets:			
Reserve for possible loan losses	¥ 9,945	¥ 10,632	$ 81,256
Tax loss carryforwards	4,555	5,891	37,217
Loss on devaluation of securities	2,739	2,777	22,379
Provision for employees' bonuses	769	509	6,283
Depreciation	516	586	4,216
Net unrealized loss on available-for-sale securities	122	3	996
Impairment loss	102	199	833
Net defined benefit liability	48	46	392
Other	3,083	2,983	25,189
Gross deferred tax assets	21,883	23,630	178,797
Valuation allowance for tax loss carryforwards (Note2)	(1,805)	(3,843)	(14,747)
Valuation allowance for total deductible temporary differences	(8,527)	(8,478)	(69,670)
Valuation allowance subtotal(Note1)	(10,333)	(12,321)	(84,426)
Total deferred tax assets	11,550	11,308	94,370
Deferred tax liabilities:			
Net defined benefit asset	(4,442)	(4,422)	36,293
Net unrealized gain on available-for-sale securities	(2,721)	(3,603)	22,232
Stocks returned of retirement benefit trust	(647)	(647)	5,286
Non-taxable accrued dividend income	(102)	(90)	833
Other	(95)	(44)	776
Total deferred tax liabilities	(8,009)	(8,808)	65,438
Net deferred tax assets	¥ 3,541	¥ 2,500	$ 28,932

Notes:

1.Valuation allowance decreased by ¥1,988 million ($16,243 thousand), mainly due to the decrease of valuation allowance for tax loss carryforward.

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

Fiscal year ended March 31, 2022

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)	89	–	3,424	–	57	984	4,555
Valuation allowance	(60)	–	(1,617)	–	–	(127)	(1,805)
Deferred tax assets	29	–	1,806	–	57	857	(*2)2,749

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)	727	–	27,976	–	465	8,039	37,217
Valuation allowance	(490)	–	(13,211)	–	–	(1,037)	(14,747)
Deferred tax assets	236	–	14,756	–	465	7,002	(*2)22,460

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

(*2) Deferred tax assets of ¥2,749 million ($22,460 thousand) are recorded for tax loss carryforward of ¥4,555 million ($37,217 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 March 31, 2022 and 2021 were as follows:

	2022	2021
Statutory tax rate	30.6%	30.6%
Permanently non–taxable income	(0.0)	(0.0)
Permanently non–deductible expenses	0.3	0.4
Per capita portion of inhabitants' taxes	0.7	1.4
Valuation allowance	(14.8)	(1.6)
Amortization of goodwill	0.0	0.1
Consolidation adjustment to gain on sales of shares of consolidated subsidiaries	–	0.3
Tax rate difference with consolidated subsidiaries	0.6	1.0
Other	(1.1)	(0.0)
Effective tax rate	16.3%	32.2%

29. Comprehensive Income

Reclassification adjustments and tax effect amounts of other comprehensive income for the year ended March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Unrealized gain (loss) on available-for-sale securities:			
Amount for the year	¥ (5,858)	¥ 8,225	$ (47,863)
Reclassification adjustment	1,783	(1,982)	14,568
Amount before tax effect	(4,074)	6,242	(33,287)
Tax effect amount	938	(1,251)	7,664
Net unrealized gain (loss) on available-for-sale securities	(3,136)	4,990	(25,623)
Unrealized gain (loss) on deferred hedges			
Amount for the year	73	(77)	596
Reclassification adjustment	82	131	669
Amount before tax effect	156	53	1,274
Tax effect amount	(47)	(16)	(384)
Net unrealized gain on deferred hedges	108	37	882
Remeasurements of defined benefit plans:			
Amount for the year	(391)	10,827	(3,194)
Reclassification adjustment	(1,657)	(382)	(13,538)
Amount before tax effect	(2,048)	10,445	(16,733)
Tax effect amount	626	(3,194)	5,114
Remeasurements of defined benefit plans	(1,421)	7,250	(11,610)
Total other comprehensive income	¥ (4,449)	¥ 12,279	$ (36,351)

30. Revenue recognition

1. Disaggregation of revenue from contracts with customers
Fiscal year (from April 1, 2021 to March 31, 2022)

Millions of yen

	Reportable segments			Other (Note 2)	Consolidated financial statement amount
	Banking (Note 1)	Leasing	Total		
Revenue from contracts with customers					
Deposit/loan business	2,962	–	2,962	–	2,962
Exchange business	2,177	–	2,177	–	2,177
Securities-related business	1,365	–	1,365	1,665	3,031
Agency business	306	–	306	–	306
Safe custody and safe-deposit box business	479	–	479	–	479
Investment trust and insurance sales business	4,313	–	4,313	–	4,313
Other	710	366	1,076	2,098	3,175
Total	12,314	366	12,681	3,764	16,445
Other revenue (Note 3)	53,440	11,962	65,403	2,163	67,567
Total	65,755	12,328	78,084	5,928	84,012

Thousand of U.S. dollars

	Reportable segments			Other (Note 2)	Consolidated financial statement amount
	Banking (Note 1)	Leasing	Total		
Revenue from contracts with customers					
Deposit/loan business	24,201	–	24,201	–	24,201
Exchange business	17,787	–	17,787	–	17,787
Securities-related business	11,152	–	11,152	13,604	24,765
Agency business	2,500	–	2,500	–	2,500
Safe custody and safe-deposit box business	3,913	–	3,913	–	3,913
Investment trust and insurance sales business	35,239	–	35,239	–	35,239
Other	5,801	2,990	8,791	17,141	25,941
Total	100,612	2,990	103,611	30,754	134,365
Other revenue (Note 3)	436,636	97,736	534,381	17,673	552,063
Total	537,257	100,727	637,993	48,435	686,428

Notes:
1. “Banking” includes credit guarantee services.
2. “Other” includes business segments which are not included in the reportable segments and comprises credit cards business and securities business.
3. “Other revenue” mainly includes the following transactions.
   a. Transactions related to financial instruments within the scope of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019)
   b. Lease transactions included in the scope of the Accounting Standard for Lease Transactions (ASBJ Statement No. 13, March 30, 2007)
   c. Commission received when structuring or acquiring financial instruments

2. Useful information in understanding revenue from contracts with customers

(1) Timing of recording revenue
Revenue is recognized when control of a promised good or service is transferred to a customer. For cases where performance obligations are satisfied over time, revenue is recognized as the obligations are fulfilled.

(2) Recorded amount of revenue
The recorded amount of revenue is calculated based on the amount expected to be received in exchange for goods or services. Regarding point programs operated by other companies in which consolidated subsidiaries participate, the amount expected to be used in the future is recognized as the amount collected for the benefit of a third party and deducted from fees and commissions.

3. Reconciliation of satisfaction of performance obligations within contracts with customers and cash flows arising from such contracts, and the amount and timing of revenue arising from customers existing at the end of this fiscal year expected to be recognized after the end of this fiscal year.

