SAN-IN GODO BANK

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



Integrated Report 2022

SAN-IN GODO BANK

About the Cover

The design concept for the cover is "Fly into the future." Against the expansive blue sky, the paper airplane flies gently toward the top right of the image, tracing a line that represents eternal development. The line also represents the Bank's desire to head out from the San-in region to the rest of the world and fulfill the dreams of its customers.

UD FONT

We have used a universal design font to ensure the text is easy to read.

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(Japanese only)

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

Love and contribute to the region, play a beneficial role for customers, help make dreams a reality through creativity, ingenuity and problem solving

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Editorial Policy

This publication is the Integrated Report 2022 prepared by San-in Godo Bank. Prepared in reference to the "International Integrated Reporting Framework" promoted by the Value Reporting Foundation (VRF), this report is comprised of both financial and non-financial information (ESG information), showcasing the Bank's management policies and measures for sustainable growth, along with medium- to long-term value creation and other efforts, in an integrated manner.
Items for disclosure stipulated by the enforcement regulations of Japan's Banking Act are detailed in a separate supplemental disclosure. The supplemental disclosure can be viewed on the Bank's website.
https://www.gogin.co.jp (Japanese only)

*In June 2021, the International Integrated Reporting Council and the Sustainability Accounting Standards Board merged to form the Value Reporting Foundation.

Message regarding Forecasts

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

Top Message

Message from the President

Real growth can only be achieved by going beyond existing frameworks and boldly taking on reform with a sense of speed.

It has now been two and a half years since the outbreak of the COVID-19 pandemic, and we are gradually seeing an easing of restrictions and the potential for a return to normality. However, decreasing birthrates, aging populations, and population declines continue to affect regional areas. Meanwhile, not only has Russia's invasion of Ukraine damaged the militaries and economies of both countries, the impacts have also been felt in Japan through global trade issues and energy problems. On the economic front, concerns regarding global inflation have materialized, with rising domestic prices—predominantly of primary products—and global interest rate increases causing major anxiety. Environmentally speaking, decarbonization and carbon neutrality initiatives are gaining pace, while the pandemic has accelerated digitalization in society.

Using Structural Reform to Launch Our Core Operations on a Growth Trajectory

With such significant social change and economic uncertainty, it will be incredibly difficult to achieve growth and maintain our current standing simply by continuing with our businesses as before. As such, as we prepare to achieve future growth, we must also continue to seek change.

During the term of our previous Medium-term Management Plan (FY2018–FY2020), we implemented a range of structural reforms. With the streamlining of our branch network and the reorganization of our affiliates, for example, these reforms went beyond industry notions, and we were able to execute them with a sense of speed. We also reeducated and reshuffled our employees, adding staff to our strategic departments without increasing our total number of employees.

Despite the harsh conditions that continued to affect our external environment, in FY2021 we achieved an increase in both income and profit, with non-consolidated and consolidated profit levels both reaching record highs. This achievement can be attributed to an increase in interest on loans and bills discounted, and interest and dividends on securities, an increase in income from consultancy fees—an area of recent focus—and cost reductions from our continued structural reforms. FY2021 was the first year of our current three-year Medium-term Management



July 2022
President and
Representative Director
Toru Yamasaki

Plan, and I believe we have made an excellent start. We formulated the current Medium-term Management Plan (FY2021–FY2023) amid the pandemic, and with our aims to achieve record profit levels by the end of the three years, the targets were designed to be ambitious. However, thanks to a result of thorough structural reforms in the previous Medium-term Management Plan and the resulting foundation we built for future growth, after the first year we can already see that each of our targets is in sight. Meanwhile, to facilitate the Bank's sustainable growth moving forward, we have already begun building foundations ahead of our next Medium-term Management Plan. Based on the stable growth foundation provided by our lending operations and other core businesses, we will accelerate efforts to generate profit from new domains through digital transformation, consulting services, and more.



Further Improvements in ROE

We are able to undertake such activities because our large amount of capital acts as a buffer for taking risks. At 11%, our capital adequacy ratio continues to be at a high level relative to other regional banks. For us to continue taking risks, we must maintain this capital adequacy ratio and balance risks, capital, and earnings to achieve sustained profit growth.

In FY2021, our consolidated ROE (shareholders' equity basis) stood at 4.29%, reaching a level that has the final year target of our Medium-term Management Plan (4.4%) in its sight. However, in order to reach the level that our shareholders expect, we understand that we must make further improvements. We will therefore continue to work toward profit growth and improved ROE.

Overcoming Adversity to Achieve Sustainable Growth

In the Shimane and Tottori prefectures, which form our main market, populations continue to shrink. Moreover, the economies in these prefectures are relatively small. As a regional bank, however, we have a responsibility to provide depopulated areas such as mountainous regions and remote islands with the same high-quality financial services as offered in urban areas. Compared to regional banks which are based in larger cities, we have an entirely different business model. While it can be challenging to maintain city-level financial services in depopulated areas and ensure our branches make a profit, we have implemented a range of schemes and reforms to ensure we can do just that. One example is our Ama Branch, which is located on the Oki Islands in the Sea of Japan. Ama Town in the Oki District is a remote area with just 2,000 inhabitants. Our Ama Branch is in charge of all of the town's financial functions, offering a range of regular banking services such as loans, deposits, and remittances, as well as investment trusts and other securities-related operations. While the branch offers a full range of banking services with only Ama Town as its clientele, through careful efforts to rationalize, streamline, and increase versatility, for the most part, the branch breaks even. As a bank, one of our strengths and sources of pride is our approach: Solving regional issues from within the region by thoroughly increasing productivity and aligning management with our area of operation.
At the San-in Godo Bank, we value each and every one of our customers and clients and have a strong desire to sustain regional industries and employment all the more for the small size of the economies and the lack of major industries in our main market. This approach allows us to undertake relationship banking—thoroughly understanding our customers, carefully examining their financing strategies, and supporting the growth of their

Structural Reform Progress

Previous Medium-term Management Plan (FY2018 to FY2020)
● Widely implemented structural reforms and made progress with efforts to streamline and enhance operational efficiency

Current Medium-term Management Plan (FY2021 to FY2023)
● Promote further investments and structural reform using the foundation built in the previous plan

Main Structural Reforms

Individual consulting	● N-Alliance
Digitalization	● Renewal of account-related systems
Branch network reorganization	● Integration and elimination of branches (-33 branches) ● Review of structure (10 branches), etc.
Affiliate reorganization	● Reinforcement of Group collaboration ● Moving of operations in-house (-3 companies)
Other structural reform	● Ending of cash settlement/sorting services ● Business process reengineering, etc.

Results

Strategic reshuffling of personnel
(Approx. 190 of 3,000 employees)
● Increase of personnel in strategic fields (corporate consulting, digitalization)

Generated 340 → Reshuffled 190 / Reeducated 40 / Natural attrition 110

Reduction of ordinary expenses
● Allocation of investment in future growth strategies

Structural Reforms Contributed to FY2021 Financial Results

Progress in personnel reshuffling

Current Medium-term Management Plan	400	First-year achievements	260
Generated	360	Reshuffled (Including 80 currently in education)	160
Reeducated during previous plan	40	Natural attrition	100

			YoY comparison
Loans to companies		¥2,207.8 billion	+7.4%
Profit from customer service operations		¥4.9 billion	+¥3.1 billion
OHR	5th among regional banks	55.02%	-5.56%
Consolidated net income	22nd among regional banks	¥14.4 billion	+¥4.8 billion
Net profit from core banking operations	15th among regional banks	¥30.6 billion	+¥6.5 billion

Vision for Future Growth

Corporate consulting	● Roll out of operations to other prefectures ● Establishment of an all-employee consulting structure
Individual consulting	● Promotion of the N-Alliance
Digitalization	● Bank-wide digital transformation
Human resource training	● Reform of training system

*Net profit from core banking operations excludes effects from investment trust cancellations
*Regional bank rankings were compiled in-house based on the publicly available financial results of 55 banks and groups

businesses. Our relationship banking knowledge and mindset is a major competitive advantage as we expand our businesses to surrounding prefectures. No matter where they are from, customers look for the same thing in a bank. In the same way we have operated in Shimane and Tottori, we have earned the trust of customers in other regions and expanded our transaction network by closely understanding customers' needs, tackling the issues they face, and offering advice on financing and business expansion. Although our share of transactions in branches outside Shimane and Tottori is still low, we believe that by accurately responding to customers' needs we can increase our share.

An All-employee Consulting Structure to Solve Customers' Issues On-site

At the San-in Godo Bank we are currently working to strengthen our client consulting services. One of our unique aims is to ensure that all Bank employees working in branches have a certain level of ability to propose solutions, rather than just relying on the specialist staff at our headquarters. We have named this approach our all-employee consulting structure, and we are working on personnel development with the help of professional consulting companies. While there are some other banks which offer a similar service, the majority use a small number of specialist staff for their consulting work. If we can successfully build this all-employee consulting structure, our frontline sales employees will be able to discover issues and propose solutions through their everyday negotiations without having to wait for our specialist staff. The speed of this process will no doubt be significantly quicker than simply relying on a small number of specialists.

Steady Results through a Synergistic Alliance

As part of our alliance with Nomura Securities Co., Ltd., 90 employees from Nomura Securities have been sent on loan to work as San-in Godo Bank employees. Naturally, with such different histories and cultures between banking and securities, there is some friction between our methods. That said, Nomura Securities' impressive business style has shown us entirely new things. Of course, we have our differences, but it is these realizations that will drive our advancement and growth. It has now been one year and a half since we began our alliance, and the synergistic effects of our partnership are starting to show—while reducing personnel and costs, we are enhancing our performance and boosting our profitability. Since the start of the alliance, the expertise that Nomura Securities has in personnel development has helped dramatically improve the skill level of our own employees, and some of our staff have already produced results that are on par with their new colleagues. In addition to generating huge reform at our Bank, most importantly, this alliance has proven to be incredibly effective in improving our level of customer service. With a desire to solve customers' issues and improve the quality of our service, we will aim to become the best consultancy organization for both our corporate customers and individual customers.



Approaching Industry-leading Levels of Digital Transformation

Through our digital transformation (DX) activities, the aim is to provide customers with better, more efficient services. We will also use DX to drastically reform and improve the efficiency of our conventional banking operations.
Unfortunately, our current DX initiatives have fallen behind those of others in the banking industry. As such, we have commenced a bank-wide DX project to catch up to our competitors within three years. In the previous fiscal year, we completed analyses of our current circumstances and formulated reform proposals. This year, we will begin executing these reforms. The aim is to achieve returns on these investments in the next Medium-term Management Plan.
To achieve our aims for higher level consulting services and DX, it is essential that we develop personnel who have advanced skills in the relevant area. We are thus developing professionals in various fields with expert problem-solving skills. Moreover, to enable all Bank employees to further demonstrate their skillsets, we reformed our human resources system for the first time in 21 years. In doing so, we have abolished the conventional seniority system, enabling the early promotion and appointment of specialist personnel and talented young employees.

Achieving Sustainability in Regional Societies

As a responsible corporate citizen, we have a duty to tackle the issues facing regional societies to support their sustainability. At the San-in Godo Bank, we have been engaged in forest conservation activities since before the current attention on decarbonization and carbon neutrality, and we marked 15 years of forest protection in October 2021. A total of around 10,000 directors, executive officers, and employees from the Bank have participated in these activities, which involve heading



directly into the mountains to tend to the forests. Each time, participants work hard to play their part while experiencing the local resources firsthand.
Further, hoping to contribute to an increase in supply of renewable energy in the area and promote the local production and consumption of energy, in July 2022 we became the first regional bank to establish a renewable energy generation subsidiary. We look forward to these activities having a positive effect on our regions.

In Closing

In recent years, the economy, the environment, society, and even people's values have reached major turning points. While the long-term outlook for businesses is increasing in complexity, there are major opportunities for those seeking reform. I believe that real growth can only be achieved by going beyond existing frameworks and boldly taking on reform with a sense of speed. To do so, we will continue developing organizations and personnel that can flexibly respond to change. This flexibility will be the driving force behind our sustainable growth.
Moving forward, we will strive to respond to the expectations of our regional societies, customers, shareholders, and various other stakeholders, and we ask for your continued support and encouragement as we make forward progress.

