SAN-IN GODO BANK

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



Annual Report 2019

SAN-IN GODO BANK

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Profile

The San-in Godo Bank was established in 1941 through a merger of equals between Yonago Bank of Tottori Prefecture and Matsue Bank of Shimane Prefecture. The Bank traces its origins to the founding of the Tsuwano 53rd National Bank in Shimane Prefecture in 1878.

Although the location of the founding of the Bank makes the San-in region of western Honshu (Tottori and Shimane prefectures) its primary service area, its operations extend into the neighboring Sanyo region (Hiroshima and Okayama prefectures) and Hyogo Prefecture. The Bank maintains branches in Tokyo and Osaka and overseas representative offices in Dalian, Shanghai and Bangkok.

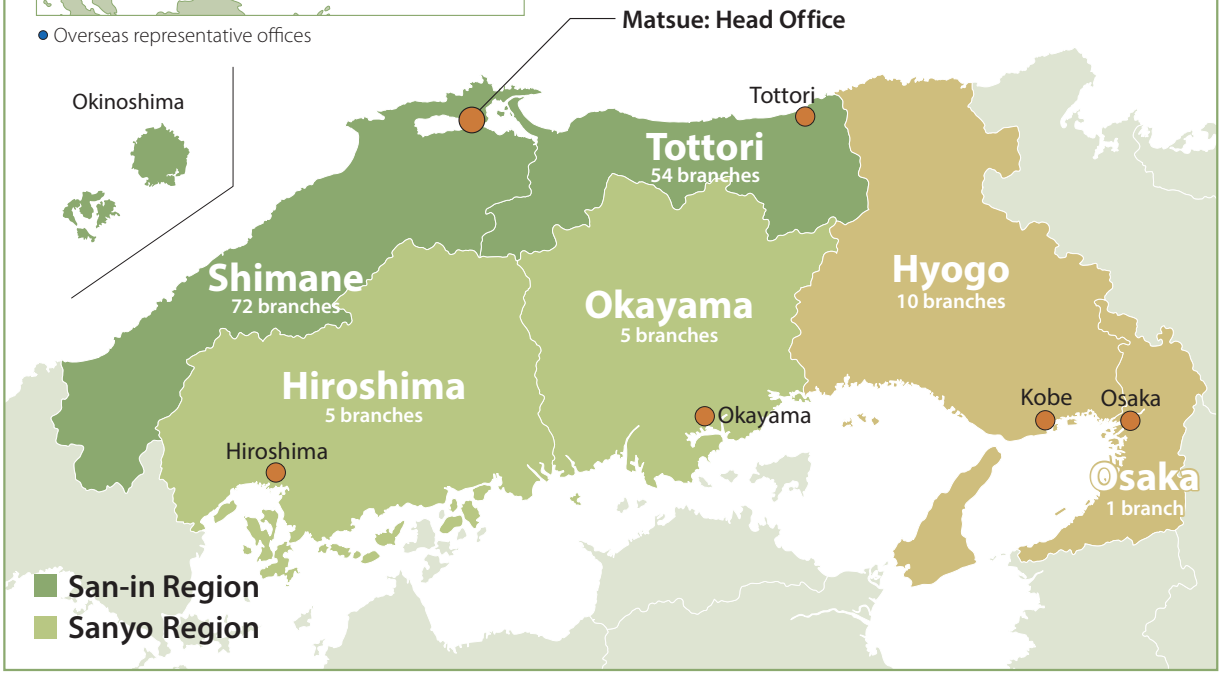
Area of Operations and Overview of the Bank



● Overseas representative offices

Corporate Data (As of March 31, 2019)

Date of Establishment	July 1, 1941
Paid-in Capital	¥20,705 million
Number of Employees	2,018
Number of Offices	• Domestic
	Branches (including Head Office) ····· 81
	Sub-branches ····· 69
	Total ····· 150
	• Overseas
	Representative Offices ····· 3
	(Dalian, Shanghai, Bangkok)



Economic Environment in the San-in Region

	Shimane	Tottori	Total
Total population	680 thousand	560 thousand	**1,240 thousand**
Gross prefectural product	¥2.6 trillion	¥1.8 trillion	**¥4.4 trillion**
Shipment value of manufactured goods	¥1,096.0 billion	¥735.3 billion	**¥1,831.3 billion**
Number of business establishments	34,987	25,718	**60,705**

Management Policies

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

Long-term Vision
Realize a Sustainable Regional Society

Medium-term Management Plan

(FY2018-FY2020)

Concept

Take on the challenge of building a leading business model for growth hand-in-hand with the region and customers, moving actively to resolve regional issues as a financial institution in a region at the forefront of key issues

*Refer to pp. 8-9 for details regarding the Medium-term Management Plan.

The San-in Godo Bank CS Declaration

We will always be helpful to our customers.
We will always show gratitude to our customers.
We will always serve our customers with a smile.

Sustainability Statement

To demonstrate support for the spirit of the United Nations Sustainable Development Goals (SDGs), the San-in Godo Bank will seek to realize sustainable communities through efforts to solve regional issues.

Priority efforts

Sustainable regional economic growth	We contribute to sustainable regional economic growth through efforts to deliver solutions to customers' challenges and needs and by supporting regional industrial growth and increasing added value in the region and for our customers
Realizing enriched local communities	We realize enriched and dynamic communities through proactive participation in activities that contribute to the community and society
Realizing sustainable regional environments	We respond to climate change and realize sustainable regional environments by implementing more eco-conscious business activities and raising environmental awareness
Improving employee satisfaction	We seek to increase pride in work and satisfaction by developing an environment in which employees can demonstrate their abilities to the fullest
Establishing a sound and highly transparent management structure	We strive to strengthen and enhance corporate governance through the proactive and fair disclosure of information on management and other topics and cooperating appropriately with stakeholders

History of Value Creation

Growth and Development Together with the Region and Customers

In recent years, the incorporation of SDGs and ESG approaches into management has emerged as a vital issue. San-in Godo Bank, however, since the day it was founded has embedded itself deeply in the region to consistently address regional sustainability.

Whether in its core business or in regional contribution activities, San-in Godo Bank has for years pursued business guided by the same philosophy behind SDGs and ESG approaches.

Enabling a business model of this kind are features that define the Bank itself - stable financial foundations and significant equity.

Going forward, we are committed to steps to leverage equity passed down through the years to preserve management soundness, invest for growth and balance shareholder returns, then passing on what we accumulate for the future as our contribution to realizing a more sustainable regional society.

Branch Network Expansion
On April 1, 1991, the Bank merged with Fuso Bank, a Second-tier regional bank headquartered in the city of Tottori, marking the start of the new "San-in Godo Bank."
From the merger with Fuso Bank, the Bank made dramatic strides in rationalization and efficiency, resulting in the wide-ranging branch network spanning San-in, Sanyo, Hyogo and Osaka that today is one of its defining characteristics.

Focus on Relationship Banking
Driven by a firm and consistent commitment to act assertively in the region, San-in Godo Bank has continued taking steps to spur economic revitalization and regional development.
In particular, the Bank has for many years focused on business support activities, reasoning that energizing the small- and medium-sized companies with whom it does business will create employment and capital circulation, fueling dynamic activity across the entire region.
Since unveiling the "Relationship Banking Function Enhancement Plan" in 2003, San-in Godo Bank has continued to position relationship banking as its universal business model, leading directly to business matching monetization and the current "Added Value Improvement Campaign."

1990~

1991
- Merged with Fuso Bank
- Celebrated 50th anniversary

1992
- Established Gogin (Tottori/Shimane) Cultural Promotion Foundations

1993
- Founded Badminton Club

1997
- Established San-in Executive Office of "Chisana Shinsetsu"(Small Kindness) Movement
- Changed commercial name to San-in Godo Bank, adopted new CI
- Relocated to newly built current location

2000~

2003
- Began operating shared three bank's core system with Michinoku Bank and Higo Bank
- Formulated "Relationship Banking Function Enhancement Plan"

2006
- Started forest conservation activities
- Began handling Gogin Duo Card

2007
- Began monetizing business matching
- Opened "Gogin Challenged Matsue" employment site for individuals with intellectual disabilities

2010~

2012
- Launched new branch development and network enlargement in Hyogo and Osaka prefectures
- Opened private school "Syohuu-kan"

2015
- Launched "1 person, 1 company" campaign

2016
- Celebrated 75th anniversary

2017
- Established "Gogin Challenged Tottori" employment site for individuals with disabilities

2018
- Launched Added Value Improvement Campaign

2020~

(Planned Actions)
2020
- Begin utilization of "Shared Regional Banking Center" as a next-generation core system

2030
- Achieve targets based on SDGs

2041
- Celebrate 100th anniversary

Development of Unique Regional Contribution Activities
San-in Godo Bank has strived to meet its responsibility to regional society through social contribution activities focused on social welfare, education and culture.
From the 2000s on, we accurately grasped rapid changes in the external environment, and pursued a host of measures based on our contention that a more customer-first perspective is critical to becoming indispensable to the region and to customers. In our regional contribution activities, the same approach has spurred the development of unique activities such as forest conservation, "Gogin Challenged" employment sites for individuals with disabilities, and the initiatives by private school "Syohuu-kan" ahead of other companies.

Added Value Process

Long-term Vision — **Realize a sustainable regional society**

Social Issues

Regional Issues
- Ongoing population decline and aging
- Fewer business sites
- Working style diversification
- Responsiveness to environmental conservation

Customer Issues
- Corporate growth and continuity
- Asset management and formation
- Response to digitalization
- Labor and human resource shortages

Financial Institution Issues
- Continuation of very low interest rates
- New entry from other sectors
- Training human resources who can deliver high-quality financial services

Leverageable Capital

Financial Capital
Leading capital adequacy ratio among regional banks

Intellectual Capital
High-quality relationships
Banking expertise

Social Capital
High market share and extensive branch network

Human Capital
Talented human resources committed to the region

Natural Capital
Abundant natural environment

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



SAN-IN GODO BANK

Value for stakeholders

Corporate Clients
Growth of regional industries and companies

Individual Customers
Lifestyles of comfort and great convenience

Region
Enriched, dynamic regional society

Shareholders and Investors
Proactive and stable profit returns

Employees
Improve pride in work and satisfaction

Message from the President

Continuing to grow and develop together with the region and customers as part of a sustainable society.



October 2019

F. Ishimaru

Fumio Ishimaru
President and Representative Director

1. A Changing Social Landscape and Operating Environment

Before explaining the Bank's current trajectory, I want to first briefly discuss changes in the social landscape and the operating environment surrounding San-in Godo Bank.

Rising geopolitical risks are disrupting the global framework, triggering formidable uncertainty for the future of economies outside of Japan.

On the domestic side, as low birthrates, societal aging and similar trends suggest, Japan's social structure is continuing to undergo massive changes. This is especially evident in San-in, the Bank's primary business area. As one of the regions hardest hit by population decline and aging, San-in is widely viewed as harboring a host of pressing issues, with an economic base that is far from robust.

Similarly, the environment surrounding financial institutions today is one in which unprecedented financial monetary easing has led to a long-term negative interest rate trend, for an adverse earnings environment that is showing no signs of abating. In parallel, advancements in IT are bringing with them the emergence of financial technologies and the broadening entry of entities from other sectors. These trends are making responsiveness to the uptake of IT and digital technology utilization increasingly indispensable to bank management.

Over the next decade, in addition to these irreversible changes in the social structure, all predictions anticipate a period of volatility for financial institutions unlike any previously experienced, including the growing presence of IT in finance. Along with this outlook, in an environment at hand in which the profitability of traditional financial services is already declining, we recognize that articulating a vision for the kind of Bank we hope to strive toward will be critical to our effort to build a sustainable business model.

2. Initiatives for Long-term Value Creation

(1) Long-term Vision

As stated above, challenging conditions will continue to define the Bank's operating environment. A pessimistic view would say that the region and the Bank both face a mountain of issues. But if we change our perspective, we can say that having a host of issues demands a need to solve them; in other words, myriad business opportunities also await.

Similarly, the emergence of financial technology and the advancement of IT, often considered threats to existing financial institutions, are, upon adoption, expected to contribute greatly to enhanced productivity and other aspects of the Bank's sustainability. With this kind of inverse thinking in mind, we firmly believe that resolving customer issues must be treated as a business opportunity, and that we must meet the challenge of transforming our business model from the ground up utilizing IT.

Based on this belief, in the Medium-term Management Plan (FY2018-FY2020) launched last fiscal year we committed San-in Godo Bank to a long-term vision of realizing sustainable growth for both the region and the Bank itself by resolving issues that our region and our customers face. For corporate clients, this involves appropriate risk-taking, coupled with aggressive support for growth by leveraging all available resources. For individual customers, the aim is to help enrich people's lives even more through asset formation and other avenues. Consequently, we intend to contribute to improving the industrial and social competitiveness and dynamism of the region. In turn, these steps to boost the added value of the region and customers will foster stronger relationships of trust with San-in Godo Bank. This will also lead to growth for the Bank, enabling us to continue to provide ever-more sophisticated financial services over a long and meaningful relationship with those we serve. The sustainable development and growth with the region this virtuous cycle allows is precisely the direction I think San-in Godo Bank should pursue as a regional bank with deep ties to its home region.

(2) San-in Godo Bank's "Sustainability Declaration"

Some time ago, San-in Godo Bank announced its own "Sustainability Declaration." Even prior to this, the Bank had taken a wide range of initiatives aimed at regional sustainability as part of the natural course of business, including relationship banking, regional revitalization and CSR activities. In recent years, interest has risen globally in topics like SDGs and ESG management. Given the similarities between these philosophies and the Bank's own initiatives, we opted to reaffirm our endorsement of the SDGs in a "Sustainability Declaration." By doing so, we can not only further raise awareness among management and employees alike, but also share this concept among regional society and customers and we can move closer toward our vision.

(3) Balanced Capital Distribution

One of our strengths is high capital adequacy ratio. The presence of deep capital resources itself makes vigorous risk-taking possible, as well as the ability to remain flexible in management strategies. Accordingly, along with maintaining current levels of capital adequacy, we are working to ensure balanced capital distribution that maximizes earnings while paying close attention to acceptable levels of risk and earnings stability.

As one strategy, since the current interest rate environment is likely to continue for some time, we are pursuing diversified investment aimed at creating an earnings structure with balance between our client- and market-oriented departments. While aggressively taking on credit risk centered on loans, our approach is to manage interest rate risk by adequately distributing capital, particularly to securities and mortgage loans, as well as reinforcing our responsiveness to market change-related risk.

In client-oriented departments, our aim as before is to expand through value propositions closely tied to customers. One caveat, though, is given the indications of impending economic fluctuations that are starting to surface, when it comes to loans we are returning to a basic principle of garnering returns commensurate with risk, along with raising awareness with respect to quality and being cautious to avoid overemphasis on volume. In market-oriented departments, we will expand risk categories through diversified investment, seeking to maintain earnings stability while strengthening agile capital management through sophisticated prediction control.

Message from the President

3. Initiatives by Business Field

(1) Solving Regional Issues through Full Spectrum Support

In addressing issues confronting the region's industries and companies, our goal is to realize regional revitalization by resolving issues through full spectrum support activities that, in turn, bring the dynamism of the region to the fore.

For example, to counter a low rate of new business startups, we enacted the "SAN-IN Innovation Program" to spark the emergence of new businesses. Program participants presented a diverse array of business ideas, with the transaction branch and head office drawing in external support organizations as needed to provide support for each startup. Some teams in the program have already established companies and moved to launch businesses, showing that business seeds are slowly but surely coming to fruition.

Furthermore, San-in Godo Bank has identified hotels and tourism, food production and medical and nursing care as the region's key industries, and is bolstering support systems particularly for these sectors. To give an example, for hotel and tourism industry clients, we support the acquisition of quality certifications, and IT adoption aimed at enhancing productivity and coping with labor shortages. Through these measures, we hope to heighten both the appeal and competitiveness of Japanese inns, hotels and other facilities offering overnight accommodation in the region.