(1) Beginning and ending balances of receivables, contract assets and contract liabilities from contracts with customers

	Millions of yen	
	Beginning of fiscal year (April 1, 2021)	End of fiscal year (March 31, 2022)
Receivables from contracts with customers	799	626
Contract assets	26	212
Contract liabilities	646	555

	Thousand of U.S. dollars	
	Beginning of fiscal year (April 1, 2021)	End of fiscal year (March 31, 2022)
Receivables from contracts with customers	6,528	5,114
Contract assets	212	1,732
Contract liabilities	5,278	4,534

Notes:
In the consolidated balance sheets, receivables and contract assets from contracts with customers are included in “Other assets” and contract liabilities are included in “Other liabilities.”

(2) Revenue recognized during the fiscal year that was included in the contract liabilities balance at the beginning of the year

	Millions of yen
	Fiscal year (From April 1, 2021 to March 31, 2022)
Revenue recognized during the fiscal year that was included in the contract liabilities balance at the beginning of the year	420

	Thousand of U.S. dollars
	Fiscal year (From April 1, 2021 to March 31, 2022)
Revenue recognized during the fiscal year that was included in the contract liabilities balance at the beginning of the year	3,431

(3) Transaction price allocated to the remaining performance obligations
The total transaction price allocated to the remaining performance obligations and the time frame the Company expects to recognize the amount as revenue are as follows.

	Millions of yen
	Fiscal year (March 31, 2022)
Within one year	402
Over one year	152
Total	555

	Thousand of U.S. dollars
	Fiscal year (March 31, 2022)
Within one year	3,284
Over one year	1,241
Total	4,534

31. 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, 2022 and 2021 was summarized as follows:

Millions of yen

	2022						
	Reportable segments						
	Banking	Leasing	Total	Other	Total	Adjustment	Consolidated
Ordinary income:							
Outside customers	¥ 65,755	¥ 12,328	¥ 78,084	¥ 5,928	¥ 84,012	¥ –	¥ 84,012
Intersegment income	1,855	173	2,029	2,184	4,213	(4,213)	–
Total	67,611	12,502	80,114	8,112	88,226	(4,213)	84,012
Segment profit	13,139	428	13,568	813	14,381	(334)	14,047
Segment assets	7,012,325	34,385	7,046,711	29,709	7,076,420	(32,003)	7,044,417
Segment liabilities	6,776,087	32,361	6,808,448	17,112	6,825,560	(32,003)	6,793,557
Others:							
Depreciation	3,235	1,343	4,579	71	4,650	–	4,650
Interest income	45,626	48	45,675	76	45,751	(441)	45,310
Interest expense	979	105	1,084	69	1,154	(140)	1,013
Extraordinary gain	114	–	114	–	114	(24)	89
Extraordinary loss	294	0	295	2	298	–	298
Tax expense	2,002	139	2,141	120	2,262	–	2,262
Increase in tangible and intangible fixed assets	2,833	1,033	3,866	25	3,892	–	3,892

Notes:

1. 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.
2. "Other" includes business segments which are not included in the reportable segments and comprises credit cards business and securities business.
3. Adjustments are as below:
   (1) Adjustment of segment profit of negative ¥334 million is the elimination of intersegment transactions.
   (2) Adjustment of segment assets of negative ¥32,003 million is the elimination of intersegment transactions.
   (3) Adjustment of segment liabilities of negative ¥32,003 million is the elimination of intersegment transactions.
   (4) Adjustment of interest income of negative ¥441 million is the elimination of intersegment transactions.
   (5) Adjustment of interest expense of negative ¥140 million is the elimination of intersegment transactions.
   (6) Adjustment of extraordinary gain of negative ¥24 million is the elimination of intersegment transactions.
4. 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. Changes in reportable segments, etc.
   As described in "Changes in Accounting Policies," the Company has adopted the "Accounting Standard for Revenue Recognition" and related changes in standards from this fiscal year, and as a result, ordinary income from outside customers in the banking business increased by ¥86 million while ordinary income from other outside customers decreased by ¥117 million, compared with the amounts based on the previous method. In addition, segment profit of the banking business and other segments increased by ¥86 million and ¥4 million, respectively.

Millions of yen

	2021						
	Reportable segments						
	Banking	Leasing	Total	Other	Total	Adjustment	Consolidated
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:

1. 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.
2. "Other" includes business segments which are not included in the reportable segments and comprises credit cards business and securities business.
3. Adjustments are as below:
   (1) Adjustment of segment profit of negative ¥476 million is the elimination of intersegment transactions.
   (2) Adjustment of segment assets of negative ¥30,679 million is the elimination of intersegment transactions.
   (3) Adjustment of segment liabilities of negative ¥30,678million is the elimination of intersegment transactions.
   (4) Adjustment of interest income of negative ¥610 million is the elimination of intersegment transactions.
   (5) Adjustment of interest expense of negative ¥135 million is the elimination of intersegment transactions.
   (6) Adjustment of extraordinary gain of negative ¥19 million is the elimination of intersegment transactions.
4. 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						
	2022						
	Reportable segments						
	Banking	Leasing	Total	Other	Total	Adjustment	Consolidated
Ordinary income:							
Outside customers	$ 537,257	$ 100,727	$ 637,993	$ 48,435	$ 686,428	$ –	$ 686,428
Intersegment income	15,156	1,413	16,578	17,844	34,422	(34,422)	–
Total	552,422	102,148	654,579	66,279	720,859	(34,422)	686,428
Segment profit	107,353	3,497	110,858	6,642	117,501	(2,728)	114,772
Segment assets	57,294,917	280,946	57,575,872	242,740	57,818,612	(261,483)	57,557,128
Segment liabilities	55,364,711	264,408	55,629,120	139,815	55,768,935	(261,483)	55,507,451
Others:							
Depreciation	26,431	10,973	37,413	580	37,993	–	37,993
Interest income	372,791	392	373,192	620	373,813	(3,603)	370,209
Interest expense	7,999	857	8,856	563	9,428	(1,143)	8,276
Extraordinary gain	931	–	931	–	931	(196)	727
Extraordinary loss	2,402	0	2,410	16	2,434	–	2,434
Tax expense	16,357	1,135	17,493	980	18,481	–	18,481
Increase in tangible and intangible fixed assets	23,147	8,440	31,587	204	31,799	–	31,799

Notes:

1. 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.
2. "Other" includes business segments which are not included in the reportable segments and comprises credit cards business and securities business.
3. Adjustments are as below:
   (1) Adjustment of segment profit of negative $2,728 thousand is the elimination of intersegment transactions.
   (2) Adjustment of segment assets of negative $261,483 thousand is the elimination of intersegment transactions.
   (3) Adjustment of segment liabilities of negative $261,483 thousand is the elimination of intersegment transactions.
   (4) Adjustment of interest income of negative $3,603 thousand is the elimination of intersegment transactions.
   (5) Adjustment of interest expense of negative $1,143 thousand is the elimination of intersegment transactions.
   (6) Adjustment of extraordinary gain of negative $196 thousand is the elimination of intersegment transactions.
4. 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. Changes in reportable segments, etc.
   As described in "Changes in Accounting Policies," the Company has adopted the "Accounting Standard for Revenue Recognition" and related changes in standards from this fiscal year, and as a result, ordinary income from outside customers in the banking business increased by $702 thousand while ordinary income from other outside customers decreased by $955 thousand, compared with the amounts based on the previous method. In addition, segment profit of the banking business and other segments increased by $702 thousand and $32 thousand, respectively.

