

Integrated Report 2021

About the Cover

The cover illustration was designed with the notion of “Sustainable growth into the future” in mind. The underlying concept for the work is “space,” an image of the ocean, as the birthplace of all life, and the future. The colors of the many flowers each represent the 17 Sustainable Development Goals, while a supportive, all-encompassing hand, cultivating greenery and embracing the Earth, conveys the image that no single person is left behind. The outer ring of green leaves and the buds sprouting up from the planet represent rebirth and renewal. Together with the flowers and the enormous hand, these images form a circle symbolizing a never-ending cycle.



Gogin Challenged

Matsue × Tottori

— Value creation through collaboration showcasing the talents of employees from both business sites. —

Drawings by Gogin Challenged Matsue employees were used for the illustration, designed by employees from Gogin Challenged Tottori.

Gogin Challenged is a business site for individuals with disabilities operated by San-in Godo Bank. Artwork production is the main focus of Gogin Challenged Matsue operations, while Gogin Challenged Tottori is largely responsible for tasks that revolve around IT skills.

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Contents

2	Feature: Response to COVID-19
4	Message from the President
10	Profile Management Policies Trajectory of San-in Godo Bank Notable Strengths External Environment/Risks and Opportunities/Materiality Value Creation Process Financial Highlights Non-financial Highlights
23	Source of Value Creation Medium-term Management Plan Financial and Capital Strategies Corporate Strategies Retail Strategies Digital Strategies Securities Strategies Group Strategies
36	Initiatives for Sustainability Policies governing Sustainability Initiatives Response to Climate Change Initiatives for Environmental Protection Extensive Support of the Region through Relationship Banking Provision of Stable Financial Infrastructure to All Customers Development of Unique and Far-reaching Social Contribution Activities
51	Power behind Value Creation Personnel Strategies Diversity & Inclusion Corporate Governance Messages from the Outside Directors Directors and Executive Officers Promotion of Structural Reform Compliance and Risk Management Risk Management Conversations with Stakeholders
70	Corporate Information Key Financial Indicators Corporate Data San-in Godo Bank Wide-ranging Branch Network

Editorial Policy

This publication is the Integrated Report 2021 prepared by San-in Godo Bank. Prepared in reference to the “International Integrated Reporting Framework” promoted by the International Integrated Reporting Council (IIRC), this report is comprised of both financial and non-financial information (ESG information), showcasing the Bank’s management policies and measures for sustainable growth, along with medium- to long-term value creation and other efforts, in an integrated manner.

Items for disclosure stipulated by the enforcement regulations of Japan’s Banking Act are detailed in a separate supplemental disclosure. The supplemental disclosure can be viewed on the Bank’s website.
(<https://www.gogin.co.jp>)



Message regarding Forecasts

The materials in this report include statements regarding future business performance. There are no guarantees for the future performance found in such statements, which contain inherent risks and uncertainties. Please be aware that actual future business performance may differ materially due to changes in the operating environment and other factors.

Response to COVID-19

The COVID-19 pandemic has dramatically altered the social environment in which we live. For its part, San-in Godo Bank has positioned financing and business support for clients hard hit by the pandemic as its highest priority, and focused management resources accordingly. Pursuing these initiatives throughout the Group, we are working to provide financial services amid the COVID-19 pandemic, ensuring the safety and comfort of customers and employees, even while addressing this new way of life. In this manner, San-in Godo Bank is fulfilling its social mission to maintain financial infrastructure amid these challenges. At the same time, we have implemented both measures unique to San-in Godo Bank and contribution activities for the region designed to energize areas suffering from the adverse effects of the pandemic. We will continue to meet our social responsibilities as the region’s leading bank.

Initiatives for Corporate Clients

We have engaged to support clients experiencing a decline in sales and other impacts from the spread of the COVID-19 pandemic, providing a range of measures designed to meet their needs for financing.Centered on the work of the “COVID-19 Business Support Team,” and along with business continuity support, we propose future-looking management reform measures to conduct implementation support. Depending on clients’ increasingly diverse and sophisticated needs and evaluation of business viability, the multifaceted, partnership-modeled business support activities we offer can extend to include helping clients to solve any emergent management issues.

Financing initiatives	No. of loans executed			Execution amount (¥ billion)		
	Shimane and Tottori prefectures	Outside Shimane and Tottori	Total	Shimane and Tottori prefectures	Outside Shimane and Tottori	Total
Loans	964	439	1,403	72.5	118.9	191.5
Loans guaranteed by the Credit Guarantee Corporations	7,301	593	7,894	158.6	17.7	176.4
Total	8,265	1,032	9,297	231.2	136.7	368.0

We also support the region by actively pursuing proper loans as well as risk taking.

COVID-19 Business Support Team

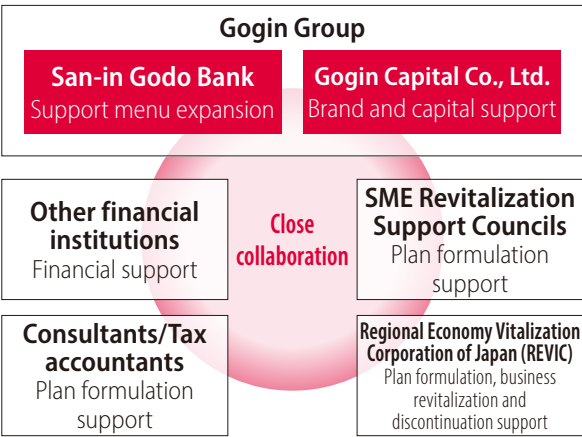
Once clear impacts from the COVID-19 pandemic began to emerge, we moved to quickly launch this team in April 2020, putting support activities into motion with a 50-person structure (including concurrent appointments). In December 2020, we conducted a review of those clients, heavily impacted by the pandemic and identified for “priority support” (from 85 to 168 clients), providing them with intensive support in business plan formulation.

Phase	Funding support	Situational assessment	Business continuation determination	Plan formulation support		Execution support monitoring	Support completed	Debt arrangement	No problems	Total
				In proposal (negotiations)	In formulation					
No. of clients for support	0	0	4	14		147	0	1	2	168
				5	9					

(Results as of March 31, 2021)

Multifaceted, partnership-modeled structure – Close ties with external entities

- Support plan formulation through close ties with the SME Revitalization Support Committee, as well as CPAs, tax accountants and other outside professionals.
- Share plans with other financial institutions to ensure robust financial support.
- Address clients’ growth and needs for business succession through ties with Nihon M&A Center Inc. and business succession funds.



Initiatives for Individual Customers

In this area, the Bank has firstly taken measures to provide seamlessly financial services essential to daily life and to keep stable settlement functions. This has included steps to prevent the spread of the virus, such as adding anti-viral and anti-bacterial films to ATM touch panels and the installation of acrylic boards at branches and key points of contact with customers to prevent the spread through droplet infection. We are also taking steps to upgrade and expand our digital channel to enable access to a host of banking transactions without visiting a branch. In parallel, we have put structures in place, including establishment of exclusive COVID-19-related financing, toll-free consulting service, to allow consultation with individual customers with borrowing needs due to the pandemic to discuss financing, changes in loan terms or other concerns.

Initiatives for the Region

To fulfill its social responsibilities as the region’s leading bank, San-in Godo Bank is engaged alongside customers in initiatives to support the region.

Cheer on the region through Gogin Duo Card

Guided by the theme of “Let’s energize San-in!”, we conducted various campaigns to cheer on San-in accommodations, restaurants and region residents taking advantage of the Duo Card.

These became opportunities to serve regional industry while helping cardholders rediscover the charm of the San-in region they call home.

- “Cheer on San-in-based hotels and accommodations” campaign (July - Nov. 2020)
- Duo Kore Catalog campaign (July - Nov. 2020)
- Cheer on with Duo Card! #WeLoveSanin campaign* (Mar. 2021)
- Energize the town with Duo Card! GoToEat campaign (Apr. - Aug. 2021)

(As of July 1, 2021)

Support for the #WeLoveSan-in Campaign*

– Supporting Group’s directors, executive officers and employees in making the most of their time off and relaxation –

As a unique support project from San-in Godo Bank, we partially covered the cost of stays at participating #WeLoveSan-in campaign hotels for Group’s directors, executive officers and employees and their families.

No. of users (incl. family members)	Currently, 4,215 individuals in total
No. of accommodations used	179 facilities (Shimane -99, Tottori- 80)

*#WeLoveSanin campaign
This project launched in Shimane and Tottori prefectures to promote tourism in the region. Residents of either prefecture received subvention of half at select accommodations. (Maximum of ¥5,000 off per person, per night)

Other Initiatives

- Conducted the “Support San-in Time Deposit” campaign, offering San-in specialty goods as prizes (Nov. 2020 to Mar. 2021)
- Donated paper face shields to medical professionals, and face masks and hand soap to local elementary schools by Gogin Hitotsubu No Mugi No Kai (One Kernel of Wheat Association), charitable giving organization (page 48)
- Donated activity funds for measures to counter the COVID-19 pandemic handling the SDGs private placement bonds (page 49)

Initiatives for Employees

Maintaining the health of employees and their families is vital even to maintaining operations essential as social infrastructure, and we pursue various initiatives to this end. At branches in regions where infections are spreading, in addition to adopting a work shift system and lunch hour system under which we stop business operations, we are striving for seamless operational continuity through a host of other measures that include split operations at our headquarters, staggered time of arrival and work from home, working environment review, and a support system in the event of emergency. At the same time, we are defining COVID-19 response policies, taking extensive steps to prevent infections and striving to support employees in their everyday health management. In fulfilling our social responsibilities as the region’s leading bank, we are working hand in hand with the people of the region to support it wherever we can.

Message from the President

Thorough support for industries and businesses
as the region's leading bank



July 2021
President and Representative Director

Toru Yamaseki

Critical Role that San-in Godo Bank Should Play

● Amid a Changing Business Environment

One year and a half have passed since the threat posed by a novel coronavirus first emerged. Perhaps inevitably, stagnation in economic activity has grown protracted, with voluntary restraint from all but essential outings, which is now the norm in many areas of everyday life. Looking at the Bank's own business environment, while ongoing digitalization and the widespread diffusion of SDGs were already triggering massive changes, the COVID-19 pandemic seems to have suddenly shifted the pace of change into high gear. Most clients, too, have seen their businesses impacted in significant ways, among them dramatic declines in sales. And while the number of bankruptcies has been held in check thanks to the management effort of business owners themselves and a variety of government- and private industry-backed support measures, the economic landscape remains a challenging one overall. Under these conditions, setting business support for clients as its highest priority, San-in Godo Bank first took steps to stabilize the situation at hand by addressing the need for financing. We then developed future-looking activities, including the formulation of management reform plans to get businesses back up and running. In a situation in which doing the same actions as before is now leading businesses to struggle, we have worked hard to gain a deeper knowledge of our clients than ever before, with the goal of nailing down more successful and effective measures to break this deadlock. In the previous fiscal year, given the pervasive sense of uncertainty, any number of clients chose to formulate only temporary or interim plans. However, as the rollout of vaccines gains traction and projections become easier, the creation of more extensive measures will likely be possible. With the regional economy battered and exhausted, this is the moment to showcase the Bank's concentrated knowledge and expertise built in business support over the years. And this is exactly what we are here for, San-in Godo Bank would fulfill its responsibilities as the region's leading bank.

● Action as a Responsible Corporate Citizen

The Corporate initiatives targeting Environmental, Social and Governance (ESG) have been further accelerated in recent years. With the news media reporting on either SDGs or ESG almost daily, public interest in environmental and social problems is rising. Given that the social and living environment in front of us is one where what used to be common sense is no longer so, and in which enormous changes have occurred, there is a sense that people's awareness has started to shift to the sustainability of human society as a whole. Accordingly, the metrics by which a company's value is measured have also diversified. In addition to financial-side evaluation in areas like profit, the move to rate companies on activities that rarely show up in financial considerations, namely

environmental, social and corporate governance performance, is growing. The demand for each company, as an individual corporate citizen, taking responsible actions for the sustainable society as a whole is now greater than ever before.

In this climate, in addition to development of a host of business support activities designed to revitalize the region's economy, the people of San-in Godo Bank have continuously taken it upon themselves to personally participate in and carry out unique environmental protection and social contribution activities, among them forest conservation, employment opportunities for individuals with disabilities, J-Credit intermediary services, and healthy youth education. At the same time, we promote to raise awareness in activities among local companies and authorities, for example, to deepen understanding of SDGs, while also taking steps to enhance continually our corporate governance structure.

In addition to initiatives related to the declaration for Task Force on Climate-related Financial Disclosures (TCFD) and reductions in greenhouse gas emissions, our policy going forward is to widely promote ESG management. The goal here is to use relationship banking activities as a base to enhance local economic sustainability, including, for example, by raising the level of investment and lending to companies seeking to decarbonize.

A Look Back and Vision for the Future

This fiscal year marks the start of a new Medium-term Management Plan. Before explaining the Bank's management strategy going forward, let's take a look back at the previous plan, then discuss the outlook for the future.

● Progress in strengthening foundations for growth strategies

To briefly summarize the previous Medium-term Management Plan, although profit levels fell below targets due mainly to the impact of the COVID-19 pandemic, the plan did succeed in building the management base that will become the foundation for growth strategies going forward. This was the result of implementing structural reforms in a steady manner, specifically by reviewing earnings structures and streamlining organizations and operations. First, let's discuss profit levels. In fiscal 2020, consolidated net income declined ¥0.7 billion year on year, to ¥9.6 billion. The main reason for this challenging fiscal outcome was the preemptive accumulation of credit expenses to account for future uncertainty. And while capital adequacy ratio also lower, this can be seen as evidence of the Bank's extensive support in meeting customers' funding needs despite the risks involved. On the other hand, the core banking profit (excluding gains/loss on investment trust cancellations), the measure of success in the Bank's key business functions, increased a substantial 25% year on year, offering promising feedback on our positioning for growth going

Message from the President

forward. Where the management base is concerned, in addition to several important structural reforms carried out over the last three years, including core system innovation and branch network restructuring, as well as an alliance in the securities business with Nomura Securities Co., Ltd. and affiliate realignment, we have steadily taken steps toward rationalization and improved efficiency in a range of operational areas. As a result, we made progress in the strategic allocation of personnel, and have seen a level of success in terms of cost control as well. We also oversaw dramatic increases in two core banking operations – loans and deposits. I am confident that the results of the past three years will contribute heavily to performance on both the financial side, particularly with respect to earnings, as well as to human resource development, organizational capacity and other non-financial areas.

● Getting Back to Our Philosophy, Showcasing Our Vision

Ultimately, our goal is to embody San-in Godo Bank's management philosophy, to be "The creative bank that best fulfills the dreams of the region and customers it serves." The recently formulated Medium-term Management Plan is a growth strategy that aims for this ideal. During the course of this process, we came together as a group to deliberate the management philosophy, then pursued new measures, most notably defining a new growth vision. During the deliberation process for the management philosophy, we learned that most Bank employees would share a commitment

to the management philosophy, and feel strongly about being useful to the customers they serve, and want to build closer ties with them. On the one hand, this shared commitment and approach with respect to customers are due in part to management taking every opportunity to repeatedly stress their importance over the years, and are also unspoken assumptions within the Bank itself. As a result, the chance to reconfirm just how firmly these shared values are rooted through San-in Godo Bank has deepened my confidence in sense of unity throughout the organization. This sense of unity is a huge advantage in the push to embody our management philosophy. And to ensure the Bank, with this advantage in hand, can clearly articulate the path it should take in a highly volatile business environment, we formulated a long-term vision that sees San-in Godo Bank as "A wide-reaching and sustainably-growing regional bank with unmatched problem-solving skills."

By leveraging the creativity and ingenuity of every employee to solve regional and customer issues, the reward will be some portion of the success that results. Anchored firmly in this win-win relationship, continuous growth will emerge into the future. Not only for San-in, but for the wide area encompassing the Sanyo and Hyogo-Osaka regions as well, this will make a more robust commitment to the region and customers possible, and consequently can bring the Bank closer to embodying its management philosophy. That is the concept at the heart of

our growth vision. As I have said before, San-in Godo Bank has a responsibility to uphold with respect to sustainability of the society. While a sustainable society is essential to the Bank's own survival, without the Bank's own sustainability, any continued contribution to society itself would also be unattainable. In years past, we have pursued a vision of San-in Godo Bank developing hand in hand with the region, and this remains our constant aim going forward.

New Medium-term Management Plan

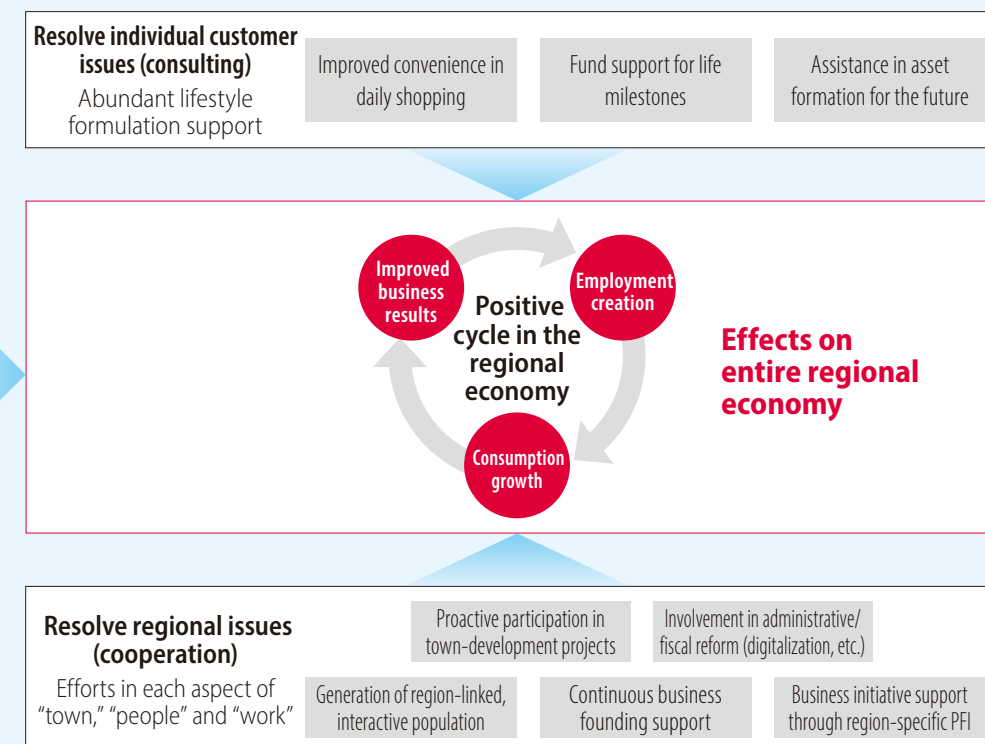
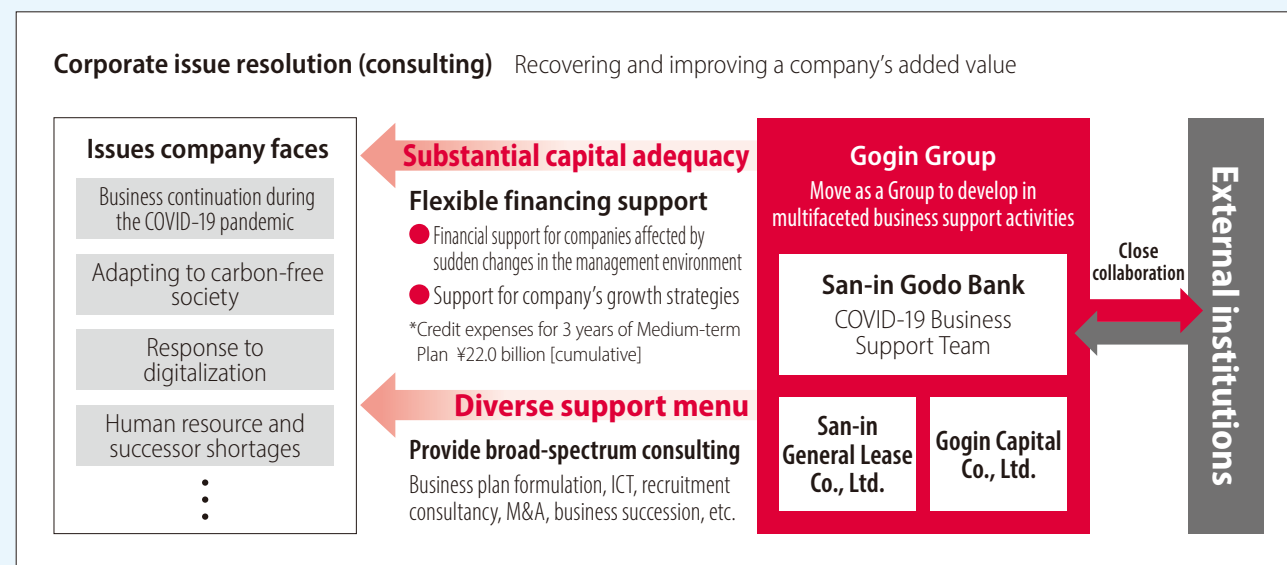
Next, I'd like to discuss the Medium-term Management Plan, which encompasses management policies going forward based on these results and this vision. With "Thorough Support for the Region" as our guiding message, by taking on the responsibility to do everything possible, we have clearly showed our dedication to developing in step with the region and customers. Consulting, digitalization and our management base are three key elements that make this possible.

● Leveraging Consulting and Digitalization to Meet Business Model Reform Challenges

Anchored by workforce-wide consulting, along with digital transformation (DX), the Bank is now moving to contribute to solving regional issues and to meet the challenges of reforming its own business model.

Traditionally, our business model has been relationship banking. Based on relationships of trust with clients, we promoted business support tailored to customer needs, centered on financing, as financial intermediary functions. Going forward, while continuing to emphasize the fundamental importance of these relationships of trust, we are ready to focus on consulting services. Of course, given the relatively high proportion of the Bank's earnings occupied by financing services, the importance of this work to our core banking operations remains unchanged. However, as client needs and the issues they confront grow more complex and diverse, finding solutions to those issues will require broader and more highly specialized services. To firmly meet these needs, the Group has to move as one to reinforce systems, combined with steps currently under way that include changing the mindset of our employees. One such initiative underway is recruitment consultancy business. Until now, given that human resources tended to concentrate in major urban areas, recruitment was always a major issue for regional companies. However, with the rise in people engaging in side or multiple jobs gaining momentum in recent years, the timing for moving human resources from major cities to regional areas has finally moved into place. For its part, San-in Godo Bank, too, is widening its network connecting talented human resources to local enterprises. By providing opportunities to help professionals expand their careers in the region, we are broadening the potential not only for promoting the development of individual companies,

Regional Revitalization and Rebuilding by Solving Issues Individual Enterprises and Customers Face



Achieve regional revitalization

Message from the President

but for reenergizing the regional economy. Digital transformation is another indispensable element in our push for business model reform. Extensively incorporating fast-changing digital technology into our business will be the trigger for establishing competitive advantage, by which improves every aspect of the Bank, from products and services to organizations, operational processes and other structures, and even our culture itself. There are three broad perspectives when it comes to our promotion of digital transformation -- customer experience, internal reform and bridge building. For the first, "customer experience," the aim is to improve customer convenience and solve client issues. In addition to upgrading and expanding the functionality of apps and other non-face-to-face tools to encourage greater familiarity with and ease in utilizing the Bank's services, we are focused on strengthening IT consulting, with an eye to helping clients meet their own challenges for digital transformation. For the next perspective, "internal reform," the objective is transforming the Bank itself, led by digital technology. Along with a push for greater rationalization and efficiency, including through bottom-up reviews of operational processes, we are driving the development of support tools capable of fully showcasing our consulting capabilities. This will put in place an environment that allows our workforce to focus on providing even higher-value-added services. Finally, "bridge building" involves connecting clients to local IT companies. While we have any number of requests for digital utilization consultation from clients, there are many outstanding

enterprises in the area capable of solving these issues. Leveraging our information network to accurately match up both parties is, I am fully confident, yet another role the Bank can play. The COVID-19 pandemic forced a variety of companies to temporarily shut down, creating conditions where change is now inevitable. However, if we look at this differently, it can also serve as a prime opportunity to review our own situation and pursue reforms in order to evolve. This is as true for San-in Godo Bank as it is for our clients. Most clients recognize digital utilization as a management issue, and are searching for ways to transform their business models. In rising to the challenges in transforming the Bank's own business model with respect to consulting and digitalization, the experience gained will be extremely valuable in responding to issues similarly faced by customers.

● Raising the Level of Implementation with a Stronger Management Base
To raise the level at which these initiatives are implemented, we are further strengthening the management base built to date. I believe the key here is determining the extent to which management resources can be focused in strategic fields, and identifying where quality can be raised. While this will naturally include the reallocation of goods and capital that emerge from progress in rationalization and efficiency, the most important element in meeting the challenge of reform is human resources. Since my appointment as president last June, I have created

opportunities to answer a host of questions and share my thoughts directly with our people, including through twice-monthly conversations with Bank employees of all job classes through online forums. From these conversations, my impression is that everyone has their own thoughts on and love for the region, and that everyone in their respective positions and roles is working earnestly and giving it their all. The day-to-day buildup of these actions is giving shape to the Bank's reputation for trust, while also making relationships with the region and customers more robust. When it comes to managing, I recognize that an extremely important point is to become an organization that encourages the people in our ranks to take even greater pride in the services they offer, and enables them to be dynamic on multiple levels. As a bank, to become an organization where every individual can shine, we have to focus action on two areas - "expanding opportunities to be dynamic" and "awakening a desire for growth." Under the previous Medium-term Management Plan, in addition to organizational reform that saw the installation of specialist departments for consulting and digital-related work, we increased in terms of scale the number of all employees involved in these strategic fields by roughly 10 percent. Over the next three years, we plan to shuffle and rotate jobs around within this same scale. Along with providing a new opportunity for dynamic participation by employees, we are moving quickly to develop a structure that will become the engine that drives business model reform. Furthermore, we are conducting the first major review of our personnel system in nearly 20 years. The keywords for us here are "decent work" and "autonomy." Raising the sense of decent work involves actively evaluating diverse capabilities and levels of contribution, and ensuring those who work hard to deliver success are amply rewarded. Cultivating a corporate climate that fosters individuals who can act autonomously means putting emphasis on thinking for oneself, self-education, and taking initiative to put measures into practice. The hope is to firmly embed these as our culture. Through this three-pronged initiative built on consulting, digitalization and strengthening of our management base, we are developing a business model that makes sustainable growth possible.

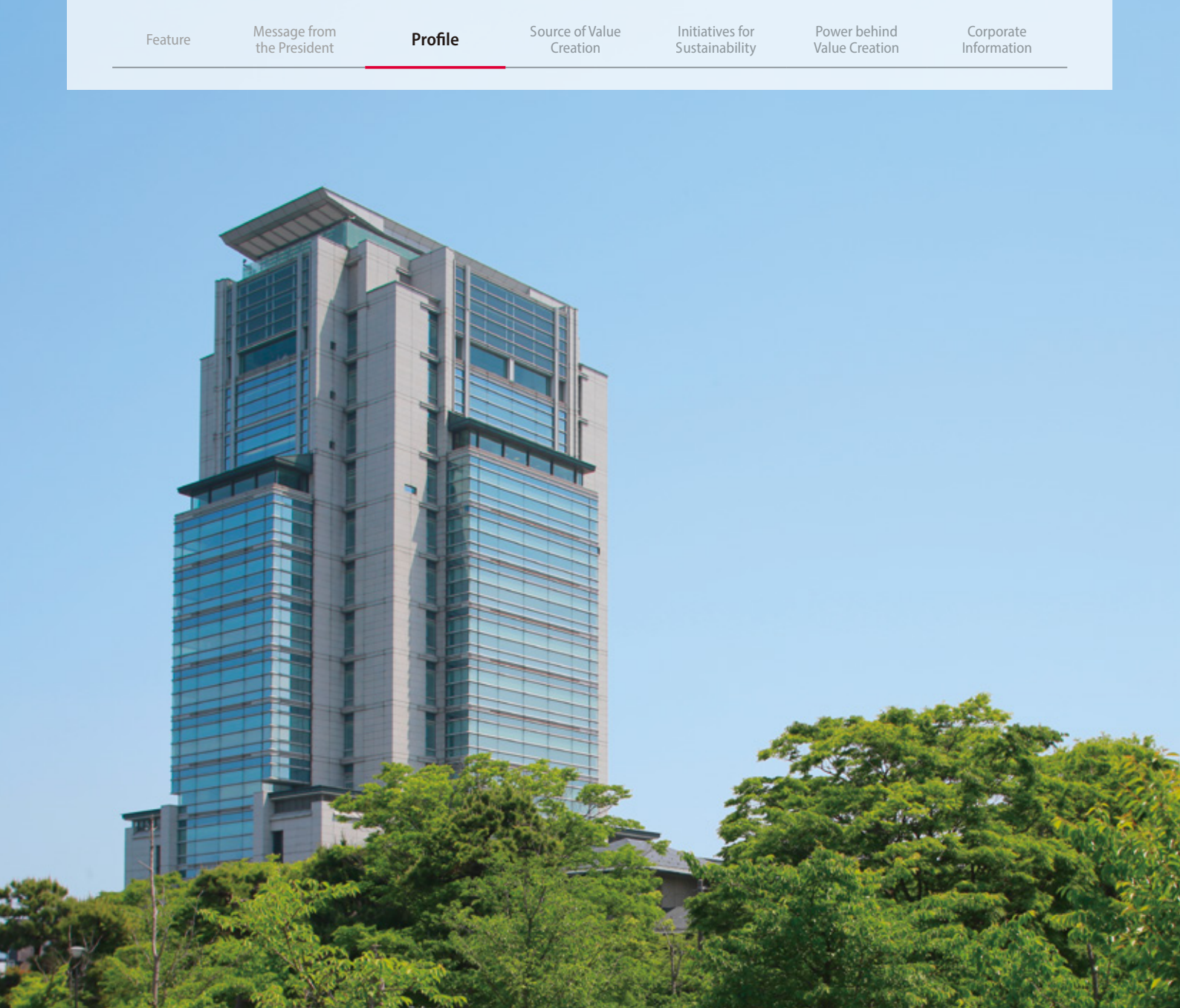
Robust Shareholder Returns

Today, as always, we continue to position the return of profits to shareholders as one of our important management issues. In May 2021, we reviewed our standards for performance-linked dividends, and eyed steps to make shareholder returns more robust. This move is also a show of our determination to make good on the growth strategies stated in the Medium-term Management Plan. By steadily implementing each of the strategies found in the Plan, we hope to meet the expectations of our shareholders.

In Closing

In July 2021, San-in Godo Bank celebrated its 80th anniversary. While the Bank has encountered a number of challenges over this time, including the collapse of Japan's economic bubble and the shocking closure of Lehman Brothers. Nevertheless, with a level of financial soundness relatively high among regional banks, San-in Godo Bank, as a wide-ranging regional bank, has achieved growth by expanding its share in the Sanyo and Hyogo-Osaka areas, all while maintaining its local base in San-in, becoming a bank with a solid reputation and expectations. What's more, as the world continues its unprecedented fight against viruses, this is precisely the moment to fulfill our mission as a regional financial institution that continues to exist together with the region itself. As we join forces with the region and customers to confront this hardship, the officers and employees of San-in Godo Bank will work as one to come to the sense that the ties between us would only grow deeper in working together to overcome this crisis. In closing, we ask for your continued support and encouragement as we look ahead.

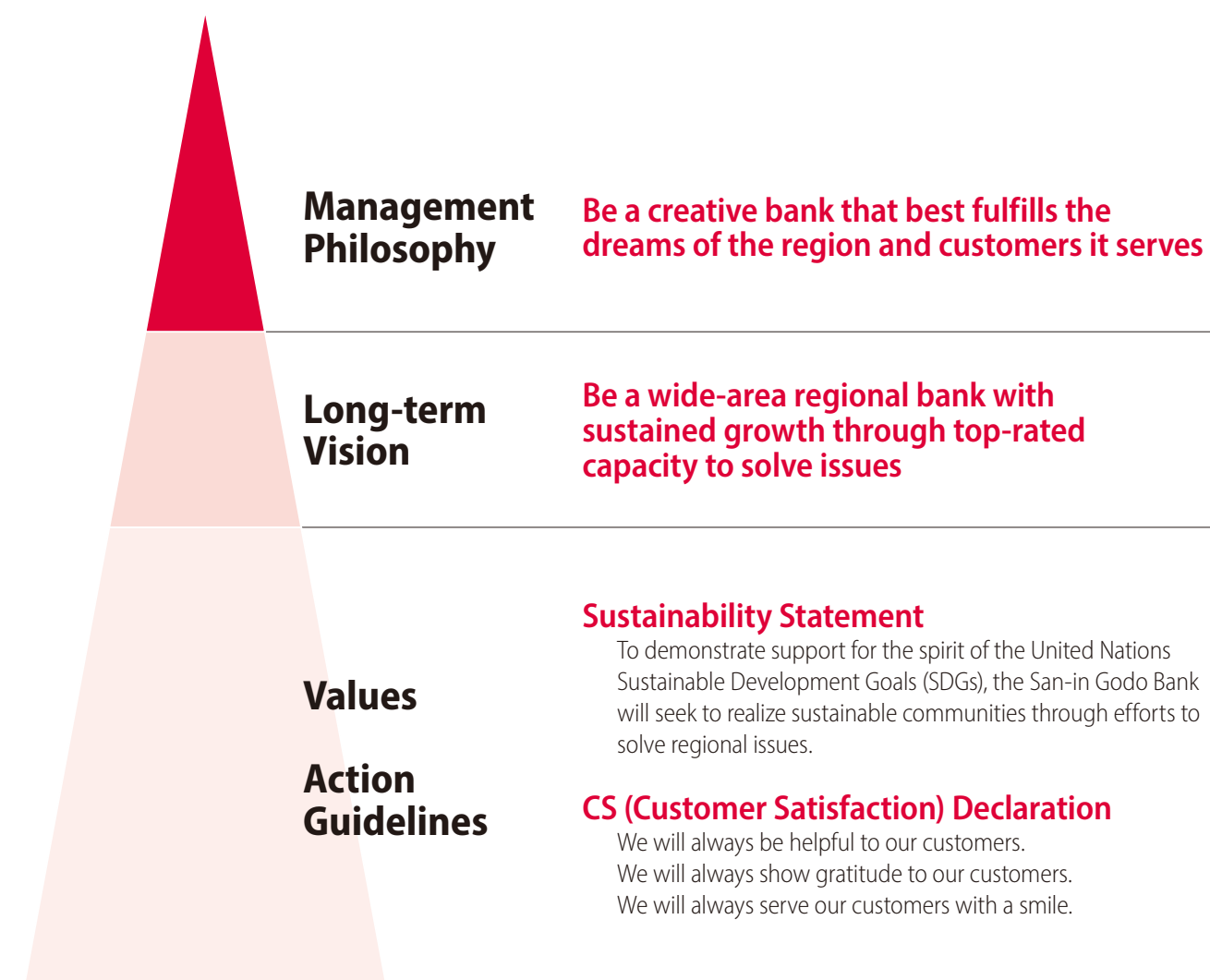




Profile

Management Policies	11
Trajectory of San-in Godo Bank	12
Notable Strengths	14
External Environment/Risks and Opportunities/Materiality	16
Value Creation Process	18
Financial Highlights	20
Non-financial Highlights	22

Management Policies



Management Philosophy

Play a beneficial role in making the dreams of the region and customers a reality. The embodiment of this management philosophy is crucial to our mission and its existence as a financial institution with close regional ties.

Long-term Vision

Aim for sustainable growth in tandem with the region and customers by raising the capability to solve issues, thereby moving in closer alignment with the management philosophy.

Trajectory of San-in Godo Bank

— Continue walking in step with the region and customers —

Whether in core operations or social contribution activities, continue initiatives that solve regional and customer issues

To meet the changing needs of the surrounding environment and customers, as well as expectations as the region's leading bank, San-in Godo Bank has worked constantly to strengthen its management base, maintain the financial soundness needed to raise earnings capacity, and continuously provide cutting-edge financial services and expertise. In every era, the Bank's deep-seated commitment to "playing a beneficial role for the region and for customers" has never changed. And this continued earnestness in promoting the sustainability of the region where it is so deeply embedded will remain unchanged in the years ahead. In passing the Bank's strengths cultivated in the past into the future, while gaining the capability to solve issues and aligning more closely with its management philosophy, we seek to make the sustainable society in the region a reality, where growth for the region and the Bank itself is possible.

Management Philosophy

The creative bank that best fulfills the dreams of the region and customers it serves

Long-term Vision

Be a wide-area regional bank with sustained growth through top-rated capacity to solve issues

2030 Contribute to achievement of SDGs

1980s

1990s

2000s

2010s

2020s

Value Provided

Provision of the same comprehensive financial services found in urban settings

Strengthened foundations through highly transparent and sound management

Response to more diverse and complex needs of the region and customers

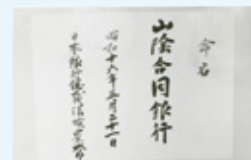
Improving added value by solving region and customer issues

Ride out the coronavirus pandemic to provide extensive support to regional industry and businesses

Management direction

History of merger/acquisition of banks in Shimane and Tottori prefectures

- San-in Godo Bank established from merger of Shimane prefecture-based Matsue Bank and Tottori prefecture-based Yonago Bank
- Navigated the chaos of the war and post-war periods, aiming to establish a stronger base and expanded business scope in the economic recovery and high economic growth periods



Official naming document for San-in Godo Bank

Scale expansion against backdrop of financial liberalization, internationalization and economic boom

- Enhance fund levels, earnings capacity and client services in aiming to provide comprehensive financial services as a "representative regional bank" equipped with full banking functions

Shift to wide-area regional bank spanning San-in, Sanyo and Hyogo-Osaka regions

- Merged with Fuso Bank, setting the cornerstone for a business model leveraging today's wide-ranging branch network
- Aim to be a resilient bank able to ride out financial environment upheaval through progress in rationalization and efficiency
- Strengthen management base through risk management structure development, capital adequacy and other moves to respond to financial environment changes



Signing of memorandum of understanding on merger with Fuso Bank (Nov. 1990)

Align with needs of the region and customers for deeper relations

- Aiming to be the bank of choice providing products and services based on customers' true needs, that accurately capture accelerating external environment changes
- Develop measures for reform to a low-cost structure and creation of new earnings drivers to cut through an adverse earnings environment
- Develop ahead of others a unique model more focused on the region's perspective, including in regional contribution activities



Shift to a relationship banking-based business model

- Reallocate management resources to strategic fields through ground-up structural reform
- Further expand branch network in Hyogo and Osaka, strengthen structure for corporate business
- Expand career opportunities for women, change persons in charge to take responsibility for individual and corporate businesses

Transform its business model to one centering on consulting and digitalization

- Address support for clients with worsening performance due to the pandemic putting our highest priority
- Clarify posture for moving toward regional sustainability given rising interest in SDGs and ESG
- Greatly accelerate improvement in issue-solving capacity and moves to digitalization
- Aim to establish new model in regional securities business through alliance with Nomura Securities Co., Ltd.



Press conference with Nomura Securities Co., Ltd. (Aug. 2019)

Topics

1878

- After establishment of the Tsuwano 53rd National Bank, San-in Godo Bank's earliest forerunner, it has originated from 40 banks

1941

- San-in Godo Bank established

1981

- Gogin Hitotsubu no Mugi (One Kernel of Wheat) no Kai launched

1987

- Stock listed on the First Section of the Tokyo Stock Exchange

1991

- Merged with Fuso Bank

1992

- Gogin (Shimane/Tottori) Cultural Promotion Foundations established

1997

- Chiisana Shinsetsu (Small Kindness) Movement San-in Headquarters established
- Business name changed to "San-in Godo Bank," Head Office established, new CI adopted, and reborn "Gogin" started

2006

- Forest conservation activities started
- Gogin Duo Card transaction launched, growing popularity as a regional card

2007

- Start of fee-based business matching, full-scale promotion of fee business
- Gogin Challenged Matsue opened as a business site employing individuals with intellectual disabilities

2012

- Opened new branches in Hyogo-Osaka
- Opened private school "Shofukan"

2017

- Opened "Gogin Challenged Tottori," business site employing individuals with disabilities

2020

- Launched intermediary services for financial instruments entrusted by Nomura Securities Co., Ltd.

Social and economic backdrop

1941

- Outbreak of Pacific War

1973

- Tokyo Foreign Exchange Market shift to floating exchange rate system

1985

- G5 countries agreed on coordinated intervention in foreign exchange markets (Plaza Accord)

1991

- Bubble economy burst

1996

- Government announced the financial system reform called the "Japanese Financial Big Bang"

2005

- Deposit insurance fully deregulated

2008

- Lehmann Brothers collapsed

2016

- Bank of Japan adopted its first negative interest rate policies

2020

- Novel coronavirus pandemic spreads worldwide

Notable Strengths

— Leverage and pass on strengths built to date into the future —

Financial Capital Top-class capital adequacy ratio among regional banks

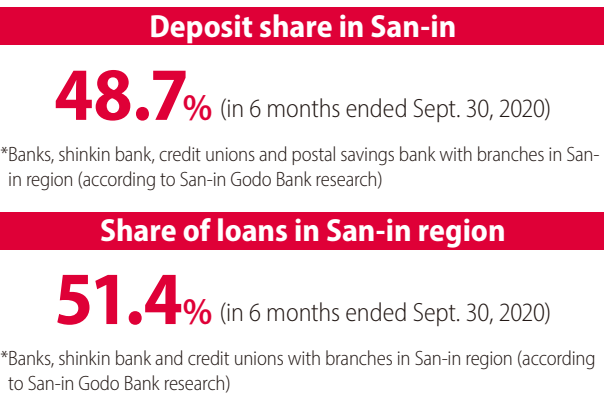
Leveraging a stable financial base and robust levels of equity, considered high even among regional banks nationwide, the Bank is aggressively taking on risk, striving to deliver high-quality services and promote regional development.