(2) Initiatives for Companies

With sights set years ago on establishing a sustainable business model, San-in Godo Bank has consistently put effort into relationship banking and business support activities to become a true partner for its customers. Under the previous Medium-term Management Plan (FY2015-FY2017), the "1 person, 1 company" campaign, in which a staff member selects a single company and conducts everything from in-depth business evaluation to extensive business support, allowed the Bank to bring a degree of uniformity to human resource training and skill development. The next step under the current Medium-term Management Plan is called the "Added Value Improvement Campaign," a campaign focused exclusively on raising the corporate value of our clients. The target client level for this stage numbers more than 2,000 companies, or five times the number served under the "1 person, 1 company" campaign, and activities are steadily expanding. In particular, we are looking to establish "contingency fee consulting," in which the commission we earn is based on business performance. In this way, we are taking firm steps to contribute to customers' sales and profit growth.

Another trait that distinguishes San-in Godo Bank is our wide-ranging branch network spanning the regions of San-in and Sanyo, as well as Hyogo and Osaka prefectures. We also firmly put into practice the deep entrenchment of transactions based on relationship banking in each area, as we develop activities closely embedded in the region. More recently, we have expanded branches and the Bank's presence particularly in Hyogo and Osaka prefectures. The total number of clients and the number of clients whose main bank is San-in Godo Bank have both steadily increased, which we consider an indication of how the Bank's posture with respect to relationship banking has been received. To make the most of this advantage, we have long focused on business support activities such as business matching, linking the clients in San-in region to the clients in Sanyo, Hyogo and Osaka prefectures, and intend to bolster this "Bridge to the region" function going forward.

(3) Individual Life Plan Support

As an initiative for individual customers, San-in Godo Bank is transitioning to a recurring revenue model by accumulating balance of assets under management resistant to fluctuations in market conditions and prefaced on developing long-term relationships, through customer-driven consulting services tailored to each customer's specific life plan. In addition to transactions accessible anytime online, we opened a Money Plaza with weekend hours that customers can consult at their convenience, providing options for choosing the channel best suited to the customer's own needs.

Through these initiatives, our client base continues to expand. Thus, despite a significant slowdown in growth in emerging economies and disappointing market conditions, we have steadily grown our balance of assets under management, with individual loans also showing robust growth.

(4) Initiatives for the Shift to Cashless Payments

Shifting to a cashless society is a trend the Japanese government is addressing today. In step with this development, San-in Godo Bank is moving to expand the availability of cashless payments in the region, in the hopes of providing customers with a better consumer experience.

In terms of existing client assets, the Bank presently has 280,000 individual cardholders, 10,000 corporate cardholders

and 10,000 participating retailer contracts in its credit card business. These assets, we believe, can be leveraged to normalize the uptake of cashless payment settlement services. Together with providing a convenient and simple payment settlement experience for customers, we aim to expand earnings as a bank by increasing transaction volume and maintaining points of contact with customers.

4. Development of Structure for Achieving Management Strategies

(1) Structural Reforms

The next topic I wish to discuss is the structural reforms we are tackling to realize management strategies of this kind, specifically "branch and personnel system review" and "enhancing operational efficiency through IT utilization."

In terms of branch and personnel system review, in fiscal 2018 we enacted steps to enhance sales structure efficiency through a review of branch roles. In addition to introducing lunchtime closing at 49 sub-branches, or 1/3 of all business sites, from April 2019, which made operating with fewer personnel possible, we put a system in place that enables main branches and sub-branches in each area to come together as one to promote sales. We are looking ahead to further reviewing the personnel system at our head office, as well, as we accelerate the priority placement of resources in strategic fields.

Where enhancing operational efficiency through IT utilization is concerned, we will push ahead with improving customer convenience and putting a structure in place that allows Bank employees to focus exclusively on customer relations as guiding concepts. Plans call for migration to a new core banking system in January 2020. We view the adoption of an even more highly effective core system as an opportunity for channel redevelopment and greater back-office efficiency through IT.

(2) Personnel Strategies Allowing Everyone to Thrive

Ensuring an environment that enables the skills of every individual to flourish is indispensable for realizing strategy, and is a duty of management. Furthermore, diversity within an organization is a must for powerfully overcoming the difficulties that exist today. We believe that a working environment made up of diverse human resources and creative approaches will itself give rise to new ideas as different perspectives interact, leading to a dynamic organization with rich potential.

As one step in broadening spaces where women can excel, since fiscal 2018, we have added corporate sales to the limited-area employees' career path. Bank employees desiring this path are firmly backed by the Bank, receiving seminars, OJT and other robust support. The percentage of women in managerial positions is also steadily increasing, with a goal of 25% set for fiscal 2020. For our part, we will continue the push to enable women to advance wherever their ambition takes them.

Working style diversity is a topic of debate in Japan today. Digitalization spurred by utilization of AI and RPA, among other technologies, is bringing greater flexibility to working styles for bank employees, which some viewed as an opportunity to make the switch to more creative operations. Given the replacement of people with machines for certain services happening in this climate, our view as a bank is that more effort must be put into bank employee education than ever before, while understanding the importance of providing employees with chances to perform work that they find worthwhile.

(3) Governance Reforms

From early revision of its executive compensation system to the voluntary installation of a Nominating and Compensation Committee, San-in Godo Bank has tackled and raised the effectiveness of corporate governance reforms. In a step to further strengthen its governance posture and meet shareholder expectations, the Bank transitioned to an Audit and Supervisory Committee-based governance structure at the Ordinary General Meeting of Shareholders held in June 2019. This change will allow the Bank to reinforce audit and supervisory functions, quicken decision-making speed, and enhance management transparency, all while boosting the effectiveness of the Board of Directors higher than ever as we strive to sustainably raise corporate value.

5. In Closing

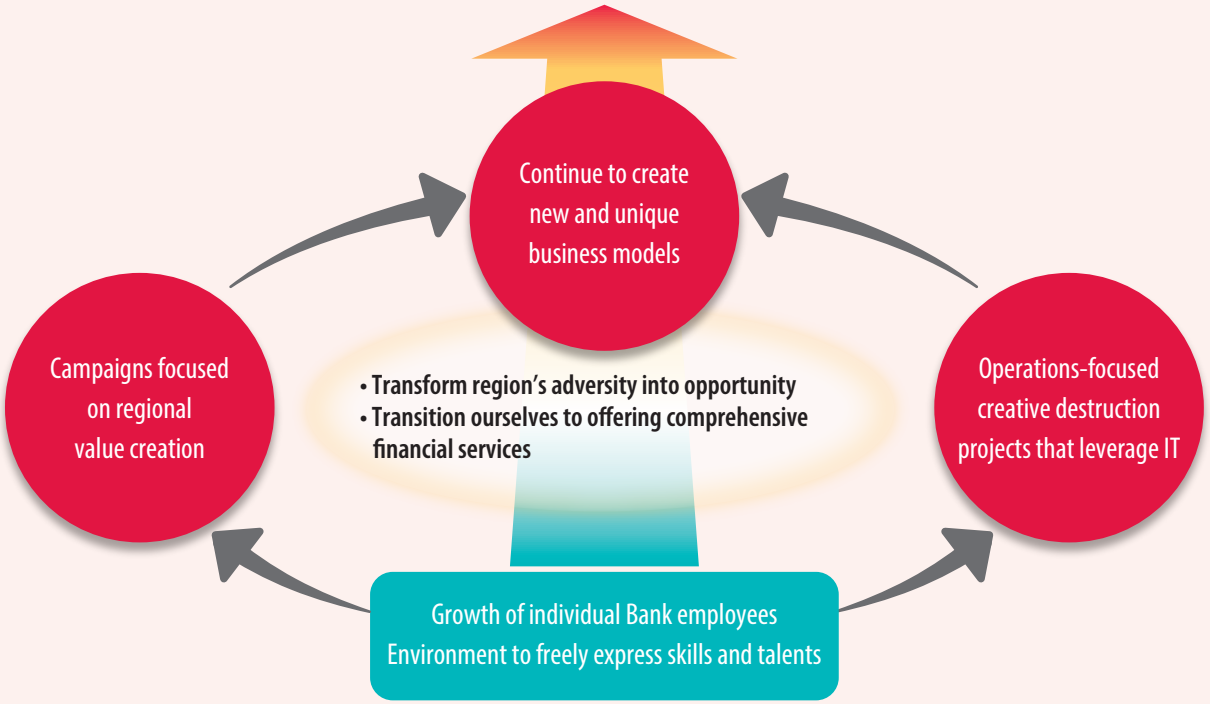
San-in Godo Bank is soon set to celebrate its 80th anniversary. Over this span, we have tirelessly walked hand in hand with the region and developed closer ties with our customers. This image of who we are will remain unchanged. Even in times of turmoil, all of us at San-in Godo Bank are determined to work as one to continue to grow and develop together with the region and customers as part of a sustainable society.

We ask for your continued support and encouragement as we look ahead.

Medium-term Management Plan (Plan Period: FY2018-FY2020)

Management Philosophy	The creative bank that best fulfills the dreams of the region and customers it serves
Concept	Take on the challenge of building a leading business model for growth hand in hand with the region and customers, moving actively to resolve regional issues as a regional financial institution in a region on the forefront of key issues

Achieve sustainable growth for the region and the Bank without resorting to cuts or maintaining the status quo



Code of Conduct and Principal Measures

Code of Conduct	We keep on taking on challenges in the improvement of the long-term values of the region and our customers, as our first priority.	
Priority Measures	Jointly create customer-oriented added value	• Strengthen the competitiveness of regional industries and boost clients' corporate value • Accelerate advancement into Hyogo and Osaka to bolster ability to serve as a bridge to the region • Enhance the sophistication of consulting functions for individual customers
	Promote structural reform through greater digitalization	• Reform the profit model by utilizing digital channels • Reform the cost structure to realize strategic investment • Improve productivity drastically via BPR
	Personnel management that energizes organizations	• Cultivate specialists responsible for high-level finance and information production activities • Improve employee work satisfaction and productivity through personnel reforms • Reallocate human resources to best fulfill customers' needs
Priority Measures - Others	Strengthen securities operations	• Sophisticate market risk management • Diversify investment allocation
	Efficient and effective management	• Enhance group governance and ties • Improve capital efficiency and appropriate shareholder returns

Target Management Indicators

		Item	FY2018 Results	FY2019 Forecast	Final Year (FY2020) Targets
Profitability	Consolidated	1. Net income	¥13.2 billion	¥12.1 billion	¥13.8 billion or more
		2. Non-interest revenue ratio (gross core banking profit basis)	15.54%	16.94%	19% or higher
Capital efficiency		3. ROE (shareholders' equity basis)	4.21%	3.75%	4.2% or higher
Cost efficiency	Non-consolidated	4. OHR (gross core banking profit basis)	62.12%	65.14%	63% or lower
Soundness		5. Capital adequacy ratio	13.36%	13% or higher	13% or higher

Plan Progress

- Fiscal 2018 was the first year of the Medium-term Management Plan. Despite an adverse operating environment, strong growth in corporate loans and personal loans, including mortgage loans, lifted interest on loans higher year on year for the first time in 11 years. Furthermore, amid difficulties in reinvesting in Japanese government bonds, the Bank flexibly invested in foreign securities, investment trusts and other instruments. Together with efforts to restrain declines in interest and dividends on securities, the Bank secured ¥13.2 billion in the table above this is net income of the Bank on a consolidated basis.

- For fiscal 2019, we are projecting in the table above this is net income of the Bank of ¥12.1 billion. The main factor here is a redemption of securities, centered on Japanese government bonds, that rose to approximately ¥300 billion. In the push to establish a business model for growth with the region and customers as set forth in the current Medium-term Management Plan, the entire Bank is backing the "Added Value Improvement Campaign," designed to contribute to improving clients' added value. Through aggressive risk-taking and the offering of more sophisticated consulting services, San-in Godo Bank is moving to augment income from interest on loans and business support fees and commissions. This, in turn, will lead directly to achieving targets for the final year of the Medium-term Management Plan.

Background for Plan Formulation

External environment

- Decline in population/ number of companies
- Continuation of a super low-interest rate environment
- Intensifying competition from financial institutions
- Rapid spread of IT
- Diversification in working styles
- Growing diversification and sophistication of financial needs

Business opportunities

- Leveraging regional resources for industry revitalization and new business discovery
- New services and enhanced productivity using IT
- Growing assets management needs due to low interest rate environment

Main Issues

- Human resource training
- Establishment of profit model for relationship banking activities
- Development of a low-cost structure through improved productivity

View rapid changes in the business environment as business opportunities,

We need to meet the challenge of complete business model reform

Consolidated Financial Highlights

Years ended March 31, 2017, 2018 and 2019

	Millions of yen			Thousands of U.S. dollars (Note)
	2019	2018	2017	**2019**
For the Year:				
Total income	**¥97,928**	¥95,824	¥93,825	**$882,313**
Total expenses	**78,748**	76,139	73,458	**709,505**
Profit before income taxes	**19,179**	19,685	20,366	**172,799**
Profit attributable to owners of the Bank	**13,205**	13,692	13,399	**118,974**
Cash dividends paid during the year	**4,072**	2,739	2,372	**36,687**
Profit per share (¥/$)	**84.58**	87.76	85.27	**0.76**
Cash dividends per share (¥/$)	**26.00**	26.00	15.00	**0.23**
At year-end:				
Total assets	**¥5,599,597**	¥5,548,604	¥5,411,472	**$50,451,364**
Deposits and NCDs	**4,140,304**	4,061,594	3,944,762	**37,303,396**
Loans and bills discounted	**3,090,046**	2,983,603	2,798,238	**27,840,760**
Securities	**1,599,306**	1,847,414	1,920,658	**14,409,460**
Total net assets	**372,498**	362,415	352,846	**3,356,140**
Capital adequacy ratio	**13.83%**	14.06%	14.85%	**–**

Note: U.S. dollar amounts are translated from Japanese yen, for convenience only, at ¥110.99 = U.S.$1, the exchange rate prevailing at March 31, 2019.

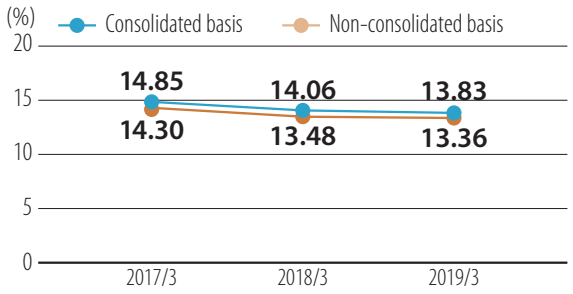
Status of Safety and Soundness

Capital adequacy ratio

Non-consolidated basis
(domestic standards)

13.36%

● Capital adequacy ratio
This is one of the representative indices measuring the soundness of a bank. Banks under Japanese Standards are required to maintain a ratio of 4% or higher.



Rating (Non-consolidated basis): highly rated for safety by rating agencies

A2 (Long-term deposit rating)
Moody's Japan K.K. (Moody's)

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

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

We are rated at A2 for long-term deposits by Moody's Japan K.K. (Moody's), at A+ for issuer rating by Rating & Investment Information, Inc. (R&I) and at AA- for long-term issuer rating by Japan Credit Rating Agency, Ltd. (JCR), respectively.

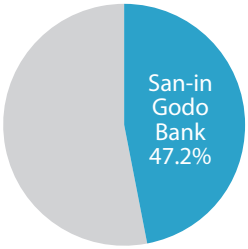
● Rating
This is one of the representative indices indicating the credibility and safety of a company, which is objectively evaluated by an impartial third party institution to determine whether the principal and interest of deposits and bonds are paid as promised and the degree of evaluation is shown as a simple code.

Market Share in the San-in region

Share of deposits (As of September 30, 2018)

47.2%

In Tottori and Shimane prefectures, the market share of the bank for deposits balances of all banks, shinkin banks and Japan Post Bank, etc., is 47.2%.

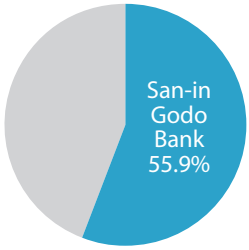


*Banks, shinkin banks, credit cooperatives and Japan Post Bank having branches in the San-in region (research by the bank)

Share of loans (As of September 30, 2018)

55.9%

In Tottori and Shimane prefectures, the market share of the bank for loans balances of all banks and shinkin banks, etc., is 55.9%.