PROFILE





Profile





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Management Policies

Management Philosophy

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

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

Long-term Vision

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

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

Values and Action Guidelines

Sustainability Statement

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

CS (Customer Satisfaction) Declaration

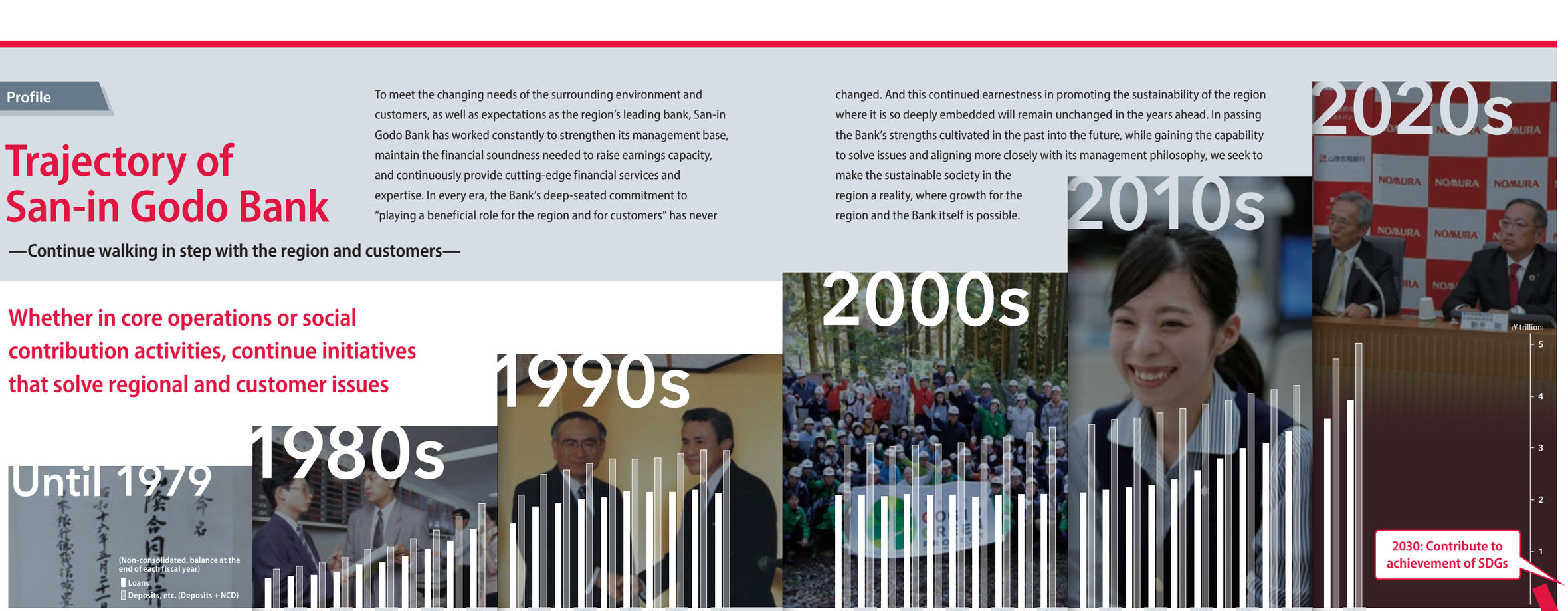
We will always be helpful to our customers.
We will always show gratitude to our customers.
We will always serve our customers with a smile.

Trajectory of San-in Godo Bank

—Continue walking in step with the region and customers—

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

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



Value Provided

Solving regional issues from within the region through relationship banking and regional contribution activities
Offering city-level financial services as the region's leading bank

Management direction

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

Scale expansion against backdrop of financial liberalization, internationalization and economic boom
- Enhance fund levels, earnings capacity and client services in aiming to provide comprehensive financial services as a "representative regional bank" equipped with full banking functions

Shift to wide-area regional bank spanning San-in, Sanyo and Hyogo-Osaka regions
- Merged with Fuso Bank, setting the cornerstone for a business model leveraging today's wide-ranging branch network
- Following the collapse of the financial bubble, disposed of non-performing loans and responded to financial liberalization and spread of IT
- Strived to implement highly transparent management based on the principle of self-responsibility

Align with needs of the region and customers for deeper relations
- Aiming to be the bank of choice providing products and services based on customers' true needs
- Develop measures for reform to a low-cost structure and creation of new earnings drivers to cut through an adverse earnings environment
- Develop a unique regional contribution activities model ahead of others

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

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

Topics

1878
- After establishment of the Tsuwano 53rd National Bank, San-in Godo Bank's earliest forerunner, it has originated from 40 banks

1941
- San-in Godo Bank established

1987
- Stock listed on the First Section of the Tokyo Stock Exchange

1991
- Merged with Fuso Bank

1997
- Business name changed to "San-in Godo Bank," Head Office established, new CI adopted, and reborn "Gogin" started

2006
- Forest conservation activities started
- Gogin Duo Card transaction launched, growing popularity as a regional card

2007
- Fee-based business matching started, full-scale promotion of fee business
- Opened "Gogin Challenged Matsue," a business site employing individuals with intellectual disabilities

2012
- Opened new branches in Hyogo-Osaka
- Opened private school "Shofukan"

2017
- Opened "Gogin Challenged Tottori," business site employing individuals with disabilities

2020
- Launched intermediary services for financial instruments entrusted by Nomura Securities Co., Ltd.

2022
- Selected the Prime Market on the Tokyo Stock Exchange

Social and economic backdrop

1941
- Outbreak of Pacific War

1973
- Tokyo Foreign Exchange Market shift to floating exchange rate system

1985
- G5 countries agreed on coordinated intervention in foreign exchange markets (Plaza Accord)

1991
- Bubble economy burst

1996
- Government announced the financial system reform called the "Japanese Financial Big Bang"

2005
- Deposit insurance fully deregulated

2008
- Lehmann Brothers collapsed

2016
- Bank of Japan adopted its first negative interest rate policies

2020
- COVID-19 pandemic spreads worldwide

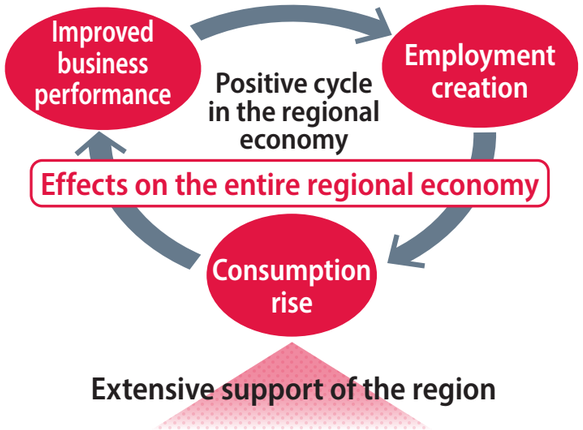
2022
- Worsening of the situation in Ukraine

Profile

Materiality

To ensure growth for the entire region, San-in Godo Bank has for years consistently been engaged in activities designed to solve social issues. At the same time, recognizing the need itself to be resilient in order to maintain support for the region, San-in Godo Bank works tirelessly to strengthen its management base.
By moving to resolve regional and customer issues as part of core operations, including regional revitalization and environmental measures, a virtuous cycle is emerging in the regional economy as we eye sustainable growth for the entire region.

Sustainable growth for the entire region



External Environment

Rapid changes in social structure triggered by COVID-19 pandemic

Changes in industrial structure/corporate behavior
Rise in non-direct contact, contactless services and technologies, etc.

Shift to digitalization in society and economies
Penetration of teleworking, digital transactions, etc.

Change and diversification in working styles and values
Respect for individual work-life balance and characteristics, etc.

Growing awareness of social issues and contribution
Realization of sustainable society, carbon-free society, etc.

+

Previously existing notable trends
● Population decline, aging ● Long-term period of low economic growth, low interest rates ● Advancement of IT
● Working style innovations ● Widespread awareness of SDGs

Risks and Opportunities

	Risks and issues	Opportunities
Corporate clients	● Response to changes in business environment ● Successor shortages ● Labor shortages ● Decrease in business sites	● Side-by-side support from business continuation to management improvement ● Support for adapting to carbon-free and other social demands ● Support for business succession and M&A ● Rollout of recruitment consultancy business ● Support for continuous business creation
Individual customers	● Abundant lifestyle formation	● Asset formation assistance (asset consulting) ● Financial support for life milestones (personal loans) ● Improved convenience when shopping (cashless)
Region	● Population decline ● Aging ● Support for regional public bodies	● Generation of region-linked, interactive population ● Procedure simplification through digital technology utilization ● Support for administrative and budgetary reforms
Financial Institutions	● Continuation of super low-interest rate environment ● New entrants from other sectors ● Development of personnel capable of providing high-quality financial services	● Business model transformation (profit structure reforms) ● Promotion of collaboration with other sectors ● Revitalization of organizations

Materiality identification process

Understanding that the existence of the Bank relies on regional sustainability, we have for many years engaged in activities that contribute to the sustainable growth of all our regions. In formulating the Medium-term Management Plan that commenced in FY2021, in addition to gauging prior trends in the external environment, we also considered the risks and opportunities presented by the huge changes in the structure of society. While seeking a balance between social and economic rationality in regions tackling advanced challenges, we formulated a set of critical topics (materiality) for the Bank to tackle.
In line with our ever-changing external environment, these critical topics are reviewed as necessary following discussions at the Sustainability Committee and the Board of Directors.

Materiality

	Issues to be addressed	Recent main initiatives
Environment	Environmental business initiatives Response to climate change Reduction in environmental impact	Amount invested in sustainable finance: ¥127.7 billion (FY2021) Establishment of Gogin Energy Co., Ltd. Establishment of medium- to long-term targets for carbon neutrality Implementation of scenario analyses based on TCFD recommendations Greenhouse gas emission reduction rate (consolidated) 35.0% vs. FY2013 (FY2021)
Society	Sustainability and growth of regional businesses Formation of a safe, secure society Contribution to regional society Support for regional and customer SDGs/ESG Diversity promotion	Implementation of side-by-side consulting Expansion/upgrade of non-direct contact channel Support for asset formation through partnership with Nomura Securities Co., Ltd. Addition of the Tottori Sand Dunes and Mt. Sanbe to the Gogin Kibo no Mori (Forests of Hope) Support for Tottori SDGs Package (Received the 1st Regional Revitalization SDGs Financial Award) Provision of support through the Gogin SDGs Management Support Service Employment rate of individuals with disabilities 2.57% (As of March 31, 2022) Percentage of female managers 23.3% (As of March 31, 2022)
Governance	Strengthen Group governance Enhance risk management	Female directors 3 (25.0%) (June 2022) Independent outside directors 6 (50.0%) (June 2022) Examination of expansion of scope of Risk Appetite Framework

■KPIs

Sustainable finance
(FY2021-FY2030)
Total amount invested **¥1.5 trillion**
(¥500 billion in environmental fields)

Carbon neutrality
FY2030 target
Net zero
Scope 1 and 2 **greenhouse gas emissions**

FY2050 target
Net zero
Scope 1, 2 and 3 **greenhouse gas emissions including across the supply chain**

Percentage of female managers
FY2023 target
More than **25%**

Value Creation Process

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

Realize a Sustainable Regional Society

Risks and Opportunities
Risks and opportunities for customers, the region and financial institutions
P12

External Environment
Previously existing notable trends + rapid changes in social structure triggered by the COVID-19 pandemic
P12

Sustainable cycle leading to further regional growth in contributing to solving social issues

Contribute to SDGs

Input

Capital utilized P16

Financial capital
High capital adequacy ratio

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

Intellectual capital
High-quality relationship banking expertise and ingenuity and creativity

Human capital
Diligent human resources committed to the region

Natural capital
Abundant natural environment and regional resource

Materiality

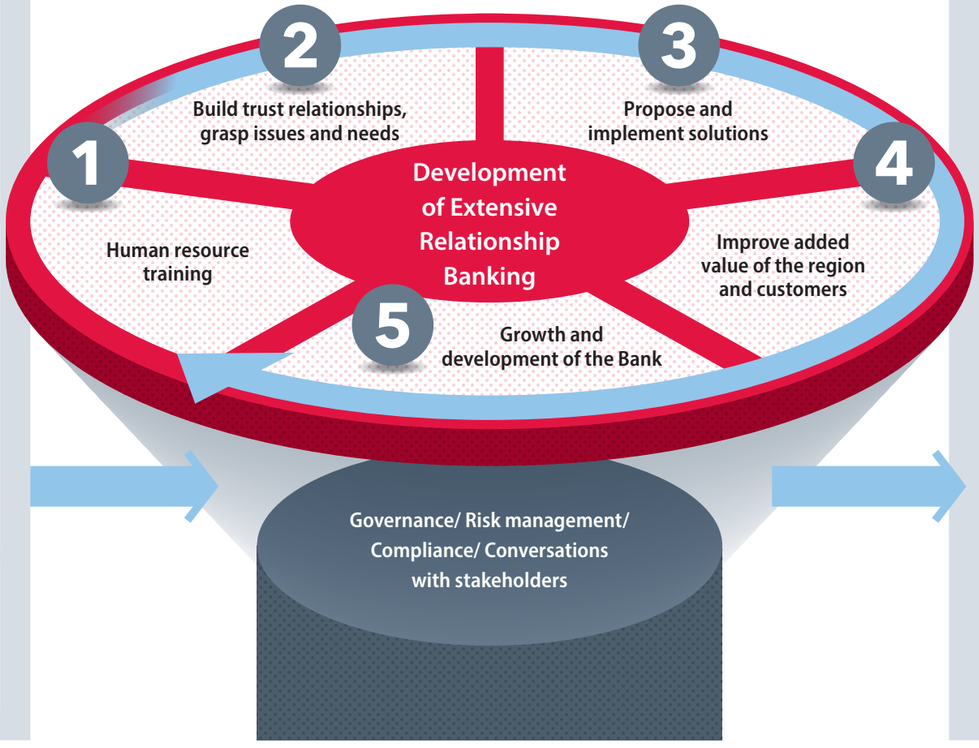
Environment
- Environmental business initiatives
- Response to climate change
- Reduction in environmental impact

Society
- Sustainability and growth of regional businesses
- Formation of a safe, secure society
- Contribution to regional society
- Support for regional and customer SDGs/ESG
- Diversity promotion

Governance
- Strengthen Group governance
- Enhance risk management

Management Philosophy

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



Output

Value provided

Corporate clients
Spectrum of consulting services for corporate clients
P57

Individual customers
Asset consulting services
Easy and convenient services
P58–59

Regional society
Environmental protection activities P23
Regional revitalization P56
Regional contribution activities P60–61

Shareholders and investors
Profit return P33

Employees
Work with improved pride and satisfaction
P42–47

Outcome

Impact delivered

Leave an abundant natural environment to future generations

Growth of regional industries and companies

Comfortable and highly convenient lifestyles

Regional revitalization and local regrowth

Notable Strengths

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

High capital adequacy ratio
Financial Capital

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

Balance of deposits, etc. (Deposits + NCD)
¥5,036.9 billion
(As of March 31, 2022)

Balance of loans
¥3,933.5 billion
(As of March 31, 2022)

Consolidated capital adequacy ratio
11.36%
(FY2021)

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

As the leading bank in the San-in region, San-in Godo Bank possesses a robust client base and an unmatched share of deposits and loans in Shimane and Tottori prefectures. Furthermore, by leveraging its wide-ranging branch network, the Bank is deepening relationships within and outside the two prefectures, contributing to sustainable growth by stimulating economies across the prefectures where it operates.