Social Capital High transaction share in San-in and wide-ranging branch network

Recognizing its role as the leading bank in the San-in region, San-in Godo Bank has responded accurately and quickly to the needs of the region and customers. These initiatives over the years have been well received, with the Bank today possessing an unmatched share of deposits and loans in Shimane and Tottori prefectures in San-in.

Furthermore, by leveraging its wide-ranging branch network, the Bank is deepening relationships within and outside the two prefectures, contributing to sustainable growth by stimulating economies across the prefectures where it operates.



Intellectual Capital High-quality relationship banking expertise

With relationship banking positioned as a universal business model, San-in Godo Bank offers solutions by building relationships of trust with customers to accurately grasp their issues and needs. In this way, the Bank seeks to improve both the added value of customers and its own growth.

Human Capital Talented human resources committed to the region

Taking pleasure in "playing a beneficial role for the region and for customers," our employees have put activities into practice designed to breathe life into the region. By creating an organization that further maximizes the potential of every employee, as well as training to develop human resources who independently take action to provide high-quality services, San-in Godo Bank is moving to better meet the increasingly sophisticated and diverse needs of the region and customers.

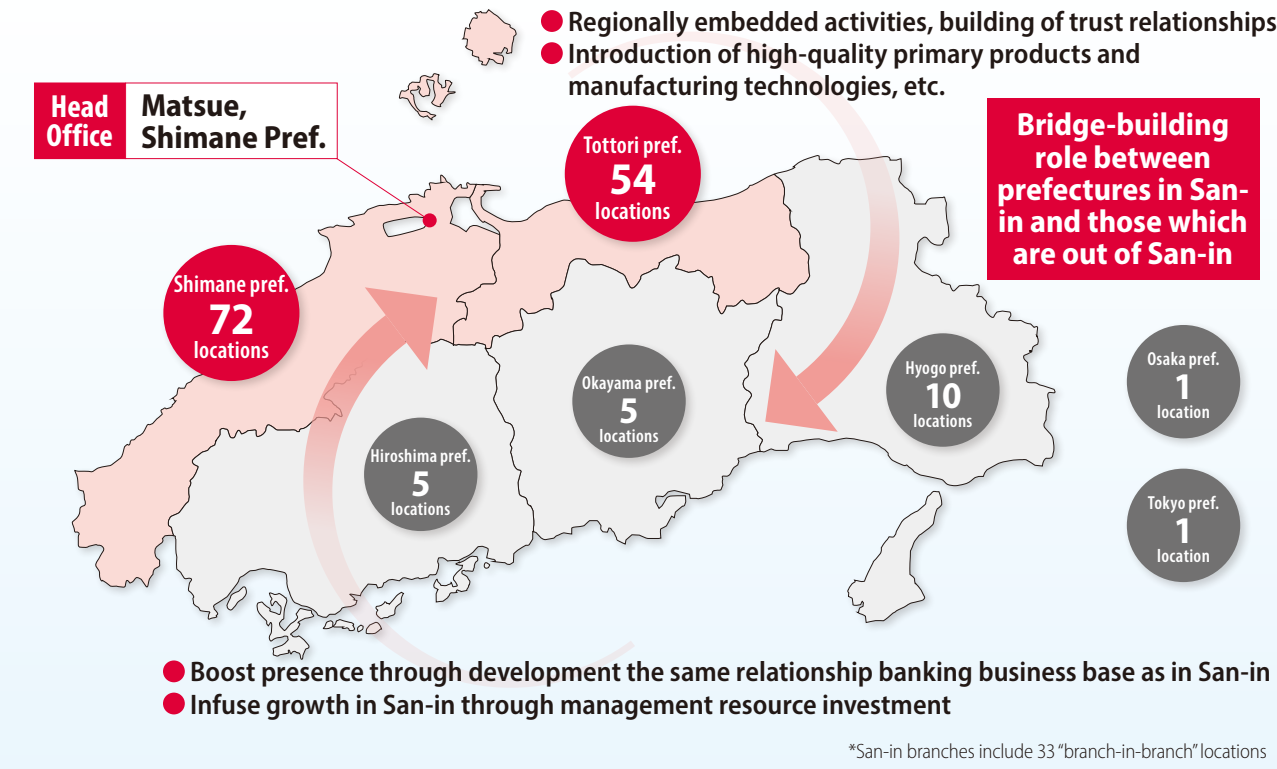
Natural Capital Abundant natural environment and regional resources

The Bank's principal operating area, the San-in region, is surrounded by the Sea of Japan to the north and the Chugoku Mountains to the south, and is an area where its natural beauty and its distinctive history and culture are close to us. San-in Godo Bank has a powerful attachment to the region, and works continuously across multiple fronts to ensure the region's sustainability, all while maintaining deep local ties.



Business Base

Wide-ranging branch network spanning San-in, Sanyo, Hyogo-Osaka area



Market that leverages a wide-ranging branch network

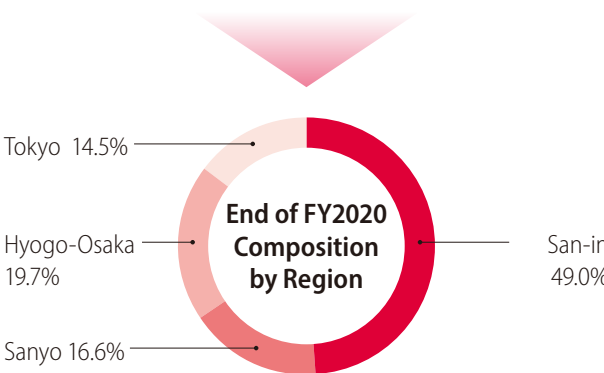
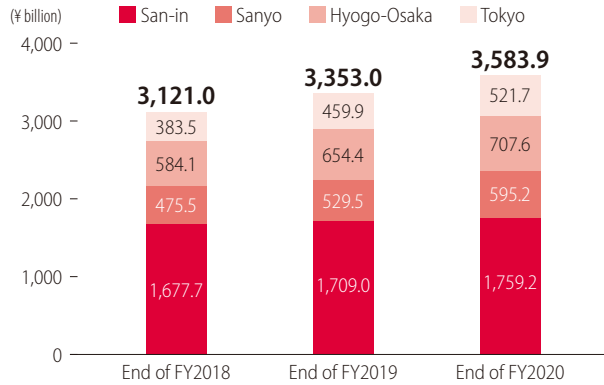
Even when the gross prefectural products of the two prefectures are combined, the economic base of the San-in region accounts for less than 1% of Japan's GDP. However, when the gross prefectural products of San-in, Sanyo and Hyogo prefecture are added up, the scale grows to the second highest in the nation, suggesting that the actual market is an enormous one. Examining loan balance by region, at the end of fiscal 2020, the Bank's combined amount of loans from outside prefectures was greater than that of the San-in region.

Share in GDP

Rank	Prefectures	Actual amount (¥ billion)	Share
1	Tokyo	106,238.2	18.92%
2	Aichi	40,299.7	7.18%
3	Osaka	40,069.9	7.14%
6	Hyogo	21,328.8	3.80%
12	Hiroshima	11,790.8	2.10%
21	Okayama	7,813.1	1.39%
45	Shimane	2,472.9	0.44%
47	Tottori	1,896.6	0.34%
(35)	Shimane and Tottori prefs.	4,369.5	0.78%
(2)	Total of San-in, Sanyo and Hyogo	45,302.4	8.07%
—	Total of all prefectures	561,523.3	100.00%

*Source: Cabinet Office "Annual Report on Prefectural Accounts for FY2017"; ranking in () is combined national ranking for selected prefectures

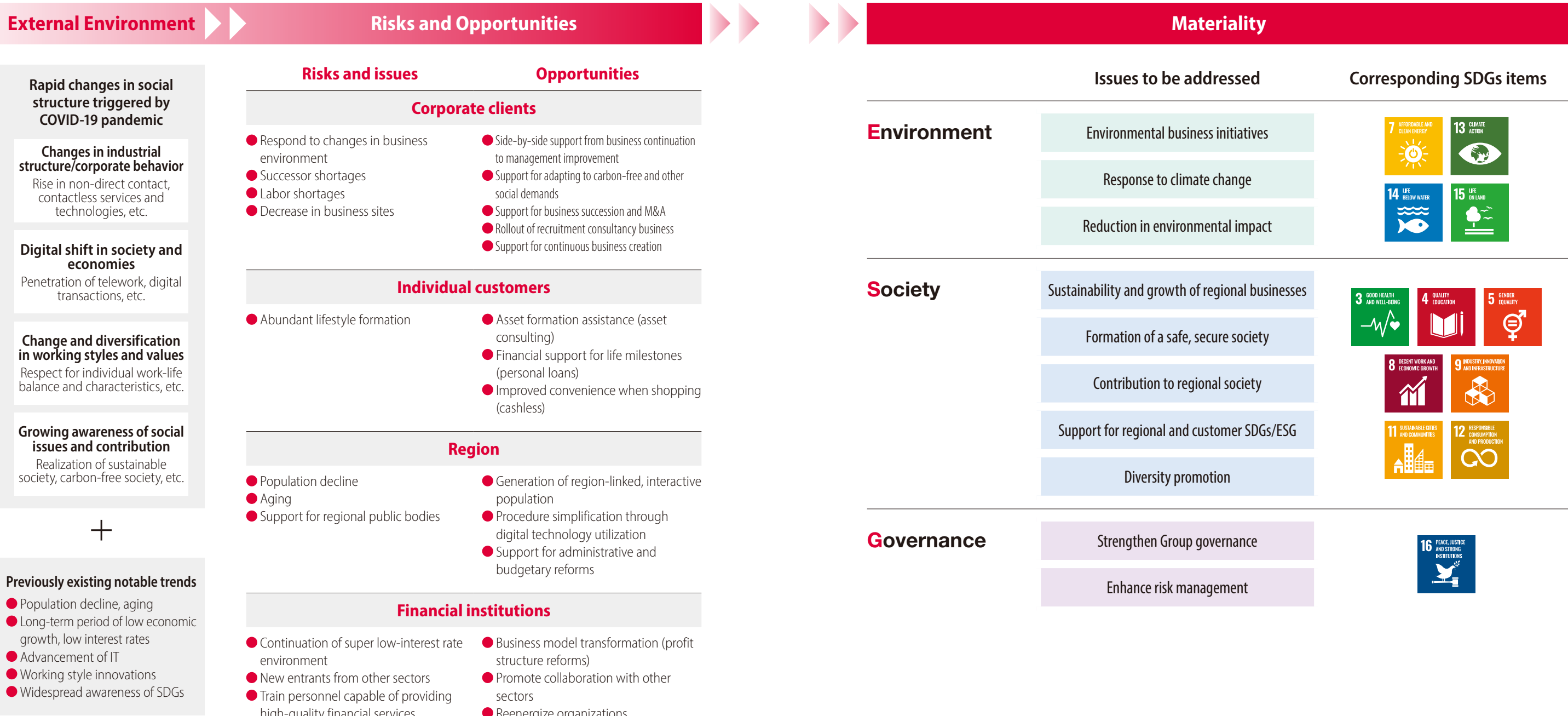
Loan Balance by Region



External Environment/ Risks and Opportunities/Materiality

To ensure growth for the entire region, San-in Godo Bank has for years consistently engaged in activities designed to solve social issues. At the same time, recognizing the need itself to be resilient in order to maintain support for the region, San-in Godo Bank works tirelessly to strengthen its management base.

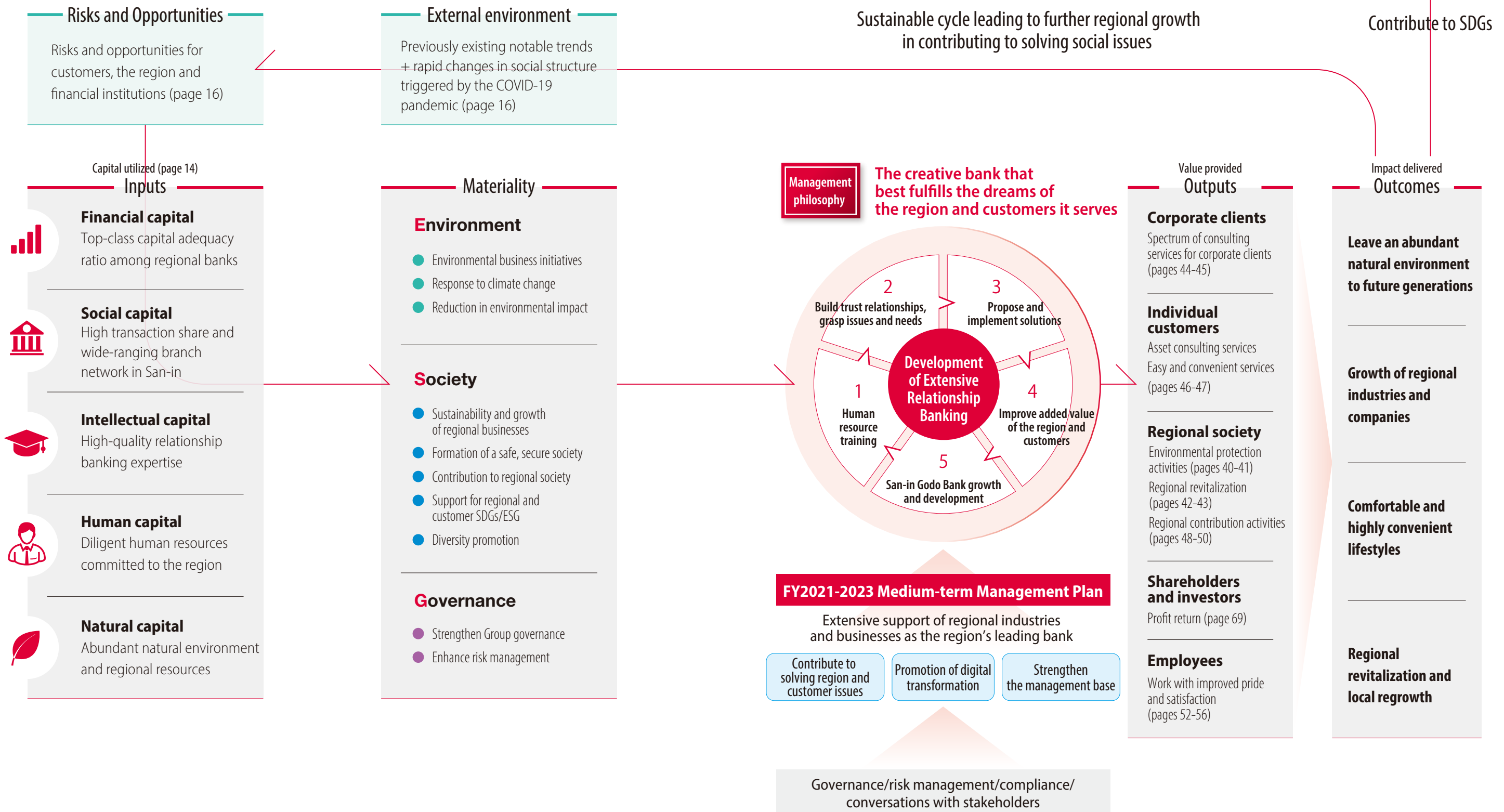
In formulating the Medium-term Management Plan set to launch from fiscal 2021, by ascertaining risks and opportunities present, we identified several key issues to be addressed (materiality), taking into account radical changes in social structure caused by the COVID-19 pandemic, as well as previous trends from the external environment. By moving to resolve regional and customer issues as part of core operations, including regional revitalization and environmental measures, a virtuous cycle is emerging in the regional economy as we eye sustainable growth for the entire region.



Value Creation Process

We view relationship banking as a universal business model, and aim to realize sustainable regional growth, in which the Bank grows hand in hand with the region, by leveraging capital built to date in aggressively resolving social issues. Through the promotion of extensive relationship banking anchored by consulting and digitalization, San-in Godo Bank is steadily supporting the region and customers by establishing deeper ties with both than ever before.

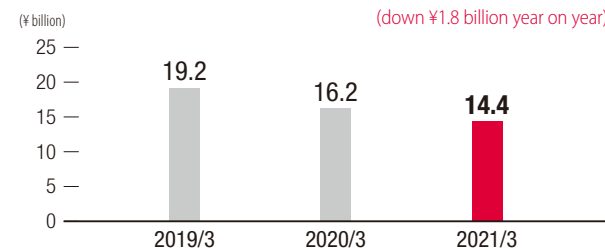
Realize a Sustainable Regional Society



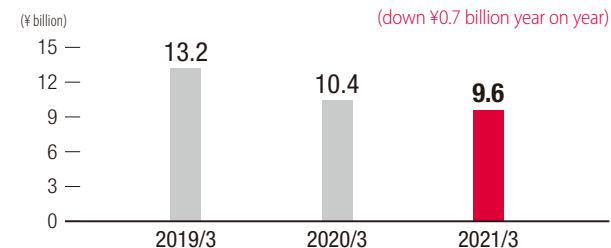
Financial Highlights

Profitability

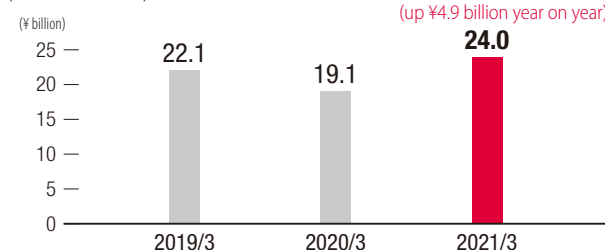
Ordinary income (consolidated)



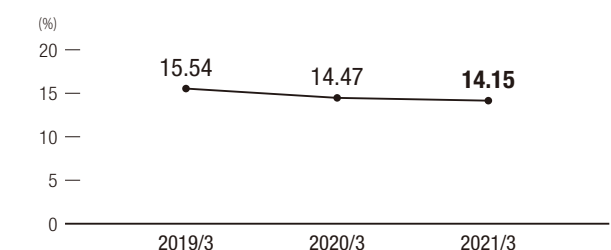
Profit attributable to owners of the Bank (consolidated)



Net profit from core banking operations (excluding effects from investment trust cancellations) (non-consolidated)



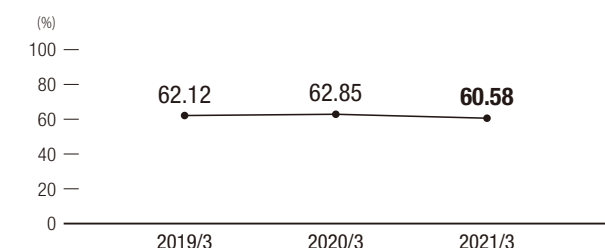
Non-interest revenue ratio (consolidated)



*(Profit from service transactions + Other operations income (excl. bond-related income))/Consolidated gross core banking profit

Efficiency

Over Head Ratio (OHR) (non-consolidated)

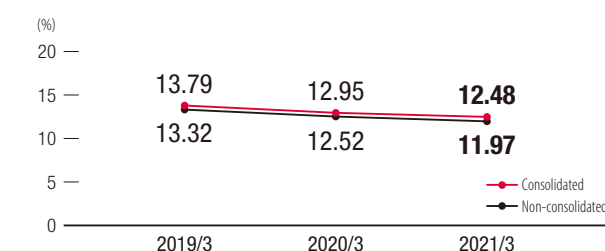


*Expenses/Gross core banking profit

Safety and Soundness

Capital adequacy ratio

Consolidated basis (domestic standard) **12.48%**



Ratings (non-consolidated)

A3 (Long-term deposit rating) Moody's Japan K.K. (Moody's)

A+ (Issuer credit rating) Rating & Investment Information, Inc. (R&I)

AA- (Long-term issuer credit rating) Japan Credit Rating Agency, Ltd. (JCR)

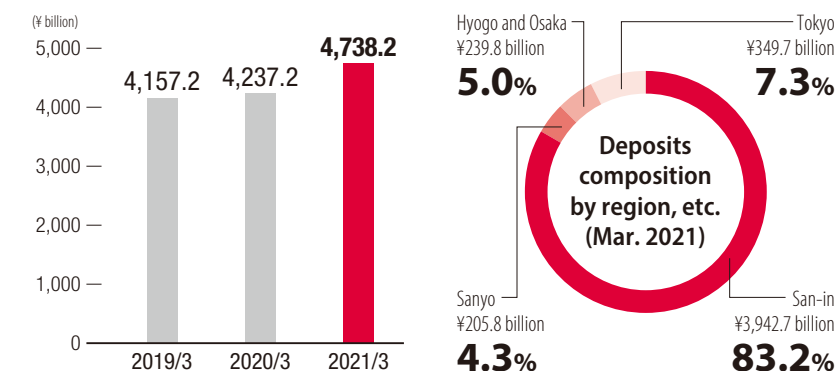
Main accounts (non-consolidated)

Deposits, etc.* (year-end balance)

*Deposits + certificates of deposit

¥4,738.2 billion
(up ¥501.0 billion from the previous year-end)

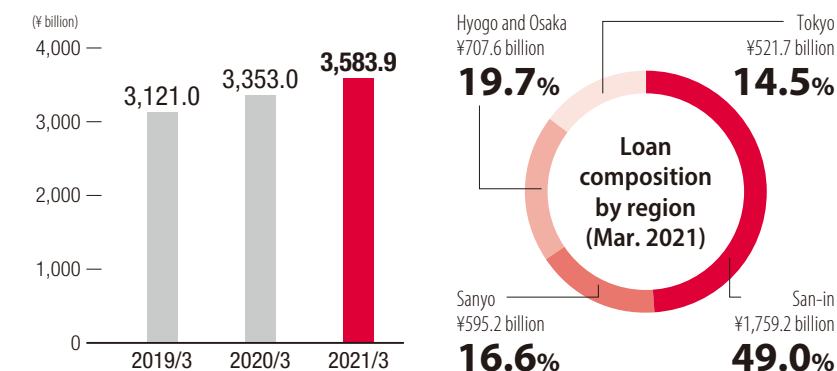
Deposits increased substantially from coronavirus-related funds.



Loans (year-end balance)

¥3,583.9 billion
(up ¥230.9 billion year on year)

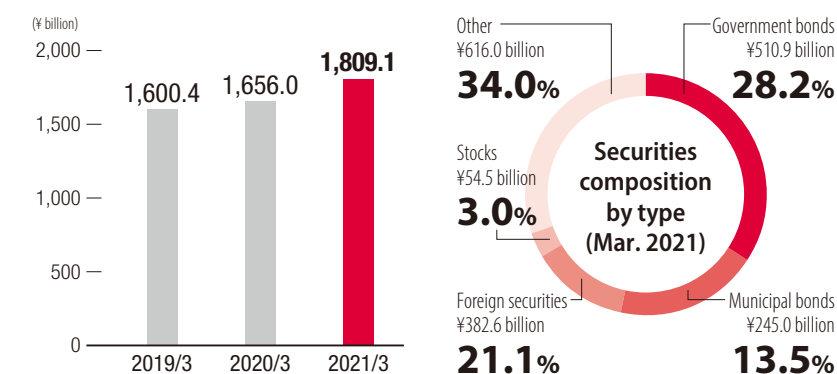
Loans in all regions increased, largely reflecting aggressive targeting of coronavirus-related financing.



Securities (year-end balance)

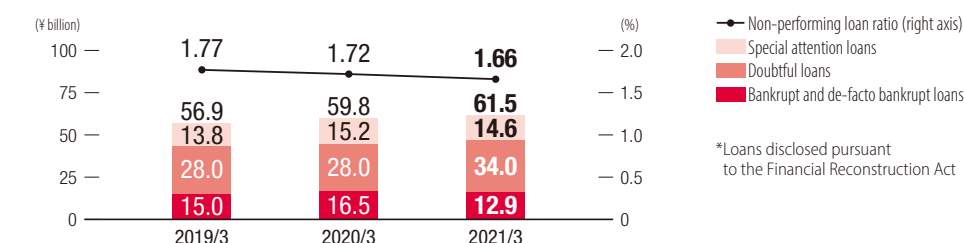
¥1,809.1 billion
(up ¥153.1 billion year on year)

Prior to the redemption of Japanese government bonds, we strove for appropriate management responsive to market trends after careful consideration of risk.



Non-performing loans (non-consolidated)

Non-performing loan ratio **1.66%**



*Loans disclosed pursuant to the Financial Reconstruction Act

Non-financial Highlights

Greenhouse gas emission reduction rate

28.9% vs. FY2013

(FY2020)

Goal for FY 2023: 50% reduction vs. FY2013

J-Credit sales supported by Bank (cumulative)

94 projects / 4,295 t-CO₂

(Cumulative from commencement in FY2011 through FY2020)

Number of businesses with main transactions with San-in Godo Bank (ranked first in financing)

8,529 businesses

(53.3% of total number of clients)

(FY2020)

Number and amount of private placement bond issued

Number of issues: 169

Amount issued: ¥18,340 million

(FY2020)

Percentage of women managers

22.6%

(as of March 31, 2021)

Goal for FY2023: 25% or higher

Percentage of women directors

16.6%

(as of June 22, 2021)

External evaluation

No. of people participated in forest conservation activities

9,410

(Cumulative from commencement in FY2006 to FY2020)

*Activities were postponed in FY2020 due to the COVID-19 pandemic

No. of recipients and amount of donation from Gogin Hitotsubu no Mugi (One Kernel of Wheat) no Kai

— Donation activities gifting regional social welfare facilities and others with donations from Group directors, executive officers and employees —

1,189 recipients / 124.93 million

(Cumulative from commencement in FY1981 to FY2020)

Business founding involving San-in Godo Bank

539

(FY2020)

Business succession and M&A

Business succession consulting

Consulting contracts: 8

M&A advisory services

Contracts signed: 17 / Contracts concluded: 5

(FY2020)

Employment rate of individuals with disabilities

2.65%

(as of Mar. 31, 2021)

Number of Gogin Challenged employees with disabilities Matsue: 18 / Tottori: 13

Percentage of independent outside directors

50.0%

(as of June 22, 2021)

Endorsements for initiatives



Source of Value Creation

Medium-term Management Plan	24
Financial and Capital Strategies	26
Corporate Strategies	28
Retail Strategies	30
Digital Strategies	32
Securities Strategies	34
Group Strategies	35

Medium-term Management Plan (FY2021-FY2023)

Love and Contribute to the Region,
Play a Beneficial Role for Customers,
Help Make Dreams a Reality through Creativity,
Ingenuity and Problem Solving

We formulated the Long-term Vision and Medium-term Management Plan in pursuit of the Bank's ultimate goal -- to fully embody its own management philosophy. Today, particularly at a time in which regional economies have been hard hit by the COVID-19 pandemic, we believe it is our responsibility, as the region's leading bank, to highlight in a focused way our knowledge and expertise gained in business support over the years, and this is exactly what the Bank is here for.

Management Philosophy

The creative bank that best fulfills the dreams of the region and customers it serves

Long-term Vision

Be a wide-area regional bank with sustained growth through top-rated capacity to solve issues

Medium-term Management Plan

Extensive support of regional industry and business as the region's leading bank

Contribute to solving region and customer issues

Promotion of digital transformation

Strengthen the management base

Target Management Indicators

			FY2020 results	Final-year targets
Profitability	Consolidated	Net income	¥9.6 billion	¥15.0 billion or higher
		Non-interest revenue ratio*1	14.15%	15.8% or higher
Capital efficiency	Non-consolidated	ROE*2	2.94%	4.4% or higher
Cost efficiency		OHR*1	60.58%	Less than 53%
Soundness	Consolidated	Capital adequacy ratio	12.48%	12% or higher

*1: Gross core banking profit basis

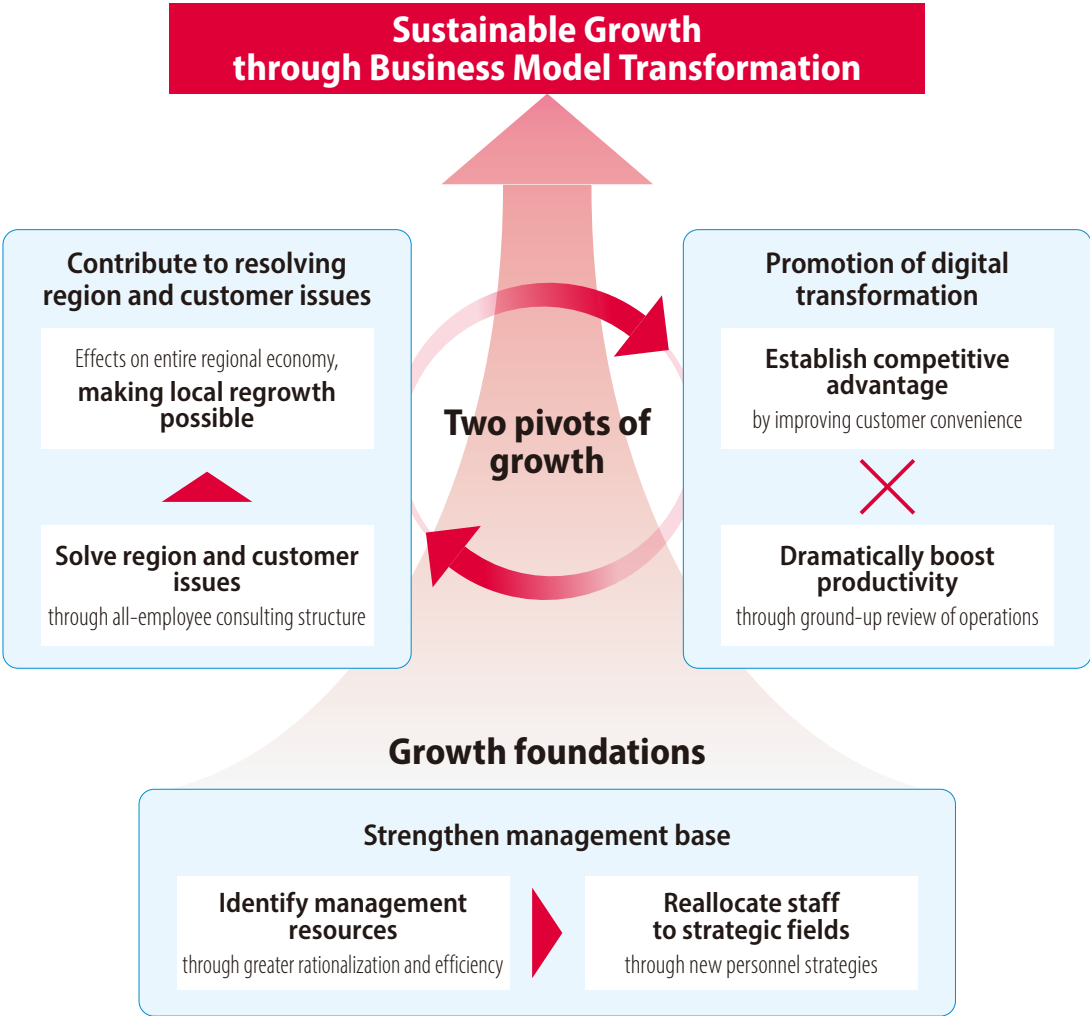
*2: Shareholders' equity basis

Drafting of Long-term Vision

Powerful and sustained growth for the Bank itself, and resolving issues that the region and customers face, are essential for San-in Godo Bank to walk in step with the region and support it into the future. With this in mind, we formulated the Long-term Vision to serve as a milestone on the path to fully embodying the management philosophy.

Medium-term Management Plan Overview

We take steps toward business model reform, anchored by consulting – solving regional and customer issues and digitalization – promoting digital transformation as strategic fields. To powerfully promote these strategic fields, we strengthen the management base further, aiming for a resilient Bank where sustainable growth is possible.



Financial and Capital Strategies

— Targeting sustainable earnings capacity side-by-side with financial soundness —

Leveraging deposit procurement centered on the San-in region with top-class robust capital base among regional banks, San-in Godo Bank is aggressively taking on risk to enhance its own corporate value and energize the region.

Basic policy on financial strategy

For the year ended March 31, 2021, the Bank’s consolidated capital adequacy ratio remained at a high 12.48%. While the ratio will trend lower over the long term primarily from strategic action by the Bank to increase the balance of loans, we seek to maintain the capital adequacy ratio at a level of around 12%. For its part, San-in Godo Bank will continue its actions to maintain the capital adequacy ratio at an appropriate level. Along with setting targets when formulating budgets, steps will include pursuing risk-return conscious initiatives, and conducting PDCA cycles for monitoring performance during the business term.

Fiscal 2020 results

Core banking profit on a non-consolidated basis, an indicator of success of the Bank’s core business, increased ¥4.9 billion year on year to ¥24.0 billion. Growth came primarily an increase in interest on loans for a third consecutive year. In contrast, consolidated ordinary profit declined ¥1.8 billion from the previous year to ¥14.4 billion, mainly from credit expenses posted ahead of worsening business performance among clients due to the coronavirus pandemic. While profit attributable to owners of the Bank decreased ¥0.7 billion year on year to ¥9.6 billion, steady growth from non-consolidated core banking profit nonetheless lifted performance ¥0.9 billion higher than forecasts announced in November 2020.

FY2021 Forecast

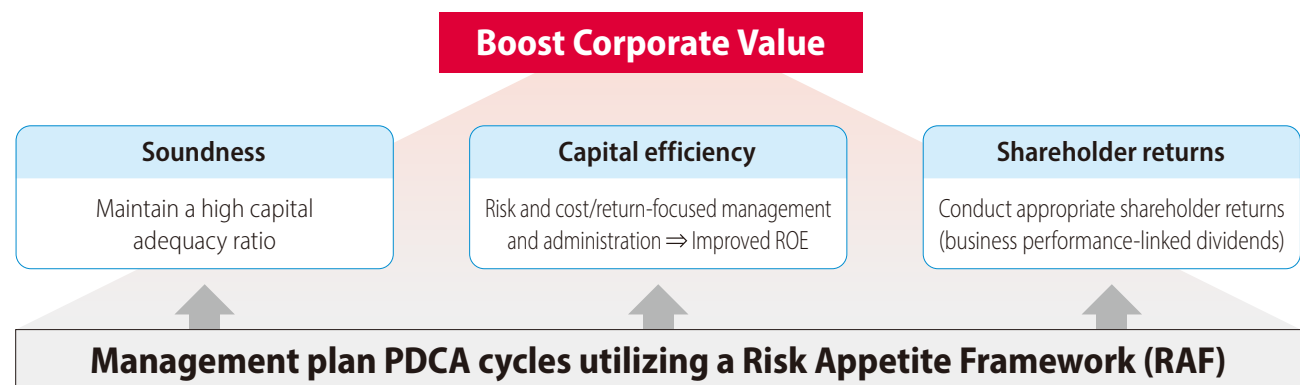
Business performance forecast

Consolidated	FY2020 Results	FY2021 Forecast	Non-consolidated	FY2020 Results	FY2021 Forecast
Ordinary income	¥89.1 billion	¥90.2 billion	Net profit from core banking operations (excl. effects from investment trust cancellations)	¥24.0 billion	¥27.1 billion
Ordinary profit	¥14.4 billion	¥16.5 billion	Net income	¥8.3 billion	¥11.4 billion
Profit attributable to owners of the Bank	¥9.6 billion	¥11.6 billion	Credit expenses	¥7.2 billion	¥8.0 billion
			OHR	60.58%	57.79%

Concerning the impact of the COVID-19 pandemic, current assumptions are that while the virus appears set to gradually recede in fiscal 2021, its effects are likely to linger, with the Japanese economy expected to recover to pre-pandemic levels in the first half of fiscal 2022. Due to worsening business performance among clients due to the impact of the novel coronavirus, credit expenses are expected to rise. For the full year, projected credit expenses are ¥8.0 billion, a year-on-year increase of ¥0.7 billion. For fiscal 2021, while plans were devised with these assumptions in mind, setting fiscal 2020 as the floor for performance, we anticipate benefits will begin to emerge from many structural reforms, including branch network reorganization implemented to date and structural changes of operation on assets in custody, as well as personnel reshuffling accompanying these reforms. Consequently, net profit attributable to owners of the Bank is projected to rise ¥1.9 billion from fiscal 2020 to ¥11.6 billion, with net income on a non-consolidated basis set to increase to ¥11.4 billion, up ¥3.0 billion year on year.

Basic policy on capital strategy

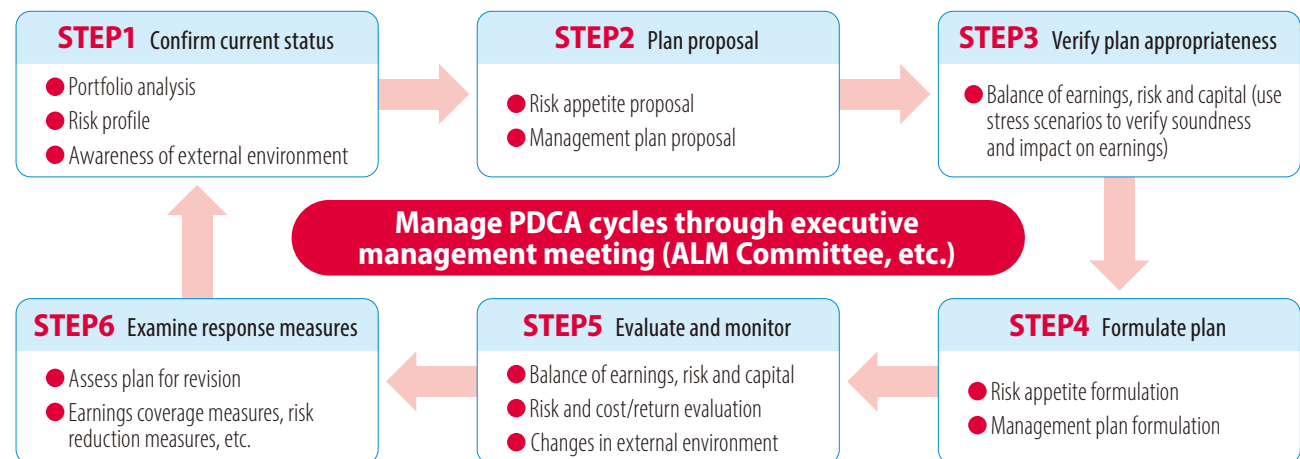
Guided by a basic policy on capital strategy of seeking appropriate balance regarding financial soundness, capital efficiency and return of profit to shareholders, we are utilizing a Risk Appetite Framework (RAF) and other tools with the goal of enhancing corporate value and achieving both sustained profitability and financial soundness.



Utilizing a Risk Appetite Framework (RAF)

As part of the management plan formulation process, we use a Risk Appetite Framework (RAF) approach, designed to achieve the goals of sustained profitability and financial soundness. “Risk appetite” refers to the type and level of risk tolerable in order to achieve plan targets. A Risk Appetite Framework is a “management administration framework for conducting appropriate risk taking that balances earnings, risk and capital in order to realize both profitability and financial soundness.”

Management plan formulation process



Reinforcement of a procurement structure to dramatically increase core deposits

Declining growth in the procurement of deposits in recent years has led to a widening gap when compared with loans and securities under management. For this reason, San-in Godo Bank is reinforcing a procurement structure to steadily increase core deposits, a move that will also enable sustainable growth by augmenting loans and securities going forward. For deposits from individual customers, we are devising a host of measures tailored to specific channels and geographic areas. For corporate deposits, working to reinforce deposits by making San-in Godo Bank the client’s main bank, our aim is for ¥5 trillion in total deposit balance over the span of the Medium-term Management Plan.



Corporate Strategies

—“Side-by-side” consulting encompassing business succession to growth measure implementation—

San-in Godo Bank is accelerating its development of “side-by-side” consulting, designed to resolve client issues starting with business feasibility evaluation.

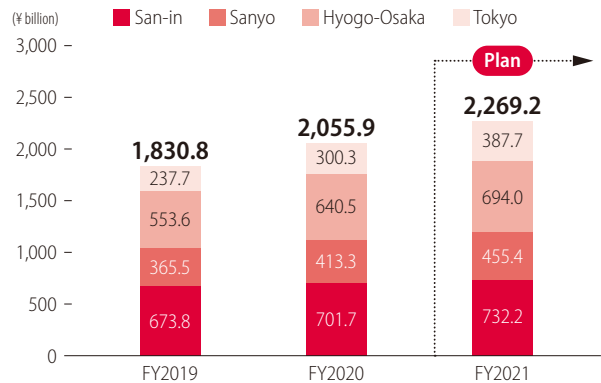
Basic Policy

San-in Godo Bank remains consistently dedicated to actions that position relationship banking, centered on long-term relationships of trust, as its universal business model. Along with the impact of previous trends such as shortages in both business successors and general labor, the business environment for clients today is dramatically altering due to declining sales and the need to respond to this new normal caused by the COVID-19 pandemic. To ensure client business growth and continuation even in this challenging environment, we put consulting as a pillar of business when we aggressively tackle resolving client issues, in prospect of positive cycles of growth for San-in Godo Bank and clients alike. To this end, San-in Godo Bank is pursuing human resource development in implementing effective personnel allocation and creating a new career support system, enabling all Bank employees to take an active role in consulting. Starting with business feasibility evaluation, through the development and provision of sophisticated, high-demand consulting services, we aim to become a consulting group that works side-by-side with clients, and is capable of solving the issues that they face.