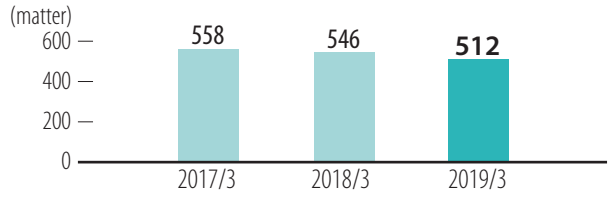


*Banks, shinkin banks and credit cooperatives having branches in the San-in region (research by the bank)

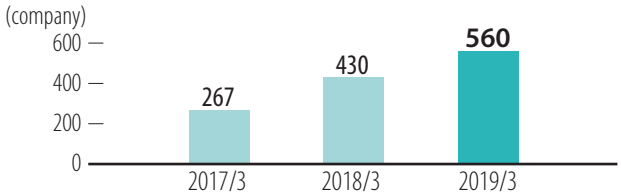
Non-financial Highlights

Featured figures from core banking operations

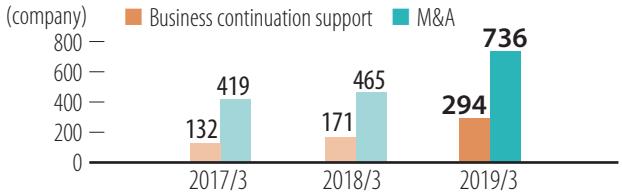
Business launching supported by Bank



Sales channel expansion supported by Bank



Business continuation and M&A supported by Bank



J-Credit sales supported by Bank

2,901 t-Co_2

(As of March 31, 2019)

Featured figures from social contributions

Percentage of female managers

22.1%

(As of Apr. 1, 2019)

Goal for end of Mar. 2021: 25%

Percentage of disabled employees

2.56%

(As of Apr. 1, 2019)

Number of employees with disabilities in "Gogin Challenged" Matsue:18 / Tottori:9

CO_2 emission reduction rate

-5.8%

(FY2018, prior-year comparison)

Number of people involved in forest preservation activities

8,514 persons

(Cumulative from commencement in FY2006 to FY2018)

Initiatives for Shaping a Sustainable Regional Society

Revitalize the regional economy and contribute to regional development by firm ties and connections to the region

San-in Godo Bank Vision for a Sustainable Regional Society

Realize sustainable growth for the region and the Bank by resolving issues faced by the region and customers

We contribute to local creation and regional economic revitalization by offering solutions to regional and customer issues as our core business as a regional financial institution. We also develop and improve regional society through our vigorous promotion of regional contribution activities.
Of these, we view regional economic revitalization in particular as the mission of San-in Godo Bank. Through extensive efforts in this area, we work to realize a society where sustainable growth for both the region and the Bank is possible.

Core Business Realizable as the core business of Bank

		SDGs to Address		Specific San-in Godo Bank Initiatives	
Social	Regional economic revitalization	8 DECENT WORK AND ECONOMIC GROWTH 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 11 SUSTAINABLE CITIES AND COMMUNITIES 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Initiatives for Corporate Clients	Regional creation (Revitalization of key regional industries/corporate groups)	Core Business
				Improvement of added value for corporate clients (Extensive business support activities, etc.)	Core Business
			Initiatives for Individual Customers	Comfortable lives for customers (Offer comprehensive, customer-first consulting services; improve convenience through digital technology utilization, etc.)	Core Business
	Regional society development and improvement	3 GOOD HEALTH AND WELL-BEING 4 QUALITY EDUCATION 11 SUSTAINABLE CITIES AND COMMUNITIES		Support for independence and social participation of people with disabilities (Gogin Challenged, etc.)	
				Youth training activities (private school "Syohuu-kan," financial education, etc.)	
				Regional contribution activities (sport promotion, donation drives, etc.)	
Environment	Regional environmental preservation	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION 14 LIFE BELOW WATER 15 LIFE ON LAND		Eco-conscious corporate activities (In-house energy and resource conservation, recycling activities, etc.)	
				Activities to protect and nurture the regional and global environment (forest conservation activities, etc.)	
				Environmental business (J-Credit utilization support, support for reusable energy business entry, provision of eco-conscious products, etc.)	Core Business
Governance	Improved employee satisfaction	5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH 16 PEACE, JUSTICE AND STRONG INSTITUTIONS		Organizational revitalization (Personnel training, diversity promotion, work-life balance promotion, etc.)	
	Establishment of a sound and highly transparent management structure			Corporate governance (Promotion of corporate governance reforms, robust information disclosure, etc.)	
				Compliance and risk management (Establishment of firm management system, etc.)	

*SDGs (Sustainable Development Goals): 17 sustainable development goals adopted by the United Nations, targeted for completion by 2030.

Initiatives for Regional Revitalization

We are making regional revitalization possible through support for improving added value for the region's principal industries and partnerships with local public organizations.

Improving Added Value of Major Industries

We strive to uplift the regional economy by supporting the improvement of added value of the region's major industries and groups of companies, and through partnerships with local governments.

Major Industries and Groups of Companies

- Accommodation and tourism
- Food manufacturing
- Health care and nursing care
- Companies spearheading the region's future

Support for Improvement of Added Value

Support regional industries through the unified efforts of branch offices, headquarters and associated companies

- Branding and integration of industries
- Expanding trade areas of regional companies
- Productivity enhancement through IT
- Support for overseas expansion

Ripple Effect to Regional Economy

Improved added value of regional industries
↓
Cultivation of regional moneymaking power
↓
Virtuous cycle in the regional economy

↓

Regional Revitalization

Establishment of new Industry Research Division

Placement of specialist supervisors at head office
Training of human resources vital to regional revitalization

Initiatives in Business Support Activities

Establishing a business model based on relationship banking

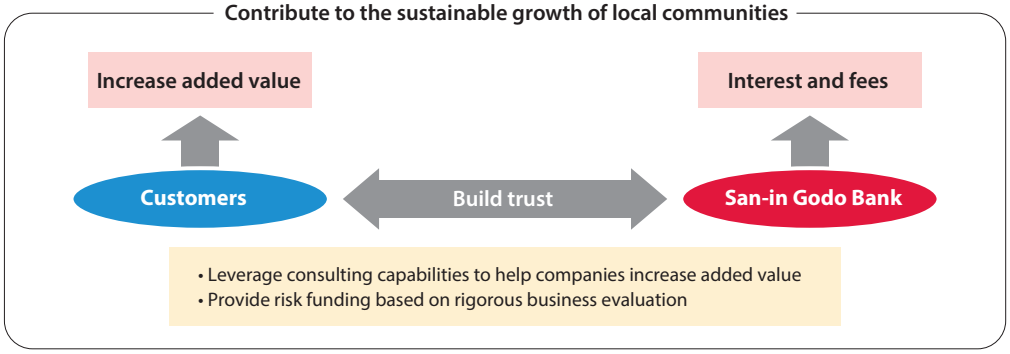
Our vision for the business support model

We have built a branch network covering the San-in, Sanyo and Hyogo / Osaka regions. Using this network, we have created a business matching support network, provided head office support to the bank branches and promoted alliances with external experts and institutions.

We are currently focusing on personnel development to enhance the skills of our employees, aiming to give them the ability to appropriately evaluate the operations and growth potential of customer businesses so that we can better understand the challenges they face and their needs. Using that information, we then develop, propose and implement solutions that add more value to their businesses. By generating revenue from those services, such as fees and interest on loans, we plan to establish a sustainable business model that drives growth in the bank's earnings.

In addition, we aim to help regenerate the region by stimulating the local economy through partnerships with industry, academia and the government. Specifically, we will help to create new local industries and promote and support the agricultural, forestry and fisheries sector to improve the competitiveness of industry.

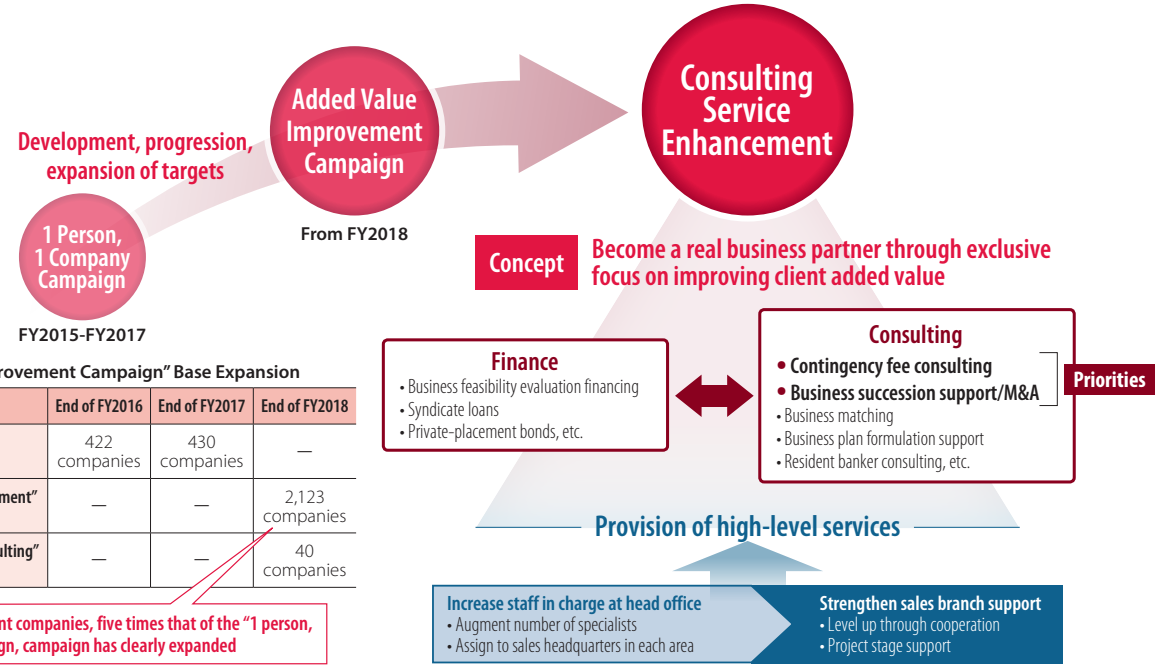
Grow earnings through relationship banking



"Added Value Improvement Campaign" Overview

At San-in Godo Bank, we view relationship banking as a universal business model that we engage head on. Since fiscal 2018, we have launched the "Added Value Improvement Campaign" and using as a base relationship banking expertise gained to date through the "1 person, 1 company" campaign, have focused in on activities tied to improved added value for our clients. For all clients, our aim is to be a real business partner anchored by long-term relationships of trust.

As we put more emphasis on consulting, including in areas such as contingency fee consulting, business succession support and M&A work, we seek to establish a sustainable business model that enables clients and San-in Godo Bank alike to grow.



"Added Value Improvement Campaign" Base Expansion

	End of FY2016	End of FY2017	End of FY2018
"1 person, 1 company" campaign clients	422 companies	430 companies	—
"Added Value Improvement" declaration clients	—	—	2,123 companies
"Contingency fee consulting" clients	—	—	40 companies

With over 2,000 client companies, five times that of the "1 person, 1 company" campaign, campaign has clearly expanded

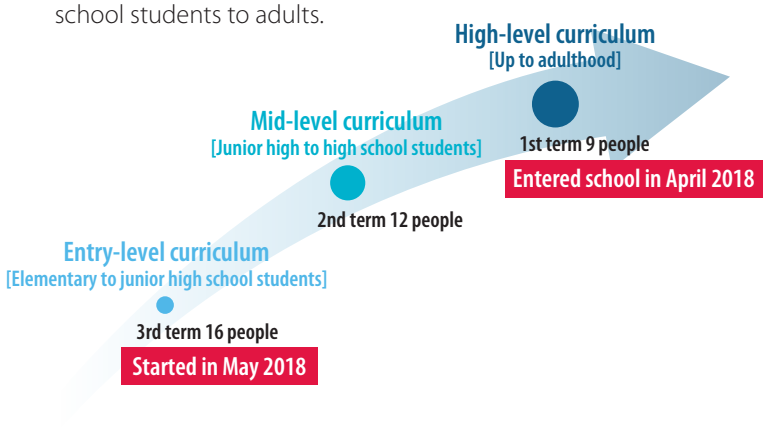
Regional Support Activities

Youth Education

Helping to educate the region's future leaders

Initiatives by private school Syohuu-kan

GOGIN SHIMANE Cultural Promotion Foundation opened a private school "Syohuu-kan", which provides educational activities for local youth. Aiming at developing human resources who will play active roles in society with high aspirations for the future, "Syohuu-kan" provides integrated education from elementary school students to adults.









Promoting Sports

Energizing the region through sports promotion

Gogin Women's Badminton Team

San-in Godo Bank established the Gogin Women's Badminton Team in 1993 to promote sports in Shimane Prefecture. To raise the level of play in the region, athletes from the team hold technique training and other events for junior competitors. Since fiscal 2016, the Gogin Women's Badminton Team has competed in the S/J League, Japan's top league in the sport. With sights set on raising its level even higher this season, the team is looking to break into the upper ranks by building the will to win against tough challenges.







Exciting the region through badminton

To turn badminton into a booming sport in the San-in region, team members are vigorously active in the region, including holding training sessions three days a week for elementary and junior high school students and participating in regional sporting events. In recent years, badminton has seen many of the world's top players hail from Japan, with the sport gaining a higher profile each year. Thanks to competition in the S/J League, San-in is host to the team's home games, giving residents the opportunity to see top-level play up close. Looking ahead, the team hopes to spark interest in badminton among more children as it brings the excitement and energy of the sport to the region.

Environmental Protection Activities

Working together with the region and our clients to pursue activities to protect and nurture the regional and global environment

Regional Environmental Conservation

Energy conservation, resource conservation and recycling activities

We strive to minimize the environmental impact of business activities by promoting resource conservation, energy conservation and recycling activities.

Improving energy conservation awareness

Twice yearly, we request input on measures to conserve energy and limit electricity use to raise awareness of energy conservation throughout the Bank.

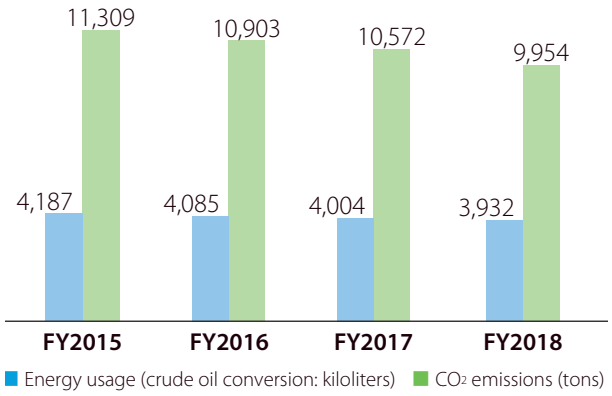
Adoption of energy-saving and eco-conscious products

We are consistently adopting the use of a range of energy-saving and eco-conscious products, including energy-saving air conditioners, LED lighting, solar power generation systems and electric cars.

Shift to paperless and recycling

Thanks to increasing digitalization of Bank documents and reductions in copying and printing, our shift to paperless is gaining momentum. We are also recycling waste documents into toilet paper and recycling trash into solid fuel material.

Energy Usage and CO_2 Emissions



Based on Ministry of Economy, Trade and Industry (METI) report

Environmental Businesses

J-Credit Trading Support

San-in Godo Bank is a longtime supporter of carbon offset initiatives utilizing J-Credits, which also contributes to the achievement of SDG targets. Beyond measures to combat climate change and the conservation of abundant forest resources, our goal is to provide support for sustainable enterprise by improving the added value of our corporate clients.

Support for J-Credit Uptake and Brokerage

To promote uptake of the J-Credit* system and carbon offsets, San-in Godo Bank provided support to establish a proprietary J-Credit Regional Coordinator System in Japan's Tottori Prefecture. The same system has been adopted in the city of Yabu in Hyogo Prefecture, leveraging the Bank's wide-ranging branch network to offer sales support.

Compared to fiscal 2014, J-Credit sales support cases were 3.4 times higher, with brokerage volume increasing by approximately 3.2 times. Along with the broader reach of contributions to "Hometown Forest Management" among many clients, this growth also highlights the effectiveness of the Coordinator system that originated in Tottori Prefecture.

*Refers to a system for issuing credits certifying that increased greenhouse gas volume can be offset through reductions elsewhere in greenhouse gas emissions, or through forest management and other means.