The Bank's share in Shimane and Tottori

Deposit share 50.1%
(in 6 months ended Sept. 30, 2021)
*Banks, shinkin bank, credit unions and postal savings bank with branches in San-in region (according to San-in Godo Bank research)

Share of loans 53.1%
(in 6 months ended Sept. 30, 2021)
*Banks, shinkin bank and credit unions with branches in San-in region (according to San-in Godo Bank research)

High-quality relationship banking expertise and ingenuity and creativity
Intellectual Capital

With relationship banking positioned as its universal business model, the Bank will engage in regional contribution initiatives through its core operations, and aim to improve the added value of its regions and customers and in turn achieve growth. In order to ensure sustainability in the San-in region—which has a weak economic base and faces advanced challenges—whether it be in its core operations or regional contribution activities, the Bank is rolling out pioneering initiatives ahead of its competitors.

New phase of relationship banking
All-employee consulting structure
Corporate consulting P18
Asset consulting P20

Gogin's current aims **All-employee consulting structure**
Improve the consulting ability of employees in our headquarters and branches to ensure all of our staff can function as consultants

Diligent human resources committed to the region
Human Capital

In full support of the Bank's management philosophy, employees go about their activities with a strong desire to play a beneficial role for the region and customers. By creating an organization that further maximizes the potential of every employee, and developing human resources who independently take action to provide high-quality services, San-in Godo Bank is moving to better meet the increasingly sophisticated and diverse needs of the region and customers.

No. of employees
1,923
(As of March 31, 2022)

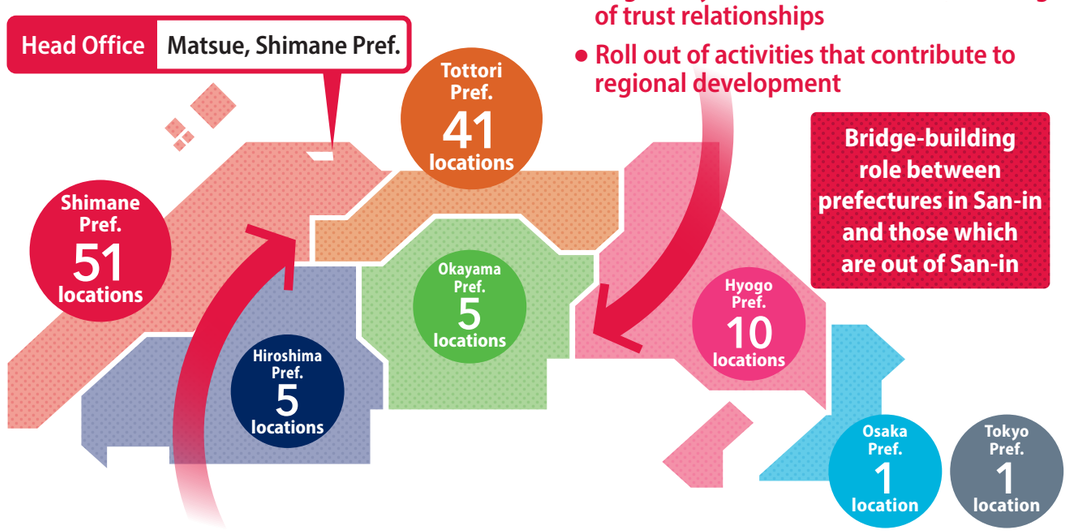
Abundant natural environment and regional resource
Natural Capital

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



Business Base

Wide-ranging branch network spanning the San-in, Sanyo, and Kansai areas



- Regionally embedded activities, building of trust relationships
- Roll out of activities that contribute to regional development
- Boost presence through development of the same relationship banking business base as in San-in
- Infuse growth in San-in through management resource investment

*Number of branch locations does not include branch-in-branches or our one direct branch

Market that leverages a wide-ranging branch network

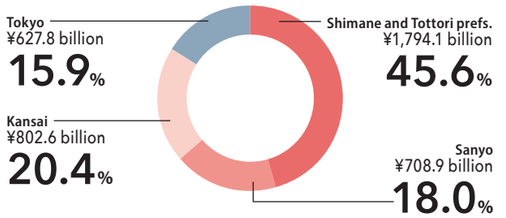
Even when the gross prefectural products of the two prefectures are combined, the economic base of the San-in region accounts for less than 1% of Japan's GDP. However, when the gross prefectural products of San-in, Sanyo and Hyogo prefecture are added up, the scale grows to the second highest in the nation, suggesting that the actual market is an enormous one. Considering it a key market, the Bank also implements relationship banking in prefectures outside of the San-in region, and its combined amount of loans from outside prefectures is greater than the amount in the San-in region.

■Share in GDP

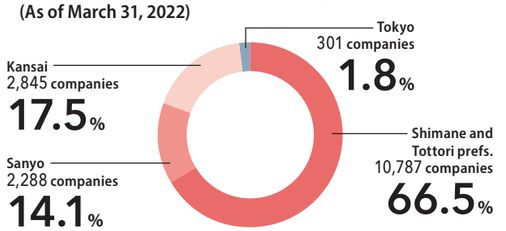
Rank	Prefectures	Actual amount (¥ billion)	Share
1	Tokyo	107,041.7	18.93%
2	Aichi	40,937.2	7.24%
3	Osaka	40,195.6	7.11%
6	Hyogo	21,177.7	3.74%
12	Hiroshima	11,713.7	2.07%
22	Okayama	7,805.7	1.38%
45	Shimane	2,531.7	0.45%
47	Tottori	1,908.0	0.34%
(34)	Shimane and Tottori prefs.	4,439.7	0.78%
(2)	Total of San-in, Sanyo and Hyogo	45,136.9	7.98%
–	Total of all prefectures	565,586.5	100.00%

*Source: Cabinet Office "Annual Report on Prefectural Accounts for FY2018"; ranking in ( ) is combined national ranking for selected prefectures

■Loan composition by region (As of March 31, 2022)



■Composition of corporate clients by region (As of March 31, 2022)



Rolling Out a New Consulting Business Model

—Continuing independent advancement for even more competitive relationship banking—

Side-by-side Support for Our Clients through More Sophisticated, Organization-wide Consulting

At the San-in Godo Bank, we have a strong desire to contribute to our regions and continue to engage in efforts aimed at regional development and economic revitalization. In particular, we have long been involved in business support activities for small- and medium-sized companies. By revitalizing our SME clients and creating a fruitful cycle of employment and financing, we believe we can bring energy to the entire region. Since positioning relationship banking as our universal business model in the Relationship Banking Reinforcement Plan of 2003, we have continued to independently enhance our relationship banking approach, which has ultimately led to our all-employee consulting structure project. In having all our sales employees provide sophisticated consulting services in addition to the specialist staff at our headquarters, we will offer even more competitive relationship banking services and create a virtuous cycle for our regional economies.

Acquisition of fundamental consulting skills by all employees	Improvement of consulting skill levels Development of business in new fields	Growth of profit from consulting Creation of financing demand through consulting
Since 2015	Since 2018	Since 2021
Project to develop one consultant for each client	Project to improve added value	All-employee consulting structure project
Expanding our relationship banking activities Ascertaining management issues and proposing solutions based on business feasibility evaluations	**Contributing to client businesses** Improving the added value of clients through thorough business support activities	**Implementing side-by-side consulting** Side-by-side support for clients through all-employee consulting structure
Increasing service domains Enhancing solution packages		
Existing domains Business succession / M&A Consulting tailored to each industry	Recruitment consultancy (Since Oct. 2020) ICT consulting (Since Oct. 2020) Business plan formulation/DD (Since Apr. 2020)	SDGs (Since Oct. 2021) Human Resources consulting (Since Jun. 2021) Subsidy application support (Since Apr. 2021)

Longstanding implementation of regionally embedded activities

- 2003: Formulation of the Relationship Banking Reinforcement Plan
- 2007: Start of fee-based business matching; Full-scale promotion of fee business (win-win activities); Business matching using our wide-ranging branch network
- 2012: Development of relationship banking structure



All-employee consulting structure project

Corporate consulting

Improving added value for clients and contributing to their growth, and creating a virtuous cycle for regional economies

Vision: All-employee consulting structure

In addition to specialist staff at headquarters, have all sales employees uncover customer issues to create a consulting structure that offers side-by-side support for clients' growth strategies

Headquarters

Gather personnel with high levels of expertise to propose high-quality solutions

Sophisticated, specialized consulting

First-rate consulting services courtesy of specialist staff at headquarters and professional consultants. Offer high-quality consulting by increasing the number of staff at our consulting departments, reinforcing their structure, taking on external experts, and providing a wide range of consulting services.

Branches

Discover clients' management issues and relay to headquarters

Sales staff in charge of clients provide sophisticated consulting

Side-by-side support from branches

Develop professional-level consultants at branches. Formulate business plans at branches, and offer sophisticated consulting services as part of regular business support activities.

Branch-led consulting

Enhance range of branch-led consulting packages, and offer even more detailed and speedy consulting services from each branch.

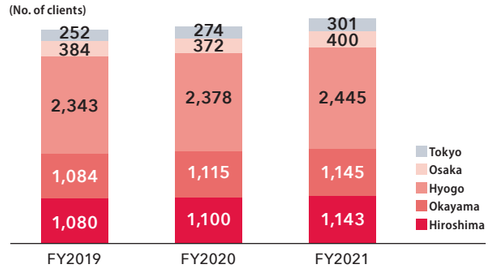
Using our extensive relationship banking experience in the San-in region to boost our competitive advantage in other prefectures

As our business base in the San-in region is facing advanced challenges such as aging and declining populations, we have a strong awareness of the issues at hand and continue to use our wisdom to find solutions. Because we were quick to offer consulting services for nursing and medical care, business succession, business recovery, and other issues, and as we have done so for many years, we have been able to accumulate extensive knowhow and offer in-depth relationship banking. Our earnest approach to finding solutions to the issues facing our regions and customers has become a real competitive advantage as we extend our business to other prefectures.

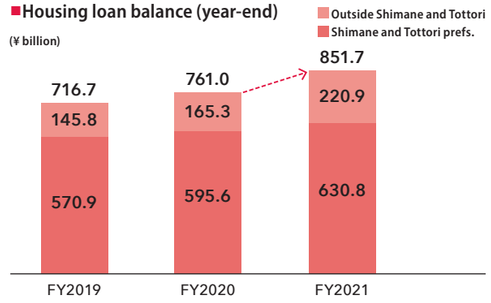
Using our strengths in non-interest operations to greatly increase the number of housing loans in outside prefectures

For personal loans—for which it is difficult to market and differentiate products through interest rates—we are using our strengths in non-interest operations, such as working closely with homebuilders, ensuring careful, quick response, and offering face-to-face consulting, to greatly increase the number of housing loans offered outside the San-in region.