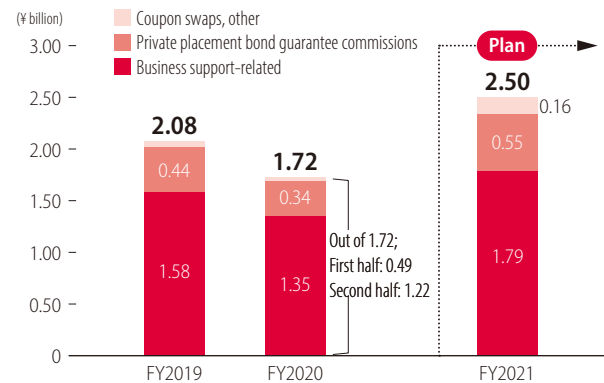
Fiscal 2020 Results and Fiscal 2021 Outlook

For the fiscal year ended March 31, 2021, the average balance of corporate loan in total exceeded ¥2 trillion. This growth was uniformly noted in all regions, partly reflecting the Bank’s aggressive response to novel coronavirus-related financing, along with more robust business support activities. Plans call for maintaining a similarly steady pace of growth for the fiscal year ending March 31, 2022 and beyond. Revenues from corporate solutions for the fiscal year ended March 31, 2021 initially declined by around ¥0.3 billion year on year due primarily to the impact of the novel coronavirus. Results in the second half of the year, however, came to ¥1.22 billion. This dramatic rise compared to the first half of the year mainly reflected the implementation of sufficient staffing, systems improvement and other essential measures. We will continue steps to enhance systems, with a target of ¥2.5 billion for the fiscal year ending March 31, 2022.

Loans to companies by region (Avg. balance)



Corporate solutions-related revenues



*Includes anticipated earnings for entire period primarily from private-placement bond guarantee commissions and coupon swaps

Priority Measures

Responding to clients severely impacted by the COVID-19 pandemic

In parallel with responding to funding support as a top-priority from the very start of the coronavirus pandemic, San-in Godo Bank has provided intensive support for business revitalization planning, centering its efforts on clients hardest hit by the pandemic. Going forward, the San-in Godo Bank Group will continue to bring its full capabilities to bear in supporting the region, including through ties with outside entities.
*For more details, see page 2.

Response tailored to area characteristics

Taking advantage of a branch network spanning the San-in, Sanyo, Hyogo-Osaka regions, San-in Godo Bank is going ahead with deep dive into transactions in each region. We are strategically increasing personnel particularly in Hyogo-Osaka region, in prospect of increasing the amount of loans and expanding revenues from fees and commissions. Considering financing transactions as one type of consulting, we as consultant, offer powerful support in relation to fund procurement for corporate growth strategies. In terms of balances, during the Medium-term Management Plan, our plan is to raise the level of corporate financing to ¥37.0 billion in the San-in region (Shimane and Tottori prefectures), ¥93.0 billion in Sanyo, ¥210.0 billion in Hyogo-Osaka, and ¥200.0 billion in Tokyo.

Common for all		<ul style="list-style-type: none">● Extensive support through accurate supply of funds for clients’ growth strategies● Business succession and M&A need identification● Introduction of online lending for small and medium-sized enterprises
	San-in	+¥37.0 billion <ul style="list-style-type: none">● Introduction of regional Group operations structure (More efficient personnel allocation from integration of structures)● Stronger relationships with chambers of commerce, credit guarantee associations and others to support founding and business creation
	Sanyo Hyogo-Osaka	+¥93.0 billion +¥210.0 billion <ul style="list-style-type: none">● Development of new mid-tier and small and medium-sized companies● Well-established deposit, loans and transactions with existing clients through extensive consulting operations
	Tokyo	+¥200.0 billion <ul style="list-style-type: none">● Improve returns on portfolios (center efforts on structured finance)

Solution menu upgrade, expansion and sophistication

In addition to greater sophistication in our existing menu of services, spanning the full range of financing and leasing to M&A activity and business succession, we are working to upgrade solutions in new fields, such as ICT consulting, where needs have risen sharply due to the pandemic. In this way, we are making strides in the upgrade and expansion of both solution measures and service levels. From these steps, we are targeting growth of ¥1.6 billion in solution revenues compared with fiscal 2020 during the Medium-term Management Plan.

Existing domains	All finance types (leases, private-placement bonds, syndicated loans, etc.) <ul style="list-style-type: none">● Upgrade of financial strategy support menu	Business matching <ul style="list-style-type: none">● Utilize online communication tools
	M&A, business succession <ul style="list-style-type: none">● Strengthen responsiveness to small-scale businesses● Leverage business succession funds	Relationship Management (RM) among industries (medical and nursing care, tourism and accommodation, and food manufacturing, etc.) <ul style="list-style-type: none">● Strengthen support structure for each industry
New domains	Business plan formulation consulting <ul style="list-style-type: none">● Deep analysis of current enterprise status● Management strategy formulation support	ICT consulting <ul style="list-style-type: none">● Support adoption of IT solutions
	Recruitment consultancy service <ul style="list-style-type: none">● Rechannel top-level executives and executive candidate-level personnel back to the region	Personnel consulting <ul style="list-style-type: none">● Support development of personnel systems for realizing enterprise growth and development by promoting growth of employees key to the organization



Retail Strategies

— Providing diverse support tailored to specific life plans —

Merging the high added value and sense of security of face-to-face channels with the convenience and ease of non-direct contact channels

Basic Policy

As Japan confronts a rapidly aging society, decline in population and other issues, regional financial institutions face growing pressure to provide high-value-added consulting, while simultaneously offering highly convenient services. San-in Godo Bank is accurately responding to customer needs by merging together the high added value and sense of security found in face-to-face channels with the convenience and ease of non-direct contact channels.

For asset management operations, in an environment characterized by dramatically lower commission rates and other massive changes, we conducted an extensive review of our operations through a business alliance with Nomura Securities Co., Ltd. that culminated in a new business model - the first ever collaboration between a regional bank and a securities company in Japan.

Among personal loans, we plan to grow our balance of housing loans through stronger relationships with home builders. In consumer loans, along with reinforcing sales efforts targeting partner enterprises where the Bank operates, we are upgrading and expanding our digital marketing efforts.

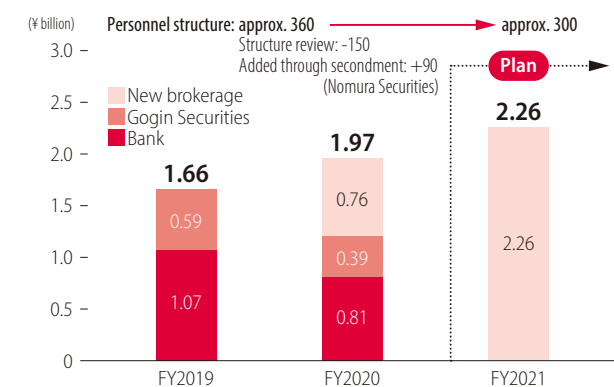
Elsewhere, leveraging our base of credit card customers, we are working to establish regional infrastructure by promoting cashless payments.

Fiscal 2020 Results and Fiscal 2021 Outlook

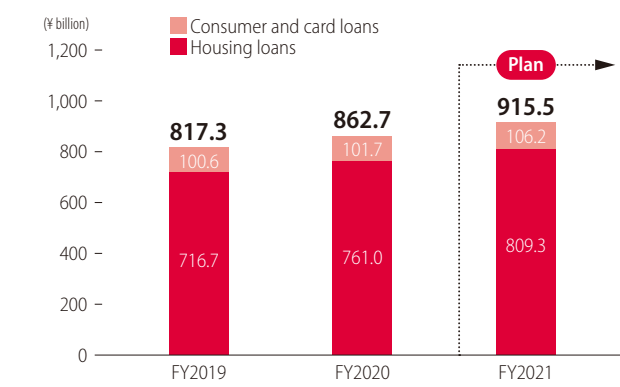
While the accounts held by the Matsue and Yonago branches of Nomura Securities Co., Ltd. were transferred to a new intermediary of accounts, Gogin Securities Co., Ltd. was dissolved following a transfer of its account to a relevant intermediary of accounts, in September 2020, and in November 2020, respectively. In January 2021, all relevant accounts held by San-in Godo Bank were transferred to this new intermediary, resulting in the integration of all other relevant areas, namely sales and administration systems used in the asset in custody operations, data devices and workflow, including ordering schemes, with those held by Nomura Securities. Furthermore, the roughly 360-person workforce structure was cut by 150, with personnel reallocated to strategic departments, followed by the secondment of around 90 individuals from Nomura Securities. The result was a slimmer 300-person structure that also achieved reductions in system costs. Due in part to market factors, the balance of assets under management rose steadily, lifting asset management-related fees and commissions for fiscal 2020 up ¥0.3 billion year on year to ¥1.9 billion.

Regarding personal loan and cashless operations, despite a favorable first half, performance in the second half of the year was severely affected by weak consumption due to the coronavirus pandemic. With “non-face-to-face” and “contactless” needs on the rise amid the COVID-19 pandemic, we are committed to making non-direct contact channels and cashless payments more robust going forward.

Commissions related to assets in custody



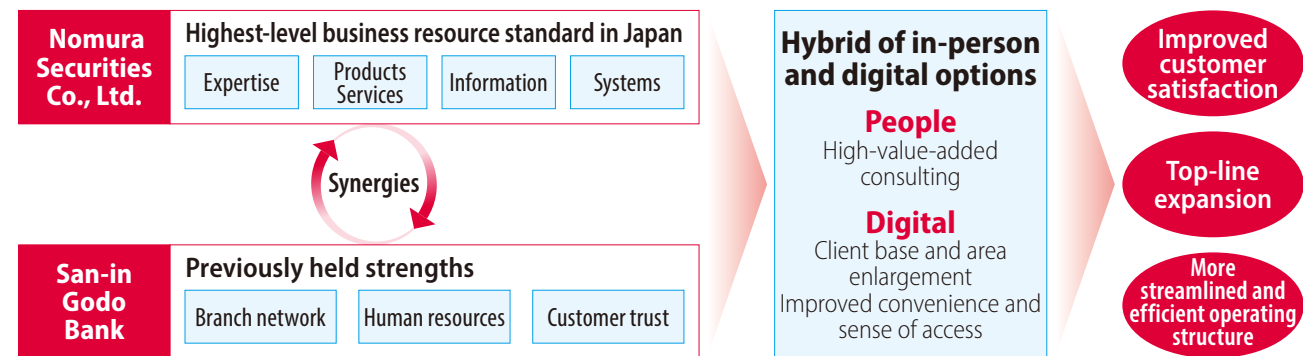
Loans to individual customers



Priority Measures


Take optimal advantage of alliance with Nomura Securities to provide industry-leading services

Through synergies with Nomura Securities Co., Ltd., San-in Godo Bank is improving service levels and achieving a more efficient organizational structure, and is enhancing both customer satisfaction and convenience. Over the next five years, our aim is to lift the combined total balance of ¥500.0 billion held by the Bank, Gogin Securities and Nomura Securities prior to the alliance to ¥800.0 billion. The alliance has also enabled San-in Godo Bank to provide some of the top levels of service in Japan across a wide-ranging lineup to the San-in region. Looking ahead, we intend to take even greater steps to propose optimal plans that respond to customers’ attributes and life stages.



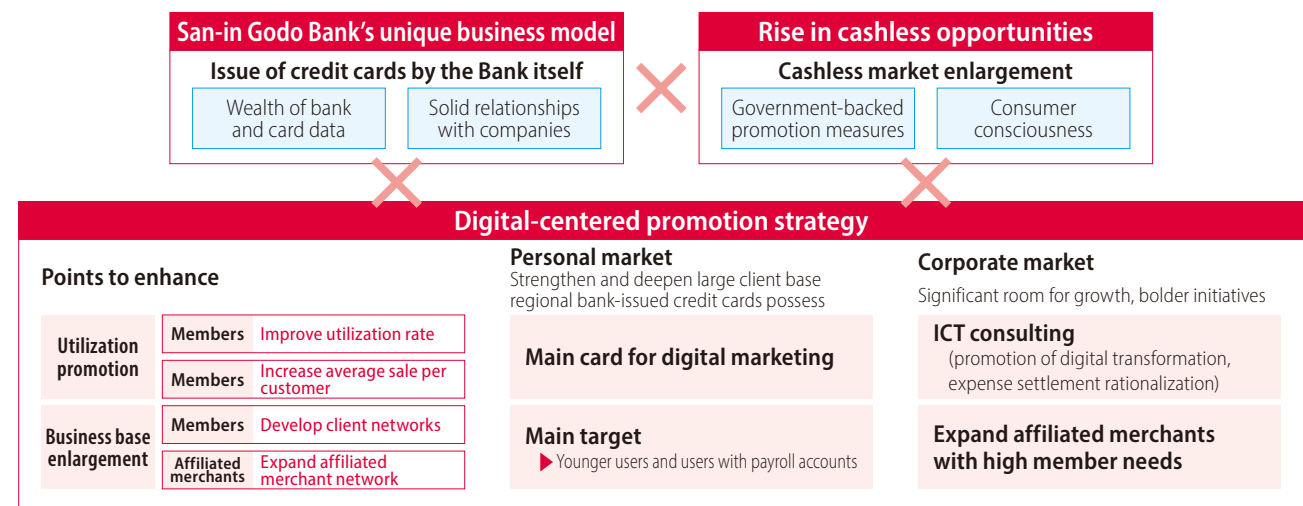
Expanding service scope of personal loans centered on consulting functions and customer convenience

Improvements in consulting functions and convenience will allow the Bank to better identify needs. Along with strengthening our approaches that we have been working on for years, in face-to-face channels, we are more intensely promoting housing loans in Sanyo and Hyogo areas as new markets. In non-direct contact channels we are pursuing a variety of options, including greater convenience through improvements in Web-based loan completion schemes. We are also realizing improvement in productivity thanks to a thorough review of clerical work enabled by digitalization.

Channels	Face-to-face	Stronger consulting functions	Life plan-tailored proposals	More robust points of contact in client's occupational fields
	 Combined	Development of customer-attracting mechanisms	New market development (Hyogo area)	Stronger partnerships with home builders
		Accurate awakening of needs	More robust digital marketing	Expanded non-direct contact approach
		Improved satisfaction	Better 1-to-1 communication	Pursuit of faster, simpler, more convenient
	Non-direct contact			
Internal systems		Improved productivity	Efficient promotion through operational integration	Business process reengineering (BPR) promotion through digitalization

Leveraging advantages of unique business model to expand cashless business scale

The strengths of San-in Godo Bank’s unique business model include a wealth of data from banking and card transactions, coupled with solid relationships with affiliated merchants and companies. Combining these strengths with the rise in opportunities to go cashless, we are working to expand business scale. For individual customers, we are putting a full range of non-direct contact transactions in place, while putting more energy than ever into expanding card transactions with corporate customers, where there is significant room for growth.



Digital Strategies

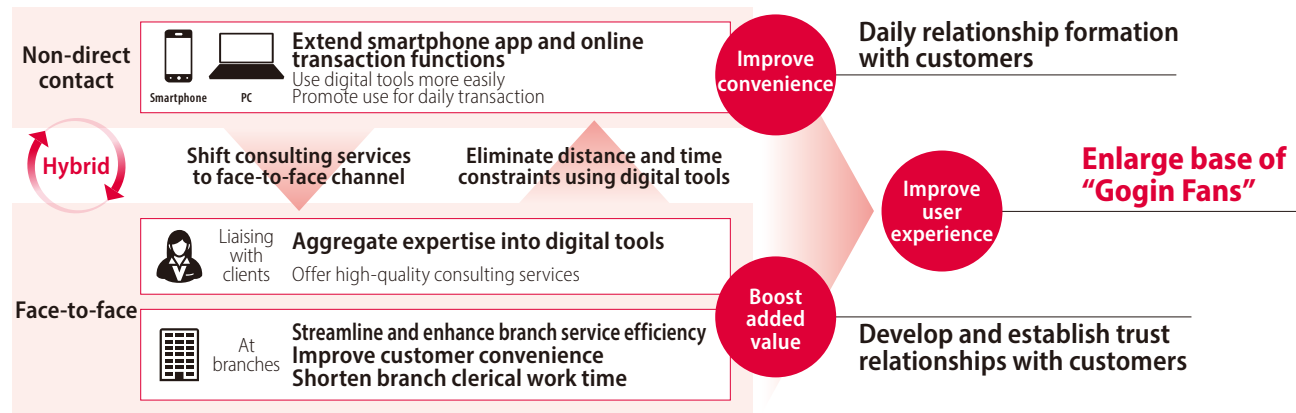
— Enhancing the entire Bank through IT and establishing competitive advantage —

We are leveraging digital technologies to accelerate structural reforms across all areas of management, enhancing the user experience (UX).



Basic Policy

Using digital tools, the Bank is upholding both accessibility and high quality in service, thereby enhancing the user experience (UX). In non-direct contact transactions, we are pursuing further convenience and accessibility for customers. By helping customers feel more comfortable with digital tools, we are promoting their use even in everyday transactions. In face-to-face transactions, San-in Godo Bank is in pursuit of both convenience and efficiency with tools that customers can conveniently use during branch visits, and that may lead to greater clerical work streamlining and efficiency. For external visits to clients, we are consolidating a variety of expertise into digital tools, and using these tools to build a structure capable of supporting high-quality consulting services.



Non-direct contact channels

Making "A bank branch in the palm of your hand" a reality

We are heightening customer convenience based on the concept "A bank branch in the palm of your hand." We are working to create a structure over the span of the Medium-term Management Plan that allows customers to choose to conduct 100% of their banking transactions without ever stepping into a bank, including clerical procedures that currently require branch visits.

Concept	Policies going forward
Whenever, Wherever <ul style="list-style-type: none"> 24-hour, 365-day available Accessible from home, work or anywhere 	Strengthen compatible functions <ul style="list-style-type: none"> More powerful smartphone-compatible functions <ul style="list-style-type: none"> Strengthen functions for addressing inquiries (Upgrade and expand chatbots)
Do all transactions possible at the Bank <ul style="list-style-type: none"> From daily transactions like account activity confirmation and direct deposit, to asset management and loans 	Extend possible transactions <ul style="list-style-type: none"> Enlarge available transactions and procedures in non-direct contact channels <ul style="list-style-type: none"> Provide customers with options beyond branch visits
Make it simple <ul style="list-style-type: none"> No official seal, paperless Simple navigation 	Continuous improvement <ul style="list-style-type: none"> Improve user interface and user experience <ul style="list-style-type: none"> Continuous improvement of app interface, transaction processes

100% coverage of individual customer transactions in non-direct contact channels

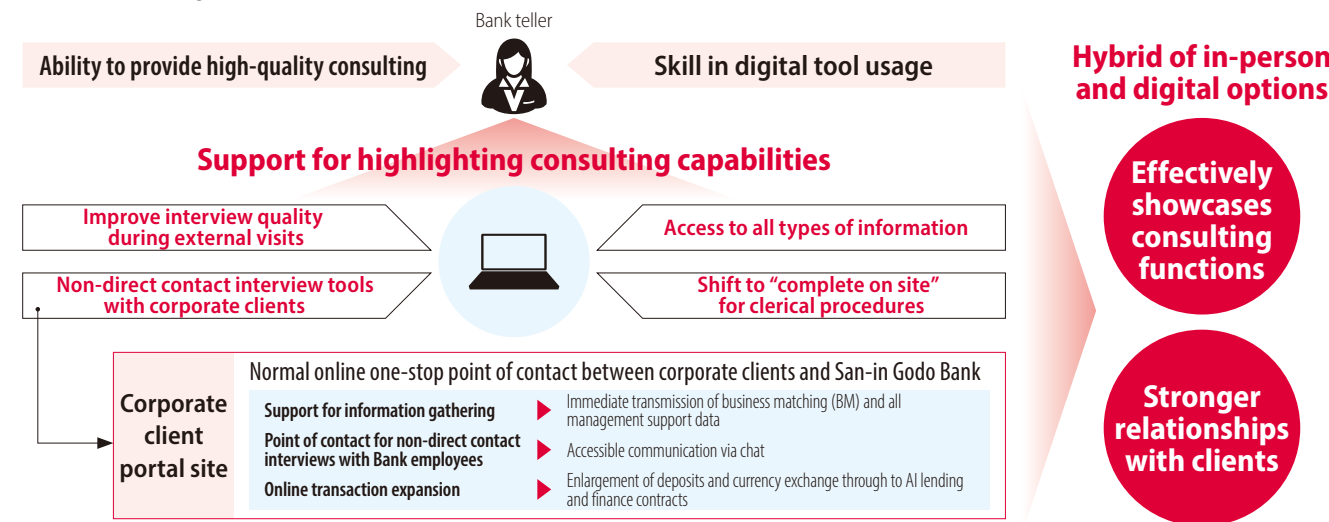
Reduce branch visits to complete paperwork

Aim to shift major clerical procedures online	
Notification (changes/lost forms) Expand smartphone/online compatibility	Pct. accepted online: FY2019 10% → FY2023 50%
Inheritance Launch smartphone/online compatibility	Pct. accepted online: FY2019 0% → FY2023 50%
Money transfer Promote Internet Banking (IB) and app usage	No. accepted at branch: FY2019 800,000 → FY2023 400,000 (50% reduction)

Face-to-face channels

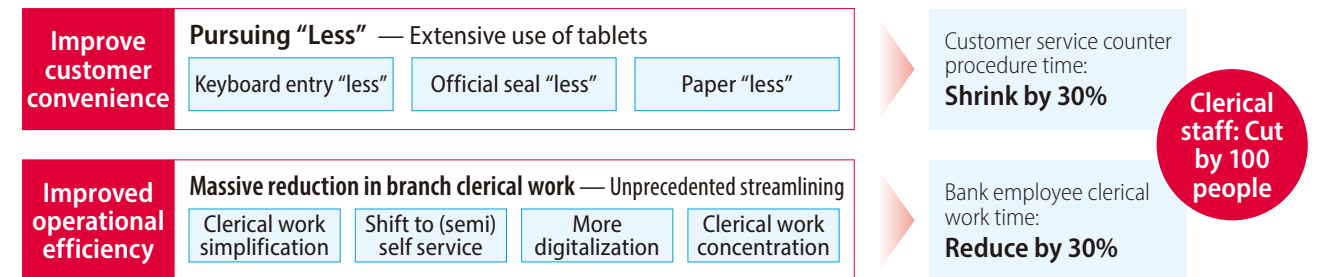
Raising convenience to boost added value of external visits to clients

San-in Godo Bank is raising the added value of external visits to clients by providing information and proposal tools that enhance consulting quality, while making it convenient to complete clerical procedures when out on the visit. We are also building a corporate portal site, with respect to upgrading and expanding online transactions. Making more robust communication possible through everyday online chat and other site tools, and by grasping customer needs thanks to data on browsing history compiled from the site, we are also making face-to-face interactions more efficient.



Reforming Bank branch operations through extensive streamlining

The Bank is utilizing digital tablets and extensive streamlining of clerical work to drive reforms in its branch operations. Meanwhile, the push to consolidate back office work, coupled with promotion of intensive digitalization, is leading to dramatic reductions in clerical work at branches. The aim is to shorten time for paperwork by customer at branches and to cut time spent on clerical work by Bank employee, by 30% each, respectively.



Key Initiative Promoting regional digitalization

Since May 2021, San-in Godo Bank has adopted "J-Coin Pay," a smartphone-based payment service that enables payment for IDs and other documents at Ama Town government office in Oki District, Shimane prefecture.

In addition to improving the convenience and operational efficiency of governmental services through cashless payment and other moves toward digitalization, "contactless" payments that avoid physical money are also effective in helping prevent the spread of infectious diseases such as COVID-19. San-in Godo Bank remains committed to providing services that satisfy customers as we take steps through greater digitalization to improve convenience in the region in collaboration with local governments.



Possible payments

Fees for all government certifications handled by Ama Town Office Resident Life department

- Census registry (removal) certification
- Residency certification
- Official seal registration
- Tax-related certification
- Fees for other government certifications

(as of July 1, 2021)

Securities Strategies

— Maintain stable earnings, with risk-return always in mind —

We are developing a portfolio capable of responding flexibly to changes in economic conditions and financial policies.

Basic Policy

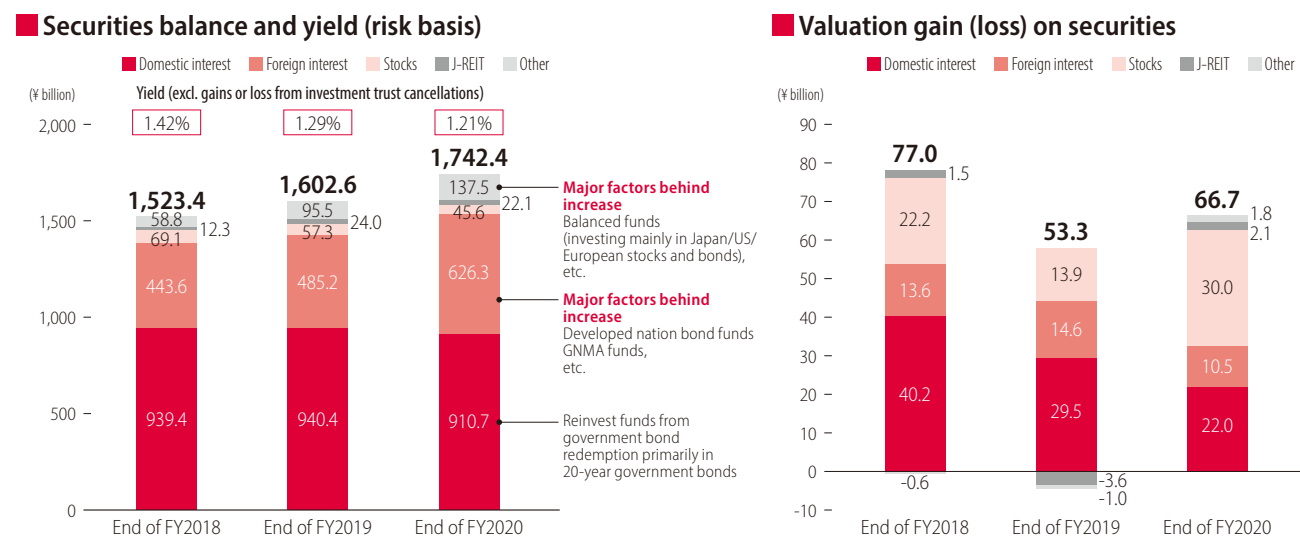
We have put structures in place for human resource training, risk management and other key areas, with a focus on securities management for many years.

Prompted by the continued low interest rate environment in recent years, while staying focused on yen-denominated securities, we have taken steps to diversify assets under management to include foreign bonds, stocks, investment trusts and other assets, with an eye to ensuring stable earnings. Our policy throughout the span of the Medium-term Management Plan is to maintain earnings at current levels.

Fiscal 2020 Results

As of March 31, 2021, the balance of securities (risk basis) stood at ¥1,742.4 billion, for a year-on-year increase of ¥139.8 billion. This growth reflected progress in building the balance while taking steps to diversify securities under management. For yen-denominated securities, amid the redemption of relatively high yield Japanese government bonds, along with reinvestment in 20-year government bonds, earnings were complemented by investments in funds managing government bonds from other advanced countries.

As of March 31, 2021, the valuation gain on securities was ¥66.7 billion.



Priority Measures

Interest risk dispersion

Given the ongoing low interest rate environment, we are broadening scope from a focus largely on management of Japanese government bonds to include the management of foreign bonds, investment trusts and other assets.

Expanding balanced management

Along with close scrutiny of management performance, we are making additional investments in funds with strong performance.

Flexible trade of stocks

We flexibly adjust our asset allocation based on market outlook.

Fund utilization

For strategies requiring a rebalance on a regular basis, we utilize funds and select its type in line with investment objectives, such as open and closed investment trusts, which are based on Japan and those based abroad.

More sophisticated market risk management

Due to the growing proportion of products with overseas interest rate in our portfolio, we carefully manage predictions regarding European and U.S. interest rates. Our moves toward more sophisticated risk management include adoption of schemes to consider measures to take, should valuation losses of a certain level emerge due to volatility.

Group Strategies

— Pursuing optimal Group synergies based on the Bank-led management strategies —

We fulfill a consulting function to solve issues of the region and our customers as a group.

Basic Policy

San-in Godo Bank has made progress in achieving greater rationalization and efficiency in recent years thanks to aggressive Group reorganizing efforts. As a result, along with strides in the reallocation of personnel to strategic departments, the Bank is seeking to solve issues the region and customers face through the pursuit of optimal Group synergies.

Fiscal 2020 Results

Against a backdrop of expansion in cashless transactions, we scrapped cash collection and delivery services provided mainly by Gogin Business Services Co., Ltd. in fiscal 2020. Other actions taken included the dissolving of Gogin Securities Co., Ltd. accompanying our alliance with Nomura Securities Co., Ltd. and the transfer of asset management operations to a new intermediary.

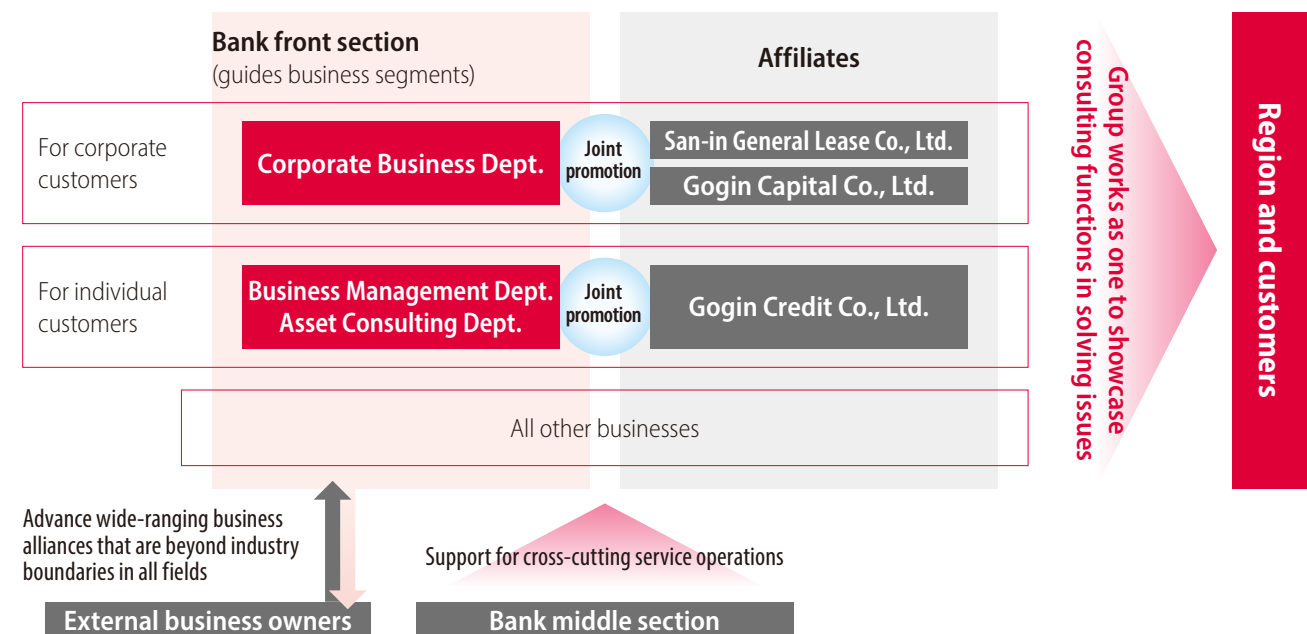
Main initiatives regarding Group realignment

	FY2020
Gogin Business Services Co., Ltd.	Scrap cash settlement/sorting services, operational integration
Gogin Securities Co., Ltd.	Transition to new brokerage and dissolve
San-in General Lease Co., Ltd.	Make a 100% subsidiary

Priority Measures

We instituted business performance and profit management for each business segment, which included affiliates, alongside new business development. Together with efficient promotion of measures through optimal allocation of management resource, we take steps to upgrade and expand procedures for resolving issues the region and customers face.

Operating structure by segment



Initiatives for Sustainability

Policies governing Sustainability Initiatives	37
Response to Climate Change	39
Initiatives for Environmental Protection	40
Extensive Support of the Region through Relationship Banking	42
Provision of Stable Financial Infrastructure to All Customers	46
Development of Unique and Far-reaching Social Contribution Activities ..	48

Policies governing Sustainability Initiatives

— Target sustainable growth for the entire region through extensive regional support —

The existence of regional financial institutions is integrally tied to the sustainability of regional economy and society. At San-in Godo Bank, we are working on the relationship banking based on the idea that “ESG management and relationship banking are one and the same.” By working through our business and contribution activities for the region to resolve issues the region and customers face, we are helping to achieve SDGs, with the aim of making a sustainable society in the region where growth for the region, customers and the Bank is possible.

Sustainable growth for the entire region

Extensive support for the region

Materiality		
	Key issues to be addressed	Specific initiatives
Environment	Environmental business initiatives	Environment-related financing and investment
	Response to climate change	Endorsement of TCFD Declaration
	Reduction in environmental impact	Reduction of greenhouse gas emissions
Society	Sustainability and growth of regional businesses	Extensive support of the region through relationship banking
	Formation of a safe, secure society	Provision of stable financial infrastructure to all customers
	Contribution to regional society	Development of wide-ranging social contribution activities
	Support for regional and customer SDGs/ESG	Development of new services
	Diversity promotion	Support of active careers for diverse human resources
Governance	Strengthen Group governance	More robust Group collaboration
	Enhance risk management	More advanced management posture for all risks

Risk and opportunities

Risks and opportunities for customers,
the region and financial institutions (page 16)

External environment

Rapid changes in social structure triggered by previously
existing notable trends + the COVID-19 pandemic (page 16)

Policies governing Sustainability Initiatives

Sustainability Declaration

The San-in Godo Bank Group endorses the spirit of the United Nations’ Sustainable Development Goals (SDGs), and is striving to make a sustainable regional society possible through initiatives that resolve issues the region faces.

Sustainability Declaration

<https://www.gogin.co.jp/about/csr/sustainability/> (in Japanese only)

Organizational structure (Sustainability Committee)

To promote initiatives for SDGs and ESG, we moved to strengthen governance, establishing the Sustainability Committee, chaired by the president, in May 2021. This was followed by establishment of the SDGs/ESG Promotion Working Group, composed of members from all departments at the head office, as part of our response to climate change and implementation of other cross-cutting organizational initiatives.



Policies regarding sustainability

Initiatives regarding the environment

The San-in Godo Bank Group recognizes that sound social development is vital to its own sustainability and is founded on the existence of a sustainable society, while, as a good corporate citizen walking hand in hand with society, engaging in proactive and consistent environmental protection activities designed to pass on an abundant natural environment to future generations.

Environmental policy

<https://www.gogin.co.jp/about/csr/environment/> (in Japanese only)

Initiatives regarding human rights

The San-in Godo Bank Group works to foster a corporate culture and working environment that respects the basic human rights of customers, employees and all other stakeholders.

Human rights policy

<https://www.gogin.co.jp/about/policy/humanrights/> (in Japanese only)

Investment and loan policy

In light of the principles of the United Nations’ Sustainable Development Goals (SDGs), and in a commitment to realizing a sustainable regional society and environment through its business, the San-in Godo Bank Group has a defined policy of fields to actively target and avoid with respect to investment and loan activities.

■ Under the investment and loan policy, in addition to “actively targeted fields,” we have defined the following policies regarding special sectors deemed to have significant social and environmental impact.

Policies regarding special sectors

(1) No investment or loans for entities involved in the development, manufacture or possession of biochemical weapons, cluster bombs or similar weaponry.

(2) As a rule, no investment or loans to fund the new construction of coal-fired power generation plants.

(3) Investment and loans for palm oil plantation development must reflect careful investigation after verification of status in obtaining certification and other requirements.

Investment and loan policy

<https://www.gogin.co.jp/about/csr/investmentandloan/> (in Japanese only)

Response to Climate Change

— Responding more robustly to climate change while eyeing more sophisticated information disclosure —

Responding to climate change is emerging as a common concern everywhere as the world grapples with growing devastation caused by abnormal weather and large-scale natural disasters. For customers and the Bank alike, these problems are becoming factors that heavily impact both the business environment and management itself.

Prompted by these conditions, San-in Godo Bank gave its endorsement to the TCFD* recommendations in April 2021. Going forward, we will continue steps to strengthen our response to climate change, while moving for more sophisticated information disclosure proposed as part of the TCFD recommendations.

*TCFD (Task Force on Climate-related Financial Disclosures): Established in 2015 by the Financial Stability Board (FSB), a body comprising central banks and financial oversight bodies from the principal nations, the task force is dedicated to encouraging corporations to disclose climate-related information.

Governance	<div><div>■ We established the Sustainability Committee, chaired by the president, as a body to deliberate climate change and other sustainability-related matters, developing a structure whereby the committee reports to and is monitored by the Board of Directors.</div><div>■ We established the SDGs/ESG Promotion Working Group at San-in Godo Bank headquarters. In addition to promoting initiatives across the organization, this body regularly reports to the Sustainability Committee and Board of Directors on the status of specific initiatives regarding responses to climate change and other ESG issues.</div></div>
Strategy	<div>The Group has formulated a Sustainability Declaration, which defines our commitment to emphasizing efforts concerning environmental protection, including climate change, in order to make a sustainable regional society possible. We position response to climate change as an important management issue, and advance initiatives that target both the opportunities and risks emerging.</div> <div><div>■ Opportunities</div><div>We are bolstering both green financing for renewable energy projects, as well as transition financing to promote the shift toward a zero- and low-carbon society, supporting the region and clients in making this important transition.</div><div>■ Risk</div><div>In terms of climate change-related risk, we recognize the increased frequency of natural disasters and abnormal weather due to climate change as events that bring the risk of physical harm (physical risk), and risk associated with transitioning to a carbon-free society, particularly responding to stronger climate regulations and transitioning to carbon-free technologies (transition risk).</div><div>Physical risk</div><div>In this area, possible scenarios include a potential surge in credit risk as companies financed by the Bank see assets and business activities impacted by natural disasters and other issues caused by climate change, as well as operational risk these pose if Group business branches are damaged.</div><div>Transition risk</div><div>In this area, one possible scenario is significant credit risk from companies financed by the Bank if business activities are impacted by advancements in technological innovation for meeting climate regulations and curbing carbon emissions.</div><div>■ Scenario analysis</div><div>Going forward, we are exploring the potential for implementing scenario analysis to better assess the impact that climate-change related physical and transition risks may pose to our credit portfolio.</div></div>
Risk management	<div><div>■ Recognizing initiatives for the environment, including climate change, as one of our key management concerns, we drafted an “Investment and financing policy that takes into account the Sustainability Declaration,” which includes policies for responding to climate change.</div><div>■ We recognize the impact that physical and transition risks may pose to the Group’s business lines, strategies and financial scope over the medium to long term. At San-in Godo Bank, we position risk management for maintaining management stability and soundness as our most important issue, with a risk management approach led by the Board of Directors. Going forward, we will explore initiatives for achieving an integrated risk management process for climate-related risks, as well.</div></div>
Indicators and targets	<div><div>■ Targets</div><div>Greenhouse gas (CO₂) emission reduction target: 50% reduction in FY2023 vs. FY2013</div><div>■ Monitoring indicator</div><div>Scope 1 (direct emissions) and Scope 2 (indirect emissions) CO₂ emissions</div><div>■ Results</div><div>FY2020 emissions: 8,686 t-CO₂ (down 28.9% vs. FY2013)</div></div>

Sustainability and Growth of regional business

Extensive Support of the Region through Relationship Banking

— Contributing to regional revitalization by working to provide solutions to regional and customer issues as our core business of a regional financial institution —

With COVID-19, carbon-free society, digitalization and other massive business environment changes, the issues confronting the region and customers are also changing. By highlighting its insight and expertise in business support, San-in Godo Bank is addressing a wide range of issues and needs that customers and the region itself face, with the entire Group committed to further developing a multifaceted approach to consulting.

Local Revitalization Creating local dynamism

Initiatives for “towns,” “people” and “jobs”

Achieve regional revitalization and local regrowth by solving regional issues.

Towns	Participation in town creation projects Promotion of “regional complete PFI”
People	Generation of region-linked, interactive population
Jobs	Business creation support Enterprise support through side-by-side consulting

Deeper relationships with local public organizations

San-in Godo Bank is supporting administrative and budgetary reforms, including moves toward greater efficiency and digitalization in government clerical tasks. (see page 33 for Key Initiative)

- Support for streamlining of government clerical work (greater simplification and digitalization)
- Handling of outsourced government clerical work (reduction of clerical work burden, improved convenience)

Initiatives leveraging SDGs for regional revitalization

● Voluntary sponsoring of research seminars on SDGs

With the installation of SDG business consulting at our head office, we conduct seminars and offer advice regarding SDGs for private-sector companies, local public organizations and educational institutions alike. Similarly, we propose ways to consider and methods for approaching SDGs deemed effective for local revitalization efforts.



Workshop in Nichinan, Tottori prefecture



Class at Yonago Hokuto Junior High School

● Collaboration with governmental agencies

In order to build connections with a range of related agencies, San-in Godo Bank actively participates in related platforms and other areas. Our Bank employees, meanwhile, are appointed as SDGs ambassadors by Tottori prefecture to support the popularization of SDGs within the prefecture.

[Participating organizations]

- Government-private sector collaboration platform for local revitalization SDGs (Cabinet Office)
- Tottori SDGs Promotion Council (Tottori Resident Action Activation Center)
- Tottori SDGs Network (Tottori prefecture)
- Tottori SDGs ambassadors *First for financial institution employees in the prefecture

Key Initiative

Support for participation in PPP/PFI businesses by local enterprise

— Contributing to sustainable regional town development through support of participation in collaborative government-public sector business —

Realizing “community-based PFI (Private Finance Initiative);” PPP (Public Private Partnerships)/PFI businesses ordered by local governments in which local financial institutions give support for local enterprises to receive the relevant order

— Tottori West Integrated Office New Wing/
Yonago City Office Kojimachi Branch prep business —

In the PPP/PFI businesses executed by Tottori prefecture, San-in Godo Bank served as financial advisor (FA) to the group of representative companies within the prefecture investigating participation, supporting the group’s bid for business entry primarily through business plan formulation and proposal preparation.



Photo offered by Miho Technos Co., Ltd.

Support for founding and new business development

We support the creation of business models originating from San-in tied to regional resource utilization and solutions to regional issues.