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

	Millions of yen			
	2022			
	Reportable segments			
	Banking	Leasing	Other	Total
Impairment loss	¥ 177	¥ –	¥ –	¥ 177

	Millions of yen			
	2021			
	Reportable segments			
	Banking	Leasing	Other	Total
Impairment loss	¥ 3	¥ 2	¥ –	¥ 6

	Thousands of U.S. dollars			
	2022			
	Reportable segments			
	Banking	Leasing	Other	Total
Impairment loss	$ 1,446	$ –	$ –	$ 1,446

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

	Millions of yen			
	2022			
	Reportable segments			
	Banking	Leasing	Other	Total
Amortization of goodwill	¥ –	¥ 27	¥ –	¥ 27
Remaining balance	¥ –	¥ –	¥ –	¥ –

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

	Thousands of U.S. dollars			
	2022			
	Reportable segments			
	Banking	Leasing	Other	Total
Amortization of goodwill	$ –	220	$ –	220
Remaining balance	$ –	–	$ –	–

(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 March 31, 2022

	Millions of yen				
	Lending	Securities trading and investment	Leasing	Other	Total
Income from external customers	¥ 39,784	¥ 3,803	¥ 12,400	¥ 28,025	¥ 84,012

For the year ended March 31, 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

Note:

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

For the year ended March 31, 2022

	Thousands of U.S. dollars				
	Lending	Securities trading and investment	Leasing	Other	Total
Income from external customers	$ 325,059	$ 31,072	$ 101,315	$ 228,981	$ 686,428

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 March 31, 2022 and 2021.

(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 March 31, 2022 and 2021.

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 March 31, 2022 and 2021.

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 ¥14.1 billion ($115.2 million) for interest rate and ¥8.1 billion ($66.1 million) for stocks at March 31, 2022. The value of market risk as a whole with correlation in consideration was ¥20.5 billion ($167.4 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

Since certain assumptions are used in calculating the fair value of financial instruments , 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 March 31, 2022 and 2021 are summarized in the following tables:

Shares and other securities without a quoted market price and investments in partnerships are not included in the following table (see Note 1). In addition, cash and due from banks, call loans and bills bought, monetary claims bought, foreign exchange (assets and liabilities), payables under securities lending transactions and borrowed money from trust account are omitted because their fair values approximate their carrying values due to their short maturities.

	Millions of yen		
March 31, 2022	Carrying value	Fair value	Difference
Money held in trust	¥ 24,521	¥ 24,521	¥ –
Securities:			
Available-for-sale securities	636,200	636,200	–
Loans and bills discounted	4,503,834		
Reserve for possible loan losses (*1)	(13,121)		
Total assets	¥5,151,434	¥5,154,280	¥ 2,846
Deposits	¥5,557,248	¥5,557,214	¥ (34)
Borrowed money	1,082,890	1,082,881	(8)
Total liabilities	¥6,640,139	¥6,640,096	¥ (42)
Derivative transactions (*2)			
To which hedge accounting is not applied	¥ (112)	¥ (112)	¥ –
To which hedge accounting is applied	(611)	(611)	–
Total derivative transactions	¥ (724)	¥ (724)	¥ –

	Millions of yen		
March 31, 2021	Carrying value	Fair value	Difference
Money held in trust	¥ 20,001	¥ 20,001	¥ –
Securities:			
Available-for-sale securities	552,961	552,961	–
Loans and bills discounted	4,291,531		
Reserve for possible loan losses (*1)	(14,157)		
Total assets	¥4,850,337	¥4,859,715	¥ 9,377
Deposits	¥5,408,845	¥5,408,823	¥ (21)
Borrowed money	973,225	973,218	(7)
Total liabilities	¥6,382,070	¥6,832,041	¥ (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)	¥ –

March 31, 2022	Thousands of U.S. dollars Carrying value	Fair value	Difference
Money held in trust	$ 200,351	$ 200,351	$ –
Securities:			
Available-for-sale securities	5,198,137	5,198,137	–
Loans and bills discounted	36,799,035		
Reserve for possible loan losses (*1)	(107,206)		
Total assets	$ 42,090,317	$ 42,113,571	$ 23,253
Deposits	$ 45,406,062	$ 45,405,784	$ (277)
Borrowed money	8,847,863	8,847,789	(65)
Total liabilities	$ 54,253,934	$ 54,253,582	$ (343)
Derivative transactions (*2)			
To which hedge accounting is not applied	$ (915)	$ (915)	$ –
To which hedge accounting is applied	(4,992)	(4,992)	–
Total derivative transactions	$ (5,915)	$ (5,915)	$ –

(*1) General and specific reserves for loan losses corresponding to loans are deducted.
(*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) Carrying amounts of shares and other securities without a quoted market price and investments in partnerships recorded in the consolidated balance sheets were as follows. They are not included in "Available-for-sale securities" under "Assets" as part of the fair value information on financial instruments.

(Millions of yen)

	2020 (March 31, 2021)	2021 (March 31, 2022)
Unlisted equity securities (*1, 2)	5,854	5,774
Investments in partnerships(*3)	5,672	6,192
Total	11,527	11,966

(*1) Unlisted equity securities are not subject to fair value disclosure, in accordance with Paragraph 5 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020).
(*2) The Company recognized impairment losses on unlisted equity securities in the amount of ¥53 million ($433 thousand) and ¥77 million for the year ended March 31, 2022 and 2021, respectively.
(*3) Investments in partnerships are not subject to fair value disclosure, in accordance with Paragraph 27 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019).

(Note 2) Repayment schedule of monetary receivables and securities with contractual maturities

March 31, 2022	Millions of yen Due in one year or less	Due after one year through three years	Due after three years through five years
Due from banks	¥ 1,659,909	¥ –	¥ –
Call loans and bills bought	368	–	–
Monetary claims bought	49	–	–
Securities:	57,823	159,146	75,316
Available-for-sale securities with maturities:	57,823	159,146	75,316
Government bonds	–	13,300	20,000
Local government bonds	14,422	50,361	28,580
Corporate bonds	43,072	43,221	25,583
Other	327	52,264	1,153
Loans and bills discounted (*1, 2)	952,220	664,139	563,504
Foreign exchanges assets	7,506	–	–
Total	¥ 2,677,877	¥ 823,285	¥ 638,821

March 31, 2022	Millions of yen Due after five years through seven years	Due after seven years through ten years	Due after ten years
Due from banks	¥ –	¥ –	¥ –
Call loans and bills bought	–	–	–
Monetary claims bought	–	–	–
Securities:	34,502	115,006	138,981
Available-for-sale securities with maturities:	34,502	115,006	138,981
Government bonds	–	31,100	–
Local government bonds	6,800	30,208	–
Corporate bonds	13,762	8,870	93,590
Other	13,940	44,828	45,390
Loans and bills discounted (*1, 2)	409,540	520,835	1,355,273
Foreign exchanges assets	–	–	–
Total	¥ 444,042	¥ 635,841	¥ 1,494,255