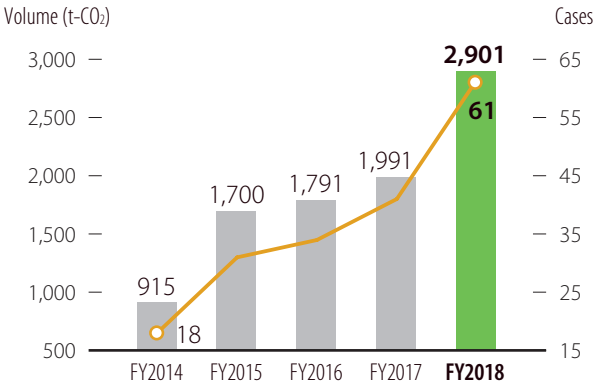
Expanding Initiatives to Shimane Prefecture

In Shimane Prefecture, where the track record of support was much smaller compared to Tottori and Hyogo prefectures, fiscal 2018 saw J-Credit trading initiatives appear between private-sector enterprises there, a new move that marks a shift from public-private partnerships to private-private partnerships in this field.



Credit broker President Ishimaru (left) of San-in Godo Bank concluded a credit trading contract with buyer Chuo Construction Co., Ltd. President Adachi (center) and seller Suyama Lumber Co., Ltd. President Suyama (right).

J-Credit Sales Support Performance (cumulative)



Personnel Strategies

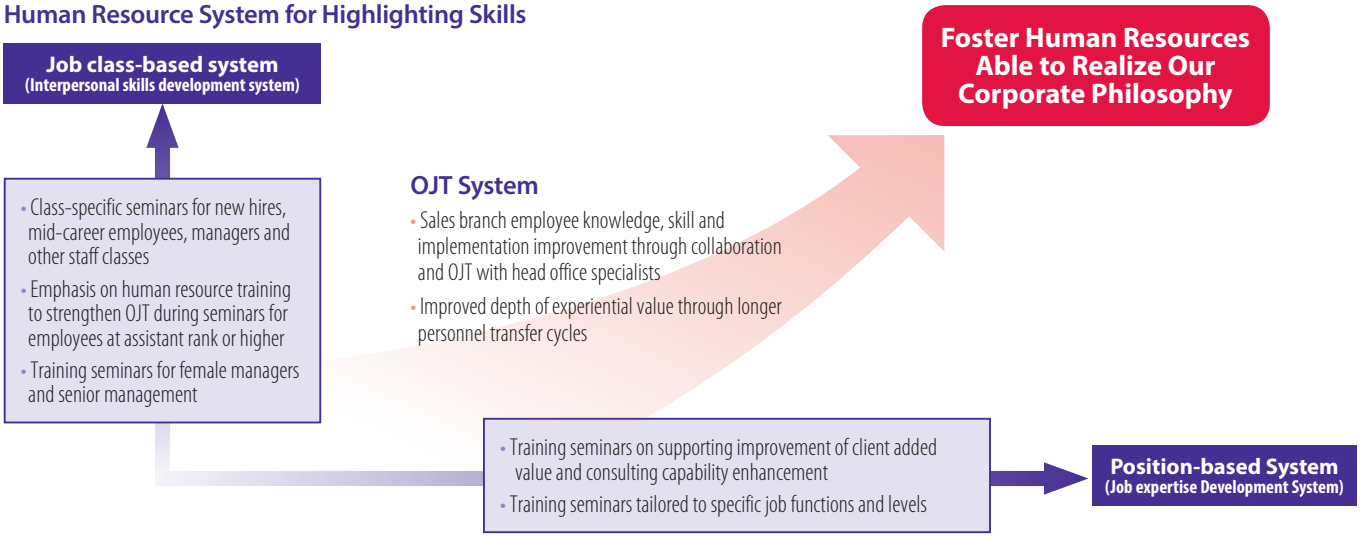
Training human resources ready for the challenge of resolving issues the region and customers face

We train specialist human resources able to offer high-quality financial services, while helping employees find pride and greater satisfaction in their work through our useful value to customers.

Strengthening Human Resource Training

Alongside a well-developed human resource training system with OJT, seminars and other features, we strive through career formation support and greater career path options to provide every employee with growth opportunities that take advantage of their strengths and highlight their skills.

Human Resource System for Highlighting Skills



Diversity

Striving for organization creation that integrates personality and lifestyle in showcasing abilities

Employment of individuals with disabilities

San-in Godo Bank actively recruits persons with disabilities, creating opportunities that showcase their individual skills in an effort to become an organization where everyone can thrive.

Gogin Challenged Matsue - Opened September 2007

Employees with disabilities: 18 (as of April 1, 2019; number when opened: 6)

Gogin Challenged Matsue, a business site specializing in employing people with intellectual disabilities, recruits individuals who love to create art. Work and operations there include painting, the production of promotional giveaways using paintings, enclosing brochures and rubber-stamping.

Gogin Challenged Tottori - Opened September 2017

Employees with disabilities: 9 (as of April 1, 2019; number when opened: 5)

Gogin Challenged Tottori, which primarily employs individuals with mental or developmental disabilities, is responsible for a wide range of banking operations, including data entry and document filing.

Empowering women and older employees

By expanding opportunities where women and seniors can flourish, we are spurring a strong desire for work among employees and striving to prepare working environments that they find worthwhile.

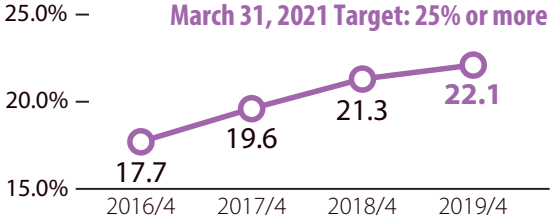
Active Recruitment of Female Employees as Managers

Under the Medium-term Management Plan, San-in Godo Bank has set a target of women comprising 25% or more of all managers by March 31, 2021. To this end, we are preparing an environment with more diverse pathways for career advancement and a full range of training and seminar programs as we vigorously recruit female employees into management positions.

Expanding Opportunities Where Seniors Can Flourish

We are actively recruiting seniors with a strong desire to work and outstanding skills for positions such as branch and sub-branch managers.

Percentage of Women in Management



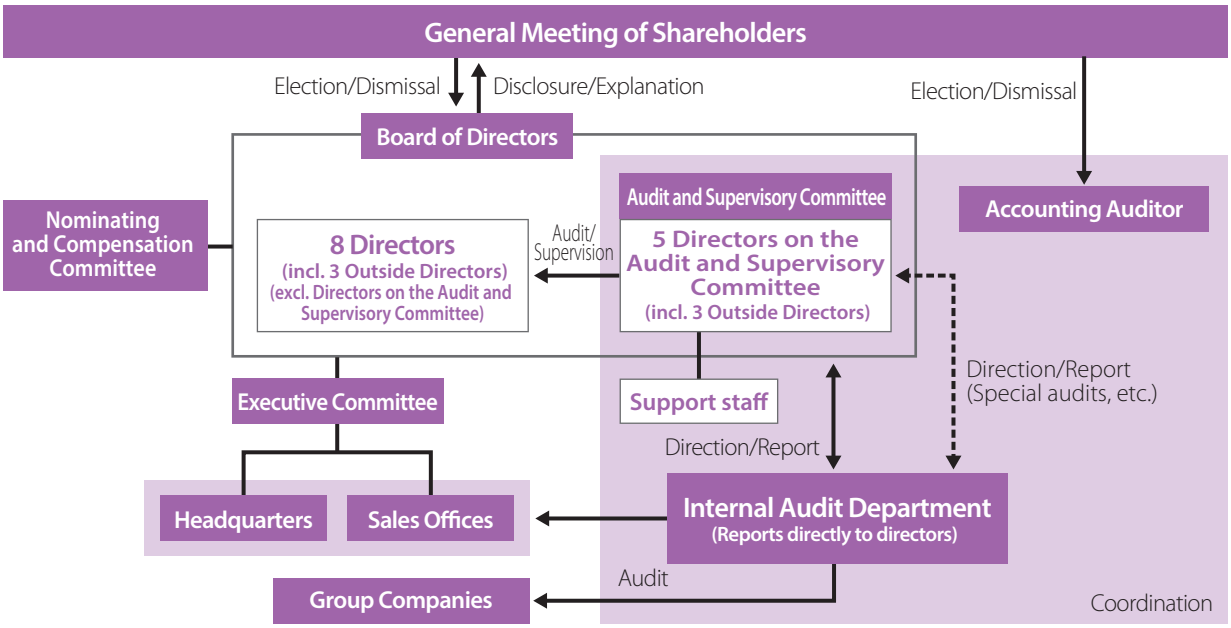
Corporate Governance System

Key Concept of 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 conversations with shareholders designed to contribute to improvement in its medium- to long-term corporate value.

Corporate Governance System



Board of Directors

The Board of Directors is comprised of eight Directors, three of whom are Outside Directors, and five additional Directors who are Audit and Supervisory Committee members (of whom three are Outside Directors). The Board of Directors is responsible for important decision-making pertaining to management, as well as the supervision of Directors and executives in the performance of their duties. The Board of Directors holds regular monthly meetings and, when necessary, emergency meetings in response to urgent matters requiring the Board's attention.

Audit and Supervisory Committee

The Bank has an Audit and Supervisory Committee-based governance structure. The Committee is comprised of five Directors who are Audit and Supervisory Committee members (three of whom are Outside Directors). In conjunction with the Board of Directors, the Committee is responsible for oversight functions, and works in collaboration with the accounting auditor and Internal Audit Department, in accordance with laws, the Bank's articles of incorporation and regulations set forth by the Audit and Supervisory Committee, to monitor and inspect the execution of duties by Directors as a fundamental step in observing that the Bank's internal control system is functioning properly.

Executive Committee

The Executive Committee, comprised of the Chief Executive Officer, Deputy Chief Executive Officer, Senior Managing Executive Officers and Managing Executive Officers, is flexibly convened from time to time as a deliberative body on important management matters and a resolution body for matters delegated to it by the Board of Directors.

Internal Audit Department

The Bank has established an Internal Audit Department, which reports directly to the Board of Directors and is independent of departments responsible for operational execution. The Internal Audit Department conducts audits of overall activities of the departments responsible for operational execution based on the internal audit policy and plan approved by the Board of Directors, and regularly reports to the Board of Directors and the Audit and Supervisory Committee on the audit results, matters indicated and other issues.

Accounting Auditor

Ernst & Young ShinNihon LLC serves as the Bank's accounting auditor.

Nomination and Compensation Committee

As a voluntary advisory body to the Board of Directors, the Bank has established a Nominating and Compensation Committee to ensure a highly objective and transparent selection process for Directors and to enhance the effectiveness of related compensation systems, which function as incentives for improving corporate value.

(As of July 1, 2019)

Risk Management System

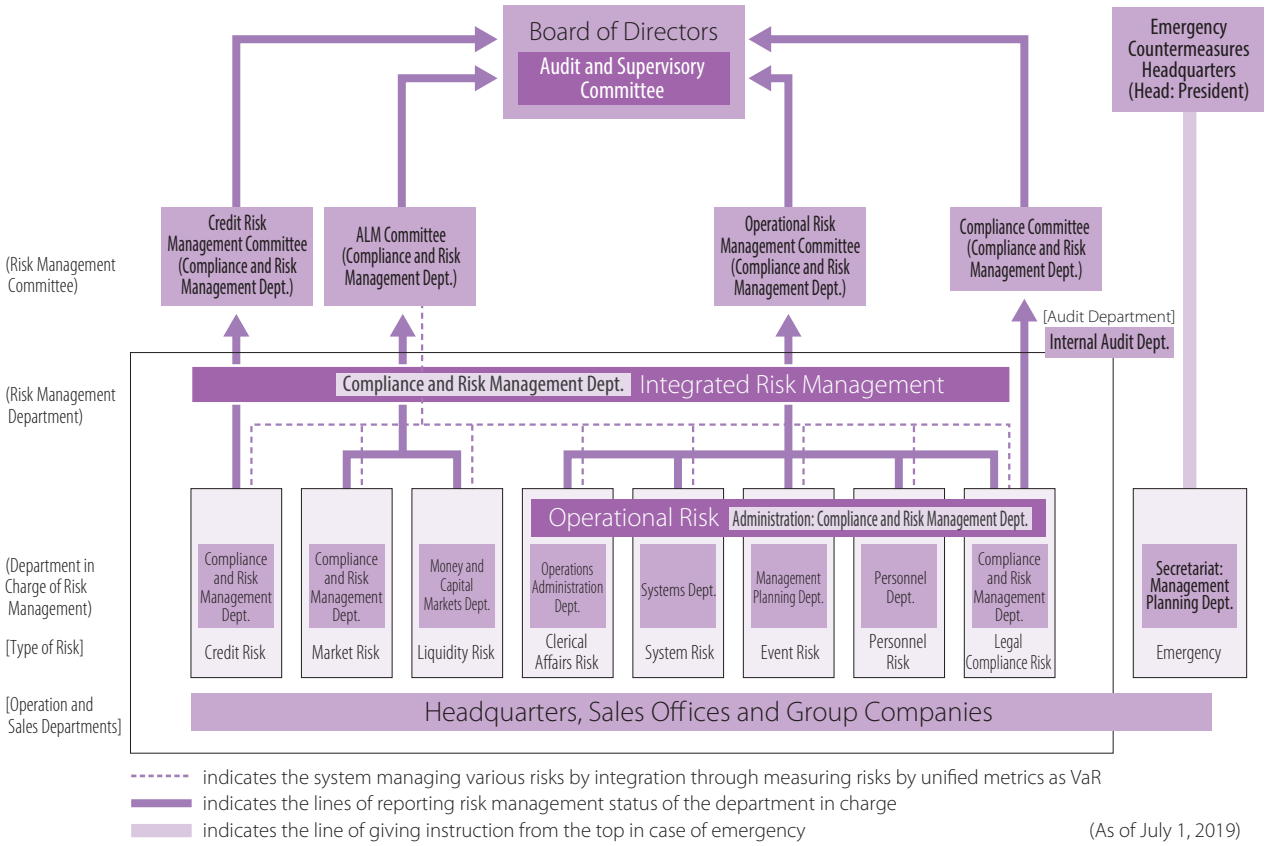
Basic Concept of Risk Management

Risks faced by banks have become more complicated in line with liberalization and globalization of finance, development of financial tools such as derivatives, and advanced and diversified needs of customers. While opportunities for financial institutions are expanding, it has become more important for banks to determine risk precisely and manage such risk effectively.

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 management 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, 2019)

Loan Review

In order to precisely comprehend the status of credit risks, we regularly hold loan review meetings to report the details of credit portfolios and discuss details.

Credit Risk Management Committee

We established a Credit Risk Management Committee to conduct consultations and review of various measures for credit risk management, analysis and review of credit risks status and have strived to enhance and reinforce the credit risk management system.

ALM Committee

For the purpose of general management of assets and liabilities held by the bank, we hold ALM Committee meetings every month to secure stable profits by risk control corresponding to the management vitality (capital adequacy).

Operational Risk Management Committee

In order to accurately comprehend the status of operational risk at San-in Godo Bank, we periodically report on policies designed to identify, assess, manage and reduce risks. For significant risk matters, the Operational Risk Management Committee convenes whenever necessary, with each department responsible for managing risk sharing information and deliberating response policies, as part of a commitment to ensuring proper risk control.

Emergency Countermeasures Headquarters

We have established the Emergency Countermeasures Headquarters for the purpose of responding quickly to the first report of occurrence of an emergency and determine, give instruction and carry out emergency countermeasures.