■No. of corporate clients outside the San-in region



■Housing loan balance (year-end)



Creativity and Ingenuity in Our Regions　Gogin's Relationship Banking

Our Alliance with Nomura Securities

—Creating a sustainable securities business model for our regions—

Combining the Strengths of Banking and Securities to Support Asset Formation with New Financial Services

In October 2020, San-in Godo Bank Co., Ltd., Gogin Securities Co., Ltd., and Nomura Securities Co., Ltd. integrated their lines of business through a business alliance. As a result, together we are providing Japan-leading, one-stop services to the San-in region. In addition to welcoming approximately 90 employees from Nomura Securities through secondment, we have reinforced collaboration between the Consulting Plaza and our branches. Through consulting services that make the most of our respective strengths, we will work to enrich the lives of our customers.
Not only has the alliance improved levels of customer service, but we have also achieved in-bank reform, and the synergistic effects of our partnership are gradually beginning to show.

Enriching the San-in Region

Enhancement of lineup of products and services / Sophistication of consulting services / Improvement of customer convenience / Enhancement of information

SAN-IN GODO BANK × **Nomura Securities**

- Extensive regional sales network
- Long-accumulated trust

- Specialist personnel, expertise, and information
- Extensive product lineup and cutting edge systems

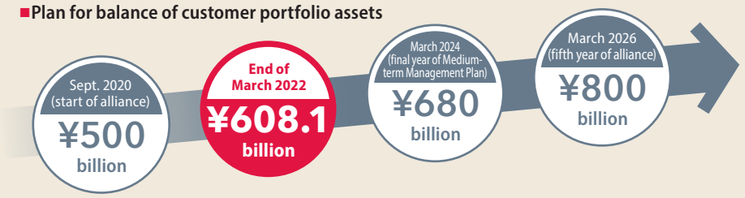
Improved efficiency of sales structure	Increase profit	Grow customer base	Enhance skill level of bank employees
Scale back number of sales staff and reduce system costs	Increase balance of assets under management and fees	Enhance sales channels and conduct all-assets approach through data usage	Utilize the personnel development expertise of Nomura Securities

■**Secure stable profit through growth of stock businesses** (investment trusts, fund wraps)

(¥ billion)

	At the start of alliance in September 2020	As of March 31, 2021	As of March 31, 2022
Balance of stock assets	262.6	286.2	334.1
Balance of customer portfolio assets	Approx. 500.0	549.6	608.1

■**Plan for balance of customer portfolio assets**



■**Future developments**

In the future, we will develop our alliance not only in the field of securities, but also in corporate consulting—including business succession and M&As—and digital fields.

- Provide corporate solutions
- Enhance sales channels and online services
- Use our data alongside the Nomura Group's knowhow
- Further increase productivity

All-employee consulting structure project

Asset consulting

A new form of financial service

—Using Gogin's customer data with Nomura Securities' rich lineup of products and services—

As a result of the alliance, our product lineup, sales channels, and communication have seen remarkable improvements, and we are now able to offer our customers industry-leading consulting services. Further, we have been able to approach customers who previously had no interaction with Nomura Securities Co., Ltd., and add our customer data to that of Nomura Securities to visualize customers' assets as a whole. With the help of highly specialized staff, we are offering diverse proposals that are closely in line with customers' needs.
We are seeing a steady increase in our balance of customer portfolio assets, some of which were among the best results within Nomura Securities.
The unique nature of our alliance will allow us to offer even higher quality consulting services moving forward.

Top-level results at Nomura Securities

Workplace NISA results (FY2021)
No. of contracted companies: 155
No. of accounts: 605

Comments from Consulting Plaza employees

- Nomura Securities' various tools have enabled me to access a diverse range of information and improve my consulting skills. (Bank employee)
- I've been inspired by those around me and improved my financial knowledge. I can now offer proposals to customers with confidence. (Bank employee)
- Compared to when I was at Nomura Securities, I'm able to offer proposals that are more in line with customers' needs. I feel like my work is really benefiting the customer. (Seconded employee from Nomura Securities)
- I've been able to interact with new customers thanks to the bank's extensive customer base. I've seen a completely different world to the one at Nomura Securities, and my insight has grown. (Seconded employee from Nomura Securities)



Bringing a fresh wind to Gogin

—Interacting with personnel from Nomura Securities—

At the nine Consulting Plazas across the San-in region, seconded employees from Nomura Securities and San-in Godo Bank employees work together to offer consulting services for asset formation and asset management. Although the cultures of both companies are different, both have a common desire to provide better service to the customer. Through their daily activities, employees from both organizations are inspiring one another and aiming to boost their skills and provide even better levels of service. Further, from their unique position, seconded employees can see differences between the two organizations and offer honest thoughts and opinions. Interacting with Nomura Securities employees has brought a fresh wind to the entire Bank, and we are making good use of these changes in our policies and measures.



Directors and executive officers also participate in Consulting Plaza meetings



Senior managing director of Nomura Securities Kazue Hirano hosts a career development support seminar



Employees working to enhance communication with one another

Creativity and Ingenuity in Our Regions

Entering the Renewable Energy Generation Business

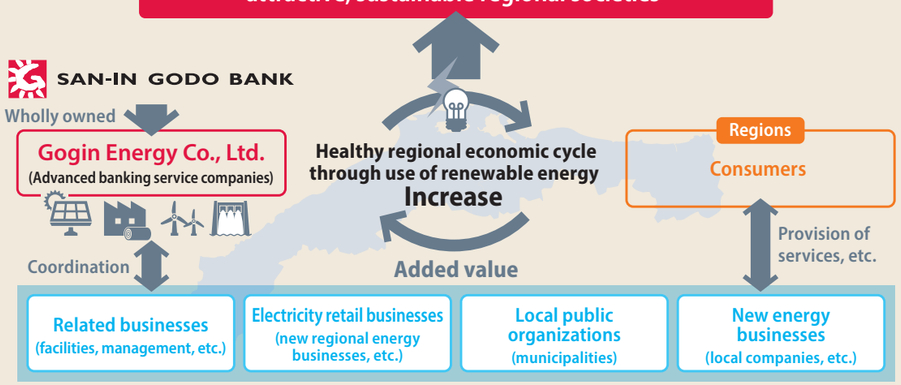
—Leading regional carbon neutrality through the establishment of a locally rooted renewable energy generation company

Gogin Energy Co., Ltd.
(Established July 2022)

Boosting the Competitive Advantage of the San-in Region by Becoming a Leader in Carbon Neutrality

Many local governments in Shimane and Tottori have outlined their plans to become zero carbon cities, and efforts aimed at decarbonization and carbon neutrality are gaining momentum. At the San-in Godo Bank, aiming to increase the supply of renewable energy and promote the local production and consumption of energy, we have taken a risk and set up a business to drive efforts toward carbon neutrality. Through prompt achievement of a decarbonized, carbon neutral society, and by increasing use of renewable energy and in turn enhancing the competitive strengths of local companies, we will contribute to the growth strategies of our regions and clients.

Pioneering carbon neutrality to create attractive, sustainable regional societies



Topics Proactive development of decarbonization initiatives alongside local governments and companies

Selected by the Ministry of the Environment as an Advanced Model Region for Decarbonization

—Becoming a nationwide role model through decarbonization in west Tottori—

The Bank, Yonago City and Sakaiminato City in Tottori, as well as the Local Energy Corporation, jointly proposed a decarbonization model, and Yonago City was selected as an Advanced Decarbonization Region working toward FY2030 targets.



Signing a carbon neutral partnership agreement with Matsue City and Chugoku Electric Power Co., Inc.
(June 8, 2022)

Combining our individual expertise and technologies to build a public-private partnership framework, we will work together to achieve decarbonization and carbon neutrality.



Creativity and Ingenuity in Our Regions

Unique Regional Contribution Activities

—Unique activities ahead of other companies—

For many years we have continued to engage in activities that can enhance the sustainability of our regions.

Environmental protection activities

Forest conservation activities (since 2006)

Guided by the philosophy of "Protecting the natural beauty of our home region" and "Continuing commitment to enabling everyone to do what is within their power to help," San-in Godo Bank joins forces with others across the region in activities designed to responsibly manage forests for future generations.

Gogin Kibo no Mori (Forests of Hope)
San-in Godo Bank directors, executive officers, employees and their families conduct practical conservation activities.

Protect Our Forests! The San-in Network Council
This networking organization consists mainly of volunteer groups and NPOs from across the San-in region. The Bank serves as secretariat for the council, which works to widen the scope of forest conservation activities in tandem with local regions.

Excellence Award (Forestry Agency Director-General Award) at the Forest x Decarbonization Challenge 2022



Diversity (Independence support for people with disabilities)

Gogin Challenged (since 2007)



At the San-in Godo Bank we operate a business site dedicated to the employment of people with disabilities. Gogin Challenged is not a philanthropic organization—it aims to become a model for supporting the economic independence of people with disabilities by offering them continued employment opportunities. To promote the employment of people with disabilities throughout our regions and in turn support their independence, we are offering out operational knowhow to external parties, welcoming observations, and proactively communicating information and working with our regions.

Gogin Challenged Matsue
(Opened in September 2007)
Specializing in the employment of individuals with intellectual disabilities, this site is involved in the production of paintings and novelties utilizing the paintings, along with related clerical work.

Gogin Challenged Tottori
(Opened in September 2017)
Responsible for a wide range of banking operations, such as IT-based clerical support and support for increased operational efficiency.

Youth education

Shofukan (since 2012)

Shofukan is a private school run by the Gogin Shimane Cultural Foundation. With small group classes inspired by old Japanese schools, while thoroughly respecting each student's individuality, Shofukan aims to teach students the history and essence of a wide range of topics through use of all their senses. In learning how to live and think about life through classical literature from Japan and other countries, local history and nature, traditional culture and other areas, the hope is that participating children will grow to play dynamic roles in society in the future.

Target Ideal as a Person

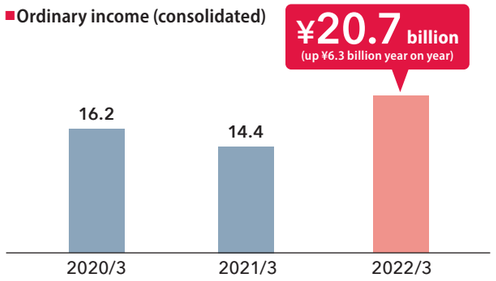




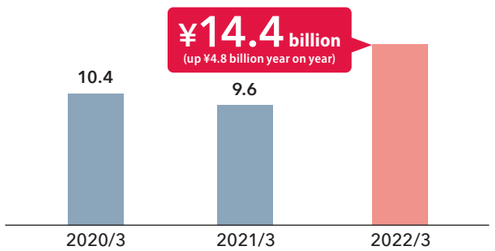
Financial Highlights

Profitability

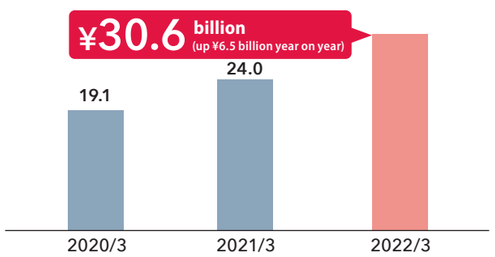
■Ordinary income (consolidated)



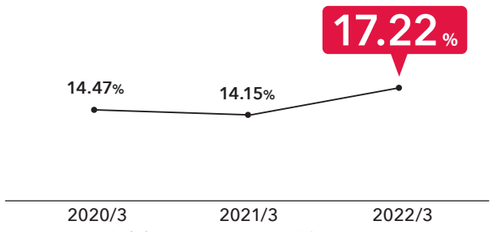
■Profit attributable to owners of the Bank (consolidated)



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



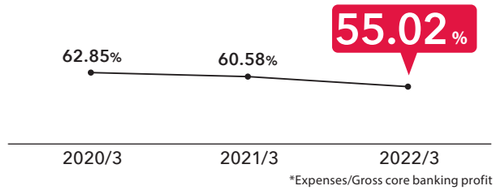
■Non-interest revenue ratio (consolidated)



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

Efficiency

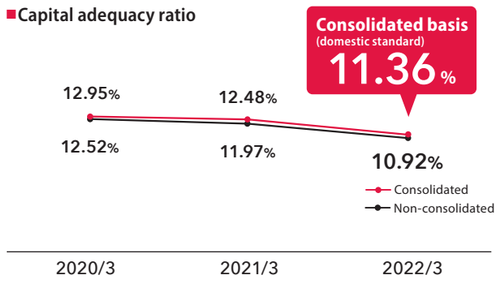
■Over Head Ratio (OHR) (non-consolidated)



*Expenses/Gross core banking profit

Safety and Soundness

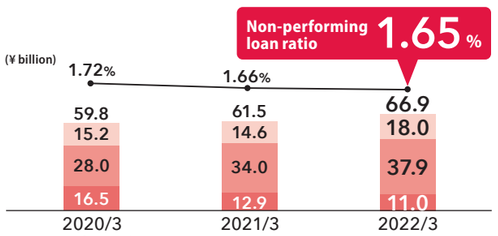
■Capital adequacy ratio



■Ratings (non-consolidated)

A3	A+	AA-
(Long-term deposit rating)	(Issuer credit rating)	(Long-term issuer credit rating)
Moody's Japan K.K. (Moody's)	Rating & Investment Information, Inc. (R&I)	Japan Credit Rating Agency, Ltd. (JCR)