● Support for university-originated venture businesses

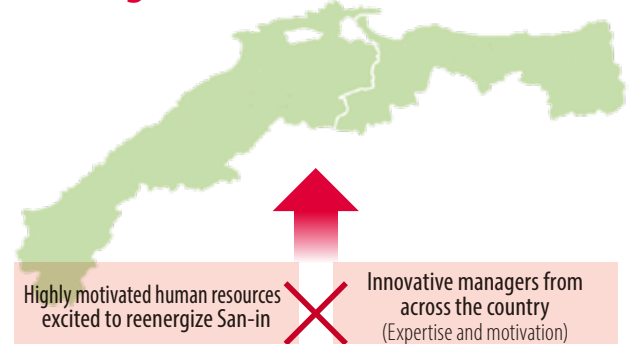
In January 2015, San-in Godo Bank established two funds designed to provide financial and managerial support for university-originated venture businesses: Shimane University Industry-Academia Collaboration Fund, and Tottori University Industry-Academia Collaboration Fund. To date, we have invested ¥1,953 million in a total of 10 projects, supporting the commercialization of venture businesses that utilize patents and other intellectual property, as well as research results, held by Shimane University and Tottori University.

● SAN-IN Innovation Program (SIP)

From fiscal 2018 to 2019, we launched the SAN-IN Innovation Program (SIP), a program to spur creative business ideas based on wants yet to evolve into needs, as well as raise the bar on “outside-the-box” business concepts. To date, 12 businesses (including the establishment of 7 companies) have initiated from the program. In bringing business concepts to life, we provide continuous support for business commercialization, taking advantage of regional economic ecosystem* functions made possible through industry-government-academia-finance and other collaborations. The highly motivated human capital networks emerging from regional revitalization enabled by SIP are also leading to collaborative business concepts thanks to connections being made outside the program.

*Refers to the development of complementary relationships between principal actors, such as enterprises, financial institutions and local public entities, fulfilling their specific roles within a region, coupled with a push for multifaceted collaborations and co-creative endeavors, while holding close-knit relationships with principal economic actors outside the region.

Sowing new business seeds in San-in



Key Initiative

Support for export of local goods through collaboration with local public bodies

— Sponsorship of Shimane Prefectural Fair at the Hon Hai Technology Group Social Welfare Site —

Test marketing of special products of Shimane prefecture via a Taiwan-based website and tourist information transmission business

— Outsourced business on behalf of Shimane prefecture based on the Shimane Revitalization Plan —

Amid fewer opportunities for business meeting and the loss of inbound customers due to travel restrictions triggered by the coronavirus pandemic, San-in Godo Bank launched this project using the increasingly normalized and borderless world of e-commerce. The goal is to stimulate overseas export of attractive special products of Shimane prefecture and serve as a source of tourism PR for the prefecture itself. (Period: Jan. 13 – Feb. 12 2021)

● Test marketing of special products of Shimane prefecture

- Pre-order and sale of products from companies seeking to export to Taiwan
- Conduct questionnaire research among users to provide advice on new product development for participating enterprises and other support for expanding sales channels for special products of Shimane prefecture in the Taiwanese market

● Tourism PR for Shimane prefecture

- Transmit information on tourism within Shimane prefecture and other data to raise the prefecture’s profile and stimulate demand for visits to the area in the post pandemic era



Website	Social welfare site of Hon Hai Technology Group *Taiwan-based company that is the world's largest for outsourced production of electronic devices
No. of participating companies	27
Products	40 products spanning, food, cosmetics and general merchandise

Sustainability and Growth of regional business

Extensive support of the Region through Relationship Banking

Corporate Clients Increase added value — Upgrading, expanding and enhancing sophistication of solutions menu —

To respond to clients’ diversifying needs and offer additional support for growth, San-in Godo Bank builds in-depth collaboration with external parties to upgrade, expand and enhance the sophistication of its solutions menu across multiple dimensions.

Consulting service

Business plan formulation consulting	We assist in client business growth by supporting management strategy formulation founded on more in-depth analysis of client status
ICT consulting	By spurring the active use in management of data as a vital resource, we support improvements in client productivity and other areas through greater ICT
Recruitment consultancy	To answer human resource retention needs in areas where population is declining, we assist in securing managers and skilled professionals to support efforts to resolve client management issues
Personnel consulting	We support the building of personnel systems that achieve enterprise growth and development by encouraging growth of the organization’s key employees.

Capital alliance with side- and multiple-job matching HR service provider JOINS, Inc.

In June 2021, San-in Godo Bank invested in JOINS, Inc., a human resource matching service provider for professionals seeking side and multiple job opportunities in regional and urban settings. The Bank launched its own HR consultancy business in October 2020, enabling the proposal of HR utilization-based solutions to address client issues. As lifestyle patterns and working styles rapidly diversify, the alliance with JOINS is allowing us to support solutions for management issues faced by regional companies by making matching professionals with opportunities, without concern for limitations like location or distance, a more familiar occurrence.

Utilization example

Introduction of professional personnel for solving new business development issues

In trying to resolve issues for growing its business, Tamaki Seimen Ltd., an udon and noodle manufacturer (restaurant industry) recognized the difficulty in using only in-house resources to address these challenges, but also felt similar difficulties were likely in attracting or hiring local human resources for help. After verifying the company’s issues and human resource retention needs, we proposed solutions to these issues using side job-seeking personnel.

Issues

- Boosting quality by creating a manual and standardization for restaurant operations
- Achieving awareness and penetration of in-house brands internally and externally
- Menu improvement reflective of customer needs and data

Application Status

No. of applicants: 22, **3 contracted**

- Date of first negotiation: Feb. 4, 2021
- Date of application opening: Feb. 4, 2021
- Contract start date: May 1, 2021

Briefing taking place online

Work applied for: Restaurant operation manual preparation and operational stability

Overview of contracted human resources	60s/male/Tokyo resident Manager of ad agency subsidiary/ HR development/operational process improvement/sales to corporate clients	30s/male/Tokyo resident Management consulting/Management planning from role in an IT venture/ production system development/new business development	40s/female/Tokyo resident Product planning and development for domestic food product manufacturer/sales strategy planning at foreign-owned food manufacturer
Operations at Tamaki Seimen Ltd.	<ul style="list-style-type: none"> In-house brand analysis Production of in-house brochures 	<ul style="list-style-type: none"> Production of video manual for restaurant operations Enhanced efficiency of product sale order services 	<ul style="list-style-type: none"> Marketing data analysis Creation of menu improvement measures

Business matching

Utilizing the Bank’s wide-ranging branch network and ample information collection capabilities, we are developing activities that link clients in San-in, Sanyo, and Hyogo-Osaka. Actions here include support for development of sales channels and the proposal of high-quality primary products and manufacturing technology from San-in. We also support efforts to attract businesses to San-in through collaboration with government agencies.

Business succession and M&A

San-in Godo Bank supports seamless business succession, most notably through business succession consulting services and business transfers via M&A. We also offer M&A advisory services for consultations on the use of M&A as a growth strategy option.

Supporting the medical and nursing care, tourism and accommodation, and food manufacturing industries

We have installed key personnel at the head office specializing in the region’s principal industries – medical and nursing care, tourism and accommodation, and food manufacturing, providing support for resolving management issues through partnerships with outside experts.

Revitalization support

By sharing management issues with clients requiring support of management improvement, we assist in the formulation and execution of management improvement plans while liaising with outside experts.

IT platform “Gogin BigAdvance”

Steps underway to further enhance tools, including using online communication as a non-direct contact option for reaching a wider range of negotiation candidates for more timely matching

Business succession and M&A support structure

- Collaboration with external partners, including tax accounts
- Business alliance with Nomura Securities Co., Ltd.
- Business alliance with Nihon M&A Center, Inc.
- More personnel at headquarters specializing in business succession and M&A
- Establishment of Gogin Business Succession & Investment Limited Partnership

Financing

From syndicated loans and finance lease intermediary services to private placement bonds, San-in Godo Bank accurately meets a variety of financing needs of clients, supporting their growth from a funding standpoint as well.

Key Initiative Business revitalization assistance for seafood processors heavily impacted by the COVID-19 pandemic

Nakamura Suisan Co., Ltd. (rehabilitation company), headquartered in Hamada city, Shimane prefecture, is widely known as the prefecture’s largest manufacturer of conger eel-based processed foods. However, the company’s attempts at sales expansion backfired, followed by deterioration in earnings, resulted in taking on enormous debt. The impact of the coronavirus pandemic exacerbated things further, making the company’s already dire predicament even more precarious. San-in Godo Bank determined that through business rehabilitation support, the company’s outstanding processing technology could remain intact, allowing it to contribute even more to development of the region’s seafood industry.

Business Revitalization Flow

Former company

Voluntary liquidation

Assets, Liabilities, Non-performing assets, Excessive debt, Unprofitable businesses

Business sponsor, **Revival fund**

New company Reiwa Seafoods Co., Ltd.

Funding, Assets, Liabilities

Liquidation procedures, Transition of essential business assets and liabilities to new company via absorption and split (All general accounts receivable preserved), Sale of all financial debt

- A business examination is conducted by a specialist under the auspices of the Shimane SME Business Rehabilitation Support Councils.
- A business revival plan is formulated under the sponsorship of a regional revitalization fund operated by Gogin Capital Co., Ltd.
- A representative named by the regional revitalization fund is appointed and management structure is revamped, coupled with steps to achieve sales channel expansion, including in cooperation with the business sponsor.

Shimane prefecture ranks first in domestic catch volume for conger eel, the main raw material used in Reiwa Seafoods’ processed marine products.

Domestic conger eel catch volume

Shimane pref.	19.0%
Nagasaki pref.	15.4%
Miyagi pref.	9.5%
Aichi pref.	7.0%
Ibaraki pref.	6.8%
Other	42.3%

44 SAN-IN GODO BANK

SAN-IN GODO BANK 45

Formation of a safe and secure society

Provision of Stable Financial Infrastructure to All Customers

— Improve our products and services to be closer to customers and user-friendly —

San-in Godo Bank is using digitalization and business alliances to meet customers’ increasingly diverse and complex needs. Together with steps to improve customer convenience and services, we are striving to provide all customers with stable financial services as social infrastructure for the region.

Individual customers Support for shaping abundant lifestyles

Improved convenience through digital utilization

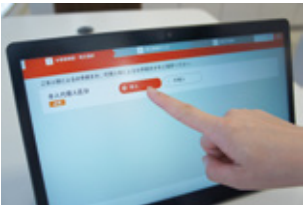
● **Expansion/upgrade of non-direct contact channel**
In a move to enhance customer convenience, we are bolstering our lineup of product and service transactions to allow completion of a wide range of banking transactions anytime via smartphone or PC without ever visiting a physical branch.

The Gogin app

- A bank branch in the palm of your hand**
- **Ordinary saving account opening**
 - **Smart bankbook**
(confirmation of account details, balances)
 - **Internet banking** (fund transfers, time deposits, various paperwork, etc.)
 - **Cashless payments**
 - **Loans** (application, contract)



● **Use of tablets for in-branch acceptance of application**
At Bank branches, digital tablets serve as the reception desk for opening ordinary saving accounts, as well as the location for product description and acceptance of applications for loan products, investment trusts and insurance products for individual customers. This shift to paperless for applications and paperwork, coupled with shorter times to fill in documents and related processing, is leading to improved customer convenience and greater clerical efficiency.



Online inheritance procedures

Completion of inheritance procedures via non-direct contact (Web + postal mail) launched in June 2021

Inheritance procedures can now be completed without a branch visit.

<Service Flow>
User requests inheritance procedures using their home PC or smartphone

San-in Godo Bank homepage →
Required data for inheritance procedures entered using step-by-step guide on the webpage



User guided to submit required documentation for inheritance procedures via postal mail or phone

Documentation received via postal mail

Procedures completed

New financial services combining strengths of banking and securities

— Comprehensive business alliance in financial product intermediary services with Nomura Securities Co., Ltd. —

Combining San-in Godo Bank’s wide-ranging network with Nomura Securities’ specialist expertise and wealth of information, we support customer asset formation that anticipates the era of the 100-year lifespan.



- **Robust product and service lineup**
Products and services currently handled by Nomura Securities, including over 800 types of investment trusts, can be purchased through San-in Godo Bank.
- **Abundance of information**
Through Nomura Securities’ global network, we provide customers with the very latest information from Japan and around the world faster than ever.
- **Highly convenient services**
Transactions are available not only in-person at branches but by phone, online and through other non-direct contact channels designed to match customer needs.
- **More advanced consulting**
Our highly specialized consulting staff delivers financial services with even greater added value. All consultations pertaining to finance can be completed at San-in Godo Bank customer service counters.

Branch structure

Accurately meeting customer needs through the three-distinctive branch structure as follows:

Consulting Plaza	Provider of full line of products and services
Asset management consultation counter	Consultation on asset management and formulation for a wide range of customers Asset management assistance for senior citizens
At other branches	Receive applications for opening of new securities accounts or investment trusts for regular savings plan



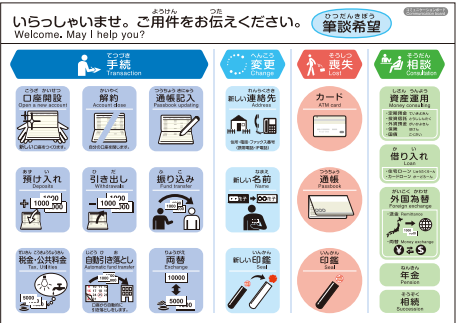
Initiatives ensuring “customer-oriented” business conduct

To ensure an extensive commitment to carry out customer-oriented business philosophy, we have formulated a Policy for Customer-Oriented Business Conduct on asset management and asset formulation businesses.

- **Pursuit of the best possible benefit for customers**
We work diligently to propose optimal products and services for customers that align with their specific objectives, asset status and life stages. When offering proposals, we fully utilize asset management guides and asset design tools, and conduct simulations with customers of life plans that account for family composition, life events, asset status and other relevant factors. Accordingly, we are able to provide consulting services that are easy to understand and more careful from the customer’s perspective.
- **Providing high-level expertise**
Bank employees with specialist knowledge respond accurately to customers’ increasingly diverse, sophisticated and wide-ranging needs, providing individual customers with high-quality products and services selected from among the Bank’s extensive product and service lineup. In providing a continuous stream of information reflecting changes in market environment, market trends, asset management status and other key data, our employees can respond in line with customers’ wishes with asset reviews and take other steps whenever their asset management needs change.

Initiatives for improving service to elderly customers and customers with disabilities

To better enable customers with physical disabilities and elderly customers to access services with peace of mind, San-in Godo Bank is promoting initiatives that address Universal Manners (the “mindset” and “actions” that enable their employees to act from the perspective of these customers), a concept encompassing employee education, improved facilities at branches, and product and service modifications.



Communication board found in Bank branches.

Contributions to Regional Society

Development of Unique and Far-reaching Social Contribution Activities

— Helping through social contribution activities to make an abundant regional society a reality —

Based on the idea of "playing a beneficial role for the region and for customers" even across social, educational, cultural and other social contribution activities, San-in Godo Bank strives to fulfill its responsibilities with respect to regional society, working over many years to develop unique activities in this area.

Social and Cultural Contribution Activities Active participation in regional and social activities

Gogin Hitotsubu no Mugi (One Kernel of Wheat) no Kai (since 1981)

We, Gogin Group directors, executive officers and employees have taken part in this ongoing cash and material donation activity now for four decades. As of March 31, 2021, we had donated wheelchairs, televisions and other items valued at ¥124.93 million to 1,189 regional social welfare facilities and other recipients.

● Donation of hand soap and masks

In an effort to play a useful role in helping protect our future, today's children, from the coronavirus pandemic, we donated hand soap and masks to elementary schools in Shimane and Tottori prefectures in December 2020.



A total of 4,110 bottles of hand soap and 50,000 masks were donated in both prefectures.

Chiisana Shinsetsu (Small Kindness) Movement (since 1997)

As the secretariat for this movement, San-in Godo Bank is working hand in hand with the people of the region in developing a variety of activities that include "Campaigns encouraging kind greetings to others" and "Nationwide cleanup movements."

● Eco-cap collection drive

Money earned through the sale to recyclers of used PET bottle caps, collected in cooperation with members, is donated to UNICEF to help fund the delivery of needed vaccines to children worldwide.



From the start of this movement in 2010 to March 31, 2021, a total of 15,249 kg of caps have been collected, equivalent to roughly 7,600 vaccine doses.

Gogin Cultural Promotion Foundations (since 1992)

These foundations support and sponsor educational, cultural arts and sports activities taking place in Shimane and Tottori prefectures. As of March 31, 2021, the foundations have provided ¥317.01 million in assistance to 1,303 events in Shimane and 1,223 in Tottori.



An Evening of Classical Ballet and Contemporary Dance in Shimane

Youth Education Helping to educate the region's future leaders

Shofukan (page 50)

Financial education — Improving financial literacy —

Through actual worksite visits, guest lectures and other experiences, elementary and junior high school students can learn about the role and functions of banks, as well as money planning for the future.



Fourth class of Shofukan students

Gogin SDGs Private Placement Bonds

Making a sustainable regional society possible and driving clients' social contribution activities through financial products

In step with responding to clients' diverse financing needs, San-in Godo Bank, with the achievement of SDGs objectives in mind, handles private placement bonds in partnership with their issuing companies to support initiatives linked to solving regional issues.

Gogin SDGs private placement bonds - "Regional economic stimulus-type"

The issue of private placement bonds creates donations that fund activity to combat infectious diseases including COVID-19 in the San-in region.

Gogin SDGs private placement bonds - "Donation to medical institution-type"

The issue of private placement bonds creates donations to medical institutions designated to fight infectious disease outside the San-in region.

Gogin SDGs private placement bonds - "Donation to educational institution-type"

The issue of private placement bonds enables the donation of items vital to children's learning and growth, including sports equipment and musical instruments for elementary and junior high schools and other educational institutions.

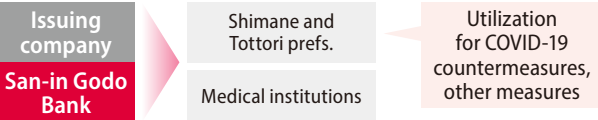
■ Number of SDGs private placement bond issues - 124 cases (FY2020)

"Regional economic stimulus-type" (Shimane pref.)	17 cases	"Sports promotion-type"	9 cases
"Regional economic stimulus-type" (Tottori pref.)	16 cases	"CSR-type"	9 cases
"Donation to healthcare institutions-type"	27 cases	"Social welfare-type"	3 cases
"Donation to educational institutions-type"	43 cases		



Formal ceremony for donations to Shimane prefecture

■ Donations for regional economic stimulus and medical institutions-type
0.2% of amounts of private placement bonds issued gifted in joint names with the issuing company



■ Donations for educational institutions

Goods under 0.2% of amounts of private placement bonds issued gifted in joint names with the issuing company



Promoting Sports Energizing the region through sports promotion

Gogin Women's Badminton Team (since 1993)

The Gogin Women's Badminton Team's dynamic interaction with the community includes offering instruction on technique to elementary and junior high school students, participation in regional sports events and much more. The team competes in the S/J League, Japan's top league in the sport, bringing the energy and excitement of top-level badminton play to the region.



Rooting for local professional sports teams

San-in Godo Bank supports local soccer team Gainare Tottori and basketball team Shimane Susanoo Magic through sponsorship.



Pair of Yokoyama and Yazaki, playing for the 2021 Badminton women's doubles Japan's national B team

Official national park partnership inked with the Ministry of the Environment

As an official national parks partner, San-in Godo Bank is working with Japan's Ministry of the Environment and other relevant government bodies in activities to better understand environmental protections and encourage more visitors to the country's national parks.

Details of Initiative

- Conduct forest conservation activities, coastline cleanup and related efforts (continued)
- Spread national park information at San-in Godo Bank-sponsored seminars, training events, etc.
- Share attractiveness and information pertaining to national parks, other activities



Signing ceremony (Photo offered by the Ministry of the Environment)

Together with the Region — Helping to educate the region’s future leaders —



Shofukan

Youth development activities

Instilling a powerful will to usher in change

“Shofukan” private school was first opened by the Gogin Shimane Cultural Foundation in 2012. In learning how to live and think about life through classical literature from Japan and other countries, local history and nature, traditional culture and other areas, the hope is that participating children will grow to play dynamic roles in society in the future. In contrast to typical cram schools, classroom sizes are intentionally kept small, with the image of old-fashioned Terakoya (private temple school) and Hanko (clan school) in Edo period in Japan, allowing instruction that respects for the individuality of each child. In addition to classroom lectures, through out-of-school field trips and overnight seminars in summer, the school emphasizes the importance of students engaging all of their senses to thoroughly experience the backdrop and true nature of the world around them.



Novice course (3 years) : 20 students

Learning from the cornerstone of the three pillars valued by Shofukan (learn from traditional culture, learn from one’s native place, and learn from nature).

- The Analects of Confucius
- The Tale of the Bamboo Cutter
- Hyakunin Isshu poems
- Notable local figures
- Proper etiquette
- Creatures and nature of Lake Shinji
- Mathematical discussion, others



Middle course (3 years) : 14 students

With novice course learning as a base, along with diving deeper into topics, students learn to open their horizons through learning of cultures outside Japan.

- Koto
- Calligraphy
- Shoshi Hyakka (the Various Masters of the 100 Schools: Thinkers of Ancient China)
- Izumo Fudoki (records of regional cultures, etc.)
- Shimane Peninsula exploration
- Learning of sciences
- Debate
- Useful English expressions
- Learning of notable global figures
- Practice of foreign cooking, others



Advanced course (until adulthood) : 17 students

Reflecting on what they learned previously, students aim for and learn to be autonomous individuals able to act with intention.

- Topic report (3 times a year)
- Group lectures (held occasionally)
- Learning of regional issues
- System to assist in studying abroad available for interested students



Power behind Value Creation

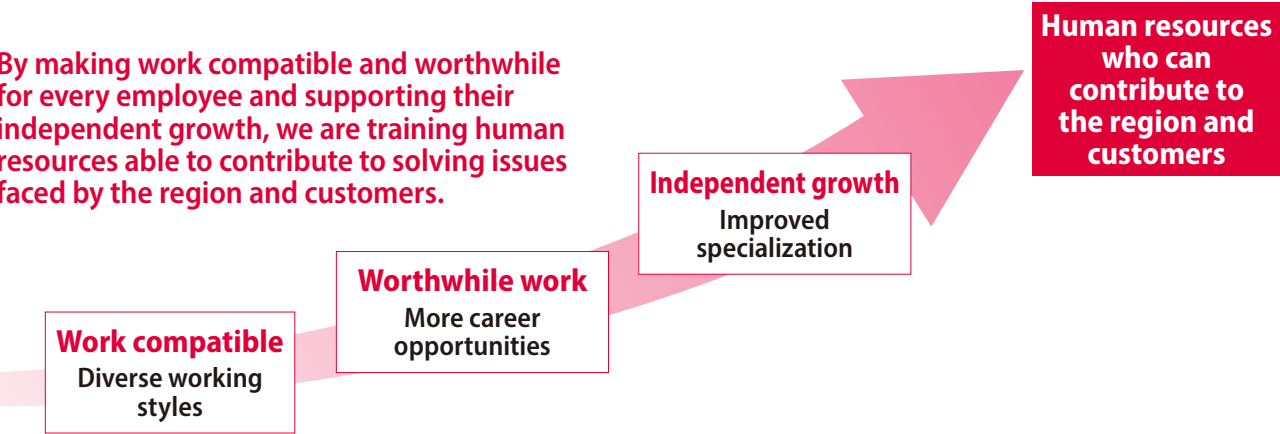


Personnel Strategies	52
Diversity & Inclusion	54
Corporate Governance	57
Messages from the Outside Directors	59
Directors and Executive Officers	60
Promotion of Structural Reform	62
Compliance and Risk Management	64
Risk Management	66
Conversations with Stakeholders	68

Personnel Strategies

— Training highly specialized human resources to help resolve issues the region and customers face —

Building stronger structures as an organization, and training specialized human resources in consulting and digitalization, are indispensable for enabling a business model centered on these fields and fueling powerful growth for the Bank. Through the dynamic action of a diverse workforce filled with individuality, one that allows each employee to individually learn and enhance their own specialization and hone personal strengths, San-in Godo Bank will remain a resilient bank with continued presence.

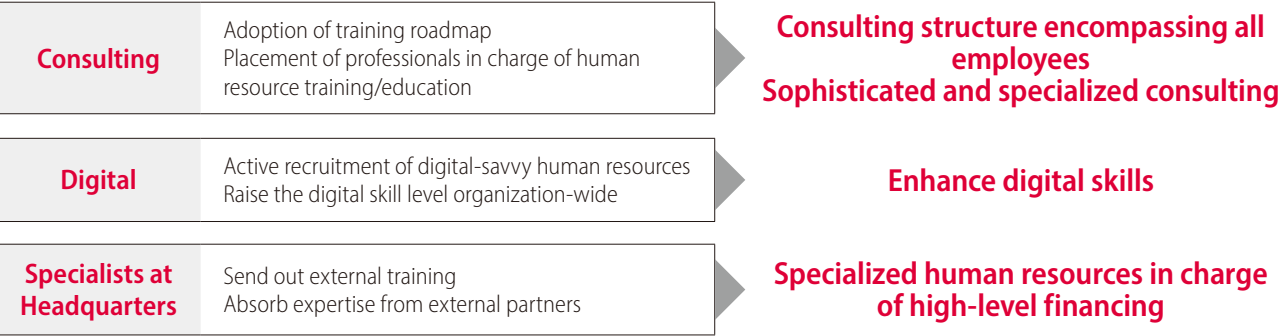
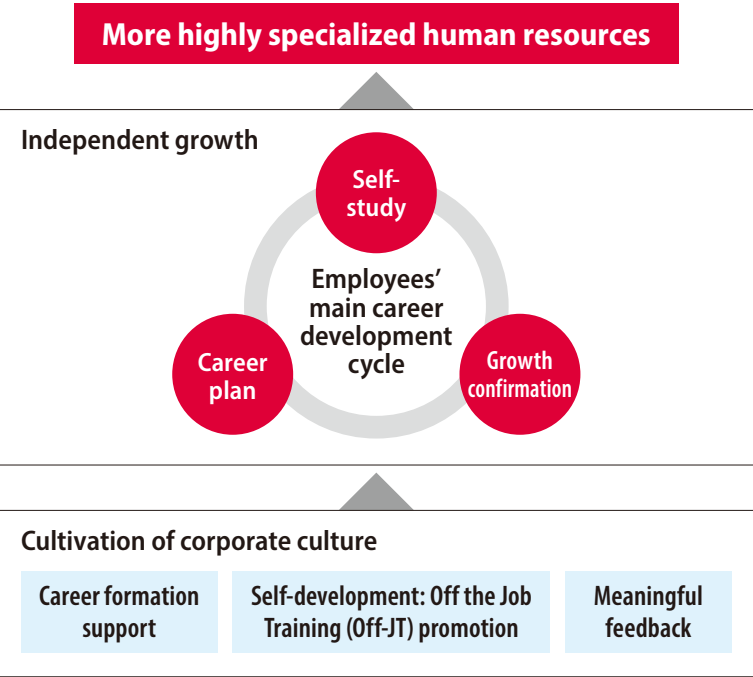


Personnel training

Personnel training system supporting independent growth

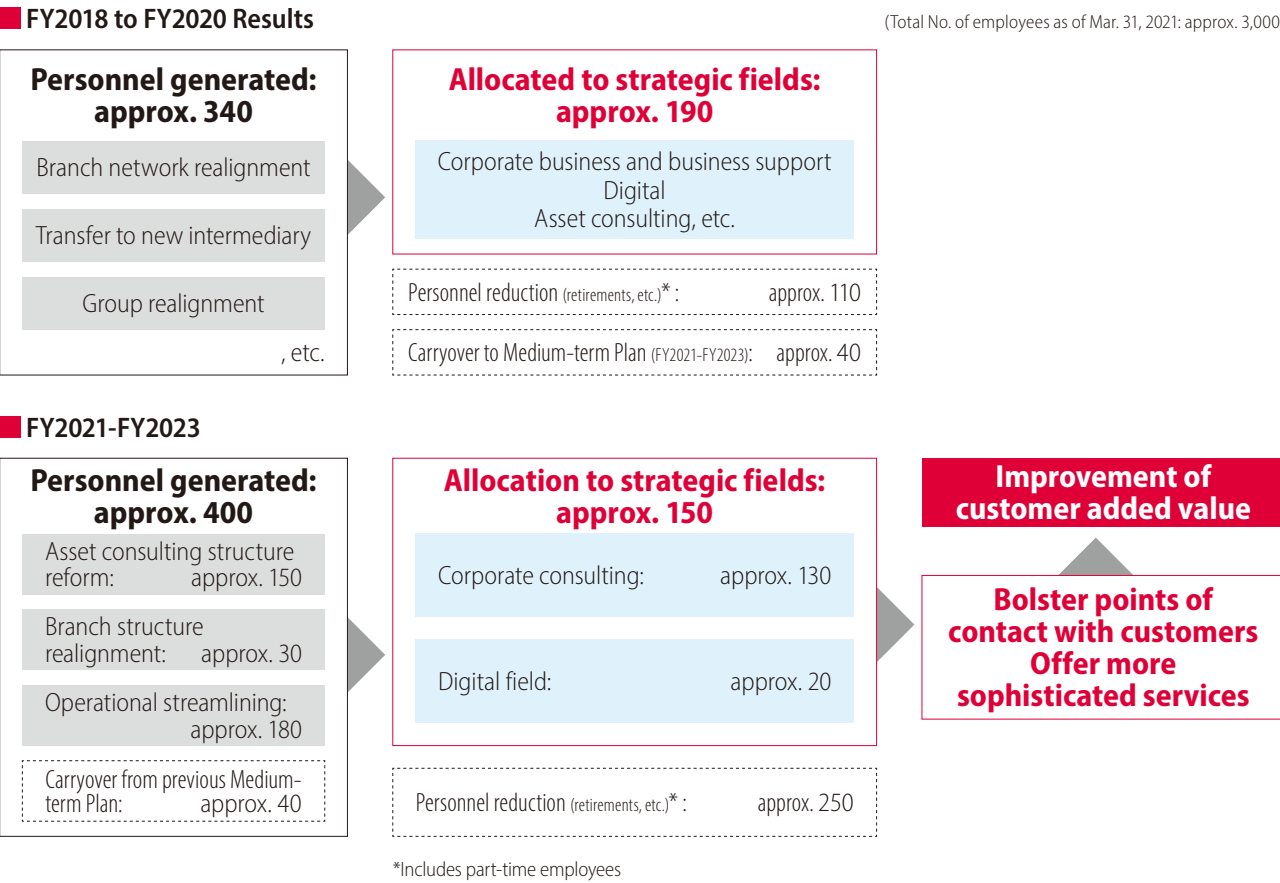
Training independent personnel

Our training seeks to develop employees into thinking and learning on their own, and take the initiative in execution. To this end, we are strengthening systems that support the self-led growth of our employees in a drive to improve their individual levels of specialization.



Strategic personnel allocation

In prioritizing personnel allocation in two strategic fields - consulting and digitalization - we are working to strengthen points of contact with customers and deliver more sophisticated services.



Boost motivation

Cultivate a shared sense of purpose between management and employees

We create opportunities for directors to communicate their management vision and beliefs directly to employees, and for employees to directly convey their opinions and thoughts to directors. By reinforcing two-way communication and deepening mutual understanding, we are raising a shared sense of purpose for the organization.

Personnel evaluation and performance review

Providing more robust feedback is leading to stronger personnel development.

Strengthening communication

Through career formation support, we are working to enhance communication and relationships of trust within the organization.

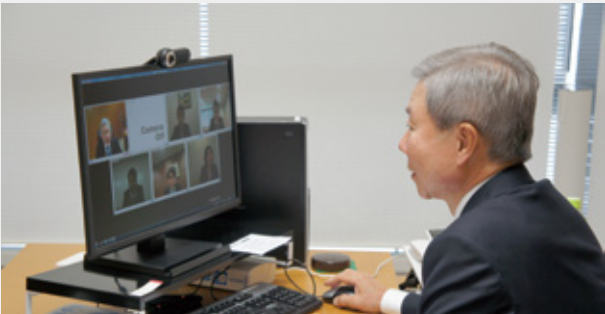
Communication support system

We have established a communication support system designed to strengthen “connections in the workplace” and “connections to family and community,” carrying out events and activities that lead to better communication.

Key Initiative

Discussion with the Bank president

We hold regular online forums with the president of San-in Godo Bank for open communication between the president and employees. Highly rated by employees who have taken part, these forums allow the president to share his management philosophy or approaches to the Medium-term Management Plan, and offer his frank thoughts and advice to questions posed by employees. Through conversations with management, we are striving to build workplaces where open communication is the norm.



Diversity & Inclusion

— Supporting dynamic participation by diverse human resources for an organization where every individual can shine —

Along with expanding opportunities to flourish in creating worthwhile workplaces, we are moving to create workplaces where employees find it easier to work in a bid to encourage a work-life balance.

Expanding opportunities to flourish

Employment of individuals with disabilities

We actively employ individuals with disabilities, creating opportunities to flourish in line with their specific capabilities.

Gogin Challenged

a business site for individuals with disabilities (P56)



Employees creating aesthetically sophisticated artwork at Gogin Challenged Matsue

Career advancement for women and seniors

We strive to ensure worthwhile work environments that encourage employees to take on challenges and amply showcase their talents.

Actively place women employees into managerial positions	Set goal of raising percentage of women managers to 25% or higher by the end of FY2023
Develop diverse career paths	<div> <div> <div>● Career map for Area occupations (occupations with limited work areas)</div> <div>Customer counter service/Individual customer sales/ Finance and foreign currency/Corporate business</div> <div>Provide robust and practical training seminars, strengthen support systems and other steps to proactively support career formation in Area occupations</div> </div> <div> <div>● Allocation and transfer of corporate business under Area occupations</div> <div>FY2020 Results 67 individuals</div> </div> </div> <div> <div>Allocation and transfer to corporate business under Area occupations</div> <div>(Individuals)</div> <div> <div>80 –</div> <div>60 –</div> <div>40 –</div> <div>20 –</div> <div>0</div> </div> <div> <div>FY2018</div> <div>FY2019</div> <div>FY2020</div> </div> </div>
	Active hires of part-time employees as a full-time bank employee
Expand career opportunities for senior human resources	<div> <div>● Actively place as branch managers and general managers</div> <div>● Occupation development leveraging experience</div> <div>Consulting implementation/Education of young employees/Respond to regional human resource needs</div> </div>

Adoption of senior part-time employment track (continuing employment through age 70)

San-in Godo Bank has adopted a part-time employment track that enables seniors to remain continuously employed through age 70 on a part-time basis. This move puts an employment environment in place where employees aged 65 and older can utilize knowledge, experience and skills gained over their careers with the Bank to flourish for years to come.

Work-Life Balance

Support for child rearing, nursing care and work

In addition to parental leave available until the child becomes 3 years old, our active support of work-life balance includes shorter working hours and exemption from and limits on after-hours work for those returning from leave until children complete third grade at elementary school. To encourage male employees to also take parental leave, we actively introduce role models among other steps to cultivate this consciousness. Should nursing care become necessary for family members, a total of 365 days of nursing care leave per applicable family member is available, and can be used up to three separate times within that scope of leave.

● Smile Mama Meeting (Return to work support)

We hold informal get-togethers and meetings to prepare those on parental leave for returning to work. These opportunities to interact with employees on leave and those with experienced and made the jump back to work lead to more relaxing parental leave, while creating a company that can assist one another upon return to work.

● Platinum Kurumin Certification

In December 2018, San-in Godo Bank obtained “Platinum Kurumin” certification based on Japan’s Act on Advancement of Measures to Support Raising Next-Generation Children.



Work style reform

From the perspective of balancing work with child rearing and nursing care responsibilities, along with health management, we encourage employees across the entire Bank to limit after-hours work and to take paid vacation days. We also introduced telework and flextime systems with the goal of making diverse working styles possible for our employees.

● Limiting after-hours work

We encourage every employee to stay mindful of time management, and to approach operations and management in an efficient and balanced manner.

● Encouraging use of paid vacation

Our target for the use of annual paid vacation days is to have 80% of the granted vacation days taken. To this end, we do our best to prepare an environment that enables all employees to enjoy a fuller work-life balance.

● Telework system

To make flexible working styles possible and address risk management, we introduced mobile work, an approach that allows employees to use a designated device to conduct business when working from home, out liaising with clients or during business trips.

● Flextime system

Using their established work schedule as a baseline, employees can change their working hours or start/finish schedule for a given day to match any anticipated work or individual circumstances.

Initiatives for “Health Management”

The Bank formulated the “Health Management Declaration” in September 2018, and has been working across the entire Group led by the President in charge, to keep and enhance the mental and physical health of each employee.

Health Management Declaration

For San-in Godo Bank, every Bank employee represents an irreplaceable asset. Accordingly, we take straightforward yet powerful measures to maintain and promote the physical and mental wellbeing of our workforce. From limiting after-hours work to encouraging the taking of paid vacation and other things, we do whatever possible to create an environment that allows everyone at San-in Godo Bank to work energetically and with a sense that their job is worthwhile.

Certified Health & Productivity Management Outstanding Organization 2021 (Large Enterprise Category) “White 500”

For a third consecutive year, San-in Godo Bank was recognized as a “Certified Health & Productivity Management Outstanding Organization” under the certification system enacted by Japan’s Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi (Japan Health Conference). Among Group companies, San-in General Lease Co., Ltd., Matsue Real Estate Co., Ltd., Gogin Business Services Co., Ltd, Gogin Credit Co., Ltd., San-in Servicing Co., Ltd. and San-in Office Services Co., Ltd. were all recognized in the small- and medium-sized enterprise category for the second consecutive year.



Together with the Region

Assisting in the independence and social participation of individuals with disabilities supported by the region

Gogin Challenged

Business site for
individuals with
disabilities



Gogin Challenged Matsue

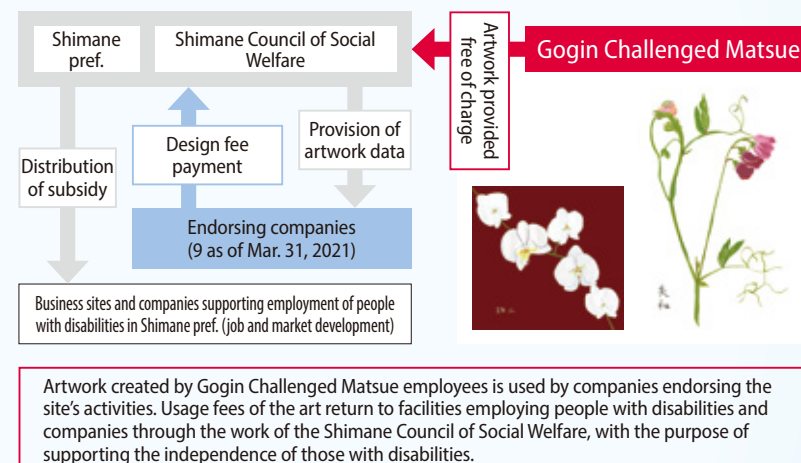
Opened in September 2007

Employees with disabilities: 18
(as of March 31, 2021, No. at opening: 6)

Specializing in the employment of individuals with intellectual disabilities, this site is involved in the production of paintings and the production of novelties utilizing the paintings, along with related clerical work.

Yumeiku Work Support Business

Developed in cooperation with Shimane prefecture and the Shimane Council of Social Welfare as a mechanism to generate economic value from the artistic talents of individuals with intellectual disabilities, efforts focus on assisting in the independence of those with disabilities in the region.



Gogin Challenged Tottori

Opened in September 2017

Employees with disabilities: 13
(as of March 31, 2021, No. at opening: 5)

Employing mainly individuals with mental and developmental disabilities, the site has responsibilities across a wide range of bank operations, including IT skill-centered tasks.

Provision of internships and training programs

Thanks to a comprehensive collaborative agreement with Tottori prefecture and the Tottori Prefectural Board of Education regarding the social participation of individuals with disabilities, Gogin Challenged hosts many training seminars and observation visits mainly by disabled employees from other job sites and students from special education schools. Through mutual collaboration with the region, we support the independence of people with disabilities across multiple dimensions in step with their individual characteristics, thereby contributing to improved employment opportunities.

Membership in "The Valuable 500" international initiative for the flourishing and advancement of people with disabilities

Guided by the belief that "inclusive business makes for an inclusive society," this international initiative seeks to spur companies worldwide to action in showcasing the potential business, social and economic value that individuals with disabilities bring and support their activities. Membership in the initiative will spark further development of our own efforts to date in this area.