Corporate Data (As of March 31, 2019)

Head Office ..... 10, Uomachi, Matsue, Shimane 690-0062, Japan
Tel: 81-852-55-1000
[Management Planning Dept.]
SWIFT: SGBKJPJT

Date of Establishment ..... July 1, 1941

Number of Employees 2,018

Number of Shares

Authorized 495,021,000

Issued and Outstanding 156,977,472

Number of Shareholders 13,940

Paid-in Capital ..... ¥20,705 million

Stock Listings ..... Tokyo Stock Exchange

Overseas Representative Offices

Dalian Overseas Representative Office
22/F Dalian Senmao Building, 147 Zhongshan Road,
Xigang District, Dalian, China P.C.:116011
Tel: 86-411-8369-6118

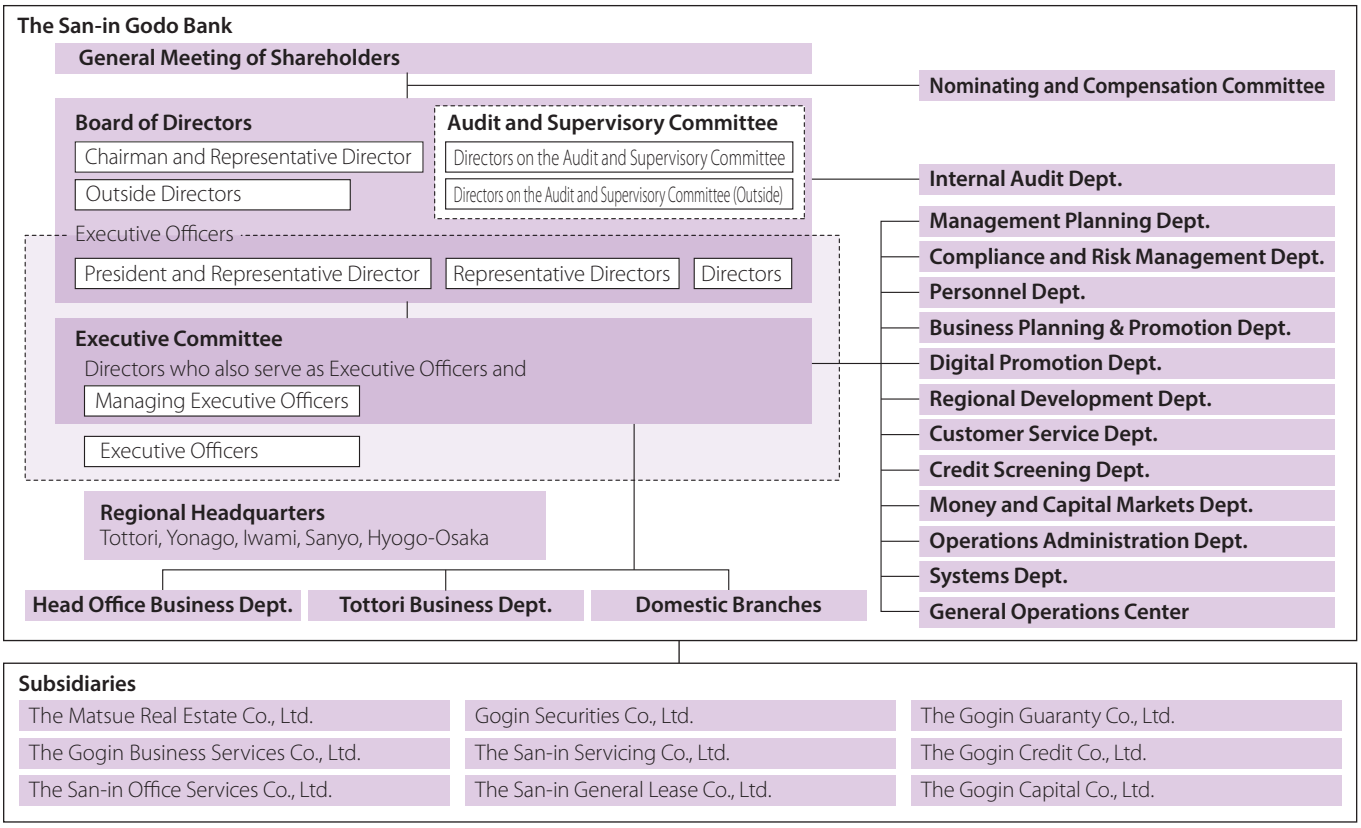
Shanghai Overseas Representative Office
15/F Hang Seng Bank Tower, 1000 Lujiazui Ring Road,
Pudong New Area, Shanghai
Tel: 86-21-6841-1661

Bangkok Overseas Representative Office
952 Ramaland Building, 13th Floor, Rama IV Road,
Suriyawonge, Bangrak, Bangkok 10500, Thailand
Tel: 66-2-632-8323

Consolidated Subsidiaries (As of July 1, 2019)

Name of Company	Capital (¥ million)	Equity (%)	Line of Business
The Matsue Real Estate Co., Ltd.	150	100.0	Real estate leasing services
The Gogin Business Services Co., Ltd.	10	100.0	Collection, delivery, sorting and safekeeping of cash/checks; maintenance and management of ATMs
The San-in Office Services Co., Ltd.	10	100.0	Integrated processing associated with deposits, loans, public funds, currency exchanges and account transfer
Gogin Securities Co., Ltd.	3,000	100.0	Securities business
The San-in Servicing Co., Ltd.	500	95.0	Bad loan collection
The San-in General Lease Co., Ltd.	30	94.9	Leasing
The Gogin Guaranty Co., Ltd.	30	100.0	Credit guarantee service
The Gogin Credit Co., Ltd.	70	100.0	Credit guarantee service and service for card member stores
The Gogin Capital Co., Ltd.	150	5.0	Consulting on the acquisition, safekeeping and sale of securities; corporate diagnosis and management consulting

Organization Chart (As of July 1, 2019)



Board of Directors and Executive Officers (As of July 1, 2019)

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

Ichiro Kubota
Chairman and Representative Director

Fumio Ishimaru
President and Representative Director

Toru Yamasaki
Director and Representative Director

Nobuharu Sugihara
Director and Representative Director

Yasuhiro Imawaka
Director

Hideto Tago
Director (Outside Director/ Independent)

Choemon Tanabe
Director (Outside Director)

Yasuyuki Kuratsu
Director (Outside Director/ Independent)

Directors on the Audit and Supervisory Committee

Takashi Yoshida
Audit and Supervisory Committee Members

Koji Miyauchi
Audit and Supervisory Committee Members

Michihiro Kawamoto
Audit and Supervisory Committee Members (Outside/Independent)

Shoichi Imaoka
Audit and Supervisory Committee Members (Outside/Independent)

Tamaki Adachi
Audit and Supervisory Committee Members (Outside/Independent)

Executive Officers

Fumio Ishimaru
President and Chief Executive Officer

Toru Yamasaki
Vice President and Executive Officer

Nobuharu Sugihara
Senior Managing Executive Officer

Yasuhiro Imawaka
Senior Managing Executive Officer

Mutsuto Seida
Managing Executive Officer

Hideaki Furuyama
Managing Executive Officer

Tsukasa Inuyama
Managing Executive Officer

Tetsuya Anjiki
Managing Executive Officer

Yuji Funo
Managing Executive Officer

Yoshiaki Yata
Executive Officer

Shuichi Ida
Executive Officer

Soichi Akishita
Executive Officer

Toshimitsu Akaki
Executive Officer

Hirohisa Ikuta
Executive Officer

Hiroshi Yoshikawa
Executive Officer

Consolidated Balance Sheets

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

As of March 31, 2018 and 2019	Millions of Yen 2018	Millions of Yen 2019	Thousands of U.S. Dollars 2019
Assets:			
Cash and due from banks (Notes 14 and 16)	¥ 565,961	¥ 769,410	$ 6,932,246
Call loans and bills purchased	3,718	332	2,991
Debt purchased	10,229	10,801	97,315
Trading securities (Note 17)	117	57	513
Money held in trust (Note 19)	4,000	4,000	36,039
Securities (Notes 5, 16, 17 and 18)	1,847,414	1,599,306	14,409,460
Loans and bills discounted (Notes 4, 7 and 16)	2,983,603	3,090,046	27,840,760
Foreign exchange	4,556	5,957	53,671
Lease receivables and investments in lease assets (Notes 5 and 15)	27,177	28,997	261,257
Other assets (Notes 5 and 16)	82,772	69,972	630,435
Tangible fixed assets (Notes 8 and 9):	36,496	36,245	326,560
Buildings	12,754	12,476	112,406
Land	20,796	20,786	187,278
Construction in process	3	23	207
Others	2,942	2,959	26,660
Intangible fixed assets:	2,427	5,327	47,995
Software	2,158	5,058	45,571
Others	269	268	2,414
Deferred tax assets (Note 23)	269	262	2,360
Customers' liabilities for acceptances and guarantees (Note 6)	14,720	16,441	148,130
Reserve for possible loan losses	(34,834)	(37,517)	(338,021)
Reserve for devaluation of securities	(26)	(46)	(414)
Total assets	¥ 5,548,604	¥ 5,599,597	$ 50,451,364
Liabilities:			
Deposits (Notes 5 and 16)	¥ 3,989,404	¥ 3,818,934	$ 34,407,910
Negotiable certificates of deposit (Note 16)	72,190	321,370	2,895,486
Call money and bills sold	35,292	75,973	684,503
Payables under repurchase agreements (Note 5)	20,882	–	–
Cash collateral received under securities lending (Notes 5 and 16)	517,951	468,440	4,220,560
Borrowed money (Notes 5 and 16)	451,050	447,367	4,030,696
Foreign exchange	24	7	63
Other liabilities (Notes 5, 16 and 24)	63,251	56,969	513,280
Reserve for bonuses to employees	1,037	1,008	9,081
Net defined benefit liability (Note 21)	11,383	11,258	101,432
Reserve for stock benefits	211	315	2,838
Reserve for directors' and corporate auditors' retirement benefits	116	88	792
Reserve for reimbursement of deposits	388	414	3,730
Reserve for contingencies	865	969	8,730
Reserve under special laws	0	0	0
Deferred tax liabilities (Note 23)	5,088	5,244	47,247
Deferred tax liabilities for land revaluation excess (Note 8)	2,328	2,293	20,659
Acceptances and guarantees (Note 6)	14,720	16,441	148,130
Total liabilities	¥ 5,186,189	¥ 5,227,098	$ 47,095,215
Net assets (Note 28)**:**			
Common stock:			
Authorized — 495,021,000 shares in 2018 and 2019			
Issued and outstanding — 156,977,472 shares in 2018 and 2019	¥ 20,705	¥ 20,705	$ 186,548
Capital surplus	21,381	21,381	192,638
Retained earnings	267,604	276,800	2,493,918
Treasury stock, at cost —921,843 shares in 2018 and 957,176 shares in 2019	(697)	(724)	(6,523)
Total shareholders' equity	308,993	318,162	2,866,582
Net unrealized gain on other securities (Note 17)	53,227	54,697	492,810
Net deferred gain (loss) on hedging instruments	25	(8)	(72)
Land revaluation excess (Note 8)	2,892	2,820	25,407
Remeasurements of defined benefit plans (Note 21)	(4,470)	(4,792)	(43,175)
Total accumulated other comprehensive income	51,674	52,716	474,961
Subscription rights to new shares (Note 22)	349	292	2,630
Non-controlling interests	1,396	1,326	11,947
Total net assets	¥ 362,415	¥ 372,498	$ 3,356,140
Total liabilities and net assets	¥ 5,548,604	¥ 5,599,597	$ 50,451,364

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

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

Years Ended March 31, 2018 and 2019	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Income:			
Interest income:	¥ 62,730	¥ 62,697	$ 564,888
Interest on loans and discounts	32,390	32,761	295,170
Interest and dividends on securities	26,196	23,706	213,586
Other interest income	4,143	6,228	56,113
Fees and commissions	11,126	11,462	103,270
Other operating income	17,851	18,223	164,185
Other income	4,116	5,544	49,950
Total income	95,824	97,928	882,313
Expenses:			
Interest expenses:	10,084	9,714	87,521
Interest on deposits and NCDs	4,895	5,453	49,130
Interest on call money and bills sold	562	1,505	13,559
Interest on payables under repurchase agreements	419	41	369
Interest on securities lending with cash collateral	3,261	1,967	17,722
Interest on borrowed money	154	89	801
Other interest expenses	791	656	5,910
Fees and commissions	3,959	4,111	37,039
Other operating expenses	18,750	19,348	174,322
General and administrative expenses	41,242	40,867	368,204
Provision for reserve for possible loan losses	576	3,645	32,840
Other expenses (Note 10)	1,526	1,060	9,550
Total expenses	76,139	78,748	709,505
Profit before income taxes	19,685	19,179	172,799
Income taxes (Note 23):	5,978	5,946	53,572
Current	5,445	6,819	61,437
Deferred	532	(872)	(7,856)
Profit	13,706	13,232	119,217
Profit attributable to non-controlling interests	14	27	243
Profit attributable to owners of the Bank	¥ 13,692	¥ 13,205	$ 118,974

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, 2018 and 2019	Millions of Yen 2018	Millions of Yen 2019	Thousands of U.S. Dollars 2019
Profit	¥ 13,706	¥ 13,232	$ 119,217
Other comprehensive income:			
Net unrealized gain (loss) on other securities	(2,127)	1,374	12,379
Net deferred gain (loss) on hedging instruments	(11)	(34)	(306)
Remeasurements of defined benefit plans	723	(322)	(2,901)
Total other comprehensive income (Note 11)	(1,415)	1,018	9,171
Comprehensive income	¥ 12,291	¥ 14,251	$ 128,398
Comprehensive income attributable to owners of the Bank	¥ 12,181	¥ 14,318	$ 129,002
Comprehensive income attributable to non-controlling interests	109	(67)	(603)

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, 2018 and 2019	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Net assets as of April 1, 2017	¥ 20,705	¥ 21,381	¥ 256,590	¥ (851)	¥ 297,825
Dividends			(2,739)		(2,739)
Profit attributable to owners of the Bank			13,692		13,692
Purchases of treasury stock				(1)	(1)
Sales of treasury stock			(16)	155	139
Transfer from land revaluation excess			78		78
Net changes of items other than shareholders' equity					
Total changes during the year	–	–	11,014	154	11,168
Net assets as of April 1, 2018	20,705	21,381	267,604	(697)	308,993
Dividends			(4,072)		(4,072)
Profit attributable to owners of the Bank			13,205		13,205
Purchases of treasury stock				(118)	(118)
Sales of treasury stock			(8)	91	83
Transfer from land revaluation excess			72		72
Net changes of items other than shareholders' equity					
Total changes during the year	–	–	9,196	(27)	9,168
Balance as of March 31, 2019	¥ 20,705	¥ 21,381	¥ 267,800	¥ (724)	¥ 318,162

Millions of Yen

	Accumulated other comprehensive income							
Years Ended March 31, 2018 and 2019	Net unrealized gain (loss) on other securities	Net deferred gain (loss) on hedging instru-ments	Land revaluation excess	Remeasure-ments of defined benefit plans	Total accumulated other comprehen-sive income	Subscri-pti on rights to new shares	Non-controlling interests	Total net assets
Net assets as of April 1, 2017	¥55,449	¥ 36	¥2,970	¥(5,194)	¥53,263	¥ 470	¥1,287	¥352,846
Dividends								(2,739)
Profit attributable to owners of the Bank								13,692
Purchases of treasury stock								(1)
Sales of treasury stock								139
Transfer from land revaluation excess								78
Net changes of items other than shareholders' equity	(2,222)	(11)	(78)	723	(1,588)	(120)	108	(1,600)
Total changes during the year	(2,222)	(11)	(78)	723	(1,588)	(120)	108	9,568
Net assets as of April 1, 2018	53,227	25	2,892	(4,470)	51,674	349	1,396	362,415
Dividends								(4,072)
Profit attributable to owners of the Bank								13,205
Purchases of treasury stock								(118)
Sales of treasury stock								83
Transfer from land revaluation excess								72
Net changes of items other than shareholders' equity	1,469	(34)	(72)	(322)	1,041	(57)	(69)	914
Total changes during the year	1,469	(34)	(72)	(322)	1,041	(57)	(69)	10,083
Balance as of March 31, 2019	¥54,697	¥ (8)	¥2,820	¥(4,792)	¥52,716	¥ 292	¥1,326	¥372,498

Year Ended March 31, 2019	Thousands of U.S. Dollars Shareholders' equity Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Net assets as of April 1, 2018	$186,548	$192,638	$2,411,064	$(6,279)	$2,783,971
Dividends			(36,687)		(36,687)
Profit attributable to owners of the Bank			118,974		118,974
Purchases of treasury stock				(1,063)	(1,063)
Sales of treasury stock			(72)	819	747
Transfer from land revaluation excess			648		648
Net changes of items other than shareholders' equity					
Total changes during the year	–	–	82,854	(243)	82,602
Balance as of March 31, 2019	$186,548	$192,638	$2,412,829	$(6,523)	$2,866,582