March 31, 2021	Millions of yen Due in one year or less	Due after one year through three years	Due after three years through five years
Due from banks	¥1,620,812	¥ –	¥ –
Call loans and bills bought	9,414	–	–
Monetary claims bought	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

March 31, 2022	Thousands of U.S. dollars Due in one year or less	Due after one year through three years	Due after three years through five years
Due from banks	$ 13,562,456	$ –	$ –
Call loans and bills bought	3,006	–	–
Monetary claims bought	400	–	–
Securities:	472,448	1,300,318	615,377
Available-for-sale securities with maturities:	472,448	1,300,318	615,377
Government bonds	–	108,669	163,412
Local government bonds	117,836	411,479	233,515
Corporate bonds	351,924	353,141	209,028
Other	2,671	427,028	9,420
Loans and bills discounted (*1, 2)	7,780,210	5,426,415	4,604,167
Foreign exchanges assets	61,328	–	–
Total	$ 21,879,867	$ 6,726,734	$ 5,219,552

March 31, 2021	Millions of yen Due after five years through seven years	Due after seven years through ten years	Due after ten years
Due from banks	¥ –	¥ –	¥ –
Call loans and bills bought	–	–	–
Monetary claims bought	–	–	–
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

March 31, 2022	Thousands of U.S. dollars 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	–	–	–
Securities:	281,902	939,668	1,135,558
Available-for-sale securities with maturities:	281,902	939,668	1,135,558
Government bonds	–	254,105	–
Local government bonds	55,560	246,817	–
Corporate bonds	112,443	72,473	764,686
Other	113,898	366,271	370,863
Loans and bills discounted (*1, 2)	3,346,188	4,255,535	11,073,396
Foreign exchanges assets	–	–	–
Total	$ 3,628,090	$ 5,195,203	$ 12,208,963

(*1) Loans and bills discounted do not include ¥38,321 million ($313,105 thousand) and ¥28,999 million of receivables such as those due from bankrupt, effectively bankrupt or likely to become bankrupt borrowers at March 31, 2022 and 2021, 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 3) Repayment schedule of bonds, borrowed money and other interest bearing liabilities.

March 31, 2022	Millions of yen Due in one year or less	Due after one year through three years	Due after three years through five years
Deposits (*1)	¥5,338,731	¥ 185,749	¥ 12,444
Payables under securities lending transactions	84,792	–	–
Borrowed money	910,335	137,613	34,941
Total	¥6,333,859	¥ 323,362	¥ 47,386

March 31, 2022	Due after five years through seven years	Due after seven years through ten years	Due after ten years
	Millions of yen		
Deposits (*1)	¥ 177	¥ 138	¥ –
Payables under securities lending transactions	–	–	–
Borrowed money	–	–	–
Total	¥ 177	¥ 138	¥ –

March 31, 2021	Due in one year or less	Due after one year through three years	Due after three years through five years
	Millions of yen		
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

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

March 31, 2022	Due in one year or less	Due after one year through three years	Due after three years through five years
	Thousands of U.S. dollars		
Deposits (*1)	$ 43,620,647	$ 1,517,681	$ 101,674
Payables under securities lending transactions	692,801	–	–
Borrowed money	7,437,985	1,124,381	285,489
Total	$ 51,751,442	$ 2,642,062	$ 387,172

March 31, 2022	Due after five years through seven years	Due after seven years through ten years	Due after ten years
	Thousands of U.S. dollars		
Deposits (*1)	$ 1,446	$ 1,127	$ –
Payables under securities lending transactions	–	–	–
Borrowed money	–	–	–
Total	$ 1,446	$ 1,127	$ –

(*1) Demand deposits were disclosed under “Due in one year or less” of deposits.
Deposits did not include ¥20,006 million ($163,461 thousand) and ¥21,946 million of time deposits beyond maturity at March 31, 2022 and 2021, respectively.

3. The breakdown of fair value of financial instruments by level, etc.

The fair value of financial instruments is classified into the following three levels based on the observability and materiality of the inputs used to determine fair value.

Level 1: Fair value determined based on quoted market prices for assets or liabilities for which such fair value is calculated that are formed in an active market, among the inputs for the determination of observable fair value
Level 2: Fair value determined using inputs related to observable fair value other than Level 1 inputs
Level 3: Fair value determined using unobservable inputs for fair value calculations

When multiple inputs that have a significant impact on the determination of fair value are used, fair value is classified as the level with the lowest priority in the determination of fair value among the levels to which each of those inputs belongs.

(1) Financial instruments recorded at fair value in the consolidated balance sheets

March 31, 2022

Category	Fair value			
	Millions of yen			
	Level 1	Level 2	Level 3	Total
Money held in trust Securities	20,700	2,190	–	22,890
Available-for-sale securities				
Government bonds, local government bonds, etc.	68,167	130,055	–	198,223
Corporate bonds	–	201,443	26,005	227,449
Shares	21,731	–	–	21,731
Foreign securities	55,021	33,841	–	88,863
Derivative transactions				
Currency-related	–	1,128	–	1,128
Total assets	165,620	368,659	26,005	560,285
Derivative transactions				
Currency-related	–	1,852	–	1,852
Total liabilities	–	1,852	–	1,852

Category	Fair value			
	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Money held in trust Securities	169,131	17,893	–	187,025
Available-for-sale securities				
Government bonds, local government bonds, etc.	556,965	1,062,627	–	1,619,601
Corporate bonds	–	1,645,910	212,476	1,858,395
Shares	177,555	–	–	177,555
Foreign securities	449,554	276,501	–	726,064
Derivative transactions				
Currency-related	–	9,216	–	9,216
Total assets	1,353,215	3,012,166	212,476	4,577,865
Derivative transactions				
Currency-related	–	15,131	–	15,131
Total liabilities	–	15,131	–	15,131

(*) Investment trusts to which the transitional treatment prescribed in Paragraph 26 of “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, July 4, 2019) is applied are not included in the table above. Carrying amounts of such investment trusts included in money held in trust and included in securities in the consolidated balance sheets were ¥1,631 million and ¥99,933 million, respectively.

(2) Financial instruments other than those recorded at fair value in the consolidated balance sheets

March 31, 2022

Millions of yen

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Loans and bills discounted	–	14,556	4,479,002	4,493,559
Total assets	–	14,556	4,479,002	4,493,559
Deposits	–	5,557,214	–	5,557,214
Borrowed money	–	1,077,232	5,648	1,082,881
Total liabilities	–	6,634,447	5,648	6,640,096

Thousands of U.S. dollars

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Loans and bills discounted	–	118,931	36,596,143	36,715,082
Total assets	–	118,931	36,596,143	36,715,082
Deposits	–	45,405,784	–	45,405,784
Borrowed money	–	8,801,634	46,147	8,847,789
Total liabilities	–	54,207,427	46,147	54,253,582

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

Assets:

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. The fair value of securities for which unadjusted quoted market prices in active markets are available is classified as Level 1, that for which the impact of unobservable inputs is significant is classified as Level 3, and that for which the impact of unobservable inputs is not significant is classified as Level 2.