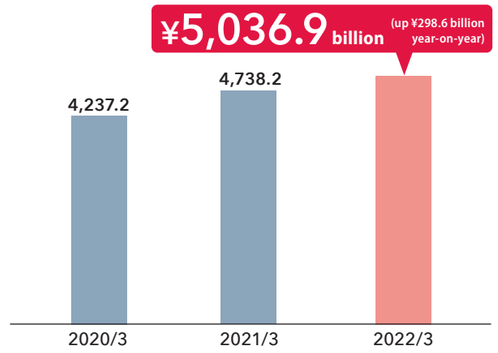
■Non-performing loans (non-consolidated)

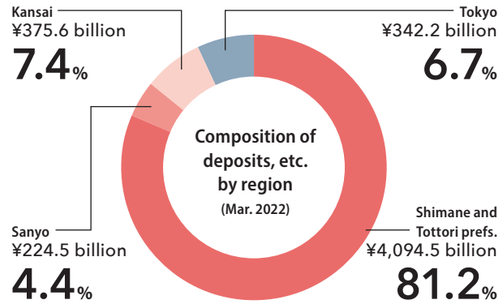


*Loans disclosed pursuant to the Financial Reconstruction Act

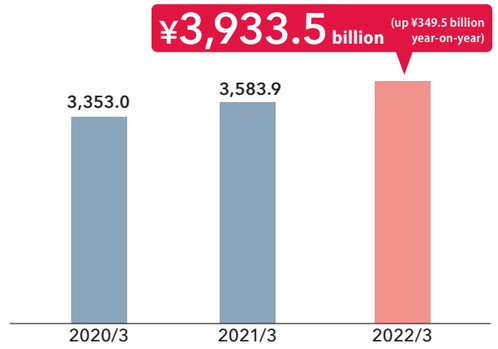
Main Accounts (non-consolidated)

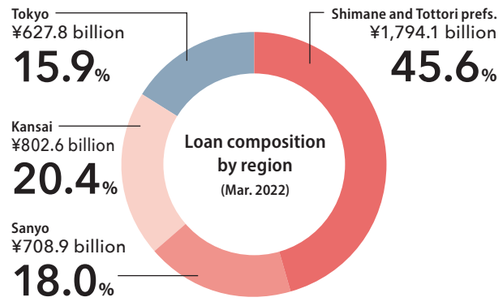
■Deposits, etc.* (year-end balance) *Deposits + certificates of deposit



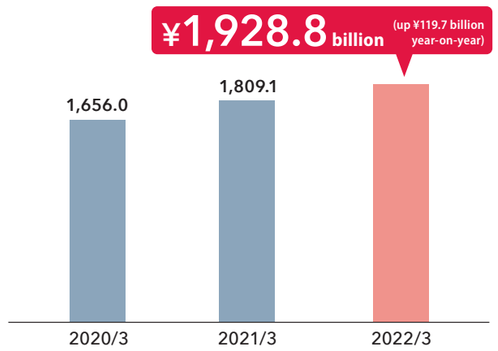


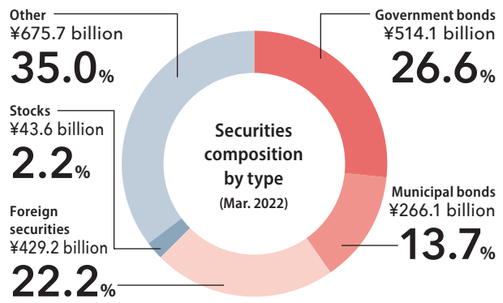
■Loans (year-end balance)





■Securities (year-end balance)





Profile

Non-financial Highlights

Amount invested in sustainable finance:
¥127.7 billion
including ¥45.5 billion in environmental fields
(FY2021)

FY2021–FY2030 targets
Amount invested in sustainable finance: ¥1.5 trillion
including ¥500 billion in environmental fields

J-Credit sales supported by Bank (cumulative)
184 projects / 6,799 t-CO_2
(Cumulative from commencement in FY2011 through FY2021)

Greenhouse gas emission reduction rate (consolidated)
35.0% vs. FY2013 (FY2021)
Goal for FY2023: 50% reduction vs. FY2013

Number of businesses with main transactions with San-in Godo Bank (ranked first in financing)
8,505 businesses
(52.4% of total number of clients)
(FY2021)

No. of seminars held for the Gogin Manager Club Service
32 times; 1,905 participants
(FY2021)

Business succession and M&A
Business succession consulting
Consulting contracts: 20
M&A advisory
Contracts signed: 31 / Contracts concluded: 12
(FY2021)

No. of recipients and amount gifted from Gogin Hitotsubu no Mugi (One Kernel of Wheat) no Kai
—Activities gifting regional social welfare facilities and others with donations from Group directors, executive officers and employees—
1,194 recipients / Equivalent to ¥127.63 million
(Cumulative from commencement in FY1981 to FY2021)

No. of people participated in forest conservation activities
9,766
(Cumulative from commencement in FY2006 to FY2021)

Employment rate of individuals with disabilities
2.57% (as of Mar. 31, 2022)
Number of Gogin Challenged employees with disabilities
Matsue: 17 / Tottori: 14

Percentage of female managers
23.3% (as of March 31, 2022)
Goal for FY2023: 25% or higher

Percentage of female directors
25.0%
(as of June 22, 2022)

Percentage of independent outside directors
50.0%
(as of June 22, 2022)

External evaluations

Endorsements for initiatives





Sources of Value Creation



SOURCES OF VALUE CREATION

Medium-term Management Plan 28
Financial and Capital Strategies 30
Corporate Business Strategies 34
Retail Strategies 36
Digital Transformation Strategies 38
Securities Strategies 40
Group Strategies 41
Human Resources Strategies 42





Medium-term Management Plan

Management Issues and Direction of Solutions

Previous main management issues:
Weak economic base of the San-in region
Transformation of profit structure and business model

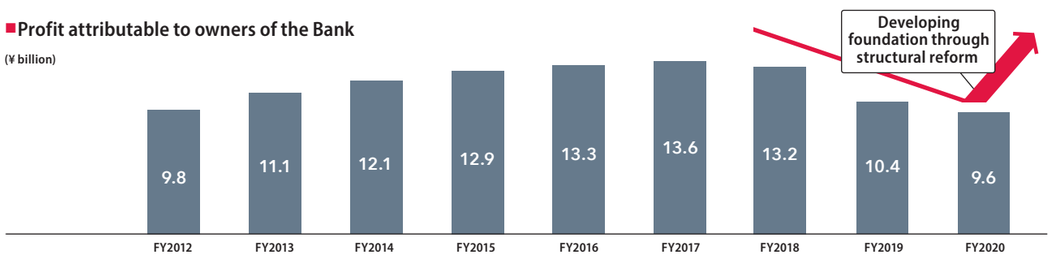
→ Transforming management issues into growth opportunities

→ **Improving level of service in existing markets and continuing investments in strategic fields**

Review of Medium-term Management Plans

	FY2012-FY2014 Developing new growth strategies	FY2015-FY2017 Creating a sustainable business model	FY2018-FY2020 Drastically reforming business model
Concept	Thorough implementation of relationship banking	Transition to a business model based on relationship banking	Creation of a model in which our regions and customers can grow in a sustainable manner
Priority Measures	● Reinforce frontline capabilities to achieve growth ● Strengthen management base ● Contribute to regional society	● Improve earnings through relationship banking ● Engage in regional revitalization initiatives ● Reinforce management of securities ● Strengthen management base ● Implement CSR activities	● Create added value alongside customers ● Promote structural reform through digitalization ● Manage personnel in a way that revitalizes organizations
Achievements	● Enhanced business base and improved earnings through focusing investment on management resources in priority fields	● Increased loans and fees through business support activities	● Made progress with efforts to streamline and enhance operational efficiency and reshuffle personnel to strategic fields through structural reform ● Reinforced relations with customers
Issues That Remained	● Continued decrease in interest income ● Enhancement of deposits and loans	● Development of personnel ● Establishment of an earnings model based on relationship banking ● Creation of a low-cost structure to improve productivity	● Improvement of earnings from business support activities ● Success in new securities business model
Indicators (net income)	FY2014 target (non-consolidated): ¥10.5 billion Actual: ¥11.7 billion	FY2017 target (non-consolidated): More than ¥15 billion Actual: ¥13.3 billion Despite achieving record profits, we did not reach our target due to impacts from negative interest rate policies	FY2020 target (consolidated): More than ¥13.8 billion Actual: ¥9.6 billion We did not reach our target due to impact of the COVID-19 pandemic

■Profit attributable to owners of the Bank



Medium-term Management Plan (FY2021-FY2023)

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

Medium-term Management Plan Overview

We take steps toward business model reform, anchored by consulting—solving regional and customer issues and digitalization—promoting digital transformation as strategic fields. To powerfully promote these strategic fields, we will strengthen the management base further, aiming for a resilient Bank where sustainable growth is possible.
As a result of various structural reform measures, in FY2021 we achieved record highs for both non-consolidated and consolidated profit. Further, at the end of the first year of our Medium-term Management Plan, our target management indicators are largely in sight. To continue growing in a sustainable manner, we are already looking ahead to the next Medium-term Management Plan and working to further develop our management foundation.

Sustainable Growth through Business Model Transformation

■Target management indicators

			Final-year targets	FY2021 results	Anticipated year of achievement
Profitability	Consolidated	Profit attributable to owners of the Bank	¥15.0 billion or higher	¥14.4 billion	FY2022
		Non-interest revenue ratio*1	15.8% or higher	17.22%	Already achieved
Capital efficiency		ROE*2	4.4% or higher	4.29%	FY2022
Cost efficiency	Non-consolidated	OHR*1	Less than 53%	55.02%	Final year
Soundness	Consolidated	Capital adequacy ratio	12% or higher	11.36%	FY2022

*1: Gross core banking profit basis *2: Shareholders' equity basis

Financial and Capital Strategies

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

Leveraging deposit procurement centered on the San-in region with a high level of capital compared to other regional banks, San-in Godo Bank is aggressively taking on risk to enhance its own corporate value and energize the region.

Financial Strategy

Basic Policy on Financial Strategy

For the year ended March 31, 2022, the Bank's consolidated capital adequacy ratio remained at a high 11.36%. While the ratio is trending lower due to strategic action by the Bank to increase the balance of loans, we are working to maintain the capital adequacy ratio at a level of around 12%. For its part, San-in Godo Bank will continue its actions to maintain the capital adequacy ratio at an appropriate level. Along with setting targets when formulating budgets, steps will include pursuing risk-return conscious initiatives, and conducting PDCA cycles for monitoring performance during the business term.

FY2021 Results

In FY2021 we achieved an increase in both income and profit, with non-consolidated and consolidated profit both reaching record highs.

When looking at our non-consolidated figures, the increase is mainly the result of the following: the interest on loans and discounts rose ¥1.2 billion due to an increase in balance; the profit from service transactions rose ¥1.8 billion thanks to an increase in fees from business support activities and assets in custody; and credit expenses decreased by ¥5.3 billion year on year to ¥1.8 billion due to better-than-expected business performance among our clients. Thanks to strong performance in our core operations, net profit from core banking operations—an indicator of core operation performance—grew ¥6.5 billion year on year to ¥30.6 billion.

■**Consolidated**

(Unit: ¥ billion)

	FY2020	FY2021	YoY change	YoY change (%)
Ordinary income	89.1	95.1	5.9	6.6%
Profit attributable to owners of the Bank	9.6	14.4	4.8	49.6%

■**Non-consolidated**

(Unit: ¥ billion)

	FY2020	FY2021	YoY change	YoY change (%)
Gross banking profit	58.6	58.7	0.1	0.1%
Interest income	54.8	58.3	3.4	6.3%
Interest on loans and discounts	34.9	36.1	1.2	3.4%
Interest and dividends on securities	20.6	21.8	1.2	5.9%
Profit from service transactions	6.2	8.0	1.8	29.8%
Expenses	37.1	37.5	0.3	1.0%
Net profit from banking operations	19.1	22.6	3.5	18.5%
Net profit from core banking operations (excl. effects from investment trust cancellations)	24.0	30.6	6.5	27.0%
Ordinary income	13.8	20.3	6.4	46.4%
Net income	8.3	14.2	5.8	70.8%
Credit expenses	7.2	1.8	-5.3	-73.9%

FY2022 Forecast

The interest rate environment will continue to see huge change in FY2022, and so earnings in our securities department are expected to fall below the previous year. That said, we expect to be able to make up for this shortfall with our core operations, mainly through loans. As such, on a consolidated basis, we anticipate ¥22.1 billion in ordinary profit and ¥15.1 billion in profit attributable to owners of the Bank. On a non-consolidated basis, we expect ¥28.7 billion in net profit from core banking operations and ¥14.7 billion in net income. We again expect to reach record profits on both a non-consolidated and consolidated basis, while we also believe we will be able to secure more than ¥15.0 billion in consolidated profit, which is the final year target in our current Medium-term Management Plan.