Year Ended March 31, 2019	Thousands of U.S. Dollars Accumulated other comprehensive income Net unrealized gain (loss) on other securities	Net deferred gain (loss) on hedging instru-ments	Land revaluation excess	Remeasure-ments of defined benefit plans	Total accumulated other comprehen-sive income	Subscri-pti on rights to new shares	Non-controlling interests	Total net assets
Net assets as of April 1, 2018	$479,565	$225	$26,056	$(40,273)	$465,573	$3,144	$12,577	$3,265,294
Dividends								(36,687)
Profit attributable to owners of the Bank								118,974
Purchases of treasury stock								(1,063)
Sales of treasury stock								747
Transfer from land revaluation excess								648
Net changes of items other than shareholders' equity	13,235	(306)	(648)	(2,901)	9,379	(513)	(621)	8,234
Total changes during the year	13,235	(306)	(648)	(2,901)	9,379	(513)	(621)	90,846
Balance as of March 31, 2019	$492,810	$ (72)	$25,407	$(43,175)	$474,961	$2,630	$11,947	$3,356,140

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, 2018 and 2019	Millions of Yen 2018	Millions of Yen 2019	Thousands of U.S. Dollars 2019
Cash flows from operating activities:			
Profit before income taxes	¥ 19,685	¥ 19,179	$ 172,799
Depreciation	2,411	2,317	20,875
Loss on impairment of fixed assets	175	186	1,675
Increase (decrease) in reserve for possible loan losses	(3,275)	2,682	24,164
Increase (decrease) in reserve for devaluation of securities	(100)	20	180
Increase (decrease) in reserve for bonuses to employees	(28)	(28)	(252)
Increase (decrease) in net defined benefit liability	(1,139)	(124)	(1,117)
Increase (decrease) in reserve for stock benefits	111	103	928
Increase (decrease) in reserve for directors' and corporate auditors' retirement benefits	27	(27)	(243)
Increase (decrease) in reserve for reimbursement of deposits	16	25	225
Increase (decrease) in reserve for contingencies	25	103	928
Interest and dividend income	(62,730)	(62,697)	(564,888)
Interest expenses	10,084	9,714	87,521
Net (gain) loss on securities transactions	1,602	(604)	(5,441)
Net (gain) loss on money held in trust	(6)	(27)	(243)
Net foreign exchange (gain) loss	(758)	(439)	(3,955)
Net (gain) loss on disposals of fixed assets	6	(72)	(648)
Net (increase) decrease in loans and bills discounted	(185,365)	(106,443)	(959,032)
Net increase (decrease) in deposits	51,842	(170,470)	(1,535,904)
Net increase (decrease) in negotiable certificates of deposit	64,990	249,180	2,245,067
Net increase (decrease) in borrowed money	(59,291)	(3,683)	(33,183)
Net (increase) decrease in due from banks (exclusive of the Bank of Japan)	247	(1,037)	(9,343)
Net (increase) decrease in call loans	31,939	2,812	25,335
Net increase (decrease) in call money	(7,885)	19,798	178,376
Net increase (decrease) in cash collateral received under securities lending	107,157	(49,511)	(446,085)
Net (increase) decrease in foreign exchange assets	(239)	(1,400)	(12,613)
Net increase (decrease) in foreign exchange liabilities	6	(16)	(144)
Interest and dividends received	63,367	64,330	579,601
Interest paid	(10,893)	(11,024)	(99,324)
Others	(44,499)	(20,666)	(186,196)
Subtotal	(22,516)	(57,819)	(520,938)
Income taxes paid	(5,001)	(5,529)	(49,815)
Net cash provided by (used in) operating activities	(27,517)	(63,349)	(570,763)
Cash flows from investing activities:			
Purchases of securities	(298,835)	(284,316)	(2,561,636)
Proceeds from sales of securities	226,491	206,629	1,861,690
Proceeds from redemption of securities	117,406	352,163	3,172,925
Increase in money held in trust	(3)	(1,000)	(9,009)
Decrease in money held in trust	–	1,000	9,009
Purchases of tangible fixed assets	(1,240)	(1,528)	(13,767)
Purchases of intangible fixed assets	(1,052)	(3,246)	(29,245)
Proceeds from sales of tangible fixed assets	65	251	2,261
Net cash provided by (used in) investing activities	42,831	269,952	2,432,219
Cash flows from financing activities:			
Purchases of treasury stock	(1)	(118)	(1,063)
Proceeds from sales of treasury stock	0	0	0
Dividends paid	(2,739)	(4,072)	(36,687)
Dividends paid to non-controlling shareholders	(0)	(2)	(18)
Net cash provided by (used in) financing activities	(2,741)	(4,193)	(37,778)
Effect of changes in exchange rates on cash and cash equivalents	(1)	1	9
Net increase (decrease) in cash and cash equivalents	12,570	202,411	1,823,686
Cash and cash equivalents at the beginning of the year	549,907	562,478	5,067,825
Cash and cash equivalents at the end of the year (Note 14)	¥ 562,478	¥ 764,889	$ 6,891,512

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 ¥110.99 to U.S. $1, prevailing at the end of March 2019, 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 numbers of consolidated subsidiaries as of March 31, 2018 and 2019 were 11 and 9, respectively.

(ii) Unconsolidated subsidiaries
The number of unconsolidated subsidiaries due to less materiality as of March 31, 2018 and 2019 was 11. 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 July 4, 2012).

A reserve is provided for "Normally Performing Loans" and "Loans to Borrowers under Close Observation" based on the ratio of loan losses computed based on the default ratio sustained over specific periods in the past.

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 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.

(viii) Reserve under special laws
A reserve under special laws is a financial instruments transaction liability reserve which is provided for contingent loss resulting from security-related accident and is calculated by a consolidated subsidiary in accordance with Article 46-5 of the Financial Instruments and Exchange Act and Article 175 of the Cabinet Office Ordinance Regarding Financial Instruments Businesses.

(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.

Assets and liabilities denominated in foreign currencies of consolidated subsidiaries are translated into Japanese yen using the exchange rate at the respective 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.

(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 Audit Committee Report No. 25, issued on July 29, 2002), 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.

In addition, in order to hedge foreign exchange risks of foreign-currency denominated securities, except for debt securities, the Bank applies fair value hedges as comprehensive hedges on such conditions that the hedged securities are specified in advance and these securities are not more than the hedging spot and forward liabilities denominated in foreign currencies.

(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.

3. Additional Information

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 and executive officers ("Executives") 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 Executives each fiscal year based on the Stock Benefit Rules for Executives stipulated by the Bank. When Executives 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 ¥412 million and ¥386 million ($3,477 thousand) and the numbers of those shares were 574 thousand and 537 thousand as of March 31, 2018 and 2019, respectively.

4. Loans and Bills Discounted

Loans and bills discounted as of March 31, 2018 and 2019 include the following risk managed loans.

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Loans to borrowers under bankruptcy proceedings (*1)	¥ 1,951	¥ 2,422	$ 21,821
Non-accrual past due loans (*2)	40,087	40,250	362,645
Loans past due for three months or more (*3)	0	–	–
Loans with altered lending conditions (*4)	11,058	13,895	125,191
Total	¥ 53,099	¥ 56,567	$ 509,658

(*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 Audit Committee Report No. 24, issued on February 13, 2002). As of March 31, 2018 and 2019, the face value of discounted bills and foreign bills purchased which can be sold or repledged by the Bank amounted to ¥12,891 million and ¥14,060 million ($126,678 thousand), respectively. These discounted bills include banker's acceptances, commercial bills, documentary bills and bills purchased in connection with foreign exchange transactions.

5. Assets Pledged

Assets pledged as collateral as of March 31, 2018 and 2019 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Assets pledged as collateral:			
Securities	¥ 1,043,682	¥ 942,966	$ 8,495,954
Lease receivables and investments in lease assets	12,586	13,271	119,569
Other assets	737	733	6,604
Liabilities secured by the above assets:			
Deposits	138,691	139,901	1,260,482
Payables under repurchase agreements	20,882	–	–
Cash collateral received under securities lending	517,951	468,440	4,220,560
Borrowed money	447,115	443,942	3,999,837
Other liabilities	–	118	1,063

Other than the items presented above, securities of ¥8,288 million and ¥51 million ($459 thousand), and other assets of ¥39,017 million and ¥40,017 million ($360,545 thousand) as of March 31, 2018 and 2019, respectively, were held as collateral for transactions such as settlement transactions or in lieu of margins of futures transactions.

Other assets included guarantee deposits of ¥646 million and ¥659 million ($5,937 thousand) as of March 31, 2018 and 2019, respectively.

6. 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.

7. 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, 2018 and 2019 totaled ¥820,444 million and ¥847,442 million ($7,635,300 thousand), respectively, of which ¥791,067 million and ¥804,640 million ($7,249,662 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.

8. 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, 2018 and 2019 resulted in unrealized loss of ¥8,947 million and ¥8,721 million ($78,574 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.

9. Accumulated Depreciation and Deferred Revenue on Tangible Fixed Assets

The amounts of accumulated depreciation of tangible fixed assets were ¥49,382 million and ¥48,221 million ($434,462 thousand) as of March 31, 2018 and 2019, respectively. The amounts of deferred revenue of tangible fixed assets were ¥1,345 million and ¥1,285 million ($11,577 thousand) as of March 31, 2018 and 2019, respectively. There was no deferred revenue on tangible fixed assets incurred for the years ended March 31, 2018 and 2019.

10. Other Expenses

For the year ended March 31, 2018, other expenses included loss on impairment of fixed assets of ¥175 million, loss on write-offs of loans of ¥11 million, loss on write-offs of stocks of ¥0 million, and loss on sales of loans of ¥437 million.

For the year ended March 31, 2019, other expenses included loss on impairment of fixed assets of ¥186 million ($1,675 thousand), loss on write-offs of loans of ¥14 million ($126 thousand), loss on write-offs of stocks of ¥199 million ($1,792 thousand), and loss on sales of loans of ¥152 million ($1,369 thousand).

11. Other Comprehensive Income

Reclassification adjustment and tax effect of other comprehensive income for the years ended March 31, 2018 and 2019 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Net unrealized gain (loss) on other securities:			
Amount incurred during the year	¥ (4,848)	¥ 3,636	$ 32,759
Reclassification adjustment	1,245	(1,105)	(9,955)
Amount before tax effect	(3,602)	2,531	22,803
Tax effect	1,475	(1,157)	(10,424)
Net unrealized gain (loss) on other securities	(2,127)	1,374	12,379
Net deferred gain (loss) on hedging instruments:			
Amount incurred during the year	2,983	4,961	44,697
Reclassification adjustment	(3,000)	(5,010)	(45,139)
Amount before tax effect	(17)	(48)	(432)
Tax effect	5	14	126
Net deferred gain (loss) on hedging instruments	(11)	(34)	(306)
Remeasurements of defined benefit plans:			
Amount incurred during the year	(711)	(1,799)	(16,208)
Reclassification adjustment	1,753	1,336	12,037
Amount before tax effect	1,042	(463)	(4,171)
Tax effect	(318)	141	1,270
Net remeasurements of defined benefit plans	723	(322)	(2,901)
Total other comprehensive income	¥ (1,415)	¥ 1,018	$ 9,171

12. Shares Issued

The numbers of shares issued and changes during the years ended March 31, 2018 and 2019 are summarized as follows:

Year ended March 31, 2018	Thousands of shares		
	Treasury stock		Common stock issued
Beginning of the year	(*1)	1,113	156,977
Increase during the year	(*2)	1	–
Decrease during the year	(*2)	193	–
End of the year	(*1)	921	156,977

(*1) The Bank's stock held by the Board Benefit Trust (BBT) of 599 thousand shares and 574 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 167 thousand shares, stock benefit paid by BBT of 25 thousand shares and sales of odd-lot shares of 0 thousand shares.

Year ended March 31, 2019		Thousands of shares	
		Treasury stock	Common stock issued
Beginning of the year	(*1)	921	156,977
Increase during the year	(*2)	151	–
Decrease during the year	(*2)	116	–
End of the year	(*1)	957	156,977

(*1) The Bank's stock held by the Board Benefit Trust (BBT) of 574 thousand shares and 537 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 from the market of 150 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 79 thousand shares, stock benefit paid by BBT of 36 thousand shares and sales of odd-lot shares of 0 thousand shares.

13. Dividends

Year ended March 31, 2018

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 22, 2017	¥ 1,642 million	¥ 10.5	March 31, 2017	June 23, 2017
The board of directors on November 10, 2017	¥ 1,096 million	¥ 7.0	September 30, 2017	December 8, 2017

(*) Total dividend resolved by the general shareholders' meeting on June 22, 2017 and the board of directors on November 10, 2017 include ¥6 million and ¥4 million of dividend 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 26, 2018	¥ 2,975 million	¥ 19.0	March 31, 2018	June 27, 2018

(*) Total dividend resolved by the general shareholders' meeting on June 26, 2018 includes ¥10 million of dividend to the shares held by Board Benefit Trust (BBT).

Year ended March 31, 2019

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 26, 2018	¥ 2,975 million $ 26,804 thousand	¥ 19.0 $ 0.17	March 31, 2018	June 27, 2018
The board of directors on November 12, 2018	¥ 1,096 million $ 9,874 thousand	¥ 7.0 $ 0.06	September 30, 2018	December 7, 2018

(*) Total dividends resolved by the general shareholders' meeting on June 26, 2018 and the board of directors on November 12, 2018 include ¥10 million ($90 thousand) and ¥3 million ($27 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 25, 2019	¥ 2,974 million $ 26,795 thousand	¥ 19.0 $ 0.17	March 31, 2019	June 26, 2019

(*) Total dividend resolved by the general shareholders' meeting on June 25, 2019 includes ¥10 million ($90 thousand) of dividend to the shares held by Board Benefit Trust (BBT).

14. Reconciliation of Cash and Cash Equivalents

Reconciliation between cash and due from banks in the consolidated balance sheets as of March 31, 2018 and 2019 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
	2018	2019	2019
Cash and due from banks	¥ 565,961	¥ 769,410	$6,932,246
Deposits to banks excluding the Bank of Japan	(3,483)	(4,520)	(40,724)
Cash and cash equivalents	¥ 562,478	¥ 764,889	$6,891,512

15. Lease Transactions

As a Lessee
Tangible fixed assets and intangible fixed assets include finance lease assets (mainly ATMs, information system, 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, 2018 and 2019 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Gross lease receivables	¥ 27,005	¥ 29,214	$ 263,212
Expected residual values	2,303	2,412	21,731
Unearned interest income	(2,131)	(2,629)	(23,686)
Investments in lease assets	¥ 27,177	¥ 28,997	$ 261,257

Maturities of gross lease receivables for finance leases as of March 31, 2019 are as follows:

Year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2020	¥ 8,731	$ 78,664
2021	7,142	64,348
2022	5,567	50,157
2023	3,815	34,372
2024	2,087	18,803
2025 and thereafter	1,869	16,839
Total	¥ 29,214	$ 263,212

16. 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, 2019, the volume of VaR was ¥37,756 million ($340,174 thousand) and there was no real risk because gain on valuation of securities exceeded the value of VaR.