Note that information on money held in trust by holding purposes is presented under the “Money Held in Trust” section.

Securities

The fair value of securities for which unadjusted quoted market prices in active markets can be used is classified as Level 1. Such securities mainly include listed equity securities and government bonds.

If the market is not active even when published market prices are used, the fair value is classified as Level 2. Such securities mainly include local government bonds and corporate bonds.

When quoted market prices are not available, fair value is determined using such valuation methods as the method for discounted present value of future cash flows. The valuation makes maximum use of observable inputs, which include credit spreads and expected loss ratios. When significant unobservable inputs are used in the determination, the fair value is classified as Level 3.

Loans and bills discounted

The fair value of loans 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 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. 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 recorded on the consolidated balance sheets at the closing date, 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. Such fair value is classified as Level 3.

The fair value of loans with embedded derivative is determined using quoted the prices provided by counterparty financial institutions, etc. Such fair value is classified as Level 2.

Liabilities:

Deposits

The amount payable on demand as of the consolidated balance sheet date is presented as 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 (one year or less) is presented as the fair value since the fair value approximates the carrying value. Such fair value is classified as Level 2.

Borrowed money

The present value of borrowed money is determined by discounting the aggregated value of principal and interest of such borrowings, grouped by certain maturity lengths, by the interest rate assumed for similar borrowings. 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, and also the creditworthiness of the consolidated subsidiaries has not significantly changed since the borrowed money was originated and accordingly fair value approximates the carrying value. The carrying value of borrowed money with short contractual terms (one year or less) is presented as fair value since the fair value approximates the carrying value. Fair value for which the impact of unobservable inputs is significant is classified as Level 3, and that for which the impact of unobservable inputs is not significant is classified as Level 2.

Derivative transactions:

The fair value of derivative transactions for which unadjusted quoted market prices in active markets can be used is classified as Level 1. These transactions mainly include bond futures and interest rate futures transactions.
However, since most derivatives transactions are over-the-counter transactions and there are no published quoted market prices, fair value is determined using such valuation methods as discounted present value or the Black-Scholes model, depending on the type of transaction and the maturity length. The main inputs used in those valuation methods include interest rates, exchange rates, and volatility. If unobservable inputs are not used or their impact is not significant, the fair value is classified as Level 2. Such transactions include plain vanilla interest rate swap transactions and foreign exchange forward contracts. If significant unobservable inputs are used, the fair value is classified as Level 3. Such transactions include stock options transactions.

(Note 2) Information on the fair value of Level 3 for financial instruments recorded in the consolidated balance sheets at fair value

(1) Quantitative information on significant unobservable inputs

Fiscal year (March 31, 2022)

Category	Valuation methods	Significant unobservable inputs	Scope of inputs	Weighted average of inputs
Securities				
Available-for-sale securities				
Private placement bonds	Discounted cash flow method	Credit spreads	0.064% to 0.257%	0.162%
	Cash flow deduction method	Expected loss ratios	100%	100%

(2) Reconciliation of the beginning balance to the end balance and valuation gain or loss recognized in profit or loss for the year

Fiscal year (March 31, 2022)

millions of yen

	Beginning balance	Profit or loss or other comprehensive income for the year		Purchases, sales, issuances, and settlements	Transfer into Level 3	Transfer out of Level 3	End balance	Valuation gain or loss of financial assets and financial liabilities held at the consolidated balance sheet date of the amount recorded in profit or loss for the year
		Recorded in profit or loss(*1)	Recorded in other comprehensive income(*2)					
Securities								
Available-for-sale securities								
Private placement bonds	26,823	(0)	(41)	(775)	–	–	26,005	–

Thousands of U.S. dollars

	Beginning balance	Profit or loss or other comprehensive income for the year		Purchases, sales, issuances, and settlements	Transfer into Level 3	Transfer out of Level 3	End balance	Valuation gain or loss of financial assets and financial liabilities held at the consolidated balance sheet date of the amount recorded in profit or loss for the year
		Recorded in profit or loss(*1)	Recorded in other comprehensive income(*2)					
Securities								
Available-for-sale securities								
Private placement bonds	219,160	(0)	(334)	(6,332)	–	–	212,476	–

(*1) Included in “Other ordinary income” and “Other ordinary expenses” in the consolidated statements of income.

(*2) Included in “Net unrealized gain (loss) on available-for-sale securities” under “Other comprehensive income” in the consolidated statements of comprehensive income.

(3) A description of valuation processes used for fair value measurements

At consolidated subsidiaries, the risk control department establishes policies and procedures for measuring fair value, and the back office measures fair value accordingly. The middle office verifies whether the fair value obtained is measured by using valid valuation methods and inputs as well as whether they are classified into an appropriate level of the fair value hierarchy in order to ensure that the policies and procedures for measuring fair value are appropriate.
In measuring fair value, the Company uses a valuation model that most appropriately reflects the nature, characteristics and risks of each asset. In addition, when using quoted prices obtained from third parties, the Company verifies whether the prices are valid by using appropriate methods, such as confirming the valuation methods and inputs used and comparing them with the fair value of similar financial instruments.

(4) A description of the effect on the fair value of changes in significant unobservable inputs

Significant unobservable inputs used in measuring the fair value of private placement bonds are credit spreads and expected loss ratios. Credit spread is the difference between the weighted average interest rate of the newly executed rate for each credit rating and the market interest rate, and it is an estimated value calculated based on the results within six months from the settlement date. Significant increases (decreases) in this input would result in a significantly lower (higher) fair value measurement. Expected loss ratio is the ratio of the loss expected to occur in the event of bankruptcy to the amount of bonds or loans minus the amount expected to be recoverable through the valuation of collateral and guarantees. Significant increases (decreases) in this input would result in a significantly lower (higher) fair value measurement.

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 are as follows. Note that contract amounts do not represent the market risk exposure of derivative transactions.

(1) Currency related derivatives at March 31, 2022 and 2021

	Millions of yen			
	Contract amount /notional principal			
March 31, 2022	Total	Over one year	Fair value	Valuation gain (loss)
Over-the-counter transactions:				
Currency swaps	¥ 50,347	¥ 29,127	¥ 47	¥ 47
Forward foreign exchange contracts:				
Selling	4,784	5	(272)	(272)
Buying	2,517	–	112	112
Currency options:				
Selling	18,317	11,710	(626)	247
Buying	18,317	11,710	626	(71)
Total	–	–	¥ (112)	¥ 63

	Millions of yen			
	Contract amount /notional principal			
March 31, 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

	Thousands of U.S. dollars			
	Contract amount /notional principal			
March 31, 2022	Total	Over one year	Fair value	Valuation gain (loss)
Over-the-counter transactions:				
Currency swaps	$ 411,365	$ 237,985	$ 384	$ 384
Forward foreign exchange contracts:				
Selling	39,088	40	(2,222)	(2,222)
Buying	20,565	–	915	915
Currency options:				
Selling	149,660	95,677	(5,114)	2,018
Buying	149,660	95,677	5,114	(580)
Total	–	–	$ (915)	$ 514