50 Japanese companies are members of this initiative endorsed by 500 companies worldwide

Corporate Governance

— Taking steps to strengthen and ensure robust corporate governance —

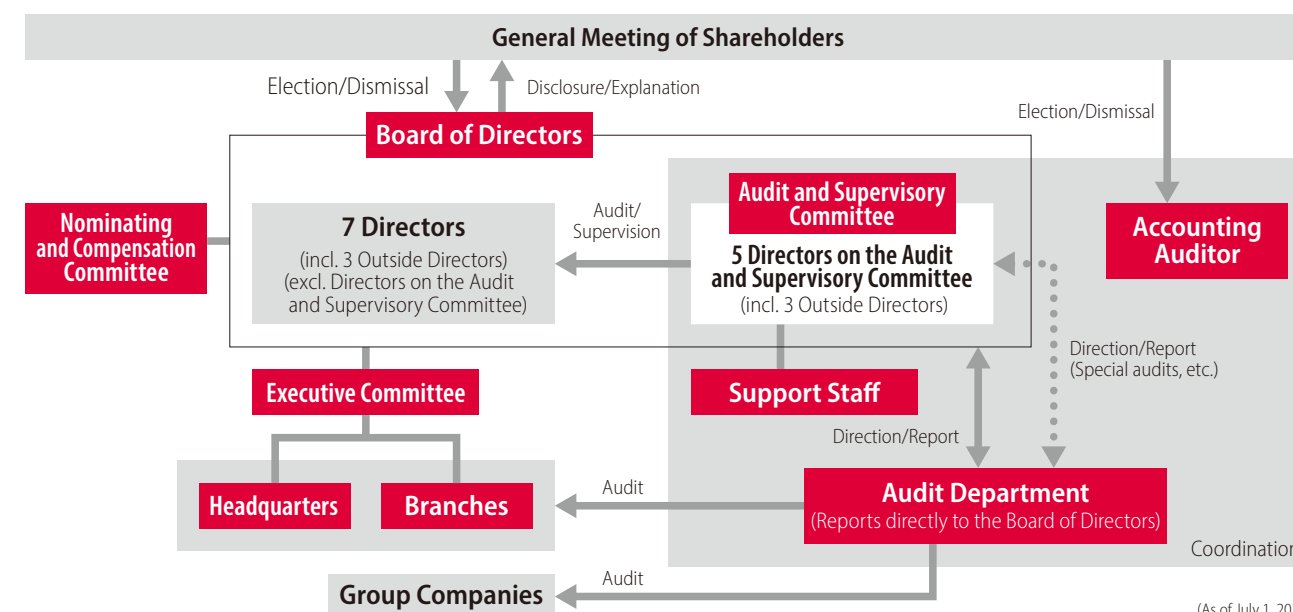


Basic Policies Regarding Corporate Governance

In step with realizing its management philosophy to become "the creative bank that best fulfills the dreams of the region and customers it serves," San-in Godo Bank strives for reinforcement and enhancement of corporate governance in line with the basic policies outlined below in order to appropriately respond to changes in the financial environment, achieve sustainable growth and improve medium- to long-term corporate value.

- (1) The Bank preserves the rights of shareholders, and prepares an environment allowing the proper exercise of those rights. Attention is given, furthermore, to preserving the equality of all shareholders.
- (2) The Bank gives close consideration to the interests of its many stakeholders, including shareholders, customers, employees and regional society, and collaborates appropriately with these stakeholders.
- (3) Regarding financial and non-financial information, namely management strategies and issues, and information pertaining to risk and governance, the Bank conducts appropriate disclosure based on relevant laws and regulations. In the interest of ensuring management transparency, the Bank also strives to provide a robust range of information outside of the scope of legally mandated disclosure.
- (4) The Board of Directors and the Audit and Supervisory Committee, recognizing their roles as trustees on behalf of the shareholders, take appropriate steps to fulfill this duty in an effort to ensure the Bank's sustainable growth and improvement in its medium- to long-term corporate value.
- (5) The Bank holds constructive dialogue with shareholders designed to contribute to improvement in its medium- to long-term corporate value.

Corporate Governance System

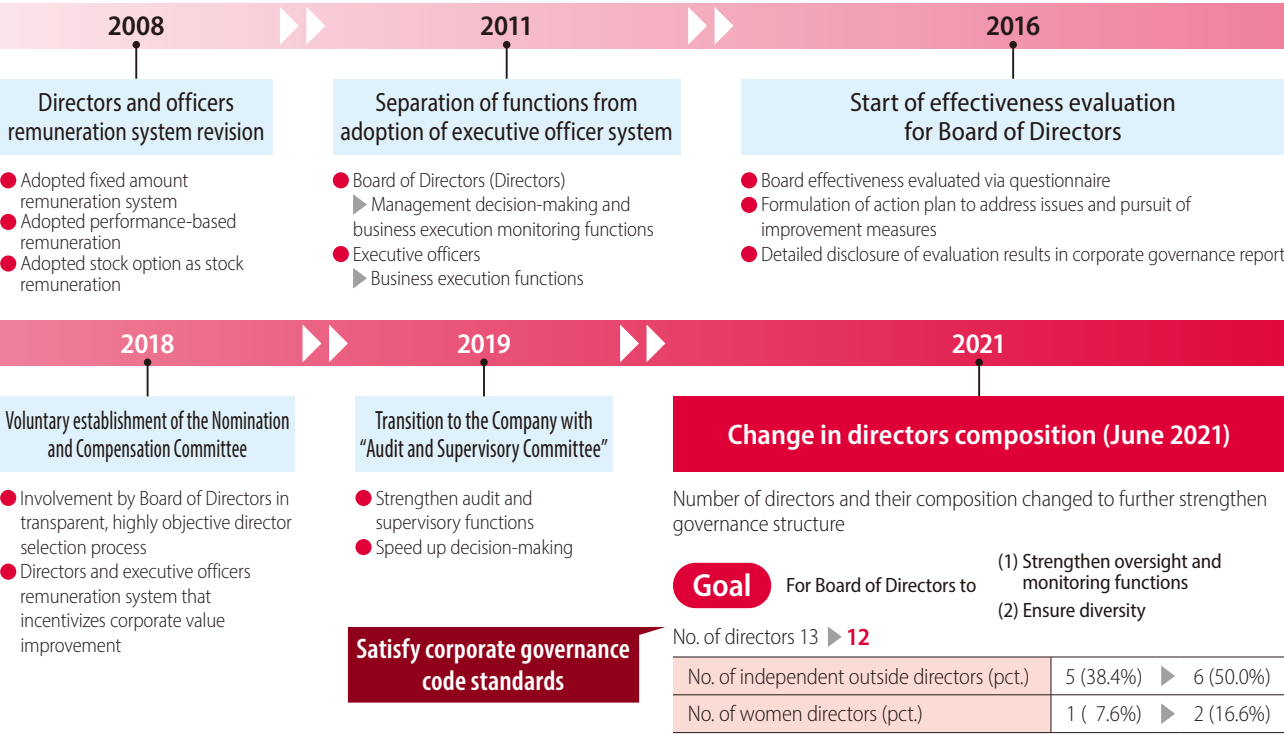


*For more on governance, see pages 15-17 in a separate supplemental disclosure (Japanese only)

Corporate Governance

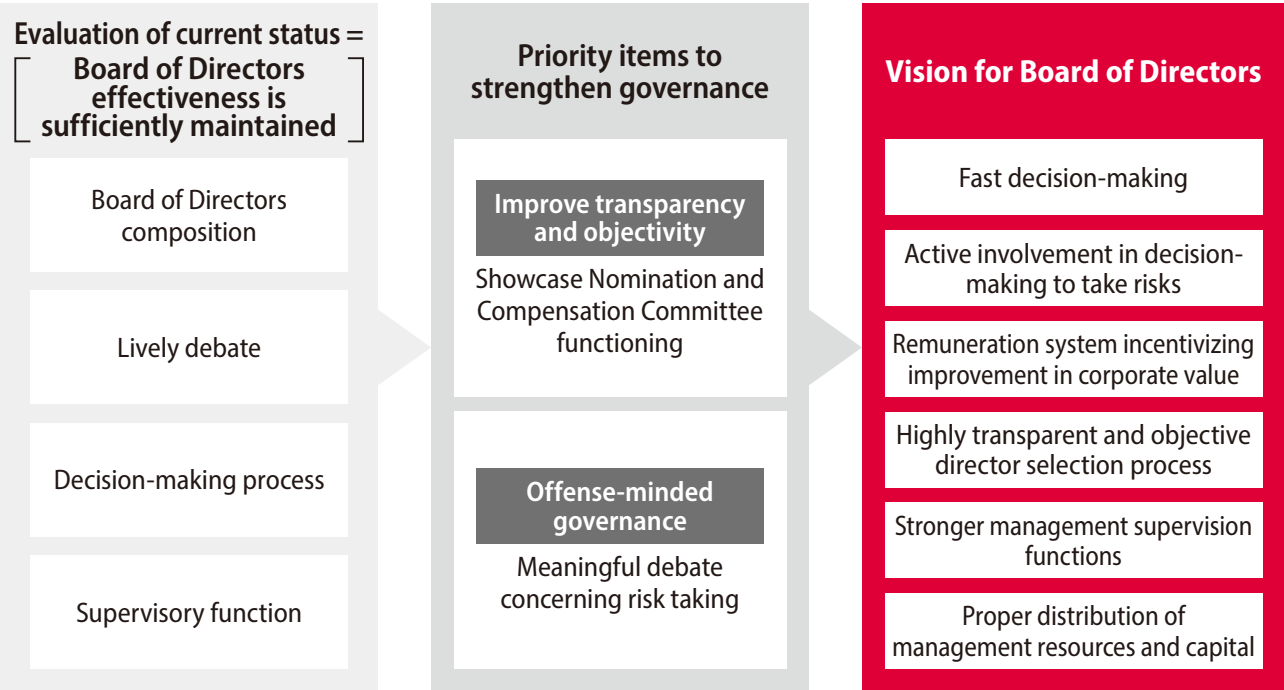
Corporate Governance Reforms

San-in Godo Bank is advancing governance reforms that include changes in institutional design and the composition of the Board of Directors, as well as installment of a remuneration system for directors and executive officers.



Strengthen Corporate Governance Structure

In order to meet stakeholder expectations and achieve ongoing improvements in corporate value, we remain committed to efforts to strengthen our corporate governance structure going forward.



Messages from the Outside Directors

San-in Godo Bank initiatives for pursuing ESG financing in the region

Hideto Tago Director



Presentation of San-in Godo Bank ESG/SDGs initiatives at the High Level Meeting on ESG Finance

At the High Level Meeting on ESG Finance, launched in 2018 and sponsored by Japan's Ministry of the Environment, San-in Godo Bank, representing regional banks, made a presentation of ESG/SDGs-related initiatives. Transcripts of debates from the meeting have been compiled into a document, "Recommendations from the High Level Meeting on ESG Finance – Toward becoming a big power in ESG Finance." The following captures some of the tenor of what emerged from those meetings.

"It's reasonable to say that development of a sustainable, client-oriented business model will not be achievable without perspectives of client ESG issues and SDGs in the region."

"Realizing ESG finance in the region and the pursuit of true relationship banking are one and the same."

"The commitment in San-in Godo Bank's management philosophy to become "The creative bank that best fulfills the dreams of the region and customers it serves" is exactly where the Bank should be aiming today."

Support for regional enterprises transforming their business in response to COVID-19

Because of the coronavirus pandemic, regional economies and society are being forced to undergo massive transformation to adapt to the new normal of living with the coronavirus in a post-COVID world. It is encouraged, for customers running businesses, to promote business transformation, and for individual customers, to create new lifestyle patterns. Transformation and huge risk are two sides of the same coin. However, for those customers daring enough to rise to the challenge, regional financial institutions need to walk along with them as if the same issue were theirs to confront. These institutions have crystals of equity (retained earnings) that have been earned from transactions with local customers over many years. The extent to which they opt to use this equity as a buffer to help customers tackle their transformation challenges, by which evaluates the true value of a regional financial institution. Luckily, thanks to its customers, San-in Godo Bank has one of the most substantial levels of equity among its peer regional financial institutions. The COVID-19 pandemic is arguably the precise moment to use this equity.

And if not now, at a time like this, then when exactly? Our long struggle against the novel coronavirus will continue. And although support measures for funding, such as government-led financing and grants to fight COVID-19, emerged as vital to response crises, these are nothing more than steps to temporality stop hemorrhaging and buy time. While these stopgap measures are still working, companies must tackle the business transformation needed to adapt to the new normal.

However, high is the level of difficulty, when it comes to business transformation. Beginning with the businesses in question, financial institutions they deal with, organizations supporting small and medium-sized businesses and a host of professionals have to look ahead to the all-out battle that's looming, and join forces to support each other as they run toward it. As we all know, 99% of Japanese companies are small and medium-sized enterprises. Given that regional economy and society is driven by them, the awareness of these small and medium-sized business owners is crucial to ensuring regional sustainability.

For business owners opting for business transformation to get ready for life with and post coronavirus, and for the regional financial institutions that decide to get close and run alongside with support, in the future perspective, ESG/SDGs and Business Continuity Planning (BCP) are the ones.

While the COVID-19 is certainly unprecedented in modern times and for many was something they could never expect possible, the idea that peaceful times continues indefinitely is an unrealistic scenario. An expert once said that the word "unexpected" was really nothing more than an excuse, and I couldn't agree more.

For the tough times that lie ahead, San-in Godo Bank will need to throw away the word "unexpected" and put in the hard work and sweat together with customers for the sustainability and growth of the region.

Hideto Tago
Born in Yasugi city, Shimane prefecture. Following stints at the Bank of Tokyo (currently, MUFG Bank), foreign-affiliated financial institutions, and major consulting firms, Tago was appointed as an Outside Director at San-in Godo Bank in June 2007. Since 2011, he has served as a Representative Director of the Research Institute of Japanese Regional Economy. Tago has served as a government-appointed expert many times over his career. His service today includes serving as a member of the Ministry of the Environment's "ESG Finance High Level Panel."

Directors and Executive Officers

(as of June 22, 2021)

Directors (excl. Directors on the Audit and Supervisory Committee)



Chairman and Representative Director
Fumio Ishimaru

Apr. 1977 Joined San-in Godo Bank
Jul. 1998 General Manager, Sakuradani Branch
Jun. 2001 General Manager of ALM Office, General Planning Dept.
Jun. 2003 General Manager, Hiroshima Branch
Apr. 2006 General Manager, Tottori Business Dept.
Jun. 2007 Director, General Manager, Tottori Business Dept.
Apr. 2008 Director, General Manager, Management Planning Dept.
Jun. 2009 Managing Director, General Manager, Management Planning Dept.
Jun. 2010 Managing Director
Jun. 2011 Director and Senior Managing Executive Officer, Chief, Tottori Headquarters
Jun. 2013 Director and Senior Managing Executive Officer
Jun. 2015 President and Representative Director
Jun. 2020 Chairman and Representative Director (current)



Director
Yuji Funo

Apr. 1987 Joined San-in Godo Bank
Apr. 2006 Assistant Manager, Personnel Dept.
Jul. 2008 Group Manager, Personnel Dept.
Jul. 2010 General Manager, Amagasaki Branch
Jun. 2013 General Manager, Gotsu Branch
Jun. 2015 General Manager, Personnel Dept.
Jun. 2017 Executive Officer, Chief, Iwami Headquarters
Jun. 2019 Managing Executive Officer
Jun. 2021 Director and Managing Executive Officer (current)



Director (Outside, Independent)
Hideto Tago

Apr. 1974 Joined The Bank of Tokyo, Ltd. (currently, MUFG Bank, Ltd.)
Aug. 1988 General Manager, Capital Markets Dept., Tokyo Branch, France-based Banque Indosuez
Jan. 1992 General Manager, Service Promotion Dept., Tokyo Branch, National Westminster Bank Plc
Apr. 1997 Representative Director, Tago Offices Co., Ltd. (current)
Apr. 1999 Partner, Deloitte Tohmatsu Consulting LLC (currently, ABeam Consulting Ltd.)
Jun. 2003 Advisor, ABeam Consulting Ltd.
Jun. 2004 Auditor, The Kagoshima Bank, Ltd.
Jun. 2007 Director, San-in Godo Bank (current)
Jun. 2007 Director, The Kagoshima Bank, Ltd.
Jun. 2018 Director, The Shoko Chukin Bank, Ltd. (current)
Jun. 2020 Director, The Towa Bank, Ltd. (current)



Director (Outside, Independent)
Yasuhiro Goto

Apr. 1984 Joined Nikkei Inc.
Sept. 1988 Assigned to Bahrain Bureau, Nikkei Inc.
Jan. 1990 Assigned to Editorial Headquarters for Europe (London), Nikkei Inc.
Sept. 1992 Industrial Dept., Tokyo Head Office, Nikkei Inc.
Sept. 1997 Assigned to Editorial Headquarters for China (Beijing), Nikkei Inc.
Sept. 2000 Editorial Board Member, Industrial Dept., Tokyo Head Office, Nikkei Inc.
Mar. 2002 Editorial Writer, Nikkei Inc.; Newscaster, Nikkei (NBC)
Apr. 2005 Part-time Director, Nippon Petroleum Assoc. (NPA) (current)
Mar. 2008 General Manager, Tokyo Head Office Editorial Bureau Asia, Nikkei Inc.
Apr. 2010 Senior Staff Writer, Nikkei Inc.
Apr. 2016 Professor, Faculty of Urban Innovation, Asia University (current)
Jun. 2017 Outside Auditor, Foster Electric Company, Limited
Apr. 2020 Director, Orange Tech Japan Co., Ltd. (current)
Jun. 2020 Outside Director, Foster Electric Company, Limited (current)
Jun. 2021 Director, San-in Godo Bank (current)



President and Representative Director
Toru Yamasaki

Apr. 1982 Joined San-in Godo Bank
Jun. 2006 General Manager, Yonago-nishi Branch
Jun. 2009 General Manager, Business Planning Dept.
Jun. 2012 Executive Officer, General Manager, Management Planning Dept.
Jun. 2014 Managing Executive Officer
Jun. 2015 Director and Senior Managing Executive Officer
Jun. 2018 Director, Vice President and Executive Officer
Jun. 2020 President and Representative Director (current)



Director
Shuichi Ida

Apr. 1988 Joined San-in Godo Bank
Apr. 2007 Assistant Manager, Credit Screening Dept.
Jul. 2008 Assistant Manager, Personnel Dept.
Jul. 2010 Group Manager, Personnel Dept.
Jul. 2011 General Manager, Yonago-higashi Branch
Jul. 2014 General Manager, Hiroshima Branch
Jun. 2016 General Manager, General Operational and Administrative Dep.
Jun. 2018 Executive Officer, General Manager, Management Planning Dept.
Jun. 2020 Director and Managing Executive Officer, General Manager, Management Planning Dept. (current)



Director (Outside, Independent)
Yasuyuki Kuratsu

Apr. 1979 Joined The Bank of Tokyo, Ltd. (currently, MUFG Bank, Ltd.)
Apr. 1996 Managing Director, Bankers Trust
Jun. 1997 Managing Director, The Chase Manhattan Bank
Jun. 1998 Concurrently appointed as Tokyo Representative, Chase Securities, Inc.
Apr. 2001 President, Research and Pricing Technologies Inc. (current)
Feb. 2007 Executive Officer, Industrial & Infrastructure Fund Investment Corporation
Mar. 2007 Auditor, Central Tanshi FX Co., Ltd. (current)
Apr. 2015 Senior Fellow, Institute for International Economic Studies (current)
Jun. 2018 Director, San-in Godo Bank (current)

Director and Audit and Supervisory Committee Member



Full-time Audit and Supervisory Committee Member
Koji Miyauchi

Apr. 1988 Joined San-in Godo Bank
Jul. 2007 Group Manager, Management Planning Dept.
Jul. 2010 General Manager, Matsue Ekimae Branch
Jun. 2013 General Manager, Tokyo Branch
Jul. 2015 General Manager, Hamada Branch
Jun. 2017 General Manager, Personnel Dept.
Jun. 2018 Executive Officer, General Manager, Personnel Dept.
Jun. 2019 Full-time Audit and Supervisory Committee Member (current)



Audit and Supervisory Committee Member (Outside, Independent)
Shoichi Imaoka

Oct. 1987 Joined Sanwa Tohmatsu Aoki Audit Firm (currently, Deloitte Touche Tohmatsu LLC)
Apr. 1991 Registered as Certified Public Accountant
Dec. 1999 President, Imaoka CPA Office (current)
Sept. 2004 Registered as Certified Tax Accountant; President of Imaoka Shoichi Certified Tax Accountant Office (current)
Aug. 2007 Auditor, Daikokuten Bussan Company (current)
Oct. 2007 Partner, AC Earnest Audit Corporation Co., Ltd. (current)
Jun. 2015 Auditor, San-in Godo Bank
Jun. 2019 Audit and Supervisory Committee Member, San-in Godo Bank (current)



Audit and Supervisory Committee Member (Outside, Independent)
Tomoaki Seko

Oct. 1992 Joined Tohmatsu Auditing (currently, Deloitte Touche Tohmatsu LLC)
Apr. 2006 Registered as attorney (joined Tottori Bar Assoc.), joined Tottori Himawari-Fund Law Office (currently, Tottori Aozara Law Office) (current)
Jan. 2007 Registered as Certified Public Accountant
Mar. 2014 Outside Auditor, Nippon Ceramic Co., Ltd.
Mar. 2016 Outside Director (Audit and Supervisory Committee Member), Nippon Ceramic Co., Ltd. (current)
Jun. 2020 Outside Auditor, Tottori Airport Building Co., Ltd. (current)
Jun. 2021 Audit and Supervisory Committee Member, San-in Godo Bank (current)



Full-time Audit and Supervisory Committee Member
Mamiko Nakamura

Apr. 1986 Joined San-in Godo Bank
Apr. 2010 General Manager, Kunibiki Sub-branch
Apr. 2013 Assistant Manager, Credit Screening Dep.
Jul. 2013 General Manager, Naoe Branch
Feb. 2016 General Manager, Shimane-idaidori Branch
Jun. 2018 General Manager, Customer Service Dept.
Jun. 2019 General Manager, Personnel Dept.
Jun. 2021 Full-time Audit and Supervisory Committee Member (current)



Audit and Supervisory Committee Member (Outside, Independent)
Tamaki Adachi

Oct. 2001 Registered as attorney (joined Tottori Bar Assoc.)
Jan. 2011 Representative, Tamaki Adachi Law Office (current)
Apr. 2016 Auditor, Tottori University (current)
Jun. 2016 Auditor, San-in Godo Bank
Jun. 2019 Audit and Supervisory Committee Member, San-in Godo Bank (current)

Executive Officers

President and Chief Executive Officer
Toru Yamasaki

Senior Managing Executive Officer (Chief, Hyogo-Osaka Headquarters)
Hideaki Furuyama

Managing Executive Officer (Chief, Yonago Headquarters)
Tetsuya Anjiki

Managing Executive Officer
Yuji Funo

Managing Executive Officer (General Manager, Management Planning Dept.)
Shuichi Ida

Managing Executive Officer
Soichi Akishita

Managing Executive Officer (Chief, Sanyo Headquarters)
Hiroshi Yoshikawa

Managing Executive Officer (Chief, N-Alliance Headquarters; General Manager, Asset Consulting Dept.)
Hidetoshi Kageyama

Executive Officer (General Manager, Corporate Business Dept.)
Toshimitsu Akaki

Executive Officer (General Manager, Risk Management Dept.)
Hirohisa Ikuta

Executive Officer (General Manager, Personnel Dept.)
Tomofumi Kanaya

Executive Officer (Chief, Iwami Headquarters)
Shinji Ito

Executive Officer (General Manager, Kobe Branch)
Eiji Kikkawa

Executive Officer (General Manager, IT Management Dept.)
Yuzuru Yasuda

Executive Officer (General Manager, Okayama Branch)
Noboru Nariai

Executive Officer (Chief, Tottori Headquarters; General Manager, Tottori Business Dept.)
Yoshikazu Tanaka

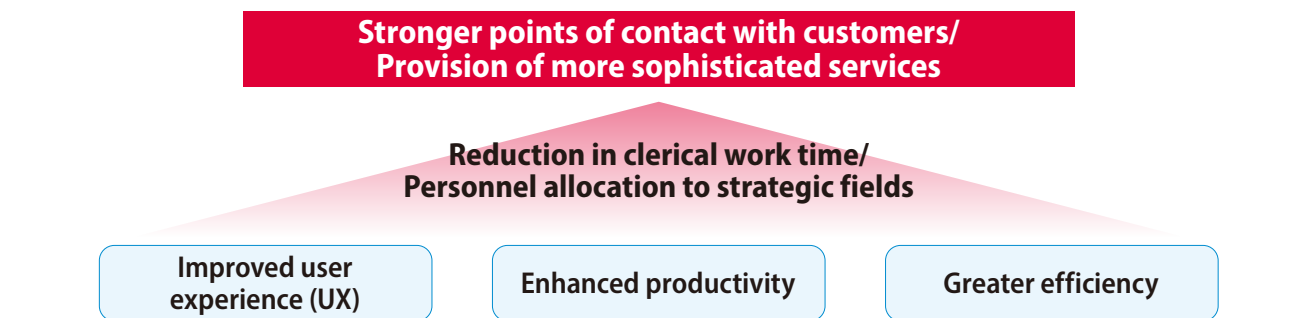
(Notes) 1. Director Hideto Tago, Director Yasuyuki Kuratsu and Director Yasuhiro Goto are Outside Directors pursuant to Article 2 (15) of Japan's Companies Act. Pursuant to the rules of the Tokyo Stock Exchange, all three names have also been registered with the Exchange as independent directors.
2. Directors on the Audit and Supervisory Committee Shoichi Imaoka, Tamaki Adachi and Tomoaki Seko are Outside Directors pursuant to Article 2 (15) of Japan's Companies Act. Pursuant to the rules of the Tokyo Stock Exchange, all three names have also been registered with the Exchange as independent directors.

Promotion of Structural Reform

— Moving personnel and investment resources to strategic fields through enhanced productivity in the extensive pursuit of greater streamlining and efficiency —

Basic policy

Building a stronger management base is key to the powerful promotion of consulting and digitalization as strategic fields. By extensively pursuing gains in streamlining and efficiency, coupled with the movement of personnel and investment resources freed up by this enhanced productivity into strategic fields, we aim to provide more advanced services to our customers.



Improved user experience (UX)	Stronger consulting functions	<ul style="list-style-type: none"> Corporate consulting upgrade and expansion Business alliance with Nomura Securities Co., Ltd.
	Digital technology utilization	<ul style="list-style-type: none"> Full line of non-direct contact channels Adoption of CRM/SFA
Enhanced productivity	Restructuring organizational structures	<ul style="list-style-type: none"> Building of structural reform promotion structure Strategic personnel reallocation
	Personnel management adapted to the changes in lifestyles	<ul style="list-style-type: none"> Personnel system reform Working style reform
Greater efficiency	Organization system rationalization	<ul style="list-style-type: none"> Branch network realignment Core system upgrade
	Rationalization reflecting service maintenance and provision cost	<ul style="list-style-type: none"> Less clerical work at branches Profitability-driven operational review

Results of the previous Medium-term Management Plan

Personnel generated: 340

Expense reduction: ¥1.6 billion

Improving the user experience (UX)

We are powerfully promoting consulting and digitalization as strategic fields.
▶ See pages 44-45 for more on efforts to strengthen consulting, and pages 32-33 for more on our digitalization strategy.

Enhancing productivity

Reallocate management resources to strategic fields.
▶ See page 53 for more on the strategic realloaiton of personnel.

Greater Efficiency

Uncovering management resources through greater streamlining and efficiency.

Greater organizational system rationalization

Group Governance

● Business performance management by segment

Depending on our customer base, whether corporate or individual, we work in conjunction with Group companies to manage profitability for each business segment.

● Realigning overlapping businesses within the Group

In an effort to better streamline and improve operational efficiency, we review operations across the entire Group with the primary aims of reducing costs, efficiently allocating personnel, and boosting expertise.

Branch strategy

● Branch network rationalization

In addition to shifting 33 locations in Shimane and Tottori prefectures over to “branch-in-branch” models from August to September 2020, we adopted lunch hour system under which we stop business operations at sub-branches and branches outside of the region as part of efforts to develop an efficient and flexible branch structure. In parallel, we upgraded and expanded products and services available online as part of a push to ensure customer convenience.

● Reviewing branch roles to better strengthen consulting operations

Through our alliance with Nomura Securities Co., Ltd., we opened a consulting plaza in Shimane and Tottori prefectures of the San-in region in September 2020, followed by the integration of branches involved in asset management services with our asset management consulting counter (regional core branch) in March 2021. This consolidation of expertise with Bank employees possessing specialist knowledge has resulted in a structure enabling the provision of financial services with even greater added value.

Improved rationalization based on service maintenance and cost awareness

ATM operation structure

By leveraging agreements with external institutions regarding ATM usage, we are reducing costs while maintaining financial infrastructure in less geographically accessible areas. Meanwhile, reviews of management structure on our ATM operation in urban settings is leading to improved efficiency.

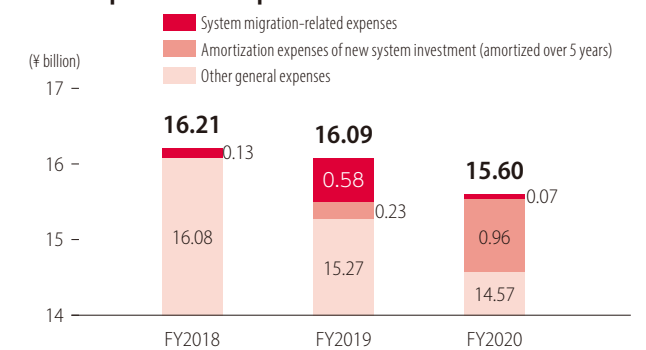
Transactions with regional public bodies and organizations

We take steps to ensure that service fees are appropriately set. Additionally, in supporting the digitization efforts of regional public bodies and organizations to improve the convenience and efficiency of government services, we work to make transactions with these entities more streamlined and efficient.

Expense Control

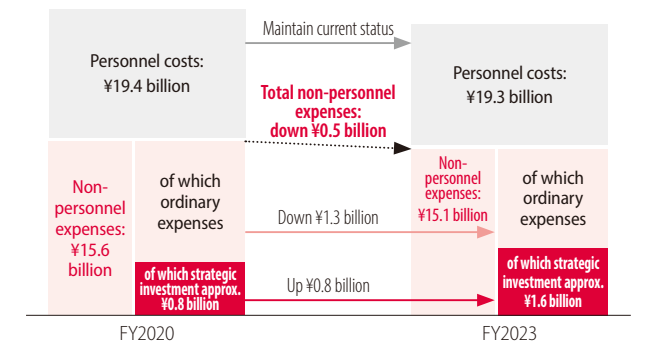
Thanks to our drive for structural reform and cost reductions, we reduced non-personnel expenses by roughly ¥0.5 billion year on year.

Non-personnel expenses



Cost Planning

For personnel costs, despite reductions in employee numbers due to natural attrition, current cost levels are expected to remain unchanged due to personnel system reviews, the adoption of continuing employment for employees 65 and older and other factors. In non-personnel expenses, we intend to aggressively invest in strategic fields. For ordinary expenses, we are targeting a reduction of ¥0.5 billion versus fiscal 2020 in the final year of the Medium-term Management Plan, reflecting the outcome of structural reforms and continued reductions thanks to ongoing rationalization.



Compliance and Risk Management

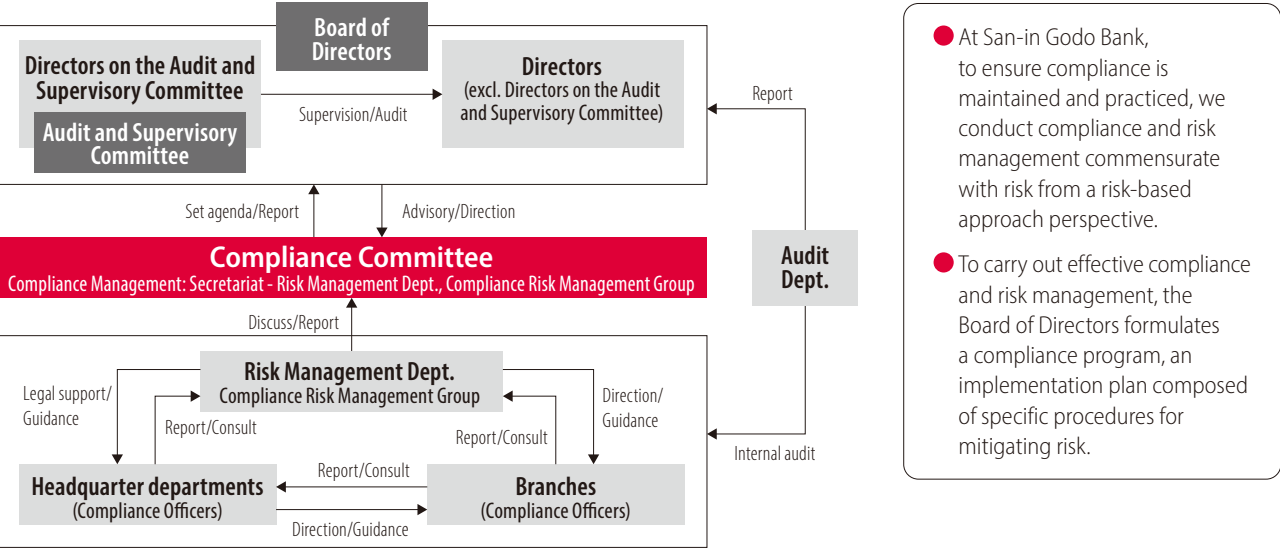
— Targeting development of solid compliance and risk management structures —

Basic approach regarding compliance

At San-in Godo Bank, we position compliance as one of our most important management issues, taking aggressive steps to strengthen the compliance system for fostering a corporate culture in respect of compliance.

Under its remit, the Compliance Committee periodically inspects compliance status as well as the improvement and operation of compliance and risk management structures, proposing appropriate measures and solving problems as needed. Inspection-related matters are regularly put on the agenda or reported to the Board of Directors.

Compliance Structure (as of July 1, 2021)



Better compliance management through proper internal whistleblower system operation

To reinforce compliance management, San-in Godo Bank has installed both internal and external whistleblower systems. These systems allow employees to directly seek advice or report legal violations and other compliance-related problems, making rapid discovery and correction of such issues possible.

- We obtained registration under Japan’s Whistleblowing Compliance Management System certification (declaration of conformity registration system)

On August 16, 2019, San-in Godo Bank became the first regional financial institution in Japan to register as a company under Japan’s Whistleblowing Compliance Management System certification, a system under the jurisdiction of the Consumer Affairs Agency. Certification is renewable annually.

In moving toward stronger compliance management going forward, we will take further steps to rapidly identify and correct any compliance violations or other issues revealed through proper operation of our Whistleblowing Compliance Management System.

Whistleblowing Compliance Management System

WCMS mark based on the Japan’s Whistleblowing Compliance Management System certification (declaration of conformity registration system)

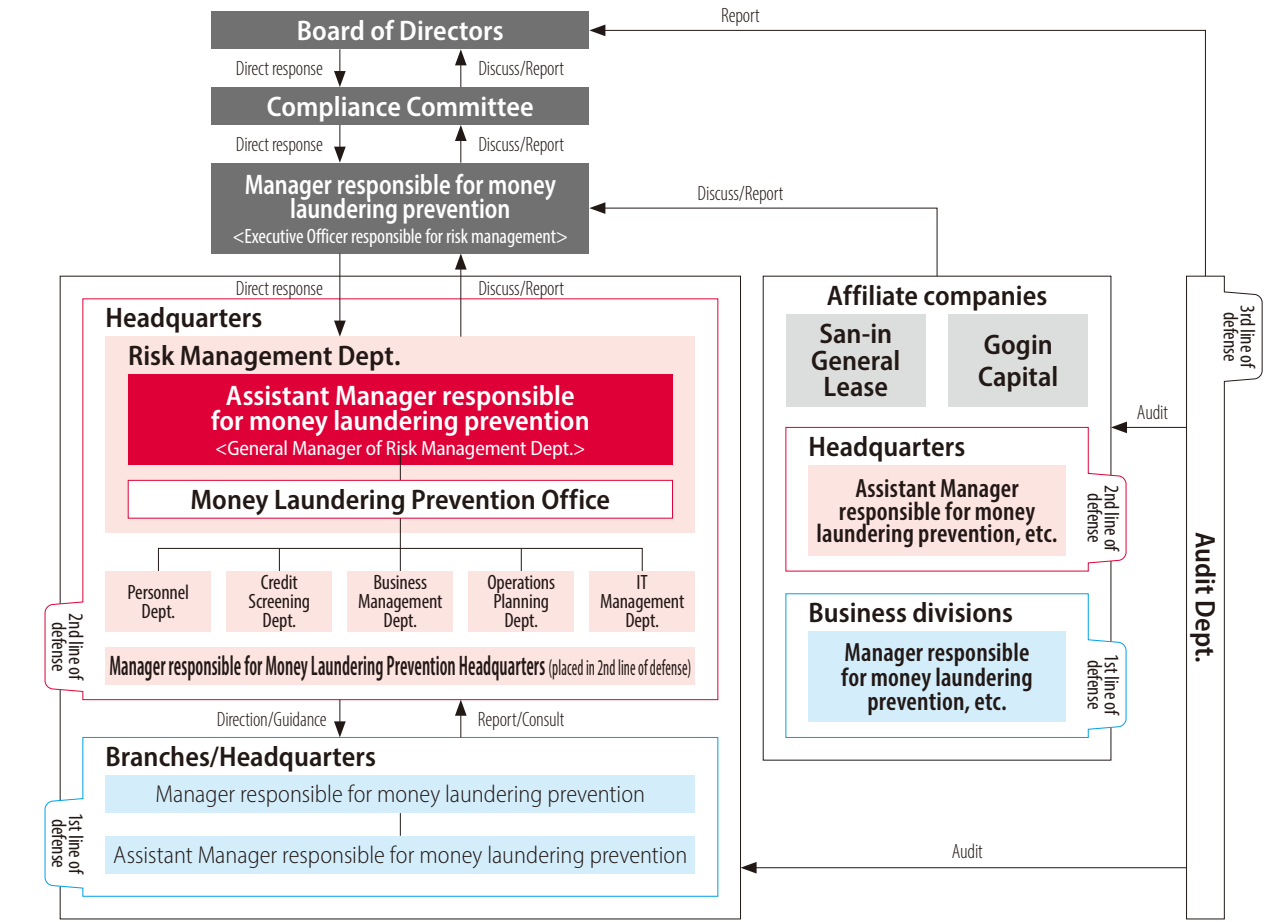
Initiatives for Eliminating Antisocial Forces

To maintain public trust in financial transactions and ensure both the appropriateness and soundness of its operations, San-in Godo Bank has internal systems in place regarding the complete cut-off of any relationships with antisocial forces, not only the Bank but the entire Group united in efforts to eliminate any antisocial forces. In dissolving any transactions or handling any unfair claims pertaining to antisocial forces, our highest priority is the safety of our directors, executive officers and employees.

Initiatives to Prevent Money Laundering

At San-in Godo Bank, we recognize it our responsibility as financial institutions to take measures to combat money laundering and the financing of terrorism (hereinafter, referred to as “Money Laundering, etc.”), of which the international community expects, and have positioned upholding a stance to prevent Money Laundering, etc. as a key management issue. In preventing clients, directors, executive officers, employees and others from participating or being unwittingly caught up in Money Laundering, etc., we are contributing to the maintenance and development of a sound financial system.

Money laundering prevention framework



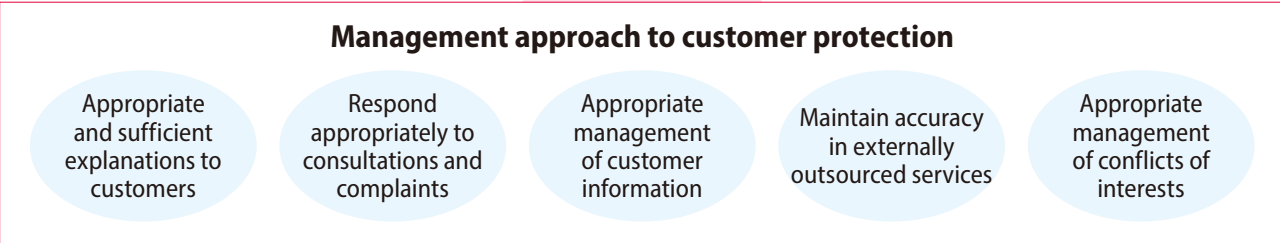
Initiatives to Safeguard Clients

From the viewpoint of protecting and improving convenience for the customers who use San-in Godo Bank, we have further enhanced a number of policies, such as “offering appropriate and sufficient explanations to customers” “responding appropriately to consultations and complaints” “appropriately managing client information” “maintaining accuracy and appropriate responses to client data and customers in externally outsourced services” and “appropriate management of conflicts of interests.” Our aim is to establish and maintain the management structure to further enhance safeguard of customers.

Additionally, we make sure that directors, executive officers and employees are keenly aware of the importance of safeguarding clients and related concerns during regular trainings and seminars on compliance, in a commitment to protecting customers and improving their convenience.