■**Consolidated**

(Unit: ¥ billion)

	FY2021	FY2022 Plan	YoY change	FY2023 Medium-term targets
Ordinary income	95.1	104.9	9.8	–
Ordinary profit	20.7	22.1	1.3	–
Profit attributable to owners of the Bank	14.4	15.1	0.6	¥15.0 billion or higher

■**Non-consolidated**

(Unit: ¥ billion)

	FY2021	FY2022 Plan	YoY change	FY2023 Plan
Net profit from core banking operations (excl. effects from investment trust cancellations)	30.6	28.7	-1.8	–
Net income	14.2	14.7	0.5	–
Credit expenses	1.8	5.0	3.1	7.0
Profit from customer service operations	4.9	7.8	2.8	10.2

Reshuffling Personnel via Structural Reform to Achieve Top-line Growth

Through structural reform, we are aiming to achieve top-line growth by reshuffling selected personnel into strategic fields such as corporate consulting and digital services. The effects of the structural reform we implemented in our previous Medium-term Management Plan steadily emerged in the first year (FY2021) of our current plan, and we continue to see strong performance in our core operations.

Profit from customer service operations (non-consolidated)

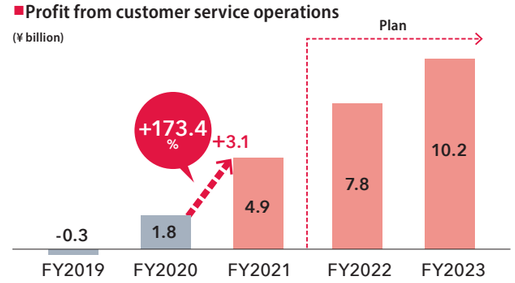
Although until FY2019 we continued to post a deficit in our customer service operations, following steady improvement of our earning ability in sales, in FY2021 we achieved ¥4.9 billion in income, marking a ¥3.1 billion increase over the previous year.

Profit from customer service operations

||

Average balance of loans x (Yield on loans – Yield on deposits, etc.) + Profit from service transactions – Expenses – Retirement benefit expenses (minus non-recurring expenses)

■**Profit from customer service operations**



Expense Control (Non-consolidated)

In FY2021, overhead ratio fell to 50% level due to robust performance in our core operations and the ensuing increase in profit levels. Non-personnel expenses increased temporarily due to proactive, strategic investments in DX systems and other key areas of our Medium-term Management Plan. In FY2022, in anticipation of the next Medium-term Management Plan, we plan to accelerate investments in necessary fields such as DX while striking a balance with our earnings.

■**Overhead ratio**

*Gross core banking profit basis (from the Regional Banks Association of Japan)

■**Expenses**

Credit Expenses (Non-consolidated)

Although we projected high credit expenses in anticipation of worsening business performance among clients due to the COVID-19 pandemic, actual credit expenses in FY2021 were ¥1.8 billion. Concurrently, while we have a high volume of reserves, we are also extending our loans to outside prefectures, in order to prepare for a sudden drop in ranking of our normal and major clients, we have changed our allowance criteria for the relevant clients. At the same time, considering economic fluctuations over the long term, we have also extended the calculation period for loss forecasts.

■**Credit expenses by factor**

*Change in debtor category, fluctuations in collateral value and allowance ratio, individual calculation, etc.

■**Review of allowance criteria**

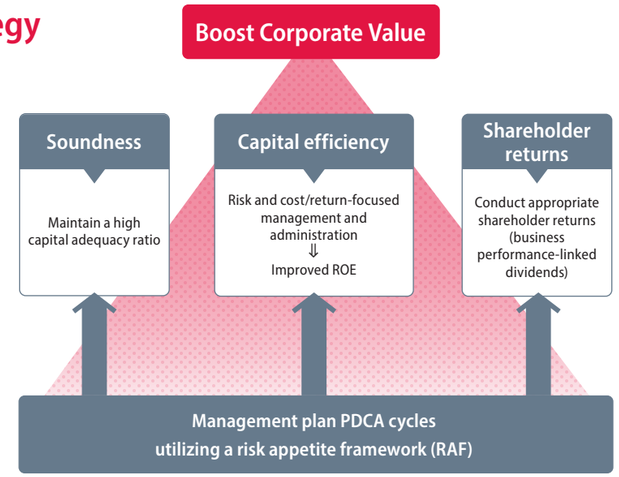
Major changes

- Addition of a category to prepare for significant drop in ranking of our normal and major clients
- Extension of calculation period for loss forecasts in consideration of long-term economic fluctuations
- Partial change to individual calculation methods for those with bankruptcy concerns in line with recovery conditions

Capital Strategy

Basic Policy on Capital Strategy

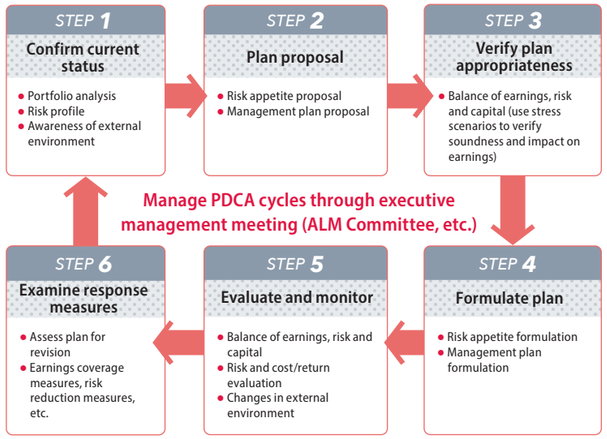
Guided by a basic policy on capital strategy of seeking appropriate balance regarding financial soundness, capital efficiency and return of profit to shareholders, we are utilizing a risk appetite framework (RAF) and other tools with the goal of enhancing corporate value and achieving both sustained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



Utilizing a Risk Appetite Framework (RAF)

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

■Management plan formulation process

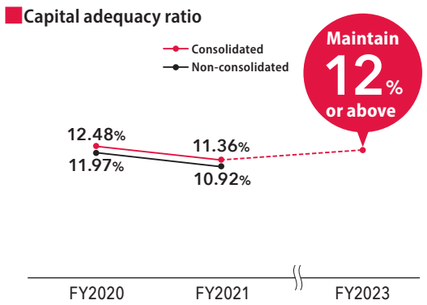


Management of Capital Adequacy Ratio

Proactively taking credit risks and carrying out strategic investments aimed at further acquisition of earnings opportunities are two key pillars of our management strategy. Utilizing the risk appetite framework, we seek a balance between return on risk assets* and capital adequacy ratio. Our policy during the current Medium-term Management Plan is to maintain a consolidated capital adequacy ratio of 12% or above. In fiscal 2021, our consolidated capital adequacy ratio was 11.36%, which far surpassed the required level of 4% outlined in the Basel III rules. Ahead of the final revision to the Basel III rules scheduled for 2023 onward, further improvements to consolidated capital adequacy ratio are expected to be required.

*We use return on risk-weighted assets (RORA) as an indicator of our return on risk assets.

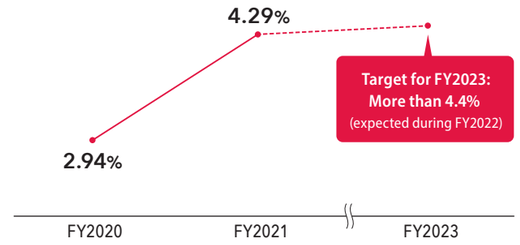
■Capital adequacy ratio



ROE (Shareholders' equity basis, consolidated)

While we recorded a low ROE of 2.94% in fiscal 2020, this improved to 4.29% in fiscal 2021, and we expect to achieve our final-year target of more than 4.4% during fiscal 2022. Moving forward, we will continue implementing efficient capital management as we aim for further improvements in ROE.

■Return-on-equity



Robust Shareholder Returns

Using a performance-linked dividends system, we pay out shareholder dividends based on our target for dividend payment (standard for performance-linked dividends). Since fiscal 2021, to further enhance the level to which we return profit to our shareholders, we have revised our target for dividend payment as per the table on the right.
For profit attributable to owners of the Bank (consolidated), we will return profits based on a 35% dividend payout ratio, and continue to undertake management with shareholder interests in mind.

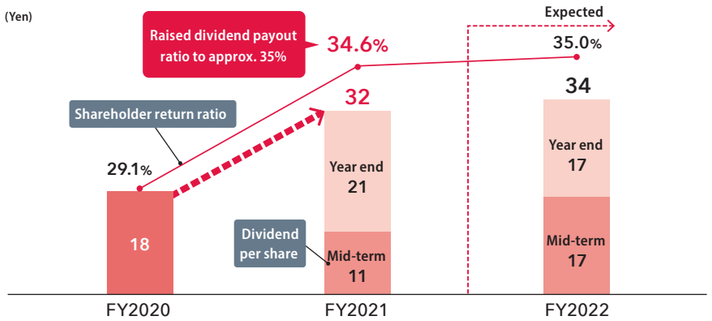
Details of the review

①Raised floor for annual dividends (+¥8)
②Raised ceiling for annual dividends (+¥10)
③Raised annual dividend (+¥4)
Payout ratio: Approx. 30% ⇒ Approx. 35%

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

Profit attributable to owners of the Bank (consolidated)	Before review		After review (from FY2021)	
	Annual dividend	Dividend payout ratio (median value)	Annual dividend	Dividend payout ratio (median value)
Over ¥18.0 billion	¥30	31.3% or less	¥40	34.8% or less
Over ¥17.0 billion – Under ¥18.0 billion			¥38	34.0%
Over ¥16.0 billion – Under ¥17.0 billion			¥36	34.2%
Over ¥15.0 billion – Under ¥16.0 billion			¥34	34.4%
Over ¥14.0 billion – Under ¥15.0 billion	¥28	30.3%	¥32	34.6%
Over ¥13.0 billion – Under ¥14.0 billion	¥26	30.2%	¥30	34.8%
Over ¥12.0 billion – Under ¥13.0 billion	¥24	30.1%	¥28	35.1%
Over ¥11.0 billion – Under ¥12.0 billion	¥22	30.0%	¥26	35.5%
Over ¥10.0 billion – Under ¥11.0 billion	¥20	29.9%	¥24	35.9%
Over ¥9.0 billion – Under ¥10.0 billion	¥18	29.7%	¥22	34.4% or higher
Over ¥8.0 billion – Under ¥9.0 billion	¥16	29.6%		
Under ¥8.0 billion	¥14	27.4% or higher		

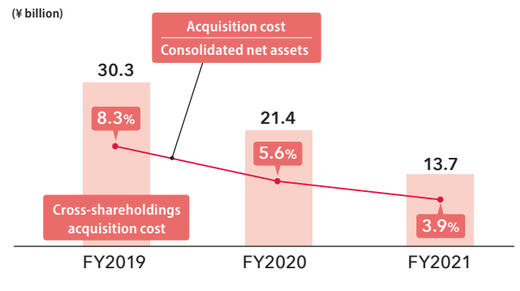
■Shareholder returns



Basic Policy on Cross-Shareholdings

Our basic policy is to reduce cross-shareholdings to limit shareholding risks and increase capital efficiency.
After taking into account the Gogin Group's business strategies and level of regional contribution, we only engage in cross-shareholdings if it is deemed that doing so could increase the corporate value of the Gogin Group over the medium to long term.
After thorough examination of the significance and economic rationality of the shares we own, if holding said shares is deemed to be inappropriate, we work to sell off the shares but only after gaining the understanding of the company in question.
Based on acquisition cost, in fiscal 2021 we reduced our cross-shareholdings to around 3%.

■Cross-shareholdings (Based on acquisition cost)



Corporate Business Strategies

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

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

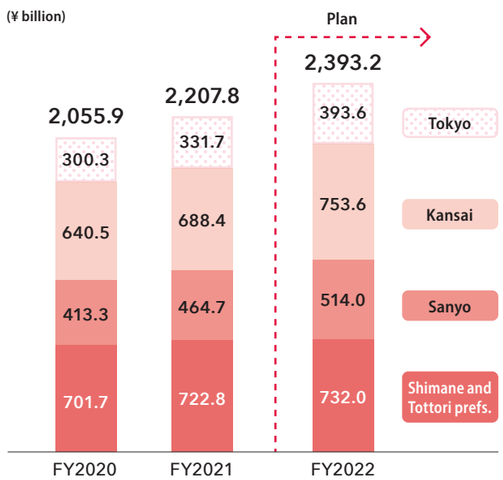
Basic Policy

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

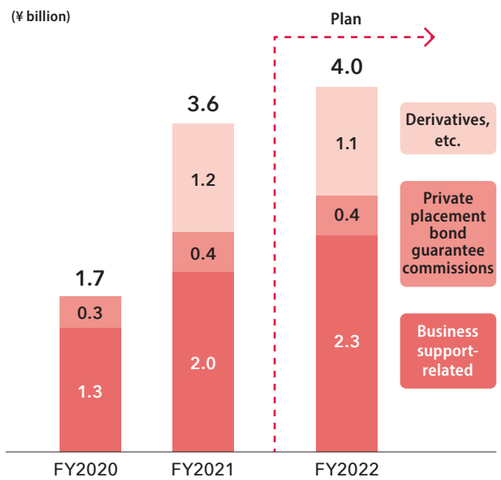
FY2021 Results and FY2022 Outlook

For the fiscal year ended March 31, 2022, our average balance of corporate loans increased significantly in all regions thanks to the Bank's aggressive response to COVID-19-related financing, and increased transactions in consulting and business support activities. We plan to continue to maintain this steady pace of growth in the fiscal year ending March 31, 2023, and beyond.
Revenues from corporate solutions increased thanks to successful consulting activities, which led to a rise in fees and commissions from business support activities and increased revenues from financing. We will continue working to reinforce our consulting structure, aiming for ¥4 billion profit for the fiscal year ended March 31, 2023.