Note:
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. 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 are as follows. Note that contract amount or notional principal does not represent the market risk exposure of derivative transactions

Currency related derivatives at March 31, 2022 and 2021

March 31, 2022 — Millions of yen

Hedge accounting method	Transaction type	Major hedged item	Contract amount /notional principal Total	Contract amount /notional principal Over one year	Fair value
Deferral hedge accounting	Currency swaps	Loans denominated in foreign currencies	¥ 5,874	¥ 5,874	¥ (611)
	Forward foreign exchange contracts	–	–	–	–
Total			–	–	¥ (611)

March 31, 2021 — Millions of yen

Hedge accounting method	Transaction type	Major hedged item	Contract amount /notional principal Total	Contract amount /notional principal 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)

March 31, 2022 — Thousands of U.S. dollars

Hedge accounting method	Transaction type	Major hedged item	Contract amount /notional principal Total	Contract amount /notional principal Over one year	Fair value
Deferral hedge accounting	Currency swaps	Loans denominated in foreign currencies	$ 47,994	$ 47,994	$ (4,992)
	Forward foreign exchange contracts	–	–	–	–
Total			–	–	$ (4,992)

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.”

34. Amounts per Share

Amounts per share at March 31, 2022 and 2021 and for the years then ended were summarized as follows:

	Yen 2022	Yen 2021	U.S. dollars 2022
Net assets	¥ 795.45	¥ 782.13	$ 6.49
Net income:			
Basic	37.99	15.51	0.31
Diluted	34.07	15.24	0.27
Cash dividends			
Common stock	¥ 10	¥ 7.5	$ 0.08
First series of seventh-class preferred stock	¥ 30	¥ 30	$ 0.24

Net assets per share as of March 31, 2022 and 2021 were computed based on the following information:

	Millions of yen 2022	Millions of yen 2021	Thousands of U.S. dollars 2022
Total net assets	¥ 250,860	¥ 247,042	$ 2,049,677
Payment for first series of seventh-class preferred stock	(25,000)	(25,000)	(204,265)
Dividends for first series of seventh-class preferred stock	(375)	(375)	(3,063)
Stock subscription rights	(86)	(76)	(702)
Non-controlling interests	(2,438)	(2,434)	(19,919)
Amounts to be deducted from total net assets	(27,900)	(27,886)	(227,959)
Net assets attributable to common stock as of March 31, 2022 and 2021	¥ 222,959	¥ 219,156	$ 1,821,709
Number of shares of common stock as of March 31, 2022 and 2021 used to compute net asset per share (Unit: thousand shares)	280,292	280,204	

Net income per share for the years ended March 31, 2022 and 2021 were computed based on the following information:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Net income attributable to owners of the parent for the year	¥ 11,400	¥ 5,103	$ 93,144
Dividends for first series of seventh-class preferred stock based on the resolution by Board of Directors	(375)	(375)	(3,063)
Dividends for first series of seventh-class preferred stock based on the resolution at the regular general shareholders' meeting	(375)	(375)	(3,063)
Amounts not attributed to common stock share	(750)	(750)	(6,127)
Net income attributable to owners of the parent attributable to common stock	¥ 10,650	¥ 4,353	$ 87,016
Average outstanding number of shares of common stock (Unit: thousand shares)	280,272	280,578	
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	375	3,063
Dividends for first series of seventh-class preferred stock based on the resolution at the regular general shareholders' meeting	375	375	3,063
Adjustment to net income attributable to owners of the parent	¥ 750	¥ 750	$ 6,127
Number of increased common stock (Unit: thousand shares)	54,299	54,187	
Of which, stock subscription rights	420	308	
Of which, for first series of seventh-class preferred stock	53,879	53,879	
Summary of potential shares excluded from the calculation of diluted net income per share due to their anti-dilutive effect (Unit: thousand shares)	-	–	

Note:

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

35. Significant subsequent events

1. Reduction in the Amount of Legal Capital Surplus

At the Board of Directors meeting held on May 13, 2022, the Company resolved to submit the following proposal on the reduction in the amount of legal capital surplus at the Annual General Meeting of Shareholders scheduled to be held on June 28, 2022.
At the Annual General Meeting of Shareholders held on June 28, 2022, the company resolved to reduce the amount of legal capital surplus and transferred to other capital surplus.

(1) Objective of reducing the amount of legal capital surplus
The objective of reducing the amount of legal capital surplus is to secure the financial resources to acquire the first series of seventh-class preferred stock of the Company (hereinafter, the "Preferred Shares"), and to ensure the acquisition of the Preferred Shares. The Company believes that the acquisition of Preferred Shares will contribute to the maintenance and enhancement of the corporate value of the Company and to the overall interests of shareholders.

(2) Outline of reduction of legal capital surplus
1) Amount of legal capital surplus to be reduced
Based on the provisions of Article 448, Paragraph 1 of the Companies Act, ¥25,000,000,000 ($204,265 thousand) was reduced from the legal capital surplus of ¥65,499,286,962 ($535,168 thousand) as of March 31, 2022.

2) Method to reduce the amount of legal capital surplus
The entire amount of ¥25,000,000,000 ($204,265 thousand) of legal capital surplus to be reduced due to 1) above was transferred to other capital surplus.

(4) Impact on business performance
As this is a transfer of amounts within "Net Assets", there is no change in the amount of net assets and there is no effect on the business performance of the Company.

2. Acquisition and retirement of treasury stock

Based on the provisions of Article 17 of the Articles of Incorporation of the Company, the Company resolved to acquire the following treasury stock, and based on the provisions of Article 178 of the Companies Act, the Company resolved to retire the following treasury stock at the Board of Directors meeting held on June 28, 2022, as detailed below. The Company acquired and retired the treasury stock on July 15, 2022.

Content of treasury stock acquisition

(1)	Type of shares acquired	Senshu Ikeda Holdings, Inc. First series of seventh-class preferred stock	
(2)	Total number of shares acquired	25,000,000 shares	
(3)	Acquisition cost	Amount of ¥1,000 ($8.17) plus ¥8.63 ($0.07) per share of the first series of seventh-class preferred stock	
(4)	Total acquisition cost	¥25,215,750,000 ($206,027 thousand)	
(5)	Agreed holders	OC FINANCE CORPORATION	Daikin Industries, Ltd.
		Aozora Bank, Ltd.	ITAMI SANGYO CO., LTD.
		NICHIA STEEL WORKS, LTD.	Non-Destructive Inspection Company Limited.
		NEC Capital Solutions Limited	Mizuho Leasing Company, Limited
		SHIMA SEIKI MFG., LTD.	Hankyu Hanshin Holdings, Inc.
		ROHTO Pharmaceutical Co., Ltd.	Shionogi & Co., Ltd.
		Nippon Paper Core Industrial Co., Ltd.	
(6)	Acquisition date	Friday, July 15, 2022	

Content of treasury stock retirement

(1)	Type of shares retired	Senshu Ikeda Holdings, Inc. First series of seventh-class preferred stock
(2)	Total number of shares retired	25,000,000 shares
(3)	Retirement date	Friday, July 15, 2022

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, 2022, 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, 2022, 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.