Extensive safeguarding of customers and improved customer convenience

Inspect and improve all operations, from the customer’s perspective



*For more on compliance and risk management, see pages 18-19 in a separate supplemental disclosure (Japanese only)

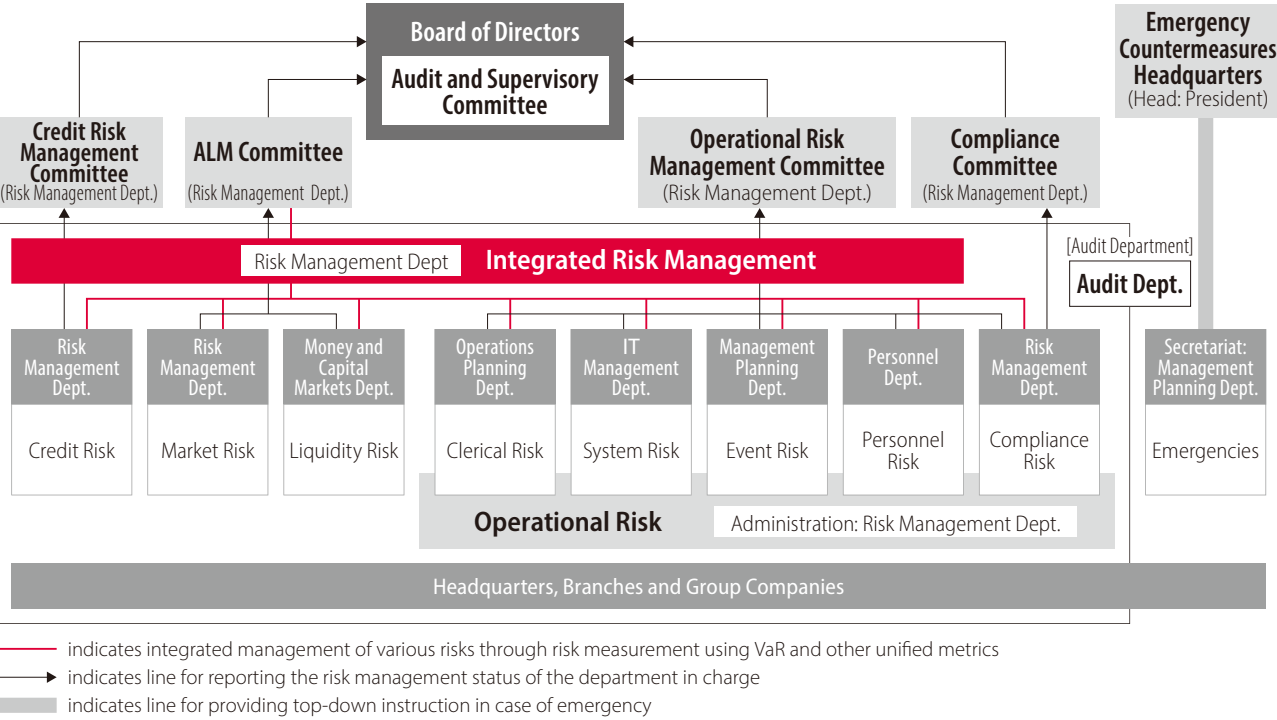
Risk Management

— Aiming to maintain sound management and enhance profitability —

Basic Approach to Risk Management

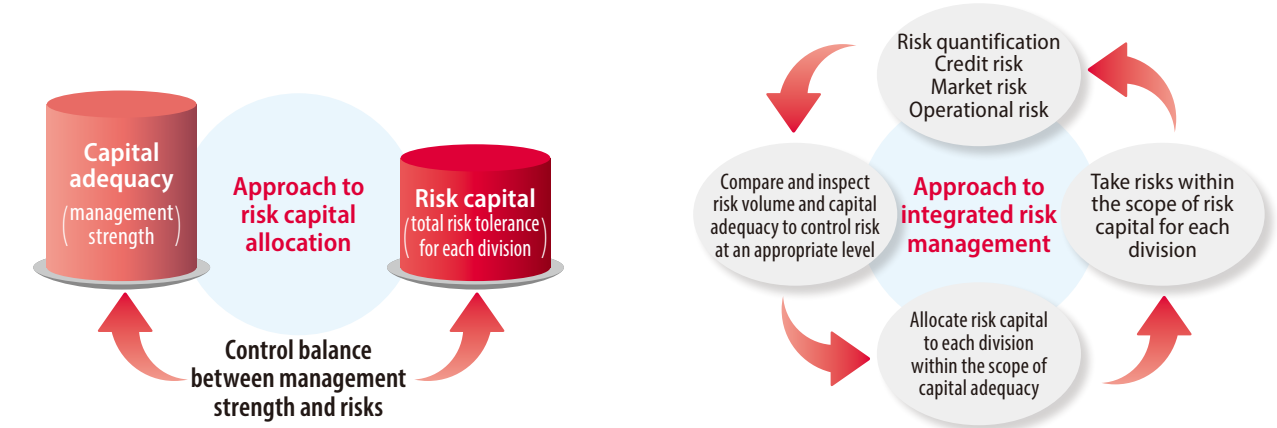
At San-in Godo Bank, we set risk management as the most important issue in maintaining the stability and soundness of management and have established a risk management system with our board of directors placed at the top. Specifically, we classify risk to be managed as credit risk, market risk, liquidity risk and operational risk and assign respective departments in charge of management of each.

Risk Management System (as of July 1, 2021)



Integrated Risk Management

“Integrated risk management” refers to risk management that seeks to maintain management soundness by holistically examining evaluated risks in each respective category of risks that directly confront San-in Godo Bank, then comparing and contrasting these risks with the corporate strength (capital adequacy). At San-in Godo Bank, our business divisions take an aggressive stance with respect to risk taking, with risk capital (level of risk tolerance) for each risk category allocated within the scope of capital adequacy, which is updated every six months. San-in Godo Bank will continue working to raise the level of sophistication of its integrated risk management approach to maintain sound management, while boosting profitability and taking advantage of efficient management resources.



*For more on risk management, see pages 23-27 in a separate supplemental disclosure (Japanese only)

Credit risk	<p>“Credit risk” refers to the risk of losses that loans and their interest may become uncollectible due mainly to bankruptcy and deteriorating business conditions among borrowers.</p> <p>Based on an internal credit rating system, credit risk management at San-in Godo Bank is founded on three fundamentals - “strict screening and management of each individual case (micro-level credit risk management),” “proper portfolio management and operation through credit risk quantification (macro-level credit risk management),” and “rigorous self-assessment with adjoining implementation of appropriate amortization or allowances.”</p> <p>Furthermore, through the allotment of capital commensurate with credit risk and monitoring, we balance risk volume within the scope of corporate strength (capital adequacy).</p>
Market risk	<p>“Market risk” refers to the risk of losses from fluctuation in the value of the Bank’s assets and liabilities (including off-balance sheet items) or revenue these generate due to volatility from a host of risk factors, including interest rates, exchange rates and stocks.</p> <p>At San-in Godo Bank, we use VaR to assess and manage market risk volume, operating in ways that keep the volume of such risk within a set scope by setting limits on the maximum allowable risk, determined based on capital adequacy.</p> <p>Furthermore, since markets can occasionally fluctuate in unpredictable ways, we regularly conduct stress tests whose scenarios include massive fluctuation in the market and others not normally anticipated, to ensure that we can swiftly response to the unexpected.</p>
Liquidity risk	<p>“Liquidity risk” refers to risk that we are unable to raise funds necessary for settlement or required to raise funds at significantly higher rates than normal, due to a mismatch between management and procurement period or unforeseen cash outflows.</p> <p>In addition to risk recognition, we formulate contingency plans encompassing organizational systems, response measures and other items to ensure that we appropriately manage in case of emergency.</p>
Operational risk	<p>“Operational risk” refers to risk of losses arising from inadequacy in the Bank’s operating processes, actions by directors, executive officers or employees, and systems, or external events.</p> <p>San-in Godo Bank classifies operational risk into five categories - clerical risk, systems risk, compliance risk, event risk and human risk.</p> <p>In managing operational risk, along with the formulating of operational risk management regulations covering basic policies and other guidance, each department with responsibility for risk management defines its own regulations for managing risk in line with each risk category.</p> <p>In addition to compiling data on losses attributed to operational risk, we strive to establish PDCA cycles for risk management in order to further heighten operational risk management effectiveness.</p>

Response to Cybersecurity

To combat the many threats to cybersecurity that San-in Godo Bank and Group companies confront, including cyber attack, unauthorized access and computer virus infections, we conduct appropriate cybersecurity and risk management depending on the characteristics and scale of risks, with which information assets concerned. Specifically, we have established a Computer Security Incident Response Team (CSIRT), with the Systems Risk Management Department, serving as secretariat, and other related departments to put a structure in place to manage such risk and prevent the spread of any damage.

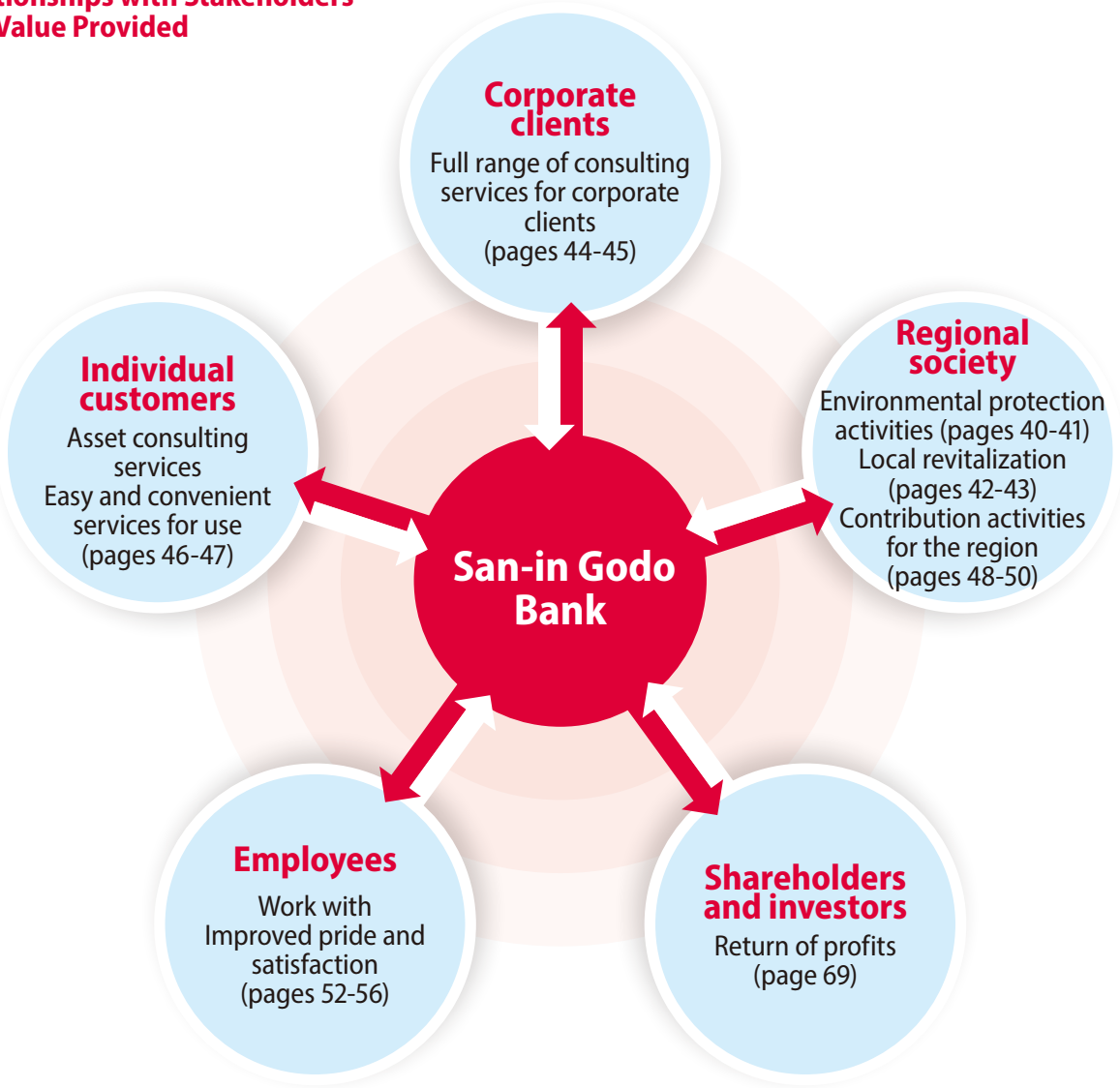
Response to Emergency Situations

To better react when unforeseen emergencies arise, we have defined a set of basic regulations on crisis management that enable the Bank, encompassing group companies, to address, accordingly. More specifically, we have drafted codes of conduct for the head office, branches, and directors, executive officers and employees, along with response measures, that place highest priority on customer safety during in the event of storm and flooding, fires, earthquakes or other natural disasters; human-made disasters such as theft, armed attack or accidents, and other emergency situations. By minimizing damage and injury to people and property, we constantly strive to ensure Bank’s continuing operations and its social contributions.

Conversations with Stakeholders

— Increasing management transparency through appropriate information disclosure and communication opportunities —

Relationships with Stakeholders and Value Provided



Proactive Information Disclosure

Our proactive stance with respect to information disclosure encompasses the publication of integrated reports, disclosure magazines, and posts on the Bank’s website to share details regarding financial data and Bank initiatives.



Website



Integrated Report



Mini-disclosure magazine

Basic Policy on Constructive Conversation with Shareholders

We have drafted a basic policy designed to deepen understanding of San-in Godo Bank through constructive conversation with shareholders and investors.

*The full-text of the policy is available at <https://www.gogin.co.jp> (in Japanese only).

Shareholder dividends

San-in Godo Bank has adopted a “performance-linked dividend policy, which dividends are paid based on a standard for performance-linked dividends. More recently, as detailed in the dividend criteria chart (right), of which we conducted a review in a bit to enhance a return of profit to shareholders. For profit attributable to owners of the Bank (consolidated), we have revised the consolidated payout ratio target of 35%, and remain committed to managing with awareness of shareholder interests in mind.

Details of the review

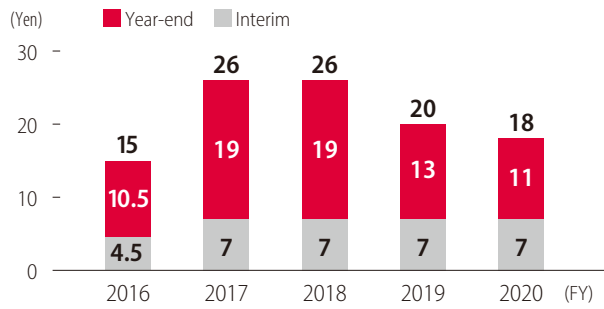
Raised floor for annual dividends (+¥8)
Raised ceiling for annual dividends (+¥10)
Raised annual dividend (+¥4)
Payout ratio: Approx. 30% ⇒ Approx. 35%

Target for dividend payment (standard for performance-linked dividends)

Profit attributable to owners of the Bank (consolidated)	Before review		After review	
	Annual dividend	Dividend payout ratio (median value)	Annual dividend	Dividend payout ratio (median value)
Over ¥18.0 billion	¥30	—	¥40	—
Over ¥17.0 billion — Under ¥18.0 billion			¥38	34.0%
Over ¥16.0 billion — Under ¥17.0 billion			¥36	34.2%
Over ¥15.0 billion — Under ¥16.0 billion			¥34	34.4%
Over ¥14.0 billion — Under ¥15.0 billion	¥28	30.3%	¥32	34.6%
Over ¥13.0 billion — Under ¥14.0 billion	¥26	30.2%	¥30	34.8%
Over ¥12.0 billion — Under ¥13.0 billion	¥24	30.1%	¥28	35.1%
Over ¥11.0 billion — Under ¥12.0 billion	¥22	30.0%	¥26	35.5%
Over ¥10.0 billion — Under ¥11.0 billion	¥20	29.9%	¥24	35.9%
Over ¥9.0 billion — Under ¥10.0 billion	¥18	29.7%	¥22	—
Over ¥8.0 billion — Under ¥9.0 billion	¥16	29.6%		
Under ¥8.0 billion	¥14	—		

*The standard after review is applicable to dividend payment from FY2021.

Shareholder dividend results



Business results (consolidated) (¥ billion)

	Ordinary income	Ordinary profit	Net income*	Earnings per share
FY2016	93.7	20.5	13.3	¥85.27
FY2017	95.8	19.8	13.6	¥87.76
FY2018	97.8	19.2	13.2	¥84.58
FY2019	90.3	16.2	10.4	¥67.07
FY2020	89.1	14.4	9.6	¥62.14

*Profit attributable to owners of the Bank

Ordinary General Meeting of Shareholders

The Ordinary General Meeting of Shareholders is held annually in June.

Corporate Briefings

Corporate briefings are held regularly to explain details regarding financial statements, management strategies and Bank initiatives for a sustainable regional society, among other matters. The spread of the COVID-19 pandemic scaled back briefings held in fiscal 2020.

- Briefings for institutional investors and analysts
- Briefings for individual investors (Cancelled in fiscal 2020)
- Briefings for regional clients (Cancelled in fiscal 2020)

TVCM “Go Forward, Together” “Business” and “Asset” succession editions now airing

Making regional economic development and sustainable regional society a reality, San-in Godo Bank is bringing this passion and an ongoing commitment to assist in conveying in well-defined manner the valued businesses and assets of customers in the region into the future.

The San-in Godo Bank website now has a TVCM brand site.

<https://www.gogin.co.jp/goforwardtogether/>



Key Financial Indicators

(¥ million)										
Consolidated	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Ordinary income	92,155	91,010	87,244	90,733	91,476	93,746	95,806	97,833	90,352	89,178
Ordinary profit	23,633	19,587	19,981	23,126	22,486	20,562	19,867	19,294	16,256	14,439
Profit attributable to owners of the Bank	10,335	9,857	11,175	12,161	12,911	13,399	13,692	13,205	10,467	9,679
Non-interest revenue ratio (gross core banking profit basis) (%)	—	15.20	15.92	16.52	15.95	14.50	16.93	15.54	14.47	14.15
ROE (shareholders' equity basis) (%)	—	3.88	4.27	4.51	4.64	4.61	4.51	4.21	3.25	2.94
Capital adequacy ratio (domestic standard) (%)*	17.30	17.99	17.26	15.71	15.68	14.85	14.06	13.79	12.95	12.48

Non-consolidated										
Summary of business performance										
Ordinary income	77,751	76,741	72,976	76,453	77,124	77,898	79,039	81,512	73,350	72,540
Interest income	54,745	53,985	54,036	53,964	54,506	54,382	53,146	53,144	54,062	54,857
Interest on loans	37,425	36,280	35,142	34,472	33,774	32,849	32,494	32,861	33,482	34,952
Interest and dividends on securities	21,396	21,545	22,564	23,109	24,972	26,923	26,547	23,734	22,270	20,669
Revenue from service transactions	4,815	4,993	5,928	6,585	6,550	5,553	5,935	6,201	5,977	6,218
Debt-related income (or loss)	350	3,837	657	576	926	(5,041)	(4,440)	(3,502)	(748)	(2,623)
Expenses	38,389	38,559	38,353	37,222	37,068	36,931	36,835	36,978	37,900	37,129
Core banking profit	21,934	21,024	22,119	23,716	24,296	23,325	22,816	22,543	22,402	24,153
Stock-related income (or loss)	(1,677)	(825)	131	1,705	644	2,021	2,753	4,086	1,265	840
Disposal of non-performing loans	627	5,675	3,867	(20)	2,827	155	686	3,390	5,042	4,853
Ordinary profit	21,086	17,622	18,507	21,373	21,927	19,450	19,262	19,259	15,906	13,891
Net income	9,203	9,528	10,977	11,753	13,260	13,385	13,357	13,495	10,478	8,325
Credit expenses	(935)	6,126	3,915	4,193	3,447	(260)	628	3,969	5,234	7,246
Major accounts (year-end balance)										
Total assets	4,093,953	4,210,000	4,448,860	4,760,617	5,138,148	5,391,748	5,534,909	5,584,011	5,672,201	6,356,422
Loans	2,230,707	2,288,629	2,318,491	2,442,621	2,605,731	2,822,492	3,016,546	3,121,051	3,353,056	3,583,995
Securities	1,478,489	1,597,674	1,628,989	1,757,342	1,861,544	1,922,061	1,848,466	1,600,463	1,656,038	1,809,181
Deposits (deposits + negotiable certificates of deposit)	3,591,965	3,619,460	3,717,840	3,794,564	3,883,269	3,956,361	4,081,460	4,157,292	4,237,248	4,738,294
Key figures and indicators										
Yield on loans (domestic) (%)	1.73	1.64	1.56	1.48	1.38	1.22	1.12	1.07	1.04	1.00
Yield on securities (domestic) (%)	1.44	1.42	1.32	1.27	1.25	1.26	1.24	1.26	1.42	1.07
Non-performing loan amount	76,390	80,886	79,879	67,412	66,551	58,437	53,678	56,999	59,817	61,568
Non-performing loan ratio (%)	3.35	3.46	3.37	2.70	2.49	2.02	1.73	1.77	1.72	1.66
Over Head Ratio (OHR) (gross core banking profit basis) (%)	63.63	64.71	63.42	61.08	60.40	61.29	61.75	62.12	62.85	60.58
Capital adequacy ratio (domestic standard) (%)*	16.43	17.06	16.24	14.68	14.82	14.30	13.48	13.32	12.52	11.97
Per share data										
Net assets per share (¥)	1,726.77	1,848.29	1,885.00	2,093.19	2,238.49	2,205.58	2,255.35	2,324.78	2,265.44	2,355.52
Annual dividend per share (¥)	10.00	10.00	11.00	13.00	15.00	15.00	26.00	26.00	20.00	18.00
Earnings per share (¥)	55.74	58.33	67.98	73.45	83.27	85.18	85.61	86.44	67.15	53.45
Earnings per share, diluted (¥)	55.57	58.07	67.64	73.00	82.84	84.82	85.33	86.21	66.98	53.35
Other indicators										
Dividend payout ratio (%)	17.87	17.14	16.18	17.69	18.01	17.60	30.37	30.07	29.78	33.67
Stock price (year-end) (¥)	655	806	698	991	696	892	942	794	547	561
No. of branches (incl. former sub branches)	170	171	171	170	167	161	152	150	150	149
No. of employees	2,017	1,996	1,983	1,987	1,978	1,995	2,003	2,018	1,992	1,961

Market data (year-end)										
Nikkei-225 Stock Average (¥)	10,083	12,397	14,827	19,206	16,758	18,909	21,454	21,205	18,917	29,178
10-year government bond yields (%)	0.985	0.560	0.640	0.400	(0.050)	0.065	0.045	(0.095)	0.005	0.120
Exchange rate (\$=¥: TTM at the end of period) (¥)	82.19	94.05	102.92	120.17	112.68	112.19	106.24	110.99	108.83	110.71

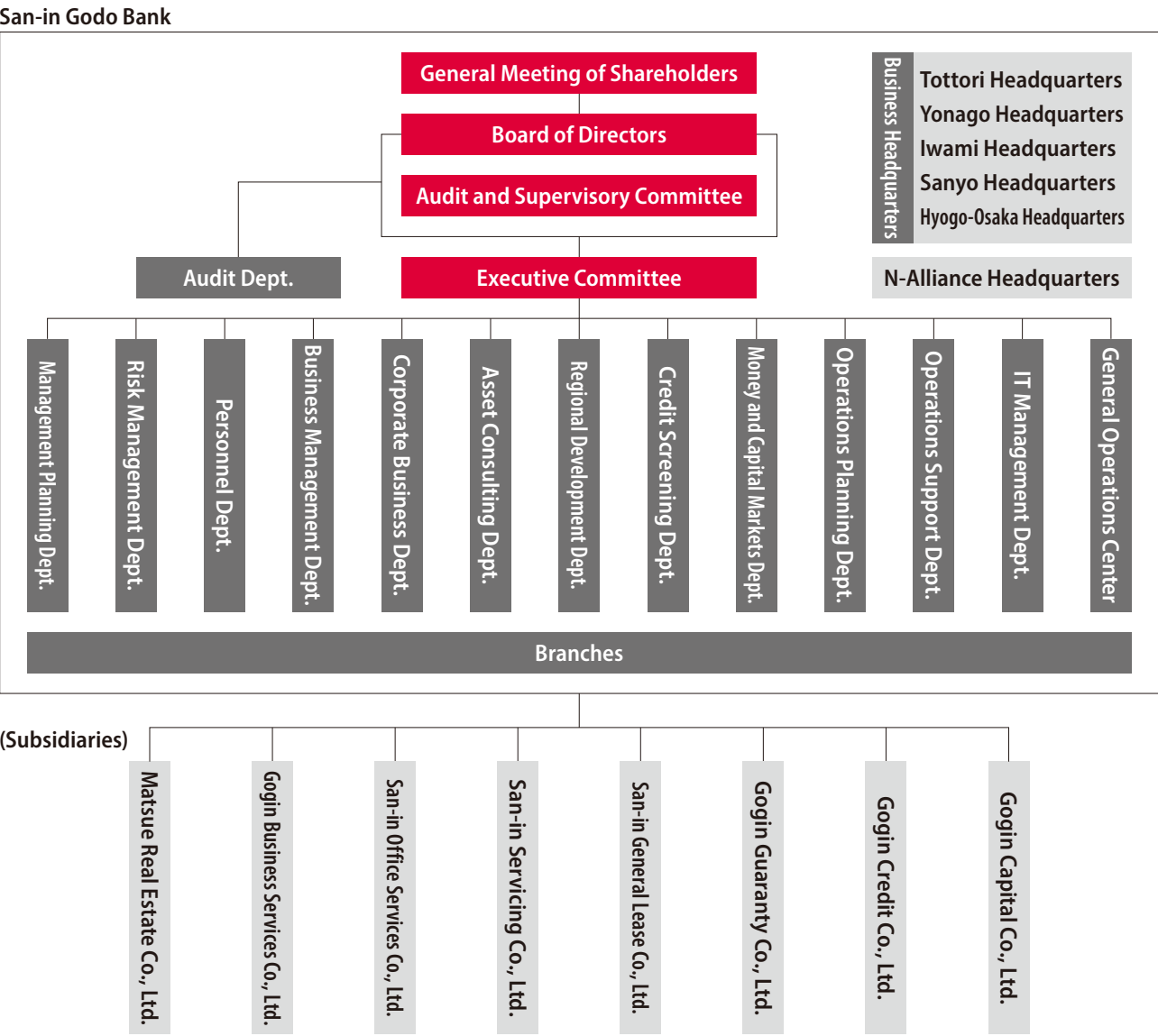
*Calculated according to the Basel III rules since FY2013

Corporate Data

San-in Godo Bank Overview (non-consolidated) (As of March 31, 2021)

Date of establishment: July 1, 1941	Major accounts:
Head office: 10, Uomachi, Matsue, Shimane 690-0062, Japan	Total assets: ¥6,356.4 billion
Common stock: ¥20.7 billion	Deposits, etc. (Deposits + NCD): ¥4,738.2 billion
Number of employees: 1,961	Loans: ¥3,583.9 billion
Number of locations	Securities: ¥1,809.1 billion
Number of offices: Domestic branches (incl. Head office): 70	Capital adequacy ratio: 11.97%
Sub-branches: 79 (incl. 33 branch-in-branch locations)	Ratings
Representative offices in Japan: 1 (Tokyo)	A3 (Moody's Japan K.K.)
Overseas representative offices: 3 (Dalian, Shanghai, Bangkok)	A+ (Rating & Investment Information, Inc.)
	AA- (Japan Credit Rating Agency, Ltd.)

Gogin Group Organizational Structure (as of July 1, 2021)



San-in Godo Bank Wide-ranging Branch Network

In the Bank’s main business area, the San-in region, our network of branches and ATMs spans a wide geographical area covering some 300 kilometers east to west in a commitment to providing high-quality financial services. The same branch network is becoming more robust in Sanyo, Hyogo-Osaka regions, as well.

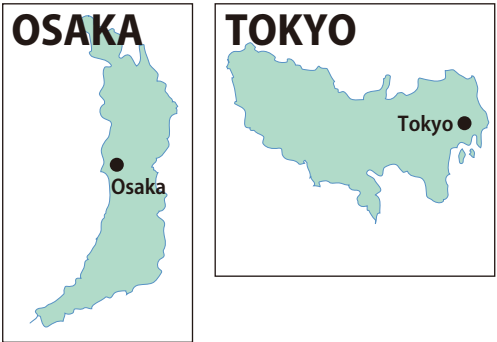
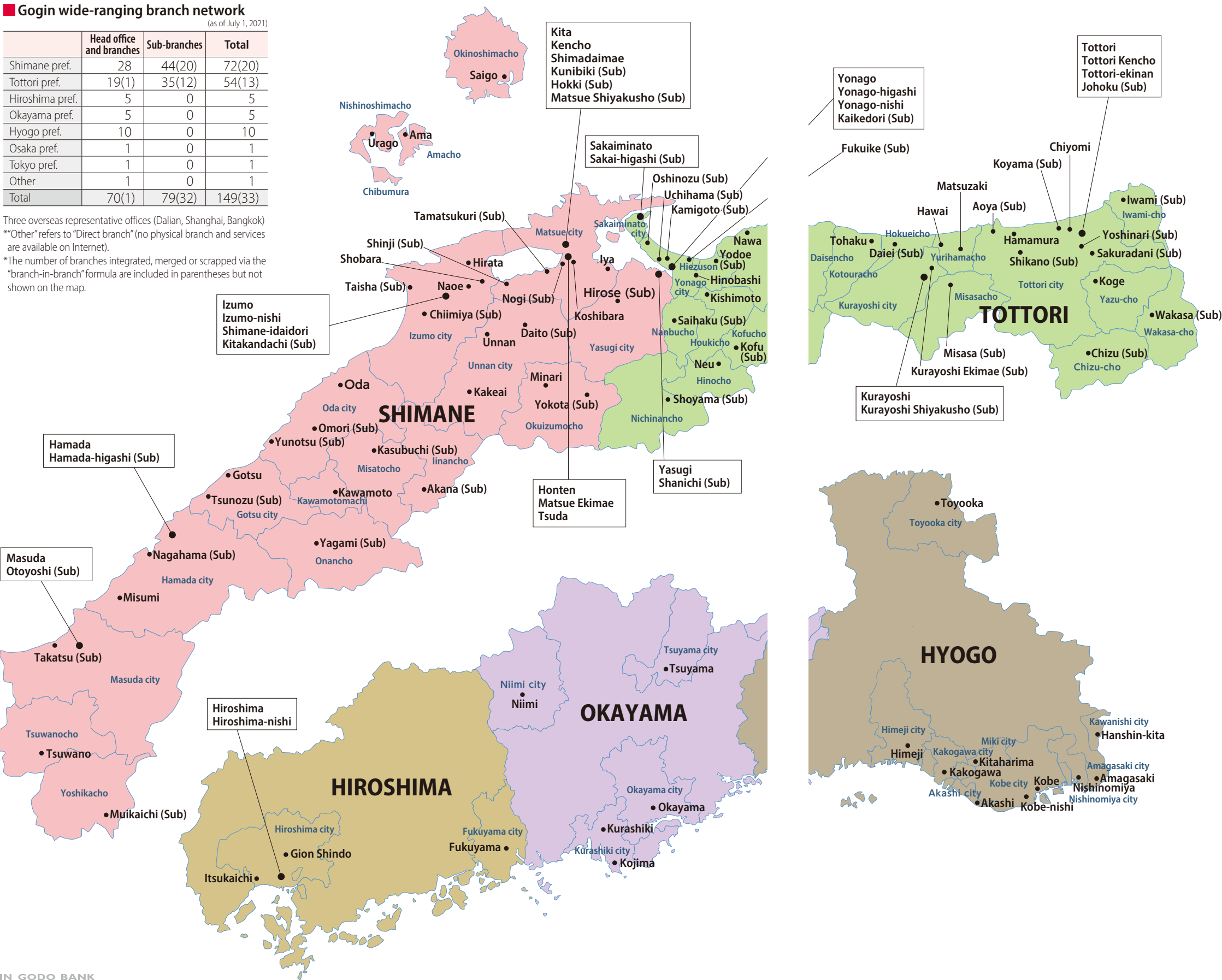
Gogin wide-ranging branch network

(as of July 1, 2021)

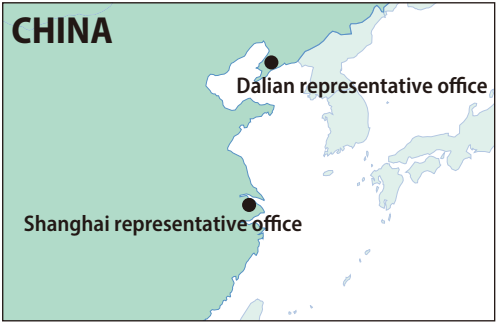
	Head office and branches	Sub-branches	Total
Shimane pref.	28	44(20)	72(20)
Tottori pref.	19(1)	35(12)	54(13)
Hiroshima pref.	5	0	5
Okayama pref.	5	0	5
Hyogo pref.	10	0	10
Osaka pref.	1	0	1
Tokyo pref.	1	0	1
Other	1	0	1
Total	70(1)	79(32)	149(33)

Three overseas representative offices (Dalian, Shanghai, Bangkok)
**Other* refers to "Direct branch" (no physical branch and services are available on Internet).

*The number of branches integrated, merged or scrapped via the "branch-in-branch" formula are included in parentheses but not shown on the map.



Overseas Representative Offices



Bank's ATM Installation Status

(As of end of May, 2021)

	Total	On-site	Off-site
Shimane pref.	262	125	137
Tottori pref.	165	91	74
Hiroshima pref.	3	3	0
Okayama pref.	5	5	0
Hyogo pref.	2	2	0
Grand Total	437	226	211

Bank ATM Installation Status in convenience stores

(As of end of May, 2021)

Number of convenience stores where the Bank ATM is installed	E-net ATM
Across the country	12,584
Shimane pref.	62
Tottori pref.	66

Consolidated Balance Sheets

THE SAN-IN GODO BANK, LTD. AND CONSOLIDATED SUBSIDIARIES

As of March 31, 2020 and 2021	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Assets:			
Cash and due from banks (Notes 17 and 19)	¥ 571,248	¥ 872,988	\$ 7,885,358
Debt purchased	11,230	10,914	98,581
Trading securities (Note 20)	89	—	—
Money held in trust (Note 22)	4,955	4,978	44,964
Securities (Notes 8, 19, 20 and 21)	1,654,917	1,809,682	16,346,147
Loans and bills discounted (Notes 7, 9 and 19)	3,322,376	3,554,553	32,106,882
Foreign exchange	6,324	9,494	85,755
Lease receivables and investments in lease assets (Notes 8 and 18)	30,392	29,514	266,588
Other assets (Notes 8 and 19)	71,585	67,392	608,725
Tangible fixed assets (Notes 11 and 12):	35,259	34,226	309,150
Buildings	12,105	11,251	101,625
Land	20,044	19,737	178,276
Construction in process	7	81	731
Others	3,102	3,157	28,515
Intangible fixed assets:	5,596	4,894	44,205
Software	5,328	4,626	41,784
Others	268	268	2,420
Retirement benefit asset	—	443	4,001
Deferred tax assets (Note 26)	3,663	39	352
Customers' liabilities for acceptances and guarantees (Note 9)	14,323	13,971	126,194
Reserve for possible loan losses	(40,465)	(42,629)	(385,051)
Reserve for devaluation of securities	(39)	(179)	(1,616)
Total assets	¥ 5,691,460	¥ 6,370,285	\$ 57,540,285
Liabilities:			
Deposits (Notes 8 and 19)	¥ 3,911,792	¥ 4,432,481	\$ 40,036,862
Negotiable certificates of deposit (Note 19)	309,400	285,982	2,583,163
Call money and bills sold	108,793	115,456	1,042,868
Cash collateral received under securities lending (Notes 8 and 19)	443,097	445,776	4,026,519
Borrowed money (Notes 8 and 19)	447,717	597,672	5,398,536
Foreign exchange	24	83	749
Other liabilities (Notes 8, 19 and 28)	78,222	83,830	757,203
Reserve for bonuses to employees	970	966	8,725
Net defined benefit liability (Note 24)	11,195	9,681	87,444
Reserve for stock benefits	388	392	3,540
Reserve for directors' and corporate auditors' retirement benefits	77	76	686
Reserve for reimbursement of deposits	350	319	2,881
Reserve for contingencies	981	862	7,786
Reserve under special laws	0	—	—
Deferred tax liabilities (Note 26)	312	743	6,711
Deferred tax liabilities for land revaluation excess (Note 11)	2,161	2,133	19,266
Acceptances and guarantees (Note 9)	14,323	13,971	126,194
Total liabilities	¥ 5,329,809	¥ 5,990,432	\$ 54,109,222
Net assets (Note 32):			
Common stock:			
Authorized — 495,021,000 shares in 2020 and 2021			
Issued and outstanding — 156,977,472 shares in 2020 and 2021	¥ 20,705	¥ 20,705	\$ 187,020
Capital surplus	21,385	22,058	199,241
Retained earnings	283,495	290,042	2,619,835
Treasury stock, at cost — 1,417,865 shares in 2020 and 1,142,966 shares in 2021	(947)	(749)	(6,765)
Total shareholders' equity	324,637	332,056	2,999,331
Net unrealized gain on other securities (Note 20)	38,191	47,912	432,770
Net deferred gain (loss) on hedging instruments	8	(0)	(0)
Land revaluation excess (Note 11)	2,522	2,510	22,671
Remeasurements of defined benefit plans (Note 24)	(5,314)	(3,330)	(30,078)
Total accumulated other comprehensive income	35,407	47,092	425,363
Subscription rights to new shares (Note 25)	281	170	1,535
Non-controlling interests	1,323	532	4,805
Total net assets	¥ 361,650	¥ 379,852	\$ 3,431,054
Total liabilities and net assets	¥ 5,691,460	¥ 6,370,285	\$ 57,540,285

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

THE SAN-IN GODO BANK, LTD. AND CONSOLIDATED SUBSIDIARIES

Years Ended March 31, 2020 and 2021	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Income:			
Interest income:	¥ 57,957	¥ 56,723	\$ 512,356
Interest on loans and discounts	33,384	34,854	314,822
Interest and dividends on securities	22,276	20,667	186,676
Other interest income	2,295	1,200	10,839
Fees and commissions	11,248	11,384	102,827
Other operating income	17,165	17,030	153,825
Other income	3,981	4,061	36,681
Total income	90,352	89,199	805,699
Expenses:			
Interest expenses:	4,010	1,999	18,056
Interest on deposits and NCDs	1,435	1,222	11,037
Interest on call money and bills sold	1,679	429	3,874
Interest on securities lending with cash collateral	516	110	993
Interest on borrowed money	45	44	397
Other interest expenses	333	191	1,725
Fees and commissions	4,196	4,214	38,063
Other operating expenses	15,847	17,814	160,906
General and administrative expenses	41,057	40,262	363,670
Provision for reserve for possible loan losses	4,924	7,159	64,664
Other expenses (Note 13)	5,026	3,582	32,354
Total expenses	75,063	75,032	677,734
Profit before income taxes	15,288	14,167	127,964
Income taxes (Note 26):	4,791	4,500	40,646
Current	5,904	5,603	50,609
Deferred	(1,112)	(1,102)	(9,953)
Profit	10,496	9,667	87,318
Profit (loss) attributable to non-controlling interests	29	(11)	(99)
Profit attributable to owners of the Bank	¥ 10,467	¥ 9,679	\$ 87,426

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

THE SAN-IN GODO BANK, LTD. AND CONSOLIDATED SUBSIDIARIES

Years Ended March 31, 2020 and 2021	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Profit	¥ 10,496	¥ 9,667	\$ 87,318
Other comprehensive income:			
Net unrealized gain (loss) on other securities	(16,537)	9,722	87,815
Net deferred gain (loss) on hedging instruments	17	(8)	(72)
Remeasurements of defined benefit plans	(522)	1,984	17,920
Total other comprehensive income (Note 14)	(17,042)	11,698	105,663
Comprehensive income	¥ (6,545)	¥ 21,365	\$ 192,981
Comprehensive income attributable to owners of the Bank	¥ (6,543)	¥ 21,376	\$ 193,081
Comprehensive income attributable to non-controlling interests	(1)	(10)	(90)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

THE SAN-IN GODO BANK, LTD. AND CONSOLIDATED SUBSIDIARIES

Years Ended March 31, 2020 and 2021	Millions of Yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' Equity
Net assets as of April 1, 2019	¥ 20,705	¥ 21,381	¥ 276,800	¥ (724)	¥ 318,162
Dividends			(4,070)		(4,070)
Profit attributable to owners of the Bank			10,467		10,467
Purchases of treasury stock				(268)	(268)
Sales of treasury stock		3	—	45	48
Transfer from land revaluation excess			297		297
Net changes of items other than shareholders' equity					
Total changes during the year	—	3	6,694	(223)	6,474
Net assets as of April 1, 2020	20,705	21,385	283,495	(947)	324,637
Dividends			(3,132)		(3,132)
Profit attributable to owners of the Bank			9,679		9,679
Purchases of treasury stock				(0)	(0)
Sales of treasury stock		(3)	(12)	199	183
Transfer from land revaluation excess			12		12
Change in ownership interest of parent due to transactions with non-controlling interests		677			677
Net changes of items other than shareholders' equity					
Total changes during the year	—	673	6,546	198	7,419
Balance as of March 31, 2021	¥ 20,705	¥ 22,058	¥ 290,042	¥ (749)	¥ 332,056

Years Ended March 31, 2020 and 2021	Millions of Yen							
	Accumulated other comprehensive income							
	Net unrealized gain (loss) on other securities	Net deferred gain (loss) on hedging instruments	Land revaluation excess	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscriptions to new shares	Non-controlling interests	Total net assets
Net assets as of April 1, 2019	¥ 54,697	¥ (8)	¥ 2,820	¥ (4,792)	¥ 52,716	¥ 292	¥ 1,326	¥ 372,498
Dividends								(4,070)
Profit attributable to owners of the Bank								10,467
Purchases of treasury stock								(268)
Sales of treasury stock								48
Transfer from land revaluation excess								297
Net changes of items other than shareholders' equity	(16,506)	17	(297)	(522)	(17,308)	(11)	(2)	(17,323)
Total changes during the year	(16,506)	17	(297)	(522)	(17,308)	(11)	(2)	(10,848)
Net assets as of April 1, 2020	38,191	8	2,522	(5,314)	35,407	281	1,323	361,650
Dividends								(3,132)
Profit attributable to owners of the Bank								9,679
Purchases of treasury stock								(0)
Sales of treasury stock								183
Transfer from land revaluation excess								12
Change in ownership interest of parent due to transactions with non-controlling interests								677
Net changes of items other than shareholders' equity	9,721	(8)	(12)	1,984	11,684	(110)	(791)	10,783
Total changes during the year	9,721	(8)	(12)	1,984	11,684	(110)	(791)	18,202
Balance as of March 31, 2021	¥ 47,912	¥ (0)	¥ 2,510	¥ (3,330)	¥ 47,092	¥ 170	¥ 532	¥ 379,852

	Thousands of U.S. Dollars				
	Shareholders' equity				Total shareholders' equity
Year Ended March 31, 2021	Common stock	Capital surplus	Retained earnings	Treasury stock	
Net assets as of April 1, 2020	\$ 187,020	\$ 193,162	\$ 2,560,699	\$ (8,553)	\$ 2,932,318
Dividends			(28,290)		(28,290)
Profit attributable to owners of the Bank			87,426		87,426
Purchases of treasury stock				(0)	(0)
Sales of treasury stock		(27)	(108)	1,797	1,652
Transfer from land revaluation excess			108		108
Change in ownership interest of parent due to transactions with non-controlling interests		6,115			6,115
Net changes of items other than shareholders' equity					
Total changes during the year	—	6,078	59,127	1,788	67,012
Balance as of March 31, 2021	\$ 187,020	\$ 199,241	\$ 2,619,835	\$ (6,765)	\$ 2,999,331

	Thousands of U.S. Dollars							
	Accumulated other comprehensive income							Total net assets
Year Ended March 31, 2021	Net unrealized gain (loss) on other securities	Net deferred gain (loss) on hedging instruments	Land revaluation excess	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscriptions to new shares	Non-controlling interests	
Net assets as of April 1, 2020	\$344,964	\$ 72	\$22,780	\$(47,999)	\$319,817	\$2,538	\$11,950	\$3,266,642
Dividends								(28,290)
Profit attributable to owners of the Bank								87,426
Purchases of treasury stock								(0)
Sales of treasury stock								1,652
Transfer from land revaluation excess								108
Change in ownership interest of parent due to transactions with non-controlling interests								6,115
Net changes of items other than shareholders' equity	87,805	(72)	(108)	17,920	105,536	(993)	(7,144)	97,398
Total changes during the year	87,805	(72)	(108)	17,920	105,536	(993)	(7,144)	164,411
Balance as of March 31, 2021	\$432,770	\$ (0)	\$22,671	\$(30,078)	\$425,363	\$1,535	\$4,805	\$3,431,054

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

THE SAN-IN GODO BANK, LTD. AND CONSOLIDATED SUBSIDIARIES

Years Ended March 31, 2020 and 2021	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Cash flows from operating activities:			
Profit before income taxes	¥ 15,288	¥ 14,167	\$ 127,964
Depreciation	2,433	2,965	26,781
Loss on impairment of fixed assets	812	249	2,249
Increase (decrease) in reserve for possible loan losses	2,948	2,163	19,537
Increase (decrease) in reserve for devaluation of securities	(7)	140	1,264
Increase (decrease) in reserve for bonuses to employees	(38)	(3)	(27)
(Increase) decrease in retirement benefit asset	—	(443)	(4,001)
Increase (decrease) in net defined benefit liability	(62)	(1,514)	(13,675)
Increase (decrease) in reserve for stock benefits	73	3	27
Increase (decrease) in reserve for directors' and corporate auditors' retirement benefits	(11)	(0)	(0)
Increase (decrease) in reserve for reimbursement of deposits	(63)	(30)	(270)
Increase (decrease) in reserve for contingencies	12	(118)	(1,065)
Interest and dividend income	(57,957)	(56,723)	(512,356)
Interest expenses	4,010	1,999	18,056
Net (gain) loss on securities transactions	(504)	1,778	16,059
Net (gain) loss on money held in trust	39	21	189
Net foreign exchange (gain) loss	(281)	(400)	(3,613)
Net (gain) loss on disposals of fixed assets	155	23	207
Net (increase) decrease in loans and bills discounted	(232,329)	(232,176)	(2,097,154)
Net increase (decrease) in deposits	92,858	520,689	4,703,179
Net increase (decrease) in negotiable certificates of deposit	(11,970)	(23,417)	(211,516)
Net increase (decrease) in borrowed money	350	149,955	1,354,484
Net (increase) decrease in due from banks (exclusive of the Bank of Japan)	909	1,094	9,881
Net (increase) decrease in call loans	(96)	316	2,854
Net increase (decrease) in call money	32,820	6,663	60,184
Net increase (decrease) in cash collateral received under securities lending	(25,342)	2,679	24,198
Net (increase) decrease in foreign exchange assets	(367)	(3,169)	(28,624)
Net increase (decrease) in foreign exchange liabilities	16	58	523
Interest and dividends received	59,325	56,644	511,643
Interest paid	(4,325)	(2,354)	(21,262)
Others	21,846	2,493	22,518
Subtotal	(99,457)	443,752	4,008,237
Income taxes paid	(7,794)	(4,677)	(42,245)
Net cash provided by (used in) operating activities	(107,251)	439,075	3,965,992
Cash flows from investing activities:			
Purchases of securities	(340,299)	(485,064)	(4,381,392)
Proceeds from sales of securities	53,009	77,362	698,780
Proceeds from redemption of securities	206,284	275,960	2,492,638
Increase in money held in trust	(1,000)	(44)	(397)
Purchases of tangible fixed assets	(1,290)	(724)	(6,539)
Purchases of intangible fixed assets	(2,694)	(612)	(5,527)
Proceeds from sales of tangible fixed assets	62	116	1,047
Net cash provided by (used in) investing activities	(85,927)	(133,006)	(1,201,391)
Cash flows from financing activities:			
Purchases of treasury stock	(0)	(0)	(0)
Proceeds from sales of treasury stock	0	0	0
Dividends paid	(4,070)	(3,132)	(28,290)
Dividends paid to non-controlling shareholders	(1)	(1)	(9)
Purchases of subsidiary's stock that do not result in change in scope of consolidation	—	(102)	(921)
Net cash provided by (used in) financing activities	(4,072)	(3,236)	(29,229)
Effect of changes in exchange rates on cash and cash equivalents	(0)	0	0
Net increase (decrease) in cash and cash equivalents	(197,252)	302,833	2,735,371
Cash and cash equivalents at the beginning of the year	764,889	567,637	5,127,242
Cash and cash equivalents at the end of the year (Note 17)	¥ 567,637	¥ 870,471	\$ 7,862,623

See accompanying notes to consolidated financial statements.