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, 2019 was ¥(15,223) million ($(137,156) 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, 2018 and 2019 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		
As of March 31, 2018	Carrying amount	Fair value	Difference
Cash and due from banks	¥ 565,961	¥ 565,961	¥ –
Securities:			
Held-to-maturity debt securities	52,040	51,789	(250)
Other securities	1,775,600	1,775,600	–
Loans and bills discounted	2,983,603		
Reserve for possible loan losses (*1)	(32,306)		
	2,951,296	3,019,360	68,064
Total assets	5,344,898	5,412,712	67,813
Deposits	3,989,404	3,991,157	1,752
Negotiable certificates of deposit	72,190	72,190	–
Cash collateral received under securities lending	517,951	517,951	–
Borrowed money	451,050	451,061	10
Total liabilities	5,030,597	5,032,360	1,763
Derivative transactions (*2):			
To which hedge accounting is not applied	305	305	–
To which hedge accounting is applied	746	746	–
Total derivative transactions	¥ 1,051	¥ 1,051	¥ –

As of March 31, 2019	Millions of Yen		
	Carrying amount	Fair value	Difference
Cash and due from banks	¥ 769,410	¥ 769,410	¥ –
Securities:			
Held-to-maturity debt securities	71,220	71,039	(181)
Other securities	1,504,166	1,504,166	–
Loans and bills discounted	3,090,046		
Reserve for possible loan losses (*1)	(35,292)		
	3,054,754	3,140,989	86,235
Total assets	5,399,551	5,485,605	87,054
Deposits	3,818,934	3,820,374	1,440
Negotiable certificates of deposit	321,370	321,370	–
Call money and bills sold	75,973	75,973	–
Cash collateral received under securities lending	468,440	468,440	–
Borrowed money	447,367	447,368	1
Total liabilities	5,132,084	5,133,526	1,441
Derivative transactions (*2):			
To which hedge accounting is not applied	212	212	–
To which hedge accounting is applied	417	417	–
Total derivative transactions	¥ 629	¥ 629	¥ –

As of March 31, 2019	Thousands of U.S. Dollars		
	Carrying amount	Fair value	Difference
Cash and due from banks	$ 6,932,246	$ 6,932,246	$ –
Securities:			
Held-to-maturity debt securities	641,679	640,048	(1,630)
Other securities	13,552,265	13,552,265	–
Loans and bills discounted	27,840,760		
Reserve for possible loan losses (*1)	(317,974)		
	27,522,785	28,299,747	776,961
Total assets	48,648,986	49,424,317	784,340
Deposits	34,407,910	34,420,884	12,974
Negotiable certificates of deposit	2,895,486	2,895,486	–
Call money and bills sold	684,503	684,503	–
Cash collateral received under securities lending	4,220,560	4,220,560	–
Borrowed money	4,030,696	4,030,705	9
Total liabilities	46,239,156	46,252,148	12,983
Derivative transactions (*2):			
To which hedge accounting is not applied	1,910	1,910	–
To which hedge accounting is applied	3,757	3,757	–
Total derivative transactions	$ 5,667	$ 5,667	$ –

(*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, and there were no net liabilities.

(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 “20. Derivatives.”

(Note 2) Securities whose fair value is extremely difficult to determine as of March 31, 2018 and 2019

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Unlisted equity securities (*1) (*2)	¥ 2,802	¥ 2,709	$ 24,407
Investment in partnerships (*3)	10,177	14,415	129,876
Others	6,793	6,793	61,203
Total	¥ 19,773	¥ 23,919	$ 215,505

(*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 ¥0 million and ¥58 million ($522 thousand) for the years ended March 31, 2018 and 2019, 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, 2018 and 2019

	Millions of Yen					
As of March 31, 2018	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
Due from banks	¥ 524,748	¥ –	¥ –	¥ –	¥ –	¥ –
Securities:	319,612	367,339	275,851	102,396	237,330	237,312
Held-to-maturity debt securities:	7,278	20,390	22,627	1,540	200	–
Corporate bonds	7,278	20,390	22,620	1,540	200	–
Other securities with maturity:	312,334	346,949	253,223	100,856	237,130	237,312
Government bonds	207,000	223,000	165,000	5,000	40,000	117,000
Municipal bonds	47,965	48,498	30,613	30,547	46,519	2,500
Corporate bonds	38,750	41,690	15,951	7,825	11,234	29,586
Loans and bills discounted	738,667	576,223	475,390	274,836	307,376	611,109
Total	¥1,583,028	¥943,562	¥751,241	¥377,233	¥544,706	¥848,421

As of March 31, 2019	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
Due from banks	¥ 728,802	¥ –	¥ –	¥ –	¥ –	¥ –
Securities:	121,981	297,336	280,503	96,701	218,199	206,703
Held-to-maturity debt securities:	10,696	29,295	27,445	3,680	100	–
Corporate bonds	10,696	29,295	27,445	3,680	100	–
Other securities with maturity:	111,285	268,040	253,058	93,021	218,099	206,703
Government bonds	39,000	184,000	170,000	20,000	20,000	117,000
Municipal bonds	24,417	39,866	34,513	32,721	55,397	2,000
Corporate bonds	23,672	22,062	16,918	5,526	11,118	27,037
Loans and bills discounted	751,523	623,614	431,811	314,610	297,887	670,598
Total	¥1,602,307	¥920,951	¥712,315	¥411,311	¥516,087	¥877,301

As of March 31, 2019	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
Due from banks	$ 6,566,375	$ –	$ –	$ –	$ –	$ –
Securities:	1,099,026	2,678,944	2,527,281	871,258	1,965,933	1,862,356
Held-to-maturity debt securities:	96,369	263,942	247,274	33,156	900	–
Corporate bonds	96,369	263,942	247,274	33,156	900	–
Other securities with maturity:	1,002,657	2,414,992	2,280,007	838,102	1,965,032	1,862,356
Government bonds	351,383	1,657,807	1,531,669	180,196	180,196	1,054,149
Municipal bonds	219,992	359,185	310,955	294,810	499,117	18,019
Corporate bonds	213,280	198,774	152,428	49,788	100,171	243,598
Loans and bills discounted	6,771,087	5,618,650	3,890,539	2,834,579	2,683,908	6,041,967
Total	$ 14,436,498	$ 8,297,603	$ 6,417,830	$ 3,705,838	$ 4,649,851	$ 7,904,324

(Note 4) Repayment schedule of borrowed money and other interest bearing liabilities as of March 31, 2018 and 2019

	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, 2018						
Deposits (*1)	¥3,492,835	¥445,404	¥ 51,165	¥ –	¥ –	¥ –
Negotiable certificates of deposit	72,190	–	–			
Cash collateral received under securities lending	517,951	–	–	–	–	–
Borrowed money	9,880	94,275	346,895	–	–	–
Total	¥4,092,857	¥539,679	¥398,060	¥ –	¥ –	¥ –
As of March 31, 2019						
Deposits (*1)	¥3,303,160	¥478,305	¥ 37,468	¥ –	¥ –	¥ –
Negotiable certificates of deposit	321,370	–	–	–	–	–
Call money and bills sold	75,973	–	–	–	–	–
Cash collateral received under securities lending	468,440	–	–	–	–	–
Borrowed money	6,525	177,055	263,787	–	–	–
Total	¥4,175,468	¥655,360	¥301,255	¥ –	¥ –	¥ –

As of March 31, 2019	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
Deposits (*1)	$29,760,879	$ 4,309,442	$ 337,579	$ –	$ –	$ –
Negotiable certificates of deposit	2,895,486	—	—	–	–	–
Call money and bills sold	684,503	—	—			
Cash collateral received under securities lending	4,220,560	—	—	–	–	–
Borrowed money	58,789	1,595,233	2,376,673	–	–	–
Total	$37,620,218	$ 5,904,676	$ 2,714,253	$ –	$ –	$ –

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

17. Fair Value of Securities

(1) Trading securities
Net holding gain (loss) resulting from revaluation of trading securities as of March 31, 2018 and 2019 were ¥(0) million and ¥0 million ($0 thousand), respectively.

(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, 2018 and 2019 are as follows:

	Millions of Yen		
	Carrying value	Fair value	Difference
As of March 31, 2018			
Fair value exceeding amount on consolidated balance sheet:			
Corporate bonds	¥ 11,600	¥ 11,631	¥ 31
Fair value below amount on consolidated balance sheet:			
Corporate bonds	40,432	40,150	(282)
Others	7	7	(0)
Sub total	40,440	40,157	(282)
Total	¥ 52,040	¥ 51,789	¥ (250)
As of March 31, 2019			
Fair value exceeding amount on consolidated balance sheet:			
Corporate bonds	¥ 25,444	¥ 25,501	¥ 57
Fair value below amount on consolidated balance sheet:			
Corporate bonds	45,776	45,537	(239)
Total	¥ 71,220	¥ 71,039	¥ (181)

	Thousands of U.S. Dollars		
As of March 31, 2019	Carrying value	Fair value	Difference
Fair value exceeding amount on consolidated balance sheet:			
Corporate bonds	$ 229,245	$ 229,759	$ 513
Fair value below amount on consolidated balance sheet:			
Corporate bonds	412,433	410,280	(2,153)
Total	$ 641,679	$ 640,048	$ (1,630)

(3) Other securities
The carrying value and acquisition cost of other securities as of March 31, 2018 and 2019 are summarized as follows:

	Millions of Yen		
As of March 31, 2018	Carrying value	Acquisition cost	Difference
Amount on consolidated balance sheet exceeding acquisition cost:			
Equity securities	¥ 52,839	¥ 21,732	¥ 31,107
Debt securities:			
Government bonds	798,691	761,653	37,037
Municipal bonds	162,484	159,648	2,836
Corporate bonds	145,671	143,003	2,667
Others	263,491	252,226	11,265
Sub total	1,423,178	1,338,263	84,914
Amount on consolidated balance sheet below acquisition cost:			
Equity securities	9,389	11,066	(1,677)
Debt securities:			
Municipal bonds	46,775	47,136	(361)
Corporate bonds	2,215	2,222	(7)
Others	294,041	300,724	(6,682)
Sub total	352,421	361,150	(8,728)
Total	¥ 1,775,600	¥ 1,699,413	¥ 76,186

As of March 31, 2019	Millions of Yen		
	Carrying value	Acquisition cost	Difference
Amount on consolidated balance sheet exceeding acquisition cost:			
Equity securities	¥ 42,062	¥ 16,462	¥ 25,600
Debt securities:			
Government bonds	588,758	554,201	34,556
Municipal bonds	182,481	179,482	2,998
Corporate bonds	108,022	105,538	2,484
Others	421,885	402,367	19,517
Sub total	1,343,210	1,258,052	85,157
Amount on consolidated balance sheet below acquisition cost:			
Equity securities	13,508	15,436	(1,927)
Debt securities:			
Municipal bonds	9,461	9,487	(25)
Corporate bonds	876	878	(2)
Others	137,109	141,594	(4,484)
Sub total	160,955	167,395	(6,440)
Total	¥ 1,504,166	¥ 1,425,448	¥ 78,717

As of March 31, 2019	Thousands of U.S. Dollars		
	Carrying value	Acquisition cost	Difference
Amount on consolidated balance sheet exceeding acquisition cost:			
Equity securities	$ 378,971	$ 148,319	$ 230,651
Debt securities:			
Government bonds	5,304,604	4,993,251	311,343
Municipal bonds	1,644,121	1,617,100	27,011
Corporate bonds	973,258	950,878	22,380
Others	3,801,108	3,625,254	175,844
Sub total	12,102,081	11,334,822	767,249
Amount on consolidated balance sheet below acquisition cost:			
Equity securities	121,704	139,075	(17,361)
Debt securities:			
Municipal bonds	85,241	85,476	(225)
Corporate bonds	7,892	7,910	(18)
Others	1,235,327	1,275,736	(40,400)
Sub total	1,450,175	1,508,198	(58,023)
Total	$13,552,265	$12,843,030	$ 709,226

The components of net unrealized gain (loss) on other securities as of March 31, 2018 and 2019 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Gross valuation difference	¥ 76,186	¥ 78,717	$ 709,226
Deferred tax assets	(3)	(2)	(18)
Deferred tax liabilities	(22,794)	(23,952)	(215,803)
Net unrealized gain on other securities before adjustment for non-controlling interests	53,387	54,761	493,386
Non-controlling interests	(159)	(64)	(576)
Net unrealized gain on other securities	¥ 53,227	¥ 54,697	$ 492,810

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:

1) For equity securities or investment trusts, fair value has never been above 70% of the acquisition cost for the past one year, or
2) 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
3) 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, 2018, loss on impairment of ¥49 million, all for debt securities, was recorded.

For the year ended March 31, 2019, loss on impairment of ¥163 million ($1,468 thousand), including ¥22 million ($198 thousand) for debt securities and ¥141 million ($1,270 thousand) for equity securities, was recorded.

18. Held to Maturity and Other Securities Sold

Held-to-maturity securities sold during the years ended March 31, 2018 and 2019 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Cost of sales	¥ 990	¥ 507	$ 4,567
Proceeds from sales	991	557	5,018
Gain on sales	1	49	441

For the year ended March 31, 2018, the securities were sold due to redemption by the issuer.
For the year ended March 31, 2019, the securities were sold due to redemption by the issuer and liquidation of consolidated subsidiary.

Other securities sold during the years ended March 31, 2018 and 2019 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Proceeds from sales	¥235,549	¥195,601	$1,762,329
Gain on sales	3,702	6,020	54,239
Loss on sales	4,307	4,705	42,391

19. Money Held in Trust

The carrying value of money held in trust for the purpose of securities trading as of March 31, 2018 and 2019 and the related net holding gain (loss) for the years then ended are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Carrying value	¥ 4,000	¥ 4,000	$ 36,039
Net holding gain (loss)	–	–	–

20. 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			
	Total	Over one year	Fair value	Gains (losses)
As of March 31, 2018				
Over-the-counter				
Interest-rate swaps				
Receive fixed/pay floating	¥ 2,500	¥ 2,500	¥ 273	¥ 273
Receive floating/pay fixed	2,500	2,500	(37)	(37)
Total			¥ 235	¥ 235
As of March 31, 2019				
Over-the-counter				
Interest-rate swaps				
Receive fixed/pay floating	¥ 2,500	¥ 2,500	¥ 336	¥ 336
Receive floating/pay fixed	2,500	2,500	(95)	(95)
Total			¥ 240	¥ 240

	Thousands of U.S. Dollars			
	Contract amount			
As of March 31, 2019	Total	Over one year	Fair value	Gains (losses)
Over-the-counter				
Interest-rate swaps				
Receive fixed/pay floating	$ 22,524	$ 22,524	$ 3,027	$ 3,027
Receive floating/pay fixed	22,524	22,524	(855)	(855)
Total			$ 2,162	$ 2,162

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			
	Total	Over one year	Fair value	Gains (losses)
As of March 31, 2018				
Over-the-counter				
Currency swaps	¥26,029	¥10,953	¥ 66	¥ 66
Forward foreign exchange contracts:				
Sold	3,590	–	12	12
Bought	5,491	–	(15)	(15)
Currency options:				
Sold	67,637	–	(1,263)	(425)
Bought	67,637	–	1,262	432
Total			¥ 61	¥ 69
As of March 31, 2019				
Over-the-counter				
Currency swaps	¥14,090	¥12,585	¥ 56	¥ 56
Forward foreign exchange contracts:				
Sold	1,047	–	(3)	8
Bought	12,190	–	(56)	(56)
Currency options:				
Sold	55,707	–	(870)	(179)
Bought	55,707	–	869	143
Total			¥ (4)	¥ (27)

	Thousands of U.S. Dollars			
	Contract amount			
As of March 31, 2019	Total	Over one year	Fair value	Gains (losses)
Over-the-counter				
Currency swaps	$ 126,948	$ 113,388	$ 504	$ 504
Forward foreign exchange contracts:				
Sold	9,433	–	(27)	72
Bought	109,829	–	(504)	(504)
Currency options:				
Sold	501,910	–	(7,838)	(1,612)
Bought	501,910	–	7,829	1,288
Total			$ (36)	$ (243)

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

			Millions of Yen		
			Contract amount		
Hedge accounting method	Type of derivatives	Major hedged items	Total	Over one year	Fair value
As of March 31, 2018					
Special treatment for interest rate swaps	Interest rate swaps: Receive-floating/ Pay-fixed	Loans	¥20,461	¥17,309	(Note 3)
Total					¥ –
As of March 31, 2019					
Special treatment for interest rate swaps	Interest rate swaps: Receive-floating/ Pay-fixed	Loans	¥17,309	¥14,255	(Note 3)
Total					¥ –

As of March 31, 2019			Thousands of U.S. Dollars		
			Contract amount		
Hedge accounting method	Type of derivatives	Major hedged items	Total	Over one year	Fair value
Special treatment for interest rate swaps	Interest rate swaps: Receive-floating/ Pay-fixed	Loans	$155,950	$128,434	(Note 3)
Total					$ –

Notes: 1. These transactions are principally accounted for under the deferral hedge method in accordance with JICPA Industry Audit Committee Report No. 24 issued on February 13, 2002.
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, 2018					
Normal method	Currency swaps	Deposits, call money and call loans	¥ 8,499	¥ 5,312	¥ 150
	Forward foreign exchange contracts		327,249	–	595
Total					¥ 746
As of March 31, 2019					
Normal method	Currency swaps	Securities, deposits and call money	¥ 5,549	¥ 5,549	¥ (104)
	Forward foreign exchange contracts		84,041	–	521
Total					¥ 417

			Thousands of U.S. Dollars		
			Contract amount		
Hedge accounting method	Type of derivatives	Major hedged items	Total	Over one year	Fair value
As of March 31, 2019					
Normal method	Currency swaps	Securities, deposits and call money	$ 49,995	$ 49,995	$ (937)
	Forward foreign exchange contracts		757,194	–	4,694
Total					$ 3,757

Notes: 1. These transactions are principally accounted for under the deferral hedge method in accordance with JICPA Industry Audit Committee Report No. 25 issued on July 29, 2002.
2. The fair value is determined using the discounted present value.