Emphasis of Matter

As described in Note 35 Significant Subsequent Events, 2. Acquisition and retirement of treasury stock to the consolidated financial statements, the Company resolved at a meeting of the Board of Directors held on June 28,2022 to acquire and retirethe first series of the seventh-class preferred stocks and the Company acquired and retired all of those preferred stocks on July 15,2022. Our opinion is not qualified in respect of this matter.

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 borrower classification, which serves as the basis for assessing the reserve for possible loan losses, and "deemed borrower classification" in consideration of the impact of COVID-19	
Description of Key Audit Matter	Auditor's Response
The Group is engaged in the lending business mainly through The Senshu Ikeda Bank, Ltd. As at March 31, 2022, loans outstanding amounting to ¥4,503,834 million included ¥1,722,323 million for business loans to small and medium enterprises and ¥1,844,490 million for housing loans. These loans represent a significant portion of the Group's consolidated total assets amounting to ¥7,044,417 million. The credit risk of loans is affected by factors such as economic trends, borrowers' business conditions and fluctuations in the real estate market and in stock prices. To manage the credit risk, the Group recognized a reserve for possible loan losses of ¥14,865 million in the consolidated financial statements as at March 31, 2022, which includes an additional ¥2,131 million recognized in consideration of the impact of COVID-19. The details of the applicable accounting policies for the reserve for possible loan losses are described in Note 3 Significant Accounting Policies, (6) Reserve for possible loan losses, and the details of the estimation of the reserve for possible loan losses including an additional consideration of the impact of COVID-19 are described in Note 3 Significant Accounting Policies, (24) Significant accounting estimates, 1. Valuation of loans and bills discounted.	We mainly performed the following audit procedures to assess the borrower classification, which serves as the basis for assessing the reserve for possible loan losses for business loan borrowers whose repayment status, financial position, or business performance is deteriorating and who are preparing business improvement plans, and the "deemed borrower classification" in consideration of the impact of COVID-19: (1) Determination of the borrower classification, which serves as the basis for assessing the reserve for possible loan losses for business loan borrowers who are preparing business improvement plans ・ We evaluated the internal controls of The Senshu Ikeda Bank, Ltd. for determining borrower classification. The controls tested included but were not limited to controls for ensuring the reliability of the information used in determining the borrower classification and controls involving the underlying credit rating data of the borrower. ・ In selecting samples, we took into account the following: -The quantitative impact of changes in borrower classification on the amount recorded in the reserve for possible loan losses -The increase in business loans to small and medium enterprises -The industries that are susceptible to the impact of COVID-19 -The degree of deterioration in the repayment status, financial position or the business performance of business loan borrowers -The involvement of the Business Rehabilitation Supporting Office within the Loan Division ・ For the selected samples, we performed the following procedures to obtain an understanding of the recent status of deterioration in the repayment status, financial position or business performance of the business loan borrowers:

The reserve for possible loan losses is recognized in accordance with the predetermined policies 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 thereof, and the like are important factors in determining the borrower classification of business loans. The reasonableness and feasibility of these factors are particularly important in determining the borrower classification of business loan borrowers whose repayment status, financial position, or business performance is deteriorating and who are preparing business improvement plans that include assumptions about the outlook for future performance of business loan borrowers. In estimating the reserve for possible loan losses, an additional consideration has been given to the impact of COVID-19. Although the Group assumes that economic activities affected by COVID-19 will gradually recover going forward, of the borrowers for which a reserve for possible loan losses was recognized in the fiscal year ended March 31, 2021 based on the “deemed borrower classification”, the Group continued to recognize a reserve for possible loan losses based on the "deemed borrower classification" for borrowers for which the Group continued to determine that there is the possibility of a future downward shift in the borrower classification, in view of the uncertainty resulting from COVID-19. In making this determination, the Group assumes that there is the possibility of a future downward shift in the borrower classification without a recovery in business performance if certain conditions are met for financial position or business performance for the fiscal year ended March 31, 2022. Given that the key assumptions involved are affected by changes in the business environment surrounding business loan borrowers, including the impact of COVID-19, and the success or failure of the borrowers' business strategies, such assumptions involve significant estimation uncertainty and rely greatly on management's judgment.	-We inspected evidence related to self–assessment. -We conducted trend analysis of major profit and loss items. -We made inquiries of the Loan Division and inspected business logs and requests for approval as necessary. ・ For business loan borrowers whose repayment status, financial position, or business performance is deteriorating and who are preparing business improvement plans, we performed the following procedures to consider the reasonableness and feasibility of their business improvement plans: -For the key components of business improvement plans, we analyzed trends in historical business performance and plans as well as the degree of achievement of objectives of business improvement plans in previous years. -We compared business improvement plans with relevant available external information such as market trends in the industry to which business loan borrowers belong as necessary and made inquiries of the executive in charge of the Loan Division. (2) Determination of the “deemed borrower classification” in consideration of the impact of COVID-19 ・ We made inquiries of the executive in charge of the Loan Division regarding the impact of COVID-19 on business loan borrowers of The Senshu Ikeda Bank, Ltd. and compared the related assumptions to available external data. ・ We confirmed that all business loan borrowers for which a reserve for possible loan losses was recognized in the fiscal year ended March 31, 2021 based on the “deemed borrower classification” were subject to determination of “deemed borrower classification” for the fiscal year ended March 31, 2022. ・ We confirmed that the possibility of recovery in the business performance of business loan borrowers was not taken into consideration as part of the criteria for determination of “deemed borrower classification” for the fiscal year ended March 31, 2022.

Based on the above factors, we determined that the determination of the borrower classification, which serves as the basis for assessing the reserve for possible loan losses for business loan borrowers whose repayment status, financial position, or business performance is deteriorating and who are preparing business improvement plans, and the "deemed borrower classification" in consideration of the impact of COVID-19 is a key audit matter.	• To consider whether "deemed borrower classification" for the fiscal year ended March 31, 2022 was assigned in accordance with policies for determining such classification, we reperformed determinations based on information related to the financial position and business performance of the business loan borrowers subject to determination of "deemed borrower classification."