■Loans to companies by region (Avg. balance)



■Corporate solutions-related revenues



*Includes anticipated earnings for entire period primarily from private-placement bond guarantee commissions and derivatives, etc.

Priority Measures

Strategies by Region

Taking advantage of its branch network that spans the San-in, Sanyo, and Kansai regions, San-in Godo Bank is working to further increase its transactions in each region.
In Shimane and Tottori prefectures, we will move forward with efficient branch management and enhance our consulting activities to drive regional development. In the Sanyo and Kansai regions, where there is huge growth potential, we will strategically increase personnel and work to boost our share through consulting activities and efforts to become our clients' main bank. In doing so, we will aim to increase loans and enhance revenue from fees and commissions.

Common for all

- Creation of fund demand through consulting activities
- Extensive support through accurate supply of funds for clients' growth strategies
- Business succession and M&A need identification
- Introduction of online lending for small and medium-sized enterprises

Shimane and Tottori prefs.

- Stronger relationships with chambers of commerce, credit guarantee associations and others to support founding and business creation

Sanyo, Kansai

- Development of new mid-tier and small and medium-sized companies
- Further increase deposits, loans and transactions with existing clients through extensive consulting operations

Tokyo

- Improve returns on portfolios (center efforts on structured finance)

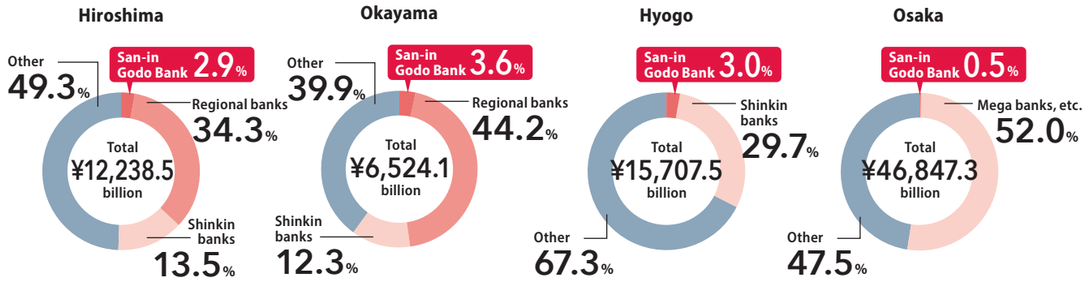
We are proactively rolling out thorough relationship banking activities to ensure we become our clients' main bank in every region. In the San-in region, we have more than 10,000 client companies and are building close-knit relationships with each and every one. Our number of clients in outside prefectures is also steadily increasing. Our share of loans in the Sanyo and Kansai regions is limited, so we expect further growth in both of these major markets.

■No. of corporate clients (by region)

(companies)

	End of FY2019	End of FY2020	End of FY2021	End of FY2021 (the Bank is a main bank)
Shimane and Tottori prefs.	10,106	10,751	10,787	7,189
Sanyo	2,164	2,215	2,288	640
Kansai	2,727	2,750	2,845	665
Tokyo	252	274	301	11
Total	15,249	15,990	16,221	8,505

■Share of loans in outside prefectures (by region)



*Total balance by prefecture is the total balance among city banks, trust banks, regional banks, second regional banks, and shinkin banks (as of the end of FY2020)
(Created by the Bank based on materials from the Bank of Japan, the Shinkin Central Bank Research Institute, and the Osaka Bankers Association)

Setting Up Two New Sales Departments at the Osaka Branch in August 2022: the Central Osaka Sales Department and the South Osaka Sales Department

Strengthening Our Structure in the Osaka Region and Proactively Rolling Out Retail Activities

Enhancing our hubs in the Hanshin region is one of the targets in our Medium-term Management Plan, and as such we will set up two new sales departments dedicated to corporate transactions at the Osaka branch. Previously, the Osaka Branch was responsible for covering the whole of Osaka City alone. Through this transition to a new three-department structure, we will aim to further increase our transactions with mid-tier and small and medium-sized companies.

	Previously	New structure		
Sales Department	Osaka Branch	Osaka Branch	Central Osaka Sales Department	South Osaka Sales Department
Scope of Activity	All of Osaka City	All of Osaka City	Northern part of Osaka City	Southern part of Osaka City
Scope of Sales	All companies	Large companies, etc.	Mid-tier and small and medium-sized companies	

Retail Strategies

—Providing diverse support tailored to specific life plans—

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

Basic Policy

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

For asset management operations, we conducted an extensive review of our operations through a business alliance with Nomura Securities Co., Ltd. that culminated in a new business model— the first ever collaboration between a regional bank and a securities company in Japan. Moving forward, we will further enhance our alliance through the standardization of our systems and terminals and mutual use of data, and aim to provide even higher added-value services.

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

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

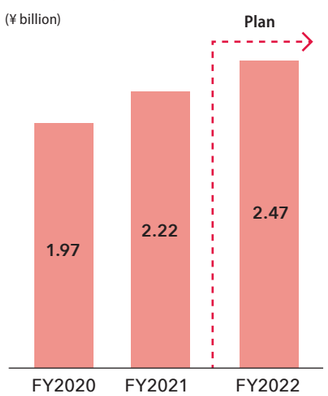
FY2021 Results and FY2022 Outlook

For asset management operations, we are accumulating favorable results thanks to sales activities that have made use of the mutual strengths borne of the alliance between the Bank and Nomura Securities Co., Ltd. As a result of approaching all assets, including deposits, our balance of assets under management—mainly balance of stock assets—grew steadily, while asset management fees and commissions also increased. Through further reinforcement of collaboration between our Consulting Plazas and branches, and development of our consulting business across the San-in region, in the fiscal year ended March 31, 2023, we anticipate ¥2.4 billion in balance of assets under management.

For personal loans, due in part to efforts to strengthen our non-interest operations—such as reducing customers' administrative work and offering thorough yet speedy face-to-face consulting services—housing loans increased 11.9% year on year, while consumer loans grew 7.8%, respectively. Moving forward, we will continue to strengthen our relationships with home builders and enhance our approach to non-direct contact.

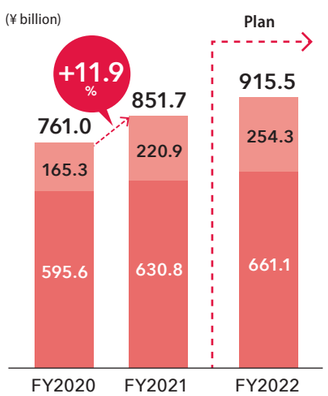
Meanwhile, although our cashless operations were sluggish due to impacts from reduced consumption caused by the pandemic, results have been on an upward trend since the second half of fiscal 2021. We will continue working to expand and reinforce our cashless operations.

■Asset management fees and commissions

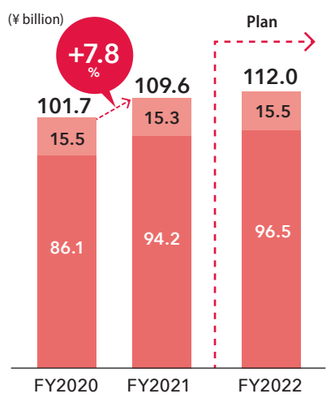


*Figures up to FY2020 include those of Gogin Securities

■Housing loan balance



■Consumer loan balance

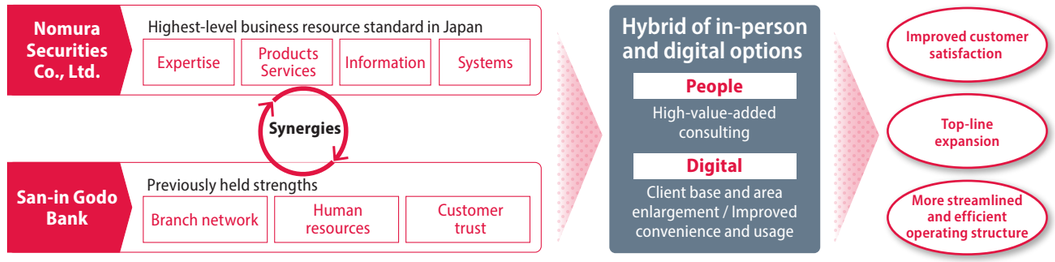


Priority Measures

Asset Management Operations

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

Working with Nomura Securities Co., Ltd., San-in Godo Bank is now able to offer top-level service in Japan from a wide-ranging lineup in the San-in region. Looking ahead, we intend to take even greater steps to propose optimal plans that respond to customers' attributes and life stages.



Personal Loans

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

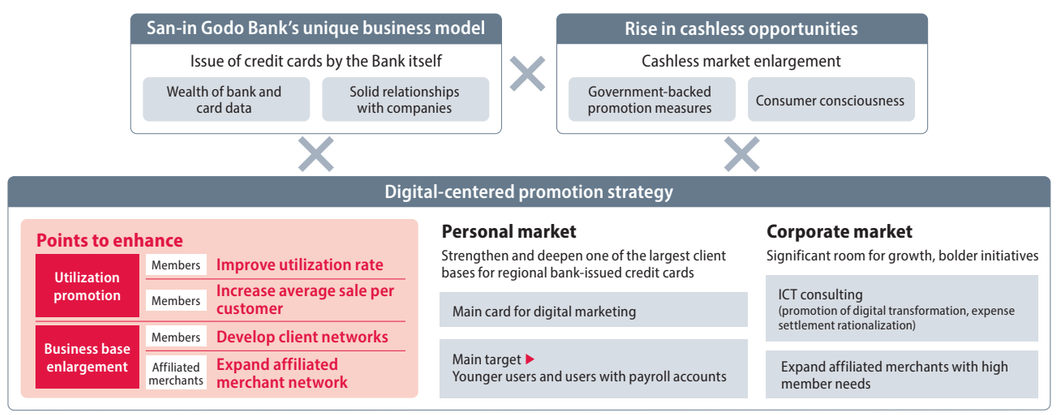
Improvements in consulting functions and convenience will allow the Bank to better identify needs. Along with strengthening our approaches that we have been working on for years, in face-to-face channels, we are more intensely promoting housing loans in Sanyo and Hyogo areas as new markets. In non-direct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

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

Cashless Operations

Leveraging advantages of unique business model to expand cashless business scale

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



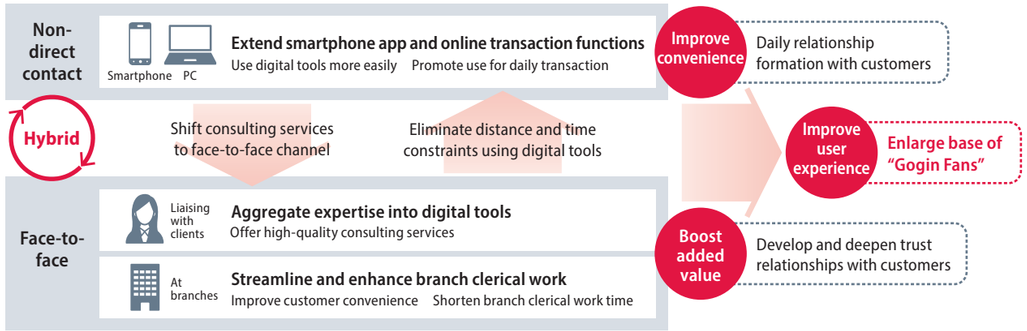
Digital Transformation Strategies

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

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

Basic Policy

In addition to in our businesses (sales) and operations (clerical work), we will also promote digital transformation in a wide range of other areas such as IT, data, organizations, and personnel. In doing so, in the final year of our Medium-term Management Plan we will aim to become one of the leading digital regional banks.
Our ultimate aim is to provide more convenient services with higher added value for our customers. To do so, among others, we will shift all of our transactions with individual customers to non-direct channels through use of smartphone apps and online services, offer digital consulting services for business support and sales activities, and offer unparalleled financial experiences by combining the expertise of Nomura Securities Co., Ltd. with our banking data.



Initiatives to Promote Digital Transformation (DX)

In October 2021, we set up the Digital Transformation Promotion Headquarters and analyzed the Bank's current digital conditions to help us formulate Bank-wide DX strategies.
We also newly established the Data Analysis Center, boosting our DX promotion structure to actualize DX measures for each segment of our business. Meanwhile, developing criteria for IT investments and cloud control and formulating a data usage action plan, we have completed preparations for the implementation of our DX measures.