Notes to the Consolidated Financial Statements

THE SAN-IN GODO BANK, LTD. AND CONSOLIDATED SUBSIDIARIES

1. Basis of Preparation

The accompanying consolidated financial statements of The San-in Godo Bank, Ltd. (the “Bank”) and consolidated subsidiaries (together, the “Group”) are prepared on the basis of accounting principles generally accepted in Japan, the Companies Act of Japan and the Banking Act of Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Bank as required by the Financial Instruments and Exchange Act of Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made in the consolidated financial statements issued for domestic purposes in order to present them in a form which is more familiar to readers outside Japan. In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

As permitted by the Financial Instruments and Exchange Act, amounts less than one million yen have been omitted. Consequently, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts.

The U.S. dollar amounts presented in the accompanying consolidated financial statements are included solely for convenience and should not be construed as representations that yen amounts have been, or could in the future be, converted into U.S. dollars. The rate of ¥110.71 to U.S. \$1, prevailing at the end of March 2021, has been used to translate the yen amounts in the accompanying financial statements into U.S. dollar amounts.

2. Summary of Significant Accounting Policies

(a) Scope of Consolidation

(i) Consolidated subsidiaries

The consolidated financial statements include the accounts of the Group, after elimination of all significant inter-company transactions, balances, and unrealized profits. The number of consolidated subsidiaries as of March 31, 2020 and 2021 was 9.

(ii) Unconsolidated subsidiaries

The number of unconsolidated subsidiaries due to less materiality as of March 31, 2020 and 2021 were 11 and 10, respectively. These unconsolidated subsidiaries are not accounted for by the equity method, but stated at cost determined by the moving average method.

(iii) Balance sheet date of subsidiaries

The fiscal year-end of all the consolidated subsidiaries is March 31.

(b) Trading Securities

Trading securities are carried at fair value with unrealized gains or losses recognized in earnings. Cost of trading securities sold is determined by the moving average method.

(c) Securities

Securities other than trading securities are classified and accounted for as follows:

(i) Debt securities which the Bank has the positive intent and ability to hold to maturity are carried at amortized cost computed by the straight-line method. The cost of securities sold is determined by the moving average method.

(ii) Other securities are generally carried at fair value based on market prices at the balance sheet date with unrealized gains or losses, net of applicable income taxes, included directly in net assets. However, certain other securities, of which fair value is extremely difficult to determine, are carried at cost. Cost of securities sold is determined by the moving average method.

(iii) Securities included in money held in trust for the purpose of securities trading are carried at fair value with unrealized gains or losses recognized in earnings.

(iv) Securities included in money held in trust for the purpose other than securities trading and investment in held to maturity securities are carried at fair value with unrealized gains or losses, net of applicable income taxes, included directly in net assets.

(d) Derivatives

Derivative financial instruments are stated at fair value.

(e) Depreciation of Tangible Fixed Assets

Buildings are depreciated using the straight-line method, while the declining-balance method is used for equipment. The estimated useful lives of major tangible fixed assets are as follows:

Buildings..... 15 to 50 years

Equipment..... 5 to 15 years

Depreciation of tangible fixed assets of the consolidated subsidiaries is computed primarily by the straight-line method over the estimated useful lives of respective assets.

(f) Depreciation of Intangible Fixed Assets

Intangible fixed assets are depreciated by the straight-line method. Acquisition costs of software intended for internal use are capitalized and depreciated over the estimated useful lives (mainly 5 years).

(g) Depreciation of Leased Assets

Leased assets included in tangible or intangible fixed assets under the finance lease arrangements which do not transfer ownership of the leased assets to the lessee are depreciated by the straight-line method over the respective lease periods without residual values or with predetermined residual values in the lease contracts.

(h) Reserves

(i) Reserve for possible loan losses

The Bank makes reserve for possible loan losses based on “Guidelines for Auditing Self-Assessment of Assets, Write-Offs and Loan Loss Provisions of Banks and Other Financial Institutions” issued by the Japanese Institute of Certified Public Accountants (“JICPA”) (JICPA Bank Auditing Special Committee Report No. 4, issued on October 8, 2020).

A reserve is provided for “Normally Performing Loans” and “Loans to Borrowers under Close Observation”, mainly based on the expected loan losses for the next one or three years. Expected loan losses are computed by using the loan loss ratios or bankruptcy ratios derived from the average of historical loan loss ratios or bankruptcy ratios for the one or three years, and making modifications deemed necessary considering future prospects.

A reserve is also provided for “Loans to Borrowers with Bankruptcy Imminent.” In such cases, the anticipated proceeds from the sales of collateral pledged against such loans and the amounts expected to be recovered from guarantors of the loans are first subtracted from the book value of the loans. A reserve is then provided in the amount deemed necessary.

A reserve is maintained at the book value of “Loans to Borrowers under Bankruptcy Proceedings” or “Loans to Borrowers Substantially in Bankruptcy” after deducting the anticipated proceeds from the sale of collateral pledged against such loans and the amounts expected to be recovered from the guarantors of the loans.

If a borrower of loans with altered lending conditions is bankruptcy imminent or under close observation, whose loan balance is more than a certain amount and the Bank can reasonably estimate the borrower’s future cash flows, a reserve is maintained at book value after deducting estimated future cash flows discounted by the loan rate before any restructuring to provide relief to borrowers by reducing interest rates.

All loans are reviewed by the asset review divisions, with cooperation from the relevant business divisions based on the Bank’s internal rules for self-assessment of assets.

With respect to the reserves for possible loan losses of the consolidated subsidiaries, the amounts deemed necessary are provided based on the actual default ratios in the past. In cases where there is more concern about the failure of the obligor, amounts deemed uncollectible are provided in the reserve.

(ii) Reserve for devaluation of securities

A reserve for devaluation of securities is provided in the amount necessary to cover possible losses on investments in securities, which is determined based on assessment of the financial position of the companies issuing the securities.

(iii) Reserve for bonuses to employees

A reserve for bonuses to employees is provided in the amount accrued during the year, which is calculated based on the estimated amount of future bonus payment to employees.

(iv) Reserve for stock benefits

A reserve for stock benefits is provided in the estimated amount of future stock payments to the Bank’s directors and executive officers.

(v) Reserve for directors’ and corporate auditors’ retirement benefits

A reserve for directors’ and corporate auditors’ retirement benefits is provided in the estimated amount of future retirement payments to directors (excluding directors who are members of the Audit and Supervisory Committee) and corporate auditors of the Bank’s subsidiaries.

(vi) Reserve for reimbursement of deposits

A reserve for reimbursement of deposits is provided in the estimated amount of future claims for payments of deposits not accounted for as liability.

(vii) Reserve for contingencies

A reserve for contingencies is provided in the estimated amount of future loss arising from contingencies other than events described above.

(i) Employees’ Retirement Benefits

Net defined benefit liability is recognized based on the estimated amounts of the projected retirement benefit obligations and assets of the existing pension plans.

For determination of projected retirement benefit obligations, the benefit formula basis is used as a method of attributing expected benefit to each period.

Unrecognized prior service cost is amortized by the straight-line method over the specific years (10 years) within the average remaining years of service of the eligible employees. Actuarial gains or losses are amortized from the next year after incurrence by the straight-line method over the specific years (10 years) within the average remaining years of service of the eligible employees.

Certain consolidated subsidiaries record net defined benefit liability and net retirement benefit expense using the simplified method whereby the projected retirement benefit obligations are estimated at the amount that would be payable if the eligible employees would have been retired voluntarily at the balance sheet date.

(j) Foreign Currency Transactions

Assets and liabilities denominated in foreign currencies are translated into Japanese yen using primarily applicable rate of exchange effective at the balance sheet date.

(k) Hedge Accounting

(i) Hedge of interest rate risk

The Bank hedges the interest rate risk arising from the Bank's financial assets and liabilities by individually matching interest rate swaps with fixed-interest rate loans. The Bank applies the deferral method of hedge accounting, under which gains or losses on derivatives are deferred until maturity of the hedged transactions, or the special treatment for interest rate swaps, under which the differential paid or received under the swap agreements are recognized and included in interest expenses or income. "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (ASBJ PITF No.40, September 29,2020) is applied for these hedges accounting.

(ii) Hedge of foreign exchange risk

In accordance with the general provisions of the "Accounting and Auditing Treatment of Foreign Exchange Transactions for the Banking Industry" (JICPA Industry Committee Practical Guidelines No. 25, issued on October 8, 2020), the Bank applies the deferral method to account for derivative instruments which hedge the foreign exchange risk on financial assets and liabilities denominated in foreign currency.

The effectiveness of these transactions to hedge the foreign exchange risks of financial assets or liabilities denominated in foreign currencies is assessed by comparing the foreign currency position of the hedged assets or liabilities with that of the hedging instruments.

(l) Consumption Taxes

Transactions subject to consumption taxes including the local consumption tax are recorded at amount exclusive of consumption taxes.

(m) Cash and Cash Equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents are defined as cash and due from the Bank of Japan.

(n) Adopted Accounting Policies and Procedures When Provisions of Relevant Accounting Standards are Not Clarified

Interim dividends (including gain on cancellation or redemption) from investment trusts held by the Bank included in "Securities" in the consolidated balance sheets are recorded in interest and dividends on securities. Loss on cancellation or redemption is recorded in other operating expenses.

3. Significant Accounting Estimates

Items whose amount are recorded in the consolidated financial statements for the current fiscal year based on accounting estimates, and which would have a significant impact on the consolidated financial statements for the following fiscal year, are as follows.

Regarding the impact of the spread of COVID-19, we assumed that the impact would be settled until around September 2020 as of the previous fiscal year end. However, we have changed to the assumption that the impact will continue during the fiscal year ended March 31, 2022 even gradually settled, and it is recovered to the previous level in the first half of the fiscal year ended March 31, 2023. Below (1) Reserve for possible loans losses includes accounting estimates based on this assumption.

The Bank set assumptions concerning the COVID-19 spread way, time to settle down and economic recovery process based on the available information as of this fiscal year end.

(1) Reserve for Possible Loans Losses

(a) Amount in the consolidated financial statements for the current fiscal year
Reserve for possible loans losses ¥42,629 million (\$385,051 thousands)

(b) Calculation method and major assumptions

The calculation method of "Reserve for possible loan losses" is described on "2. Summary of Significant Accounting Policies

(h) Reserves (i) Reserve for possible loan losses."

The major assumption is "Future business outlook of borrowers used in determining the classification of obligors." "Future business outlook of borrowers used in determining the classification of obligors" is set by assessing each obligor's earning ability individually.

(c) Effects on the consolidated financial statements for the next fiscal year

If those assumptions, such as the credit status of the borrower, appraisal value of collateral, amount to be collected from guarantees and other assumptions used for the calculation (e.g. expected loan losses, loan loss ratios and bankruptcy ratios) deviate from the actual situation, it would have a significant impact on the Group consolidated financial statements through the increase or decrease of reserve for possible loan losses.

4. Accounting Standards Not Yet Applied

(1) Accounting Standards for Fair Value Measurement

"Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019)

"Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019)

"Accounting Standard for Financial Instruments" (ASBJ Statement No.10, July 4, 2019)

"Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No.19, March 31, 2020)

(a) Overview

To improve the comparability with international accounting standards, "Accounting Standard for Fair Value Measurement" and "Implementation Guidance on Accounting Standard for Fair Value " (together, Accounting standards for fair value measurement) were developed and provide the guidance of fair value measurement. The accounting standards for fair value measurement are applied to the fair value of followings.

• Financial instruments under "Accounting Standard for Financial Instruments"

In addition, "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" was revised and notes for breakdown by level of the fair value of financial instruments are introduced.

(b) Scheduled date of application

The Group is going to apply the accounting standards from the beginning of the fiscal year ending March 31, 2022.

(c) Effects of application

Effects of application of the accounting standards are currently being examined.

5. Change in Presentation

The Group applies "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) from the end of the current fiscal year, and significant accounting estimates are disclosed in the note to the consolidated financial statements.

The notes for the previous fiscal year are not presented in accordance with the transitional treatment set forth in a provision of paragraph 11 of the accounting standard.

6. Additional Information

(1) Transaction to Provide Shares of the Bank to Executives through a Trust

The Bank introduced a stock-based remuneration system called Board Benefit Trust ("BBT") for the Bank's directors (excluding directors who are members of the Audit and Supervisory Committee) and executive officers ("Directors, etc.") in order to encourage contribution to mid-term business results and expanding corporate value.

(a) Overview of the transaction

The Bank distributes certain points to subjected Directors, etc. each fiscal year based on the Stock Benefit Rules for Directors, etc. stipulated by the Bank. When Directors, etc. retire, the Bank, in accordance with the accumulated points, provides both the shares of the Bank and money corresponding to the market value of the shares of the Bank.

The Bank's shares and money are acquired by the trust. The Bank's shares and money in the trust are managed separately.

(b) The Bank's shares in the trust

The Bank's shares in the trust are recognized as treasury stock in net assets at carrying amount of the trust. The amounts of treasury stock in the trust were ¥616 million and ¥543 million (\$4,904 thousand) and the numbers of those shares were 1,007 thousand and 888 thousand as of March 31, 2020 and 2021, respectively.

(2) Adopted Accounting Policies and Procedures When Provision of Relevant Accounting Standards are Not Clarified

The Group applies "Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections" (ASBJ Statement No. 24, March 31, 2020) from the end of the current fiscal year. Adopted accounting policies and procedures when provision of relevant accounting standards are not clarified are disclosed in the note to the consolidated financial statements.

7. Loans and Bills Discounted

Loans and bills discounted as of March 31, 2020 and 2021 include the following risk managed loans.

	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Loans to borrowers under bankruptcy proceedings (*1)	¥ 3,870	¥ 2,459	\$ 22,211
Non-accrual past due loans (*2)	40,353	44,297	400,117
Loans past due for three months or more (*3)	—	—	—
Loans with altered lending conditions (*4)	15,218	14,615	132,011
Total	¥ 59,442	¥ 61,371	\$ 554,340

- (*1) Loans for which circumstances apply as stated in the Tax Law among non-accrual loans (excluding loan write-offs) for which payments of outstanding principal or interest have not been received for a substantial period or which have arisen for other reasons.
- (*2) Loans for which payments of outstanding principal or interest have not been received for a substantial period, excluding loans to borrowers under bankruptcy proceedings and loans for which interest payments have been rescheduled with the objective of assisting these borrowers in business restructuring.
- (*3) Loans for which payments of principal or interest have not been received for a period of three months or more from the next day of the due date, and which are not included in loans to borrowers under bankruptcy proceedings or non-accrual past due loans.
- (*4) Loans which are restructured to provide relief to borrowers by reducing interest rates, rescheduling interest and principal payments, or waiving the claims on borrowers. Such loans exclude loans to borrowers under bankruptcy proceedings, non-accrual past due loans and loans past due for three months or more.

Discounted bills are accounted for as financing transactions in accordance with “Accounting and Auditing Treatment of Financial Instruments for the Banking Industry” (JICPA Industry Committee Practical Guidelines No. 24, issued on October 8, 2020). These discounted bills generally include banker’s acceptances, commercial bills, documentary bills and bills purchased in connection with foreign exchange transactions. As of March 31, 2020 and 2021, the face value of commercial bills which can be sold or repledged by the Bank amounted to ¥9,860 million and ¥7,439 million (\$67,193 thousand), respectively.

8. Assets Pledged

Assets pledged as collateral as of March 31, 2020 and 2021 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Assets pledged as collateral:			
Securities	¥ 759,886	¥ 899,910	\$ 8,128,534
Loans and bills discounted	262,817	266,507	2,407,253
Lease receivables and investments in lease assets	13,844	13,712	123,855
Other assets	1,622	2,603	23,511
Liabilities secured by the above assets:			
Deposits	98,068	150,335	1,357,917
Call money and bills sold	10,883	—	—
Cash collateral received under securities lending	443,097	445,776	4,026,519
Borrowed money	444,887	594,807	5,372,658
Other liabilities	680	2,383	21,524

Other than the items presented above, other assets of ¥40,017 million and ¥40,017 million (\$361,457 thousand) as of March 31, 2020 and 2021, respectively, were held as collateral for transactions of exchange settlement etc.

Other assets included guarantee deposits of ¥655 million and ¥715 million (\$6,458 thousand) as of March 31, 2020 and 2021, respectively.

9. Customers’ Liabilities for Acceptances and Guarantees

All contingent liabilities arising from acceptances and guarantees are recorded in “Acceptances and guarantees.” A contra account, “Customers’ liabilities for acceptances and guarantees,” is shown on the asset side representing the Bank’s right to indemnify from its customers.

10. Overdraft Agreements and Loan Commitments

Overdraft agreements and loan commitments are agreements under which the Group is obliged to extend loans up to a prearranged limit, provided there is no violation of condition in the contracts. The loan commitments not yet drawn down as of March 31, 2020 and 2021 totaled ¥862,156 million and ¥925,972 million (\$8,363,941 thousand), respectively, of which ¥788,667 million and ¥836,011 million (\$7,551,359 thousand), respectively, were related to agreements whose contractual terms were for one year or less or which were unconditionally cancelable at any time.

As the majority of these agreements expire without being drawn down, the unused commitment balance does not necessarily affect the future cash flows of the Bank or of its consolidated subsidiaries. These agreements usually include provisions which stipulate that the Group has the right either to refuse the execution of the loans or to reduce the contractual commitments when there is a change in the financial condition, when additional assurance of the financial soundness and creditworthiness of a borrower is necessary, or when other unexpected events occur. The Group takes various measures to protect their credit. Such measures include obtaining real estate or securities as collateral at the time of the agreements, monitoring a customer’s business on a regular basis in accordance with established internal procedures, and amending the loan commitment agreements when necessary.

11. Land Revaluation Excess

On March 31, 1998, the Bank revalued its land used for business purposes based on the Law Concerning Land Revaluation (Law No. 34, promulgated on March 31, 1998). As a result of this revaluation, the revaluation difference, net of the applicable tax effect, has been recorded as land revaluation excess in net assets. The tax effect has been recorded as “Deferred tax liability for land revaluation excess” in liabilities.

The difference between the fair value of land used for business purposes revalued as stipulated under Article 10 of the Law Concerning Land Revaluation and the book value of such land after revaluation as of March 31, 2020 and 2021 resulted in unrealized loss of ¥8,289 million and ¥8,044 million (\$72,658 thousand), respectively.

The revaluation method as stated in Article 3-3 of the Law Concerning Land Revaluation:

The value of land is evaluated using the method as stipulated in Article 2-4 of the Ordinance Implementing the Law Concerning Land Revaluation (Government Ordinance No. 119, promulgated on March 31, 1998), to make reasonable adjustments on the prices calculated through such a way as the Commissioner of the National Tax Administration established and officially announced so as to compute the official notice prices as provided in Article 16 of the Law Concerning Public Notification of Land Prices, in combination with the prices estimated by real estate appraisers as stipulated in Article 2-5 of the abovementioned ordinance.

12. Accumulated Depreciation and Deferred Revenue on Tangible Fixed Assets

The amounts of accumulated depreciation of tangible fixed assets were ¥48,762 million and ¥49,033 million (\$442,895 thousand) as of March 31, 2020 and 2021, respectively. The amounts of deferred revenue of tangible fixed assets were ¥1,265 million and ¥1,251 million (\$11,299 thousand) as of March 31, 2020 and 2021, respectively. There was no deferred revenue on tangible fixed assets incurred for the years ended March 31, 2020 and 2021.

13. Other Expenses

For the year ended March 31, 2020, other expenses included loss on impairment of fixed assets of ¥812 million, loss on write-offs of loans of ¥20 million, loss on write-offs of stocks of ¥1,124 million, and loss on sales of loans of ¥216 million and one-time cost associated with migration of core system of ¥1,712 million.

For the year ended March 31, 2021, other expenses included loss on impairment of fixed assets of ¥249 million (\$2,249 thousand), loss on write-offs of loans of ¥19 million (\$171 thousand), loss on write-offs of stocks of ¥112 million (\$1,011 thousand), and loss on sales of loans of ¥102 million (\$921 thousand).

14. Other Comprehensive Income

Reclassification adjustment and tax effect of other comprehensive income for the years ended March 31, 2020 and 2021 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Net unrealized gain (loss) on other securities:			
Amount incurred during the year	¥ (19,113)	¥ 13,505	\$ 121,985
Reclassification adjustment	(4,555)	481	4,344
Amount before tax effect	(23,668)	13,987	126,339
Tax effect	7,131	(4,264)	(38,515)
Net unrealized gain (loss) on other securities	(16,537)	9,722	87,815
Net deferred gain (loss) on hedging instruments:			
Amount incurred during the year	1,481	379	3,423
Reclassification adjustment	(1,456)	(391)	(3,531)
Amount before tax effect	25	(12)	(108)
Tax effect	(7)	3	27
Net deferred gain (loss) on hedging instruments	17	(8)	(72)
Remeasurements of defined benefit plans:			
Amount incurred during the year	(1,643)	1,581	14,280
Reclassification adjustment	892	1,272	11,489
Amount before tax effect	(750)	2,853	25,770
Tax effect	228	(868)	(7,840)
Net remeasurements of defined benefit plans	(522)	1,984	17,920
Total other comprehensive income	¥ (17,042)	¥ 11,698	\$ 105,663

15. Shares Issued

The numbers of shares issued and changes during the years ended March 31, 2020 and 2021 are summarized as follows:

Year ended March 31, 2020	Thousands of shares	
	Treasury stock	Common stock issued
Beginning of the year	(*1) 957	156,977
Increase during the year	(*2) 522	—
Decrease during the year	(*2) 61	—
End of the year	(*1) 1,417	156,977

(*1) The Bank’s stock held by Board Benefit Trust (BBT) of 537 thousand shares and 1,007 thousand shares were included in the treasury stock at the beginning and end of the year, respectively.

(*2) The increase in treasury stock is due to acquisition by Board Benefit Trust (BBT) from the market of 520 thousand shares and purchase of odd-lot shares of 1 thousand shares. The decrease in treasury stock is due to execution of stock options of 9 thousand shares, stock benefit paid by Board Benefit Trust (BBT) of 51 thousand shares and sales of odd-lot shares of 0 thousand shares.

Year ended March 31, 2021	Thousands of shares	
	Treasury stock	Common stock issued
Beginning of the year	(*)1	1,417
Increase during the year	(*)2	1
Decrease during the year	(*)2	276
End of the year	(*)1	1,142

(*)1 The Bank's stock held by Board Benefit Trust (BBT) of 1,007 thousand shares and 888 thousand shares were included in the treasury stock at the beginning and end of the year, respectively.

(*)2 The increase in treasury stock is due to purchase of odd-lot shares. The decrease in treasury stock is due to execution of stock options of 156 thousand shares, stock benefit paid by Board Benefit Trust (BBT) of 119 thousand shares and sales of odd-lot shares of 0 thousand shares.

16. Dividends

Year ended March 31, 2020

Dividends paid during the year are summarized as follows:

Resolution	Total dividends	Dividend per share	Base date	Effective date
The general shareholders' meeting on June 25, 2019	¥ 2,974 million	¥ 19.0	March 31, 2019	June 26, 2019
The board of directors on November 11, 2019	¥ 1,095 million	¥ 7.0	September 30, 2019	December 6, 2019

(*) Total dividends resolved by the general shareholders' meeting on June 25, 2019 and the board of directors on November 11, 2019 include ¥10 million and ¥3 million of dividends to the shares held by Board Benefit Trust (BBT), respectively.

Dividend of which base date belonged to the year is summarized as follows:

Resolution	Total dividend	Dividend per share	Base date	Effective date
The general shareholders' meeting on June 25, 2020	¥ 2,035 million	¥ 13.0	March 31, 2020	June 26, 2020

(*) Total dividend resolved by the general shareholders' meeting on June 25, 2020 includes ¥13 million of dividend to the shares held by Board Benefit Trust (BBT).

Year ended March 31, 2021

Dividends paid during the year are summarized as follows:

Resolution	Total dividends	Dividend per share	Base date	Effective date
The general shareholders' meeting on June 25, 2020	¥ 2,035 million	¥ 13.0	March 31, 2020	June 26, 2020
	\$ 18,381 thousand	\$ 0.11		
The board of directors on November 11, 2020	¥ 1,097 Million	¥ 7.0		
	\$ 9,908 thousand	\$ 0.06	September 30, 2020	December 4, 2020

(*) Total dividends resolved by the general shareholders' meeting on June 25, 2020 and the board of directors on November 11, 2020 include ¥13 million (\$117 thousand) and ¥6 million (\$54 thousand) of dividends to the shares held by Board Benefit Trust (BBT), respectively.

Dividend of which base date belonged to the year is summarized as follows:

Resolution	Total dividend	Dividend per share	Base date	Effective date
The general shareholders' meeting on June 22, 2021	¥ 1,723 million	¥ 11.0	March 31, 2021	June 23, 2021
	\$ 15,563 thousand	\$ 0.09		

(*) Total dividend resolved by the general shareholders' meeting on June 22, 2021 includes ¥9 million (\$81 thousand) of dividend to the shares held by Board Benefit Trust (BBT).

17. Reconciliation of Cash and Cash Equivalents

Reconciliation between cash and due from banks in the consolidated balance sheets as of March 31, 2020 and 2021 and cash and cash equivalents in the consolidated statements of cash flows for the years then ended are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Cash and due from banks	¥ 571,248	¥ 872,988	\$ 7,885,358
Deposits to banks excluding the Bank of Japan	(3,611)	(2,516)	(22,726)
Cash and cash equivalents	¥ 567,637	¥ 870,471	\$ 7,862,623

18. Lease Transactions

As a Lessee

Tangible fixed assets and intangible fixed assets include finance lease assets (mainly vehicles, equipment for business and software) of which ownership do not transfer to the lessee.

As a Lessor

Investments in lease assets as of March 31, 2020 and 2021 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Gross lease receivables	¥ 30,445	¥ 29,157	\$ 263,363
Expected residual values	2,676	2,499	22,572
Unearned interest income	(2,729)	(2,142)	(19,347)
Investments in lease assets	¥ 30,392	¥ 29,514	\$ 266,588

Maturities of gross lease receivables for finance leases as of March 31, 2021 are as follows:

Year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2022	¥ 9,240	\$ 83,461
2023	7,488	67,636
2024	5,626	50,817
2025	3,693	33,357
2026	1,854	16,746
2027 and thereafter	1,254	11,326
Total	¥ 29,157	\$ 263,363

19. Financial Instruments and Related Disclosures

Disclosure of Financial Instruments

(1) Policy on financial instruments

The Group provides financial services including banking services such as deposit-taking, lending services and others. Accordingly, the Group is exposed to the risk of fluctuation of values and earnings of financial assets and liabilities resulting from changes in interest rates (interest rate risk) and the risk that the Group may suffer losses on collection of principal and interest on loans due to bankruptcy or deterioration of performances of counterparties (credit risk). In addition, the Group is exposed to price fluctuation risk associated with equity securities in addition to interest rate risk and credit risk for securities investment operations. The Group conducts comprehensive Asset and Liability Management (ALM) aiming at appropriate risk management and maximization of earnings and, as part of ALM, employs derivative transactions.

(2) Nature and risk of financial instruments

Financial assets held by the Group principally consist of loans to domestic customers, which are exposed to interest rate risk and credit risk arising from nonperformance of contractual obligations. The Group holds securities principally consisting of debt securities and equity securities which are classified into trading securities, held-to-maturity securities and other (available-for-sale) securities depending on the holding purposes. They are exposed to credit risk of issuers, interest rate risk and price fluctuation risk. Financial liabilities held by the Group principally consist of deposits accepted from domestic customers, which are exposed to interest rate risk. Borrowed money is exposed to liquidity risk that the Group may not be able to settle on the maturity date when the Group might not be able to utilize the market under certain environments.

Derivative transactions consist of forward foreign exchange contracts, currency swaps and currency options as currency related derivatives and interest rate swaps and interest rate futures as interest rate related derivatives. Interest rate swaps and forward foreign exchange contracts which qualify for hedge accounting and meet internal policy as to the application of hedge accounting are accounted for under hedge accounting.

(3) Risk management system for financial instruments

Credit risk management

Credit risk management of the Group consists of “Strict review and control on individual transactions (micro base credit risk management),” “Portfolio management and appropriate administration through credit risk quantification (macro base credit risk management)” and “Strict self-assessment and appropriate write-offs and provision” based on “Internal rating system.”

With respect to control system on the volume of risk, status of self-assessment, internal rating, write-offs and provision, status on measurement of risk with VaR, etc., status of concentration of credit risk, status of profitability on lending and status on doubtful accounts are reported to the Loan Review (executive management meeting), the Credit Risk Control Committee and the ALM Committee on a regular basis and, if necessary, discussed in the executive management meeting. The Bank allocates capital to the credit risk exposure and monitors it to balance the volume of risk within the extent of the capacity (capital).

Market risk management

(a) Qualitative information on market risk management

With respect to market risk management, the Bank identifies and controls the volume of risk using real risk subtracted holding gain or loss and realized gain or loss from VaR for internal management purpose. The Bank allocates capital to the market risk exposure and monitors it to balance the volume of risk within the extent of the capacity (capital). In addition to daily monitoring and controls of the real risk and VaR, the monthly ALM committee discusses and determines the means of appropriate risk control.

(b) Quantitative information on market risk management

(i) Risk related to securities

The Bank, in principle, utilizes the historical simulation method in calculating VaR of securities held. The volume of risk associated with products for which market value is not readily available, such as CMO, other securities except for investment trusts and unlisted equity securities, is calculated by applying a certain factor to acquisition costs, etc.

VaR is calculated on a daily basis using the following assumptions: holding period of 60 days (120 days for strategic shares), confidence level of 99%, and time horizon of one year.

As of March 31, 2021, the volume of VaR was ¥ 67,674 million (\$611,272 thousand) and the real risk was ¥10,072 million (\$90,976 thousand), respectively.

The Bank verifies the effectiveness of the VaR model by comparing VaR and daily gains and losses. However, VaR calculates the volume of market risk with certain probability level which is statistically calculated based on the historical market changes, and it may not capture risks under extremely unusual situation where market environment changes drastically.

(ii) Interest rate risk related to financial instruments other than securities

The Bank utilizes the delta method in calculating VaR of financial instruments exposed to interest rate risk such as deposits and loans, except securities, and the core deposit internal model for liquid deposit. The volume of risk related to loans with embedded option is calculated by applying a certain factor to outstanding balance.

VaR is calculated on a monthly basis using the following assumptions: holding period of 60 days, confidence level of 99%, and time horizon of one year. The volume of interest rates risk related to deposits and loans as of March 31, 2021 was ¥ (9,310) million (\$84,093 thousand). For risk calculation of financial instruments other than securities, an increase in subject interest rates as of the fiscal year end would result in an overall value; therefore, the volume of risk is calculated as negative value for internal management purpose.

However, VaR calculates the volume of market risk with certain probability level which is statistically calculated based on the historical interest rates changes, and it may not capture risks under extremely unusual situation where interest rate environment changes drastically.

Liquidity risk management related to fund raising

With respect to liquidity risk management, the Bank controls the risk using limits on fund gap on a daily basis and also prepares forecast and actual results of cash management on a monthly basis and verifies the variance against the plan. Furthermore, the Bank prepares a contingency plan which contains organization plans and measures for emergency. The Bank holds sufficient high liquid debt securities such as government bonds and other high liquid assets and has established effective system against liquidity risk.

(4) Supplementary explanation about fair values of financial instruments

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

Disclosure of Fair Values of Financial Instruments

The carrying amount, the fair value and the difference between these values as of March 31, 2020 and 2021 are as follows:

Note that securities of which fair value is extremely difficult to determine, such as unlisted equity securities, are not included in the following table (See Note 2 below).

	Millions of Yen		
	Carrying amount	Fair value	Difference
As of March 31, 2020			
Cash and due from banks	¥ 571,248	¥ 571,248	¥ –
Securities:			
Held-to-maturity debt securities	82,736	82,357	(378)
Other securities	1,546,423	1,546,423	–
Loans and bills discounted	3,322,376		
Reserve for possible loan losses (*1)	(38,343)		
	3,284,033	3,349,325	65,292
Total assets	5,484,442	5,549,356	64,913
Deposits	3,911,792	3,912,639	847
Negotiable certificates of deposit	309,400	309,400	–
Call money and bills sold	108,793	108,793	–
Cash collateral received under securities lending	443,097	443,097	–
Borrowed money	447,717	447,711	(5)
Total liabilities	5,220,800	5,221,642	841
Derivative transactions (*2):			
To which hedge accounting is not applied	322	322	–
To which hedge accounting is applied	1,177	1,177	–
Total derivative transactions	¥ 1,499	¥ 1,499	¥ –
As of March 31, 2021			
Cash and due from banks	¥ 872,988	¥ 872,988	¥ –
Securities:			
Held-to-maturity debt securities	89,143	89,023	(120)
Other securities	1,696,212	1,696,212	–
Loans and bills discounted	3,554,553		
Reserve for possible loan losses (*1)	(40,763)		
	3,513,789	3,585,528	71,738
Total assets	6,172,133	6,243,751	71,617
Deposits	4,432,481	4,433,369	887
Negotiable certificates of deposit	285,982	285,982	–
Call money and bills sold	115,456	115,456	–
Cash collateral received under securities lending	445,776	445,776	–
Borrowed money	597,672	597,474	(198)
Total liabilities	5,877,369	5,878,059	689
Derivative transactions (*2):			
To which hedge accounting is not applied	(1,533)	(1,533)	–
To which hedge accounting is applied	1,333	1,333	–
Total derivative transactions	¥ (200)	¥ (200)	¥ –
	Thousands of U.S. Dollars		
	Carrying amount	Fair value	Difference
As of March 31, 2021			
Cash and due from banks	\$ 7,885,358	\$ 7,885,358	\$ –
Securities:			
Held-to-maturity debt securities	805,193	804,109	(1,083)
Other securities	15,321,217	15,321,217	–
Loans and bills discounted	32,106,882		
Reserve for possible loan losses (*1)	(368,196)		
	31,738,677	32,386,667	647,981
Total assets	55,750,456	56,397,353	646,888
Deposits	40,036,862	40,044,883	8,011
Negotiable certificates of deposit	2,583,163	2,583,163	–
Call money and bills sold	1,042,868	1,042,868	–
Cash collateral received under securities lending	4,026,519	4,026,519	–
Borrowed money	5,398,536	5,396,748	(1,788)
Total liabilities	53,087,968	53,094,201	6,223
Derivative transactions (*2):			
To which hedge accounting is not applied	(13,846)	(13,846)	–
To which hedge accounting is applied	12,040	12,040	–
Total derivative transactions	\$ (1,806)	\$ (1,806)	\$ –

(*1) General and specific reserves for possible loan losses corresponding to loans are deducted.

(*2) Derivative transactions include derivatives recorded in other assets and other liabilities. Assets and liabilities arising from derivative transactions are shown on a net basis. In case total of the assets and liabilities results net liabilities, it is disclosed by using “()”.

(Note 1) Determining the fair value of financial instruments

Assets:

Cash and due from banks

The carrying amount is presented as the fair value since the fair value approximates the carrying amount because these are without maturity or the remaining maturity is short (less than one year).

Securities

For equity securities, the fair value is determined using the price at the exchange. The fair value of debt securities is determined using firstly the published market price by the Japan Securities Dealers Association, secondly the computed price by the information vendors or thirdly the quoted price by the brokers. The fair value of investment trusts is determined using firstly the published standard quotation price or secondly the quoted price by the brokers. For privately placed bonds guaranteed by the Bank, the fair value is determined based on the present value of the aggregated principal and interest discounted at an interest rate assumed if the same issue were underwritten.

Loans and bills discounted

For loans with variable interest rates, the carrying amount is presented as the fair value since the fair value approximates the carrying amount, unless the credit status of the borrower has changed significantly since the loan origination. For loans with fixed interest rates, the fair value is determined based on the present value of the principal and interest aggregated by the type of loans, internal ratings, collaterals and maturities discounted at an interest rate assumed if the new loans were made. For loans with short remaining maturity (less than one year), the carrying amount is presented as the fair value since the fair value approximates the carrying value.

For receivables due from bankrupt, substantially bankrupt or bankruptcy imminent borrowers, loan loss provisions are estimated based on expected future cash flows or the expected amount to be collected from collaterals and guarantees. Therefore, carrying amount of those items, net of related loan loss provisions, is presented as the fair value.

The fair value of interest rate swap contracts which are accounted for combined with the loans as hedged items under the hedge accounting is included in the fair value of the corresponding loans.