Recoverability of Deferred Tax Assets	
Description of Key Audit Matter	Auditor's Response
As described in Note 28 Income Taxes, as part of the tax effect of temporary differences which gave rise to significant portions of the deferred tax assets ("DTA") and deferred tax liabilities ("DTL"), the Group recorded DTA of ¥3,778 million as at March 31, 2022 in the consolidated financial statements. The gross DTA before being offset against DTL was ¥11,550 million, of which DTA related to tax loss carryforwards was ¥2,749 million, net of valuation allowance of ¥1,805 million. As described in Note 3 Significant Accounting Policies, (24) Significant accounting estimates, 2. Recoverability of deferred tax assets, the Group provides information on its estimate of the recoverability of DTA and recognizes 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. In calculating future taxable income before adjusting temporary differences during the recoverable period for The Senshu Ikeda Bank, Ltd., the earnings plan included in the revised Fifth Medium-Term Business Plan is adjusted to reflect earnings stress scenarios that take into account future uncertainties. The significant assumptions underlying such scenarios are forecasts of outstanding bank loan balances, loan interest rates, yield on securities, commissions on sale of assets under custody, housing loan processing fees, ordinary expenses and credit costs of The Senshu Ikeda Bank, Ltd.	We mainly performed the following audit procedures to assess the recoverability of DTA of The Senshu Ikeda Bank, Ltd.: • We compared the balance of deductible temporary differences and tax loss carryforwards with tax returns, and involved our tax specialists to review tax returns. • With regard to the business performance forecast, which serves as the basis for the estimate of future taxable income before adjusting temporary differences during the recoverable period, we made inquiries of management and considered the consistency of the forecast with the revised Fifth Medium-Term Business Plan approved by the Board of Directors. • In order to evaluate the effectiveness of management's process for estimating future taxable income before adjusting temporary differences, we compared past estimates of business performance forecasts, which served as the basis for future taxable income before adjusting temporary differences, with the actual results. • We performed the following procedures to examine the significant assumptions underlying the estimate of the business performance forecast, which serves as the basis for future taxable income before adjusting temporary differences during the recoverable period: -We compared forecasts of outstanding bank loan balances, loan interest rates, and commissions on sale of assets under custody with our estimates based on historical trends and with available external information, including market trends and information published by other banks.

Given that the significant assumptions underlying the estimate of future taxable income before adjusting temporary differences during the recoverable period in determining the recoverability of DTA involve significant estimation uncertainty and rely greatly on management's judgment, we have determined that this is a key audit matter.	-For yield on securities, we compared the forecast of interest and dividends by type of security with historical data and, as necessary, compared the forecasted yield by type of security with available external information. -We compared the forecast of housing loan processing fees with historical data, and compared the forecasted housing loan origination figure that serves as the basis for the forecast of housing loan processing fees with forecasted housing loan origination figure that serves as the basis for the forecast of outstanding bank loan balances. -For ordinary expenses, we compared each expense item with our estimates based on historical trends, and compared the forecasted number of employees, which serves as the basis for the forecast of personnel expenses, with the forecasted number of required sales personnel, which serves as the basis for the forecast of commissions on sale of assets under custody. -We compared the forecast of credit cost with historical credit cost data and with the amount recorded in the reserve for possible loan losses for the fiscal year ended March 31, 2022.

Other Information

The other information comprises the information included in the Annual Report that contains audited consolidated financial statements but does not include the consolidated financial statements and our auditor’s report thereon. Management is responsible for preparation and disclosure of the other information. The Audit & Supervisory Board Member and the Audit & Supervisory Board is responsible for overseeing the Group’s reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 consolidated 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.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2022 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

September 14, 2022

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

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

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

Non-consolidated Balance Sheets (Unaudited)

The Senshu Ikeda Bank, Ltd.
As of March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	**2022**
Assets			
Cash and due from banks	**¥ 1,717,216**	¥ 1,665,017	**$ 14,030,688**
Call loans and bills bought	**368**	9,414	**3,006**
Monetary claims bought	**49**	79	**400**
Money held in trust	**24,521**	20,001	**200,351**
Securities	**654,157**	571,287	**5,344,856**
Loans and bills discounted	**4,526,877**	4,311,595	**36,987,311**
Foreign exchange assets	**7,506**	5,061	**61,328**
Other assets	**32,749**	43,056	**267,579**
Tangible fixed assets	**31,860**	32,108	**260,315**
Intangible fixed assets	**4,080**	4,573	**33,336**
Prepaid pension cost	**14,085**	12,097	**115,082**
Deferred tax assets	**5,859**	5,286	**47,871**
Customers' liabilities for acceptances and guarantees	**7,419**	7,388	**60,617**
Reserve for possible loan losses	**(12,305)**	(12,825)	**(100,539)**
Total assets	**¥ 7,014,445**	¥ 6,674,143	**$ 57,312,239**
Liabilities and net assets			
Liabilities			
Deposits	**¥ 5,568,118**	¥ 5,420,391	**$ 45,494,877**
Negotiable certificates of deposit	**31,000**	29,300	**253,288**
Payables under securities lending transactions	**84,792**	10,323	**692,801**
Borrowed money	**1,073,435**	962,961	**8,770,610**
Foreign exchange liabilities	**302**	487	**2,467**
Borrowed money from trust account	**513**	-	**4,191**
Other liabilities	**26,259**	24,718	**214,551**
Provision for employees' bonuses	**2,275**	1,458	**18,588**
Provision for directors' bonuses	**69**	-	**563**
Accrued retirement benefits for directors and audit & supervisory board members	**4**	4	**32**
Reserve for reimbursement of deposits	**286**	392	**2,336**
Reserve for point services	**64**	57	**522**
Reserve for contingent losses	**1,160**	1,171	**9,477**
Acceptances and guarantees	**7,419**	7,388	**60,617**
Total liabilities	**6,795,701**	6,458,655	**55,524,969**
Net assets			
Shareholders' equity:			
Capital stock	**61,385**	61,385	**501,552**
Capital surplus	**88,862**	88,862	**726,056**
Retained earnings	**61,481**	55,164	**502,336**
Total shareholders' equity	**211,730**	205,413	**1,729,961**
Net unrealized gain (loss) on available-for-sale securities	**7,038**	10,208	**57,504**
Net unrealized gain (loss) on deferred hedges	**(24)**	(133)	**(196)**
Total valuation and translation adjustments	**7,013**	10,075	**57,300**
Total net assets	**218,743**	215,488	**1,787,262**
Total liabilities and net assets	**¥ 7,014,445**	¥ 6,674,143	**$ 57,312,239**

Non-consolidated Statements of Operations (Unaudited)

The Senshu Ikeda Bank, Ltd.
For the years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Income			
Interest income:			
Interest on loans and bills discounted	¥ 39,878	¥ 39,629	$ 325,827
Interest and dividends on securities	3,848	3,910	31,440
Other interest income	2,608	603	21,308
Trust fees	11	-	89
Fees and commissions	16,883	16,063	137,944
Other ordinary income	760	906	6,209
Reversal of provision for possible loan losses	159	-	1,299
Recoveries of written-off claims	443	310	3,619
Gain on sales or disposal of fixed assets	89	27	727
Other income	1,010	2,400	8,252
Total income	65,692	63,853	536,743
Expenses			
Interest expenses:			
Interest on deposits	902	1,086	7,369
Interest on borrowings and rediscounts	5	62	40
Other interest expenses	72	122	588
Fees and commissions	8,718	9,133	71,231
Other ordinary expenses	2,120	24	17,321
General and administrative expenses	41,234	40,573	336,906
Loss on sales or disposal of fixed assets	101	55	825
Loss on impairment of fixed assets	177	3	1,446
Other expenses	1,836	7,672	15,001
Total expenses	55,168	58,734	450,755
Income before income taxes	10,524	5,119	85,987
Income taxes			
Current	631	(742)	5,155
Deferred	438	1,971	3,578
Total income taxes	1,070	1,229	8,742
Net income	¥ 9,454	¥ 3,890	$ 77,244

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