21. 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, 2018 and 2019

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Projected benefit obligations at the beginning of the year	¥ 41,730	¥ 41,324	$ 372,321
Service cost	961	973	8,766
Interest cost	301	259	2,333
Actuarial gains or losses incurred	400	1,003	9,036
Benefits paid	(2,269)	(2,335)	(21,037)
Prior service cost incurred	198	–	–
Others	–	–	–
Projected benefit obligations at the end of the year	¥ 41,324	¥ 41,225	$ 371,429

(b) Reconciliation of plan assets from beginning to ending balances for the years ended March 31, 2018 and 2019

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Plan assets at the beginning of the year	¥ 29,207	¥ 29,941	$ 269,763
Expected return on plan assets	1,022	928	8,361
Actuarial gains or losses incurred	(111)	(796)	(7,171)
Contribution from the Bank	1,355	1,447	13,037
Benefits paid	(1,534)	(1,555)	(14,010)
Others	1	1	9
Plan assets at the end of the year	¥ 29,941	¥ 29,967	$ 269,997

(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, 2018 and 2019

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Projected benefit obligations of funded plans	¥ 30,688	¥ 30,659	$ 276,232
Plan assets	(29,941)	(29,967)	(269,997)
	747	692	6,234
Projected benefit obligations of unfunded plans	10,636	10,566	95,197
Net amount of liability	¥ 11,383	¥ 11,258	$ 101,432

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Net defined benefit liability	¥ 11,383	¥ 11,258	$ 101,432
Net defined benefit asset	–	–	–
Net amount of liability	¥ 11,383	¥ 11,258	$ 101,432

(d) Components of net retirement benefit expense for the years ended March 31, 2018 and 2019

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Service cost	¥ 961	¥ 973	$ 8,766
Interest cost	301	259	2,333
Expected return on plan assets	(1,022)	(928)	(8,361)
Amortization of actuarial gains or losses	1,788	1,371	12,352
Amortization of prior service cost	(35)	(35)	(315)
Others	(1)	(1)	(9)
Net retirement benefit expense	¥ 1,993	¥ 1,639	$ 14,767

(e) Components of remeasurements of defined benefit plans (before income taxes) for the years ended March 31, 2018 and 2019

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Prior service cost	¥ (234)	¥ (35)	$ (315)
Actuarial gains or losses	1,276	(428)	(3,856)
Total	¥ 1,042	¥ (463)	$ (4,171)

(f) Accumulated other comprehensive income for remeasurements of defined benefit plans (before income taxes) as of March 31, 2018 and 2019

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Unrecognized prior service cost	¥ 96	¥ 60	$ 540
Unrecognized actuarial gains or losses	(6,523)	(6,951)	(62,627)
Total	¥ (6,427)	¥ (6,890)	$ (62,077)

(g) Component ratio of plan assets as of March 31, 2018 and 2019

	2018	2019
Bonds	64.94%	65.79%
Stocks	15.50%	14.41%
Cash and deposits	0.40%	0.40%
Others	19.14%	19.38%
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, 2018 and 2019

	2018	2019
Discount rate	0.62%	0.50%
Long-term expected rate of return on plan assets	3.50%	3.10%
Expected salary increase rate	3.00%	3.00%

(2) Defined contribution plans

Contribution paid to the plans by the Group during the year ended March 31, 2018 and 2019 were ¥149 million and ¥156 million ($1,405 thousand), respectively.

22. Stock Options

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

(a) The stock options outstanding as of March 31, 2018

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, 2019	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, 2018—outstanding	21,700	26,100	34,300	64,100	80,600	74,100	92,900	81,800
Granted	–	–	–	–	–	–	–	–
Forfeited	–	–	–	–	–	–	–	–
Vested	–	–	–	13,500	14,300	18,600	20,400	12,900
March 31, 2019—outstanding	21,700	26,100	34,300	50,600	66,300	55,500	72,500	68,900
Vested:								
March 31, 2018—outstanding	–	–	–	–	–	–	–	–
Vested	–	–	–	13,500	14,300	18,600	20,400	12,900
Exercised	–	–	–	13,500	14,300	18,600	20,400	12,900
Forfeited	–	–	–	–	–	–	–	–
March 31, 2019—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	–	–	–	992	992	992	992	992
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	–	–	–	8.93	8.93	8.93	8.93	8.93
Fair value at the date of grant	7.91	7.24	5.48	5.12	4.50	6.39	6.09	10.64

(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.

23. 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, 2018 and 2019 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Deferred tax assets:			
Reserve for possible loan losses	¥ 10,317	¥ 11,005	$ 99,153
Depreciation	1,080	1,009	9,090
Impairment loss on fixed assets	2,523	2,457	22,137
Write-offs of securities	691	697	6,279
Net defined benefit liability	3,471	3,432	30,921
Tax loss carry-forwards	193	268	2,414
Net deferred loss on hedging instruments	–	3	27
Others	2,614	3,002	27,047
Subtotal	20,892	21,877	197,107
Valuation allowances	(2,757)	(2,759)	(24,858)
Total deferred tax assets	18,134	19,117	172,240
Deferred tax liabilities:			
Reserve for deferred revenue of tangible fixed assets	(90)	(87)	(783)
Net unrealized gain on other securities	(22,794)	(23,952)	(215,803)
Net deferred gain on hedging instruments	(11)	–	–
Others	(57)	(58)	(522)
Total deferred tax liabilities	(22,953)	(24,099)	(217,127)
Net deferred tax assets (liabilities)	¥ (4,818)	¥ (4,981)	$ (44,877)

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, 2018 and 2019.

24. 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, 2018 and 2019 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Balance at the beginning of the year	¥ 421	¥ 450	$ 4,054
Increase due to purchase of tangible fixed assets	26	31	279
Changes due to the passage of time	5	5	45
Decrease due to fulfillment of obligations	1	–	–
Balance at the end of the year	¥ 450	¥ 487	$ 4,387

25. 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, 2018 and 2019 are as follows:

	Millions of Yen						
	Reportable segments			Others		Adjustments	
Year ended March 31, 2018	Banking	Leasing	Total	(Note 2)	Total	(Note 3)	Consolidated
Ordinary income:							
Customers	¥ 77,918	¥ 15,053	¥ 92,971	¥ 2,834	¥ 95,806	¥ –	¥ 95,806
Inter-segment	1,121	386	1,507	2,591	4,099	(4,099)	–
Total	79,039	15,440	94,479	5,426	99,905	(4,099)	95,806
Segment profit	19,262	198	19,460	862	20,322	(455)	19,867
Segment assets	5,530,610	55,341	5,585,952	19,511	5,605,463	(56,859)	5,548,604
Segment liabilities	5,182,770	50,479	5,233,250	6,274	5,239,524	(53,335)	5,186,189
Other items:							
Depreciation	1,967	334	2,301	109	2,411	–	2,411
Interest income	63,183	56	63,239	20	63,259	(529)	62,730
Interest expenses	10,038	153	10,192	10	10,202	(118)	10,084
Extraordinary gains:	10	–	10	8	18	–	18
Gain on disposals of fixed assets	10	–	10	8	18	–	18
Extraordinary losses:	198	–	198	2	201	–	201
Loss on disposals of fixed assets	23	–	23	1	25	–	25
Impairment loss	175	–	175	–	175	–	175
Tax expenses	5,716	68	5,784	203	5,988	(9)	5,978

	Millions of Yen						
	Reportable segments			Others		Adjustments	
Year ended March 31, 2019	Banking	Leasing	Total	(Note 2)	Total	(Note 3)	Consolidated
Ordinary income:							
Customers	¥ 80,399	¥ 15,534	¥ 95,933	¥ 2,055	¥ 97,989	¥ (156)	¥ 97,833
Inter-segment	1,112	300	1,412	1,877	3,290	(3,290)	–
Total	81,512	15,834	97,346	3,933	101,279	(3,446)	97,833
Segment profit	19,259	643	19,902	58	19,960	(666)	19,294
Segment assets	5,579,242	53,519	5,632,762	18,681	5,651,443	(51,845)	5,599,597
Segment liabilities	5,221,028	48,306	5,269,335	6,114	5,275,450	(48,351)	5,227,098
Other items:							
Depreciation	1,894	302	2,197	120	2,317	–	2,317
Interest income	62,815	6	62,821	28	62,849	(151)	62,697
Interest expenses	9,672	145	9,817	7	9,825	(111)	9,714
Extraordinary gains:	95	–	95	–	95	–	95
Gain on disposals of fixed assets	95	–	95	–	95	–	95
Extraordinary losses:	203	–	203	6	209	–	209
Loss on disposals of fixed assets	20	–	20	2	22	–	22
Impairment loss	182	–	182	3	186	–	186
Tax expenses	5,654	226	5,881	74	5,955	(9)	5,946

	Thousands of U.S. Dollars						
	Reportable segments			Others		Adjustments	
Year ended March 31, 2019	Banking	Leasing	Total	(Note 2)	Total	(Note 3)	Consolidated
Ordinary income:							
Customers	$ 724,380	$ 139,958	$ 864,339	$ 18,515	$ 882,863	$ (1,405)	$ 881,457
Inter-segment	10,018	2,702	12,721	16,911	29,642	(29,642)	–
Total	734,408	142,661	877,070	35,435	912,505	(31,047)	881,457
Segment profit	173,520	5,793	179,313	522	179,836	(6,000)	173,835
Segment assets	50,267,970	482,196	50,750,175	168,312	50,918,488	(467,114)	50,451,364
Segment liabilities	47,040,526	435,228	47,475,763	55,086	47,530,858	(435,633)	47,095,215
Other items:							
Depreciation	17,064	2,720	19,794	1,081	20,875	–	20,875
Interest income	565,951	54	566,005	252	566,258	(1,360)	564,888
Interest expenses	87,142	1,306	88,449	63	88,521	(1,000)	87,521
Extraordinary gains:	855	–	855	–	855	–	855
Gain on disposals of fixed assets	855	–	855	–	855	–	855
Extraordinary losses:	1,828	–	1,828	54	1,883	–	1,883
Loss on disposals of fixed assets	180	–	180	18	198	–	198
Impairment loss	1,639	–	1,639	27	1,675	–	1,675
Tax expenses	50,941	2,036	52,986	666	53,653	(81)	53,572

Notes: 1. Ordinary income is presented instead of sales of general companies.
2. “Others” include business segments other than reportable segments such as credit guarantee business and securities services.
3. “Adjustments” include as follows:
(1) Adjustments for ordinary income for customers of ¥(156) million ($(1,405) thousand) for the year ended March 31, 2019 represents reversal of reserve for possible loan losses for Leasing segment.
(2) Adjustments for segment profit of ¥(455) million and ¥(666) million ($(6,000) thousand) for the years ended March 31, 2018 and 2019, respectively, represent elimination of inter-segment transactions.
(3) Adjustments for segment assets of ¥(56,859) million and ¥(51,845) million ($(467,114) thousand) as of March 31, 2018 and 2019, respectively, represent elimination of inter-segment balances.
(4) Adjustments for segment liabilities of ¥(53,335) million and ¥(48,351) million ($(435,633) thousand) as of March 31, 2018 and 2019, respectively, represent elimination of inter-segment balances.
(5) Adjustments for interest income of ¥(529) million and ¥(151) million ($(1,360) thousand) for the years ended March 31, 2018 and 2019, respectively, represent elimination of inter-segment transactions.
(6) Adjustments for interest expenses of ¥(118) million and ¥(111) million ($(1,000) thousand) for the years ended March 31, 2018 and 2019, respectively, represent elimination of inter-segment transactions.
(7) Adjustments for tax expenses of ¥(9) million and ¥(9) million ($(81) thousand) for the years ended March 31, 2018 and 2019, respectively, represent income taxes deferred related to elimination of inter-segment transactions.

Related Information

(1) Information by service

	Millions of Yen				
Income from customers	Loans	Securities investment	Leasing	Others	Total
Year ended March 31, 2018	¥ 33,284	¥ 31,039	¥ 15,053	¥ 16,428	¥ 95,806
Year ended March 31, 2019	¥ 33,603	¥ 30,945	¥ 15,534	¥ 17,750	¥ 97,833

	Thousands of U.S. Dollars				
Income from customers	Loans	Securities investment	Leasing	Others	Total
Year ended March 31, 2019	$ 302,757	$ 278,808	$ 139,958	$ 159,924	$ 881,457

(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

	Millions of Yen				
	Reportable segments				
Impairment loss	Banking	Leasing	Total	Others	Total
Year ended March 31, 2018	¥ 175	¥ –	¥ 175	¥ –	¥ 175
Year ended March 31, 2019	¥ 182	¥ –	¥ 182	¥ 3	¥ 186

	Thousands of U.S. Dollars				
	Reportable segments				
Impairment loss	Banking	Leasing	Total	Others	Total
Year ended March 31, 2019	$ 1,639	$ –	$ 1,639	$ 27	$ 1,675

26. 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 ¥2,707 million and ¥2,043million ($18,407 thousand) for the years ended March 31, 2018 and 2019, respectively. The balances of loan receivables from these parties totaled ¥3,313 million and ¥2,919 million ($26,299 thousand) as of March 31, 2018 and 2019, respectively. The balances of securities (corporate bonds of these parties) totaled ¥110 million and ¥450 million ($4,054 thousand) as of March 31, 2018 and 2019, respectively. The terms of these transactions were determined on an arm's-length basis.

27. Amounts per Share

	Yen		U.S. Dollars
	2018	2019	2019
Net assets per share	¥ 2,311.15	¥ 2,377.12	$ 21.41
Profit per share:			
Basic	¥ 87.76	¥ 84.58	$ 0.76
Diluted	87.47	84.35	0.75

The basis for the calculation of net assets per share as of March 31, 2018 and 2019 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Net assets	¥ 362,415	¥ 372,498	$ 3,356,140
Deduction:			
Subscription rights to shares	349	292	2,630
Non-controlling interests	1,396	1,326	11,947
Net assets attributable to shares of common stock	360,668	370,879	3,341,553
Number of shares of common stock outstanding	156,055 thousand	156,020 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 (574 thousand shares and 537 thousand shares as of March 31, 2018 and 2019, 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, 2018 and 2019 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Profit attributable to owners of the Bank	¥ 13,692	¥ 13,205	$118,974
Amount not attributable to common shareholders	–	–	–
Profit attributable to common shareholders	13,692	13,205	118,974
Average number of shares of common stock outstanding	156,010 thousand	156,119 thousand	
Average number of shares of dilutive common stock	513 thousand	414 thousand	

Regarding the calculation of profit per share, the shares of the Bank owned by Board Benefit Trust ("BBT") and recognized as treasury stock (582 thousand shares and 549 thousand shares in average number for the years ended March 31, 2018 and 2019, respectively) are deducted from the average number of shares of common stock outstanding.

28. 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.

Independent Auditor's Report

The Board of Directors
The San-in Godo Bank, Ltd.

We have audited the accompanying consolidated financial statements of The San-in Godo Bank, Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2019, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The San-in Godo Bank, Ltd. and its consolidated subsidiaries as at March 31, 2019, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

Ernst & Young ShinNihon LLC

June 25, 2019
Tokyo, Japan



About the Cover

The cover illustration was designed using artwork created by employees of Gogin Challenged Matsue, a specialist business office operated by San-in Godo Bank to provide work opportunities for the mentally challenged. People who work at Gogin Challenged Matsue mainly produce artwork.

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