Liabilities:

Deposits

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

Negotiable certificates of deposit

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

Call money and bills sold

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

Cash collateral received under securities lending

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

Borrowed money

For borrowed money with variable interest rates reflecting the market interest rates in a short-term period, the carrying amount is presented as the fair value since the fair value approximates the carrying amount. For borrowed money with fixed interest rates, the fair value is determined using the present value discounted at an interest rate assumed if the new borrowing were made. For borrowed money with short contractual term (less than one year), the carrying amount is presented as the fair value since the fair value approximates the carrying amount.

Derivative transactions:

The fair value of derivatives is described in note “23. Derivatives.”

(Note 2) Securities whose fair value is extremely difficult to determine as of March 31, 2020 and 2021

	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Unlisted equity securities (*1) (*2)	¥ 2,717	¥ 2,204	\$ 19,907
Investment in partnerships (*3)	15,945	15,029	135,751
Others	7,093	7,093	64,068
Total	¥ 25,757	¥ 24,326	\$ 219,727

(*1) The fair value of unlisted equity securities is not disclosed since it is extremely difficult to identify their fair value.

(*2) The Group recognized impairment losses on unlisted equity securities in an amount of ¥27million and ¥112 million (\$1,011 thousand) for the years ended March 31, 2020 and 2021, respectively.

(*3) The fair value of investment in partnerships whose assets consist of securities such as unlisted equity securities whose fair value is extremely difficult to identify is not disclosed.

(Note 3) Repayment schedule of monetary receivables and securities with contractual maturities as of March 31, 2020 and 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 after five years through seven years	Due after seven years through ten years	Due after ten years
As of March 31, 2020						
Due from banks	¥ 527,166	¥ –	¥ –	¥ –	¥ –	¥ –
Securities:	247,718	271,262	127,399	100,800	219,287	253,361
Held-to-maturity debt securities:	11,212	36,516	29,875	5,030	100	–
Corporate bonds	11,212	36,516	29,875	5,030	–	–
Other securities with maturity:	236,506	234,746	97,524	95,770	219,187	253,361
Government bonds	184,000	165,000	5,000	40,000	–	142,000
Municipal bonds	24,756	33,992	42,819	35,562	77,018	1,500
Corporate bonds	18,150	15,951	8,319	3,634	10,200	23,529
Loans and bills discounted	868,819	629,843	435,700	342,270	303,936	741,805
Total	¥ 1,643,704	¥ 901,106	¥ 563,100	¥ 443,071	¥ 523,223	¥ 995,166
As of March 31, 2021						
Due from banks	¥ 821,499	¥ –	¥ –	¥ –	¥ –	¥ –
Securities:	51,817	296,862	123,232	117,907	247,538	419,972
Held-to-maturity debt securities:	19,317	37,234	28,200	4,290	100	–
Corporate bonds	19,317	37,234	28,200	4,290	–	–
Other securities with maturity:	32,500	259,628	95,032	113,617	247,438	419,972
Government bonds	–	170,000	20,000	20,000	–	279,000
Municipal bonds	17,070	39,802	48,321	44,770	92,548	1,000
Corporate bonds	3,912	16,918	6,016	8,918	3,700	28,750
Loans and bills discounted	857,979	629,239	521,558	347,752	383,444	814,579
Total	¥ 1,731,296	¥ 926,102	¥ 644,790	¥ 465,659	¥ 630,982	¥1,234,551

	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 after five years through seven years	Due after seven years through ten years	Due after ten years
As of March 31, 2021						
Due from banks	\$ 7,420,278	\$ –	\$ –	\$ –	\$ –	\$ –
Securities:	468,042	2,681,437	1,113,106	1,065,007	2,235,913	3,793,442
Held-to-maturity debt securities:	174,482	336,320	254,719	38,749	903	–
Corporate bonds	174,482	336,320	254,719	38,749	–	–
Other securities with maturity:	293,559	2,345,117	858,386	1,026,257	2,235,010	3,793,442
Government bonds	–	1,535,543	180,652	180,652	–	2,520,097
Municipal bonds	154,186	359,515	436,464	404,389	835,949	9,032
Corporate bonds	35,335	152,813	54,340	80,552	33,420	259,687
Loans and bills discounted	7,749,787	5,683,669	4,711,028	3,141,107	3,463,499	7,357,772
Total	\$ 15,638,117	\$ 8,365,116	\$ 5,824,135	\$ 4,206,115	\$ 5,699,412	\$11,151,214

(Note 4) Repayment schedule of borrowed money and other interest bearing liabilities as of March 31, 2020 and 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 after five years through seven years	Due after seven years through ten years	Due after ten years
As of March 31, 2020						
Deposits (*1)	¥ 3,442,975	¥ 427,141	¥ 41,675	¥ –	¥ –	¥ –
Negotiable certificates of deposit	309,400	–	–	–	–	–
Call money and bills sold	108,793	–	–	–	–	–
Cash collateral received under securities lending	443,097	–	–	–	–	–
Borrowed money	6,990	268,522	172,205	–	–	–
Total	¥ 4,311,256	¥ 695,663	¥ 213,880	¥ –	¥ –	¥ –
As of March 31, 2021						
Deposits (*1)	¥ 3,958,540	¥ 420,442	¥ 53,498	¥ –	¥ –	¥ –
Negotiable certificates of deposit	285,982	–	–	–	–	–
Call money and bills sold	115,456	–	–	–	–	–
Cash collateral received under securities lending	445,776	–	–	–	–	–
Borrowed money	53,525	392,207	151,940	–	–	–
Total	¥ 4,859,281	¥ 812,650	¥ 205,438	¥ –	¥ –	¥ –

	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 after five years through seven years	Due after seven years through ten years	Due after ten years
As of March 31, 2021						
Deposits (*1)	\$35,755,938	\$ 3,797,687	\$ 483,226	\$ –	\$ –	\$ –
Negotiable certificates of deposit	2,583,163	–	–	–	–	–
Call money and bills sold	1,042,868	–	–	–	–	–
Cash collateral received under securities lending	4,026,519	–	–	–	–	–
Borrowed money	483,470	3,542,651	1,372,414	–	–	–
Total	\$43,891,979	\$ 7,340,348	\$ 1,855,640	\$ –	\$ –	\$ –

(*1) Demand deposits included in “Deposits” are presented under “Due in one year or less.”

20. Fair Value of Securities

(1) Trading securities

Net holding gain (loss) resulting from revaluation of trading securities as of March 31, 2020 was ¥(0) million.

(2) Held-to-maturity securities

The carrying value and fair value of held-to-maturity securities and the related unrealized gain (loss) as of and for the years ended March 31, 2020 and 2021 are as follows:

	Millions of Yen		
	Carrying value	Fair value	Difference
As of March 31, 2020			
Fair value exceeding amount on consolidated balance sheet:			
Corporate bonds	¥ 21,124	¥ 21,168	¥ 44
Fair value below amount on consolidated balance sheet:			
Corporate bonds	61,512	61,092	(420)
Other	100	97	(2)
Sub total	61,612	61,189	(422)
Total	¥ 82,736	¥ 82,357	¥ (378)

As of March 31, 2021			
Fair value exceeding amount on consolidated balance sheet:			
Corporate bonds	¥ 37,790	¥ 37,877	¥ 87
Fair value below amount on consolidated balance sheet:			
Corporate bonds	51,253	51,054	(199)
Other	100	91	(8)
Sub total	51,353	51,145	(207)
Total	¥ 89,143	¥ 89,023	¥ (120)

	Thousands of U.S. Dollars		
	Carrying value	Fair value	Difference
As of March 31, 2021			
Fair value exceeding amount on consolidated balance sheet:			
Corporate bonds	\$ 341,342	\$ 342,128	\$ 785
Fair value below amount on consolidated balance sheet:			
Corporate bonds	462,948	461,150	(1,797)
Other	903	821	(72)
Sub total	463,851	461,972	(1,869)
Total	\$ 805,193	\$ 804,109	\$ (1,083)

(3) Other securities

The carrying value and acquisition cost of other securities as of March 31, 2020 and 2021 are summarized as follows:

	Millions of Yen		
	Carrying value	Acquisition cost	Difference
As of March 31, 2020			
Amount on consolidated balance sheet exceeding acquisition cost:			
Equity securities	¥ 41,859	¥ 21,067	¥ 20,791
Debt securities:			
Government bonds	550,852	524,718	26,133
Municipal bonds	150,781	148,933	1,847
Corporate bonds	79,951	78,291	1,660
Others	396,445	375,958	20,486
Sub total	1,219,889	1,148,969	70,919
Amount on consolidated balance sheet below acquisition cost:			
Equity securities	7,171	9,200	(2,028)
Debt securities:			
Government bonds	14,971	15,028	(56)
Municipal bonds	66,503	66,729	(226)
Corporate bonds	1,505	1,508	(2)
Others	236,382	249,938	(13,556)
Sub total	326,534	342,405	(15,870)
Total	¥ 1,546,423	¥ 1,491,375	¥ 55,048

As of March 31, 2021			
Amount on consolidated balance sheet exceeding acquisition cost:			
Equity securities	¥ 45,155	¥ 14,854	¥ 30,300
Debt securities:			
Government bonds	380,958	359,928	21,030
Municipal bonds	188,096	186,397	1,698
Corporate bonds	67,593	66,270	1,322
Others	459,266	432,471	26,795
Sub total	1,141,070	1,059,923	81,146
Amount on consolidated balance sheet below acquisition cost:			
Equity securities	7,056	7,828	(772)
Debt securities:			
Government bonds	130,002	132,071	(2,069)
Municipal bonds	56,906	57,109	(202)
Corporate bonds	1,964	1,969	(4)
Others	359,211	368,274	(9,062)
Sub total	555,142	567,253	(12,110)
Total	¥ 1,696,212	¥ 1,627,176	¥ 69,036

	Thousands of U.S. Dollars		
	Carrying value	Acquisition cost	Difference
As of March 31, 2021			
Amount on consolidated balance sheet exceeding acquisition cost:			
Equity securities	\$ 407,867	\$ 134,170	\$ 273,688
Debt securities:			
Government bonds	3,441,044	3,251,088	189,955
Municipal bonds	1,698,997	1,683,650	15,337
Corporate bonds	610,541	598,590	11,941
Others	4,148,369	3,906,340	242,028
Sub total	10,306,837	9,573,868	732,959
Amount on consolidated balance sheet below acquisition cost:			
Equity securities	63,734	70,707	(6,973)
Debt securities:			
Government bonds	1,174,257	1,192,945	(18,688)
Municipal bonds	514,009	515,843	(1,824)
Corporate bonds	17,740	17,785	(36)
Others	3,244,612	3,326,474	(81,853)
Sub total	5,014,379	5,123,773	(109,384)
Total	\$15,321,217	\$14,697,642	\$ 623,575

The components of net unrealized gain (loss) on other securities as of March 31, 2020 and 2021 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Gross valuation difference	¥ 55,048	¥ 69,036	\$ 623,575
Deferred tax assets	–	(27)	(243)
Deferred tax liabilities	(16,824)	(21,062)	(190,244)
Net unrealized gain on other securities before adjustment for non-controlling interests	38,224	47,946	433,077
Non-controlling interests	(32)	(33)	(298)
Net unrealized gain on other securities	¥ 38,191	¥ 47,912	\$ 432,770

(4) Impairment of securities

When the decline in fair value is 50% or more of the carrying value of securities, loss on impairment is recognized at the amount of the decline without exception. When a decline in fair value is less than 50% but 30% or more of the carrying value and one of the following conditions is met, a loss on impairment is recognized:

- (i) For equity securities or investment trusts, fair value has never been above 70% of the acquisition cost for the past one year, or
- (ii) For equity securities, the company issuing the equity securities has reported negative net assets or has recorded a net loss for the past two consecutive years, or
- (iii) For debt securities, a decline in fair value is attributable to an increase in credit risk, not an increase in the interest rate.

For the year ended March 31, 2020, loss on impairment of ¥1,196 million, including ¥99 million for debt securities and ¥1,096 million for equity securities, was recorded

For the year ended March 31, 2021, loss on impairment was not recorded.

21. Held to Maturity and Other Securities Sold

Held-to-maturity securities sold during the years ended March 31, 2020 and 2021 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Cost of sales	¥ 157	¥ 730	\$ 6,593
Proceeds from sales	180	732	6,611
Gain on sales	22	2	18

For the year ended March 31, 2020 and 2021, the securities were sold due to redemption by the issuer.

Other securities sold during the years ended March 31, 2020 and 2021 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Proceeds from sales	¥ 52,829	¥ 76,668	\$ 692,511
Gain on sales	3,724	3,899	35,218
Loss on sales	1,361	5,050	45,614

22. Money Held in Trust

The carrying value of money held in trust for the purpose of securities trading as of March 31, 2020 and 2021 and the related net holding gain (loss) for the years then ended are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Carrying value	¥ 4,955	¥ 4,978	\$ 44,964
Net holding gain (loss)	–	–	–

23. Derivatives

Derivatives 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 gains or losses and calculation method of the fair value are as follows:

Note that the contract amount does not represent the market risk exposure associated with the derivative transactions.

(1) Interest-related transactions

	Millions of Yen			
	Contract amount		Fair value	Gains (losses)
	Total	Over one year		
As of March 31, 2020				
Over-the-counter				
Interest-rate swaps				
Receive fixed/pay floating	¥ 2,500	¥ 2,500	¥ 425	¥ 425
Receive floating/pay fixed	2,500	2,500	(180)	(180)
Total			¥ 245	¥ 245
As of March 31, 2021				
Over-the-counter				
Interest-rate swaps				
Receive fixed/pay floating	¥ 2,500	¥ 2,500	¥ 395	¥ 395
Receive floating/pay fixed	2,500	2,500	(150)	(150)
Total			¥ 244	¥ 244

	Thousands of U.S. Dollars			
	Contract amount		Fair value	Gains (losses)
	Total	Over one year		
As of March 31, 2021				
Over-the-counter				
Interest-rate swaps				
Receive fixed/pay floating	\$ 22,581	\$ 22,581	\$ 3,567	\$ 3,567
Receive floating/pay fixed	22,581	22,581	(1,354)	(1,354)
Total			\$ 2,203	\$ 2,203

Notes: 1. Above transactions are stated at fair value and the related gains (losses) are reported in the consolidated statements of income.

2. The fair value of above transactions is determined using the discounted present value or option pricing models, etc.

(2) Currency-related transactions

	Millions of Yen			
	Contract amount		Fair value	Gains (losses)
	Total	Over one year		
As of March 31, 2020				
Over-the-counter				
Currency swaps	¥17,639	¥15,973	¥ 79	¥ 79
Forward foreign exchange contracts:				
Sold	11,047	–	(17)	(17)
Bought	31,895	–	10	10
Currency options:				
Sold	44,846	–	(727)	(163)
Bought	44,846	–	727	167
Total			¥ 72	¥ 77
As of March 31, 2021				
Over-the-counter				
Currency swaps	¥51,019	¥12,928	¥ (1,838)	¥ (1,838)
Forward foreign exchange contracts:				
Sold	8,633	–	(218)	(218)
Bought	8,524	–	213	213
Currency options:				
Sold	20,121	–	(530)	(347)
Bought	20,121	–	530	413
Total			¥ (1,843)	¥ (1,778)

	Thousands of U.S. Dollars			
	Contract amount		Fair value	Gains (losses)
	Total	Over one year		
As of March 31, 2021				
Over-the-counter				
Currency swaps	\$ 460,834	\$ 116,773	\$ (16,601)	\$ (16,601)
Forward foreign exchange contracts:				
Sold	77,978	–	(1,969)	(1,969)
Bought	76,993	–	1,923	1,923
Currency options:				
Sold	181,745	–	(4,787)	(3,134)
Bought	181,745	–	4,787	3,730
Total			\$ (16,647)	\$ (16,059)

Notes: 1. Above transactions are stated at fair value and the related gains (losses) are reported in the consolidated statements of income.
2. The fair value is determined using the discounted present value.

Derivatives to which Hedge Accounting is Applied

With respect to derivatives to which hedge accounting is applied, contract amount or notional principal, fair value and calculation method of the fair value are as follows:
Note that the contract amount does not represent the market risk exposure associated with the derivative transactions.

(1) Interest-related transactions

Hedge accounting method	Type of derivatives	Major hedged items	Millions of Yen		Fair value
			Contract amount		
			Total	Over one year	
As of March 31, 2020					
Special treatment for interest rate swaps	Interest rate swaps: Receive-floating/ Pay-fixed	Loans	¥ 14,255	¥ 10,512	(Note 3)
Total					¥ —
As of March 31, 2021					
Special treatment for interest rate swaps	Interest rate swaps: Receive-floating/ Pay-fixed	Loans	¥ 10,512	¥ 7,326	(Note 3)
Total					¥ —

As of March 31, 2021			Thousands of U.S. Dollars		
			Contract amount		Fair value
Hedge accounting method	Type of derivatives	Major hedged items	Total	Over one year	
Special treatment for interest rate swaps	Interest rate swaps: Receive-floating/ Pay-fixed	Loans	\$ 94,950	\$ 66,172	(Note 3)
Total					\$ —

Notes: 1. These transactions are principally accounted for under the deferral hedge method in accordance with JICPA Industry Committee Practical Guidelines No. 24.
2. The fair value of above transactions is determined using the discounted present value or option pricing models, etc.
3. The fair value of interest rate swaps which qualify for hedge accounting and meet specific matching criteria (special treatment for interest rate swaps) is calculated together with the fair value of loans. Therefore, the fair value of such interest rate swaps is not presented here, but is included in the fair value of loans.

(2) Currency-related transactions

			Millions of Yen		
			Contract amount		
Hedge accounting method	Type of derivatives	Major hedged items	Total	Over one year	Fair value
As of March 31, 2020					
Normal method	Currency swaps	Securities and call money	¥ 5,441	—	¥ 17
	Forward foreign exchange contracts		103,587	—	1,160
Total					¥ 1,177
As of March 31, 2021					
Normal method	Forward foreign exchange contracts	Securities and call money	¥ 104,955	—	¥ 1,333
Total					¥ 1,333

Hedge accounting method	Type of derivatives	Major hedged items	Thousands of U.S. Dollars		
			Contract amount		Fair value
			Total	Over one year	
As of March 31, 2021					
Normal method	Forward foreign exchange contracts	Securities and call money	\$ 948,017	–	\$ 12,040
Total					\$ 12,040

Notes: 1. These transactions are principally accounted for under the deferral hedge method in accordance with JICPA Industry Committee Practical Guidelines No. 24.
2. The fair value is determined using the discounted present value.

24. Employees' Retirement Benefits

The Group has funded and unfunded defined benefit plans and defined contribution plans.

Under the defined benefit pension plans (all of which are funded), a lump-sum payment or pension is determined based on the salary and years of service and paid to the eligible employees.

Regarding the defined pension benefit plans, cash balance plans are introduced and there is a notional account for each eligible employee which represents funded amount and principal of the pension amount. The balance in the notional account accumulates principal credits, which are determined based on salary level, and interest credits, which are determined based on the 10-year Government bond yields to subscribers.

Under the lump-sum payment plans (all of which are unfunded), a lump-sum payment is determined based on the salary and years of service and paid to eligible employees.

For lump-sum payment plans maintained by certain consolidated subsidiaries, liability for retirement benefits and retirement benefit expenses are determined by using the simplified method.

(1) Defined benefit plans

(a) Reconciliation of projected benefit obligations from beginning to ending balances for the years ended March 31, 2020 and 2021

	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Projected benefit obligations at the beginning of the year	¥ 41,225	¥ 40,527	\$ 366,064
Service cost	976	966	8,725
Interest cost	207	235	2,122
Actuarial gains or losses incurred	469	(152)	(1,372)
Benefits paid	(2,351)	(2,256)	(20,377)
Prior service cost incurred	–	–	–
Others	–	–	–
Projected benefit obligations at the end of the year	¥ 40,527	¥ 39,321	\$ 355,171

(b) Reconciliation of plan assets from beginning to ending balances for the years ended March 31, 2020 and 2021

	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Plan assets at the beginning of the year	¥ 29,967	¥ 29,331	\$ 264,935
Expected return on plan assets	719	293	2,646
Actuarial gains or losses incurred	(1,174)	1,428	12,898
Contribution from the Bank	1,442	603	5,446
Benefits paid	(1,623)	(1,575)	(14,226)
Others	0	0	0
Plan assets at the end of the year	¥ 29,331	¥ 30,083	\$ 271,727

(c) Reconciliation of projected benefit obligations and plan assets at end, and net defined benefit liability and assets on the consolidated balance sheets as of March 31, 2020 and 2021

	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Projected benefit obligations of funded plans	¥ 30,129	¥ 29,639	\$ 267,717
Plan assets	(29,331)	(30,083)	(271,727)
	797	(443)	(4,001)
Projected benefit obligations of unfunded plans	10,397	9,681	87,444
Net amount of liability	¥ 11,195	¥ 9,238	\$ 83,443

	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Net defined benefit liability	¥ 11,195	¥ 9,681	\$ 87,444
Net defined benefit asset	–	443	4,001
Net amount of liability	¥ 11,195	¥ 9,238	\$ 83,443

(d) Components of net retirement benefit expense for the years ended March 31, 2020 and 2021

	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Service cost	¥ 976	¥ 966	\$ 8,725
Interest cost	207	235	2,122
Expected return on plan assets	(719)	(293)	(2,646)
Amortization of actuarial gains or losses	927	1,307	11,805
Amortization of prior service cost	(35)	(35)	(316)
Others	(0)	(0)	(0)
Net retirement benefit expense	¥ 1,356	¥ 2,181	\$ 19,700

(e) Components of remeasurements of defined benefit plans (before income taxes) for the years ended March 31, 2020 and 2021

	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Prior service cost	¥ (35)	¥ (35)	\$ (316)
Actuarial gains or losses	(715)	2,888	26,086
Total	¥ (750)	¥ 2,853	\$ 25,770

(f) Accumulated other comprehensive income for remeasurements of defined benefit plans (before income taxes) as of March 31, 2020 and 2021

	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Unrecognized prior service cost	¥ 25	¥ (9)	\$ (81)
Unrecognized actuarial gains or losses	(7,667)	(4,778)	(43,157)
Total	¥ (7,641)	¥ (4,787)	\$ (43,239)

(g) Component ratio of plan assets as of March 31, 2020 and 2021

	2020	2021
Bonds	66.26%	57.89%
Stocks	13.34%	18.55%
Cash and deposits	0.40%	0.14%
Others	19.98%	23.40%
Total	100.00%	100.00%

Long-term expected rate of return on plan assets is determined by considering the current/future expected allocation of plan assets and expected current/future return from various assets that compose plan assets.

(h) Assumptions in accounting for retirement benefits for the years ended March 31, 2020 and 2021

	2020	2021
Discount rate	0.50%	0.58%
Long-term expected rate of return on plan assets	2.40%	1.00%
Expected salary increase rate	3.00%	2.70%

(2) Defined contribution plans

Contribution paid to the plans by the Group during the year ended March 31, 2020 and 2021 were ¥158 million and ¥159 million (\$1,436 thousand), respectively.

25. Stock Options

(1) Contents, volume and activity of the stock options

(a) The stock options outstanding as of March 31, 2021

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Vesting Conditions and Service Period	Exercise Period
2008 Stock Option	17 directors 5 corporate auditors	163,500 shares of common stock	Jul. 25, 2008	N/A	From Jul. 26, 2008 to Jul. 25, 2033
2009 Stock Option	17 directors 5 corporate auditors	180,700 shares of common stock	Jul. 23, 2009	N/A	From Jul. 24, 2009 to Jul. 23, 2034
2010 Stock Option	17 directors 5 corporate auditors	224,000 shares of common stock	Jul. 23, 2010	N/A	From Jul. 24, 2010 to Jul. 23, 2035
2011 Stock Option	8 directors 5 corporate auditors 10 executive officers	258,000 shares of common stock	Jul. 26, 2011	N/A	From Jul. 27, 2011 to Jul. 26, 2036
2012 Stock Option	8 directors 5 corporate auditors 10 executive officers	281,800 shares of common stock	Jul. 27, 2012	N/A	From Jul. 28, 2012 to Jul. 27, 2037
2013 Stock Option	8 directors 5 corporate auditors 10 executive officers	202,100 shares of common stock	Jul. 26, 2013	N/A	From Jul. 27, 2013 to Jul. 26, 2038
2014 Stock Option	8 directors 5 corporate auditors 11 executive officers	231,800 shares of common stock	Jul. 25, 2014	N/A	From Jul. 26, 2014 to Jul. 25, 2039
2015 Stock Option	8 directors 5 corporate auditors 10 executive officers	122,000 shares of common stock	Jul. 24, 2015	N/A	From Jul. 25, 2015 to Jul. 24, 2040

(b) The stock option volume and activity

(i) Number of stock options (shares)

Year Ended March 31, 2021	2008 Stock Option	2009 Stock Option	2010 Stock Option	2011 Stock Option	2012 Stock Option	2013 Stock Option	2014 Stock Option	2015 Stock Option
Non-vested:								
March 31, 2020—outstanding	21,700	26,100	34,300	50,600	66,300	55,500	72,500	59,100
Granted	—	—	—	—	—	—	—	—
Forfeited	—	—	—	—	—	—	—	—
Vested	11,000	12,200	16,000	24,600	26,900	19,100	30,000	16,900
March 31, 2021—outstanding	10,700	13,900	18,300	26,000	39,400	36,400	42,500	42,200
Vested:								
March 31, 2020—outstanding	—	—	—	—	—	—	—	—
Vested	11,000	12,200	16,000	24,600	26,900	19,100	30,000	16,900
Exercised	11,000	12,200	16,000	24,600	26,900	19,100	30,000	16,900
Forfeited	—	—	—	—	—	—	—	—
March 31, 2021—outstanding	—	—	—	—	—	—	—	—

(ii) Unit price information

	2008 Stock Option	2009 Stock Option	2010 Stock Option	2011 Stock Option	2012 Stock Option	2013 Stock Option	2014 Stock Option	2015 Stock Option
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average stock price at the time of exercise	550	550	550	550	550	550	550	550
Fair value at the date of grant	¥ 878	¥ 804	¥ 609	¥ 569	¥ 500	¥ 710	¥ 677	¥ 1,182
	2008 Stock Option	2009 Stock Option	2010 Stock Option	2011 Stock Option	2012 Stock Option	2013 Stock Option	2014 Stock Option	2015 Stock Option
Exercise price	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Average stock price at the time of exercise	4.96	4.96	4.96	4.96	4.96	4.96	4.96	4.96
Fair value at the date of grant	\$ 7.93	\$ 7.26	\$ 5.50	\$ 5.13	\$ 4.51	\$ 6.41	\$ 6.11	\$ 10.67

(2) Estimation method of the vested number of stock options

Since it is difficult to estimate the number of forfeitures for the future, only the actual number of forfeited options is reflected.

26. Income Taxes

Income taxes consist of corporation tax, inhabitant tax and enterprise tax. Major components of deferred tax assets and liabilities as of March 31, 2020 and 2021 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Deferred tax assets:			
Reserve for possible loan losses	¥ 11,778	¥ 12,517	\$ 113,061
Depreciation	789	634	5,726
Impairment loss on fixed assets	2,468	2,484	22,436
Write-offs of securities	716	615	5,555
Net defined benefit liability	3,413	2,952	26,664
Tax loss carry-forwards	437	519	4,687
Net deferred loss on hedging instruments	—	0	0
Others	3,469	3,764	33,998
Subtotal	23,073	23,489	212,166
Valuation allowances	(2,745)	(2,857)	(25,806)
Total deferred tax assets	20,328	20,631	186,351
Deferred tax liabilities:			
Reserve for deferred revenue of tangible fixed assets	(85)	(83)	(749)
Net unrealized gain on other securities	(16,830)	(21,062)	(190,244)
Net deferred gain on hedging instruments	(3)	—	—
Others	(57)	(190)	(1,716)
Total deferred tax liabilities	(16,978)	(21,336)	(192,719)
Net deferred tax assets (liabilities)	¥ 3,350	¥ (704)	\$ (6,358)

Note: Since the difference between statutory tax rate and actual effective tax rate is less than 5% of statutory tax rate, reconciliation between the tax rates is omitted for the years ended March 31, 2020 and 2021.

27. Business Combination

Transaction under common control

Acquisition of Treasury stock by Consolidated Subsidiary

(1) Overview of transaction

(a) Name and business of combined company

Name of the combined company: The San-in General Lease Co., Ltd. ("San-in General Lease")
Business of the combined company: Leasing

(b) Date of the business combination

February 26, 2021

(c) Legal form of the business combination

Acquisition of treasury stock from non-controlling shareholders

(d) Company name after the combination

No change

(e) Other

For the purpose of strengthening the Group management structure, the San-in General Lease acquired shares held by non-controlling shareholders (i.e. acquisition of treasury stock). As a result, the ratio of voting rights of the Bank to the San-in General Lease became 100%.

(2) Summary of accounting treatments

This business combination is treated as a transaction with non-controlling shareholders among transactions under common control in accordance with "Accounting Standard for Business Combinations" (ASBJ Statement No.21, January 16, 2019) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10, January 16, 2019).

(3) Details of additional acquisition of subsidiary's stock

Acquisition cost and breakdown of consideration by class

Consideration	Cash and due from banks	¥102 million	(\$921 thousand)
Acquisition cost		¥102 million	(\$921 thousand)

(4) Change in the Bank's shareholder interests in transactions with non-controlling shareholders

(a) Factor of the change

Acquisition cost of the treasury stock from non-controlling shareholders were below the decrease of non-controlling interests at the San-in General Lease.

(b) Amount of capital surplus increased by the transactions with non-controlling shareholders

¥677 million (\$6,115 thousand)

28. Asset Retirement Obligations

The Group's asset retirement obligations consist primarily of obligations to remove hazardous material (asbestos) used in construction of the buildings and obligations pursuant to real estate rental agreement to restore the property to its original state. The asset retirement obligations are calculated using the expected useful lives of the buildings of 2 to 39 years and discount rate of 0.00% to 2.26%.

Changes of asset retirement obligations during the years ended March 31, 2020 and 2021 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Balance at the beginning of the year	¥ 487	¥ 485	\$ 4,380
Changes due to the passage of time	5	5	45
Decrease due to transfer of tangible fixed assets	7	—	—
Balance at the end of the year	¥ 485	¥ 490	\$ 4,425

29. Segment Information

The Group has two reportable segments based on the service: "Banking" and "Leasing". "Banking" is the main segment of the Group and consists of deposit business, loan business, securities investment business, exchange business, etc. "Leasing" consists of leasing business conducted by The San-in General Lease Co., Ltd., a consolidated subsidiary.

The accounting policies applied in calculating ordinary income, profit or loss, assets and liabilities, etc. by segment are generally the same as those described in note "2. Summary of Significant Accounting Policies." The inter-segment income is based on the arm's length price.

Ordinary income, profit or loss, assets and liabilities, etc. by segment for the years ended March 31, 2020 and 2021 are as follows:

Year ended March 31, 2020	Reportable segments			Others	Adjustments		Consolidated
	Banking	Leasing	Total	(Note 2)	Total	(Note 3)	
Ordinary income:							
Customers	¥ 72,925	¥ 15,769	¥ 88,695	¥ 1,656	¥ 90,352	¥ —	¥ 90,352
Inter-segment	424	248	673	999	1,673	(1,673)	—
Total	73,350	16,017	89,368	2,656	92,025	(1,673)	90,352
Segment profit	15,906	516	16,423	(137)	16,286	(29)	16,256
Segment assets	5,668,979	53,489	5,722,468	19,543	5,742,012	(50,552)	5,691,460
Segment liabilities	5,321,601	47,920	5,369,522	7,344	5,376,866	(47,057)	5,329,809
Other items:							
Depreciation	2,048	265	2,314	119	2,433	—	2,433
Interest income	58,031	6	58,037	46	58,084	(127)	57,957
Interest expenses	3,970	138	4,108	8	4,117	(106)	4,010
Extraordinary gains:	0	—	0	—	0	—	0
Gain on disposals of fixed assets	0	—	0	—	0	—	0
Extraordinary losses:	859	—	859	108	968	—	968
Loss on disposals of fixed assets	155	—	155	0	156	—	156
Impairment loss	704	—	704	107	812	—	812
Tax expenses	¥ 4,568	¥ 185	¥ 4,754	¥ 37	¥ 4,792	¥ (0)	¥ 4,791

Year ended March 31, 2021	Millions of Yen						
	Reportable segments			Others (Note 2)	Total	Adjustments (Note 3)	Consolidated
	Banking	Leasing	Total				
Ordinary income:							
Customers	¥ 72,158	¥ 15,468	¥ 87,627	¥ 1,564	¥ 89,191	¥ (13)	¥ 89,178
Inter-segment	381	215	596	745	1,342	(1,342)	–
Total	72,540	15,684	88,224	2,309	90,534	(1,355)	89,178
Segment profit	13,891	400	14,291	216	14,507	(68)	14,439
Segment assets	6,352,222	52,434	6,404,657	17,560	6,422,218	(51,932)	6,370,285
Segment liabilities	5,988,309	46,559	6,034,869	4,992	6,039,861	(49,429)	5,990,432
Other items:							
Depreciation	2,603	281	2,884	80	2,965	–	2,965
Interest income	56,815	6	56,822	28	56,851	(127)	56,723
Interest expenses	1,959	136	2,096	6	2,102	(103)	1,999
Extraordinary gains:	1	–	1	21	23	(2)	21
Gain on disposals of fixed assets	1	–	1	21	23	(2)	20
Extraordinary losses:	1,302	–	1,302	11	1,313	(1,019)	293
Loss on disposals of fixed assets	33	–	33	11	44	–	44
Impairment loss	249	–	249	–	249	–	249
Loss on valuation of subsidiary's stock	1,019	–	1,019	–	1,019	(1,019)	–
Tax expenses	¥ 4,265	¥ 110	¥ 4,375	¥ 137	¥ 4,512	¥ (12)	¥ 4,500

Year ended March 31, 2021	Thousands of U.S. Dollars						
	Reportable segments			Others (Note 2)	Total	Adjustments (Note 3)	Consolidated
	Banking	Leasing	Total				
Ordinary income:							
Customers	\$ 651,774	\$ 139,716	\$ 791,500	\$ 14,126	\$ 805,627	\$ (117)	\$ 805,509
Inter-segment	3,441	1,942	5,383	6,729	12,121	(12,121)	–
Total	655,225	141,667	796,892	20,856	817,758	(12,239)	805,509
Segment profit	125,471	3,613	129,084	1,951	131,036	(614)	130,421
Segment assets	57,377,129	473,615	57,850,754	158,612	58,009,375	(469,081)	57,540,285
Segment liabilities	54,090,046	420,549	54,510,604	45,090	54,555,695	(446,472)	54,109,222
Other items:							
Depreciation	23,511	2,538	26,050	722	26,781	–	26,781
Interest income	513,187	54	513,250	252	513,512	(1,147)	512,356
Interest expenses	17,694	1,228	18,932	54	18,986	(930)	18,056
Extraordinary gains:	9	–	9	189	207	(18)	189
Gain on disposals of fixed assets	9	–	9	189	207	(18)	180
Extraordinary losses:	11,760	–	11,760	99	11,859	(9,204)	2,646
Loss on disposals of fixed assets	298	–	298	99	397	–	397
Impairment loss	2,249	–	2,249	–	2,249	–	2,249
Loss on valuation of subsidiary's stock	9,204	–	9,204	–	9,204	(9,204)	–
Tax expenses	\$ 38,524	\$ 993	\$ 39,517	\$ 1,237	\$ 40,755	\$ (108)	\$ 40,646

- Notes: 1. Ordinary income is presented instead of sales of general companies.
2. "Others" include business segments other than reportable segments such as securities business and credit guarantee business.
3. "Adjustments" include as follows:
- (1) Adjustments for ordinary income for customers of ¥(13) million (\$117) thousand for the year ended March 31, 2021 represents reversal of reserve for possible loan losses at Leasing segment.
 - (2) Adjustments for segment profit of ¥(29) million and ¥(68) million (\$614) thousand for the years ended March 31, 2020 and 2021, respectively, represent elimination of inter-segment transactions.
 - (3) Adjustments for segment assets of ¥(50,552) million and ¥(51,932) million (\$469,081) thousand as of March 31, 2020 and 2021, respectively, represent elimination of inter-segment balances.
 - (4) Adjustments for segment liabilities of ¥((47,057) million and ¥(49,429) million (\$446,472) thousand) as of March 31, 2020 and 2021, respectively, represent elimination of inter-segment balances.
 - (5) Adjustments for interest income of ¥(127) million and ¥(127) million (\$1,147) thousand for the years ended March 31, 2020 and 2021, respectively, represent elimination of inter-segment transactions.
 - (6) Adjustments for interest expenses of ¥(106) million and ¥(103) million (\$930) thousand for the years ended March 31, 2020 and 2021, respectively, represent elimination of inter-segment transactions.

- (7) Adjustments for gain on disposals of fixed assets of ¥(2) million (\$18) thousand for the year ended March 31, 2021, represent elimination of inter-segment transactions.
- (8) Adjustments for loss on valuation of subsidiary's stock of ¥ (1,019) million (\$9,204) thousand for the year ended March 31, 2021 represents elimination of loss on valuation of subsidiary's stock recognized for a liquidating consolidated subsidiary (securities business) at Banking segment.
- (9) Adjustments for tax expenses of ¥(0) million and ¥(12) million (\$108) thousand for the years ended March 31, 2020 and 2021, respectively, represent income taxes deferred related to elimination of inter-segment transactions.

Related Information

(1) Information by service

Income from customers	Millions of Yen				
	Loans	Securities investment	Leasing	Others	Total
Year ended March 31, 2020	¥ 34,353	¥ 27,241	¥ 15,769	¥ 12,987	¥ 90,352
Year ended March 31, 2021	¥ 35,915	¥ 25,365	¥ 15,468	¥ 12,428	¥ 89,178

Income from customers	Thousands of U.S. Dollars				
	Loans	Securities investment	Leasing	Others	Total
Year ended March 31, 2021	\$ 324,406	\$ 229,112	\$ 139,716	\$ 112,257	\$ 805,509

(2) Geographical information

- (a) Ordinary income
As the Group's ordinary income from customers in Japan accounts for over 90% of ordinary income, disclosure by location is omitted.
- (b) Tangible fixed assets
As the Group's tangible fixed assets located in Japan account for over 90% of tangible fixed assets presented in the consolidated balance sheets, disclosure by location is omitted.

- (3) Information by major customers
As no single customer accounts for over 10% of ordinary income, disclosure by major customers is omitted.

Information on Impairment Loss on Fixed Assets by Reportable Segment

Impairment loss	Millions of Yen				
	Reportable segments			Others	Total
	Banking	Leasing	Total		
Year ended March 31, 2020	¥ 704	¥ –	¥ 704	¥ 107	¥ 812
Year ended March 31, 2021	¥ 249	¥ –	¥ 249	–	¥ 249

Impairment loss	Thousands of U.S. Dollars				
	Reportable segments			Others	Total
	Banking	Leasing	Total		
Year ended March 31, 2021	\$ 2,249	\$ –	\$ 2,249	\$ –	\$ 2,249

30. Related Party Transactions

Transactions with the Bank's directors, corporate auditors, executive officers and their relatives include loan receivables, guarantees and securities. These transactions totaled ¥1,918 million and ¥1,649million (\$14,894 thousand) for the years ended March 31, 2020 and 2021, respectively. The balances of loan receivables from these parties totaled ¥2,710 million and ¥2,504 million (\$22,617 thousand) as of March 31, 2020 and 2021, respectively. The balances of securities (corporate bonds of these parties) totaled ¥400 million and ¥400 million (\$3,613 thousand) as of March 31, 2020 and 2021, respectively. The terms of these transactions were determined on an arm's-length basis.

31. Amounts per Share

	Yen		U.S. Dollars
	2020	2021	2021
Net assets per share	¥ 2,314.51	¥ 2,433.02	\$ 21.97
Profit per share:			
Basic	¥ 67.07	¥ 62.14	\$ 0.56
Diluted	66.91	62.03	0.56

The basis for the calculation of net assets per share as of March 31, 2020 and 2021 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Net assets	¥ 361,650	¥ 379,852	\$ 3,431,054
Deduction:			
Subscription rights to shares	281	170	1,535
Non-controlling interests	1,323	532	4,805
Net assets attributable to shares of common stock	360,045	379,149	3,424,704
Number of shares of common stock outstanding	155,559 thousand	155,834 thousand	

Regarding the calculation of net assets per share, the shares of the Bank owned by Board Benefit Trust (BBT) and recognized as treasury stock (1,007 thousand shares and 888 thousand shares as of March 31, 2020 and 2021, respectively) are deducted from the number of shares of common stock outstanding.

The basis for the calculation of profit per share for the years ended March 31, 2020 and 2021 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Profit attributable to owners of the Bank	¥ 10,467	¥ 9,679	\$ 87,426
Amount not attributable to common shareholders	—	—	—
Profit attributable to common shareholders	10,467	9,679	87,426
Average number of shares of common stock outstanding	156,043 thousand	155,761 thousand	
Average number of shares of dilutive common stock	388 thousand	266 thousand	

Regarding the calculation of profit per share, the shares of the Bank owned by Board Benefit Trust (BBT) and recognized as treasury stock (523 thousand shares and 924 thousand shares in average number for the years ended March 31, 2020 and 2021, respectively) are deducted from the average number of shares of common stock outstanding.

32. Shareholders’ Equity and Net Assets

In accordance with the Banking Act of Japan, the Bank has provided a legal reserve by appropriation of retained earnings. The Banking Act of Japan provides that an amount equivalent to at least 20% of the amount to be disbursed as distributions of earnings be appropriated to the legal reserve until the total of such reserve and the capital surplus equals 100% of the common stock.

The Act provides that neither additional paid-in capital nor the legal reserve are available for dividends, but both may be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to common stock by resolution of the board of directors. The Act also provides that if the total amount of additional paid-in capital and the legal reserve exceeds 100% of the amount of common stock, the excess may be distributed to the shareholders either as a return of capital or as dividends subject to the approval at the shareholders’ meeting.