Awarded Digital Transformation Certification* (April 2022)

—The first regional financial institution to receive certification in the Chugoku/Shikoku area—

*Awarded by the Ministry of Economy, Trade and Industry to companies which have completed preparations for digital transformation

DX認定

DX Measures by Segment

Business	● Create a support system for our all-employee consulting structure ● Improve customer experience through enhanced digital marketing ● Implement strategies for non-direct and direct contact channels
Operations	● Implement Bank-wide and clerical reforms through DX measures and initiatives at each department at headquarters
IT	● Build and begin full-scale use of a cloud platform ● Optimize networks ● Develop IT architecture ● Establish IT management processes
Data	● Sophisticate operations through use of data ● Create data analysis platform
Organizations/personnel	● Develop and retain digital personnel ● Implement change management

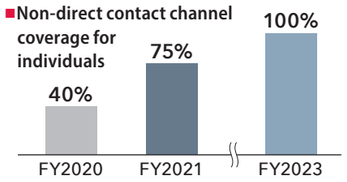
Business

Non-direct contact channels: Making "A bank branch in the palm of your hand" a reality

We are working to create a structure that allows customers to choose to conduct 100% of their banking transactions without ever stepping into a bank, including clerical procedures that currently require branch visits. By improving the convenience of our non-direct contact channels, we will strive to create new points of contact with customers and enhance customer satisfaction through data-driven, detailed customer support.

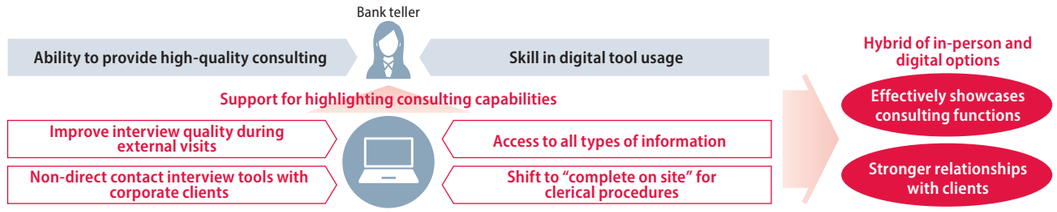
Strengthen functions	More powerful smartphone functions
Extend possible transactions	Enlarge available transactions and procedures in non-direct contact channels
Continuous improvement	Improve user interface and user experience

→ 100% coverage of individual customer transactions in non-direct contact channels
→ Reduce branch visits to complete paperwork



Face-to-face channels: Adding value to external client visits

San-in Godo Bank is raising the added value of external visits to clients by providing information and proposal tools that enhance consulting quality, and completing clerical procedures when out on the visit.



Operations

Reforming Bank branch operations through extensive streamlining

The Bank is utilizing digital tablets to streamline clerical work and drive reforms in its branch operations. Meanwhile, the push to consolidate back office work, coupled with promotion of digitization, is leading to dramatic reductions in clerical work at branches.

Improve customer convenience
Pursuing "Less"—Extensive use of tablets
Handwritten form "less" | Official seal "less" | Paper "less"
→ Customer service counter procedure time: Reduce by 30%

Improved operational efficiency
Massive reduction in branch clerical work — Unprecedented streamlining
Clerical work simplification | Shift to (semi) self service | More digitization | Clerical work concentration
→ Bank employee clerical work time: Reduce by 30%

IT

Development and Use of an IT Platform

Based on our optimization policy for the medium to long term, we will promote the creation of network security platforms to support the use of cloud services. We are also planning the creation of operational environments that allow employees to work from anywhere, as well as the development of network architecture for the future.

Implementation and Establishment of IT Management

By implementing a PDCA cycle that includes IT investments, cost management, and project management, we will aim to establish and sophisticate various management processes.

Data

DX Alliance with Nomura Securities

By extending our alliance with Nomura Securities Co., Ltd. to include DX initiatives, and standardizing our systems and terminals and promoting mutual use of data, we will work to provide added value and create systems that allow us to discover new clients through digital marketing.

Creation of Platforms for Data Usage

To ensure efficient operations using consistent data and enable sophisticated data analysis, we will work toward building a data analysis platform.

Organizations/personnel

Development of Digital Personnel

We will continuously work to develop full-fledged digital personnel.

		Development plan (personnel)
IT Departments	Develop specialist personnel to continue DX measures	26
Headquarters	Plan DX measures and use data for each department at HQ	Total 350
Branches	Support customers' DX measures through ICT consulting, etc.	400

Securities Strategies

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

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

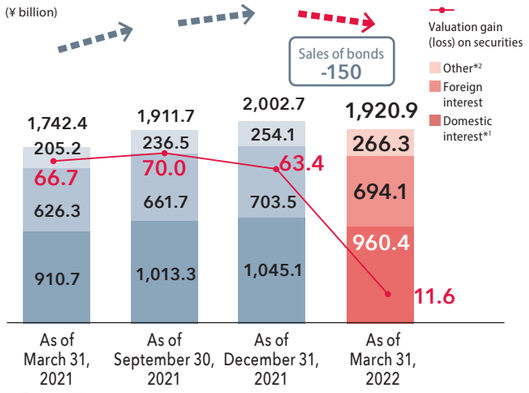
Basic Policy

To supplement our interest on loans and discounts and ensure stable earnings, we have focused on securities management for many years, putting structures in place for personnel development, risk management, and other areas.
Prompted by the continued low interest rate environment in recent years, while staying focused on yen-denominated securities, we have taken steps to diversify assets under management to include foreign bonds, stocks, investment trusts and other assets, with an eye to ensuring stable earnings. In response to the rising global interest rates in 2022, however, we are swiftly working to replace our assets.

FY2021 Results and FY2022 Outlook

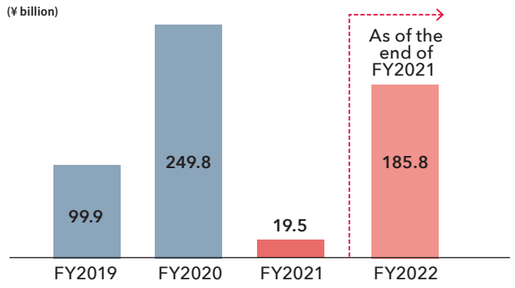
In preparation for the reimbursement of securities of approximately ¥200 billion in the fiscal year ending March 31, 2023, we made efforts to increase our balance of securities in the first half of the fiscal year ended March 31, 2022. However, in line with rising interest rates in the US and other countries at the beginning of the year, we sold off bonds, etc., to reduce the amount of interest rate risk.
Compared to at the end of March 2021, our balance of securities at the end of December 2021 increased by nearly ¥260 billion to ¥2 trillion, and we later sold some securities off.
Regarding profit and loss, earnings increased by ¥0.8 billion in FY2021 to ¥21.3 billion, although we recorded a net loss on securities transactions of ¥8.2 billion due to our sales of bonds, etc.
In FY2022 we anticipate a decrease in earnings of ¥4 billion to ¥17.3 billion. Elsewhere, despite the loss from sales of bonds, gains on sales of stocks, etc., are expected to confine our net loss on securities transactions to ¥2.1 billion. While keeping an eye on interest rates and prices, we will move forward with reinvestments at the right timing.

■Securities balance and valuation gain (loss) on securities



*1: Domestic interest rates include government bonds from asset swaps
*2: Other includes balanced funds, shares, etc.

■Composition of yen-denominated bond reimbursements

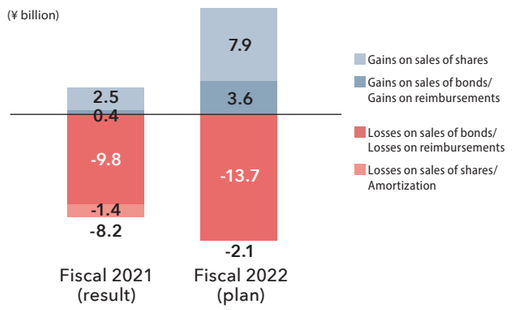


■Earnings and net (gain) loss on securities transactions (¥ billion)

	Fiscal 2021 results	Fiscal 2022 outlook
Earnings (year-on-year comparison)*3	21.3 (+0.8)	17.3 (-4.0)
Net (gain) loss on securities transactions	-8.2	-2.1

*3: Excluding gains from cancellation of investment trust contracts and net of foreign currency funding costs

■Net (gain) loss on securities transactions



Group Strategies

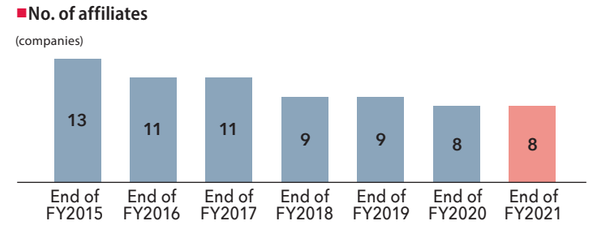
—Pursuing optimal Group synergies based on the Bank-led management strategies—

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

Basic Policy

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

■No. of affiliates



FY2021 Results

With an increase in cashless transactions, on April 1, 2022, we shut down Gogin Business Services Co., Ltd., which previously handled operations related to cash and valuables. Meanwhile, we renamed San-in General Lease Co., Ltd. as Gogin Leasing Co., Ltd., bringing together three affiliates which deal mainly with corporate clients under the Gogin name. We have also standardized the symbols and logotypes of each Group company to bring them in line with those of the San-in Godo Bank. In communicating the Gogin Group's sense of unity both internally and externally, and further reinforcing collaborations, we will work to provide even higher quality comprehensive financial services.

■Overview of Group companies (As of July 1, 2022)

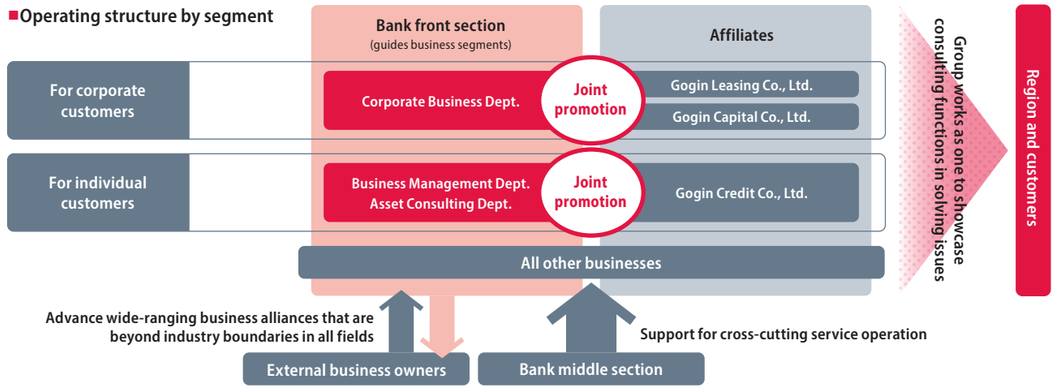
Company name	Nature of business
Matsue Real Estate Co., Ltd.	Real estate leasing services
San-in Office Services Co., Ltd.	Creation of documents/vouchers, etc., contract services for general affairs departments, calculation services
San-in Servicing Co., Ltd.	Claim collection services
Gogin Leasing Co., Ltd.	Leasing services

Company name	Nature of business
Gogin Guaranty Co., Ltd.	Credit guarantee services
Gogin Credit Co., Ltd.	Credit card services, credit guarantee services
Gogin Capital Co., Ltd.	Venture capital
Gogin Energy Co., Ltd.	Renewable energy related businesses

Priority Measures

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

■Operating structure by segment



Human Resources Strategies

—Developing professional personnel who can help find solutions to the challenges facing our regions and customers—

We will create organizations that can flexibly respond to change and develop the necessary personnel.

Basic Policy

To solve the increasingly sophisticated and diverse challenges facing our regions and customers, and to achieve robust growth alongside them, it is essential that we develop professional personnel who are well-versed in both consulting and digital transformation.
Pursuing expertise, motivating employees to take on new challenges, and enabling diverse, flexible workstyles are the three pillars of our human resources strategy.
Through execution of this strategy, we will aim to become a bank where each employee can continue to grow independently.







Management Philosophy

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

Vision for Personnel

Professional personnel who can help find solutions to the challenges facing our regions and customers

Concept

By boosting job satisfaction and making better work environments for each employee, and helping them take the initiative in career-development efforts, we will promote the improvement of employees' expertise through independent growth.



—Revising systems at the core of our human resources strategies—
Human Resources system reform and Career development system reform

Human Resources Strategy to Reform Our Business Model

Human Resources system reform First time in 21 years

Revision

Career development system reform First time in 13 years

Human Resources system

Switch to a system that actively evaluates hard-working personnel to help increase job satisfaction

- Actively promote personnel regardless of age
- Newly establish remuneration system that considers market value and achievements
- Switch to a remuneration system more closely in line with level of business contribution
- Abolish course-based human resources system
- Implement an evaluation system that prioritizes personnel development

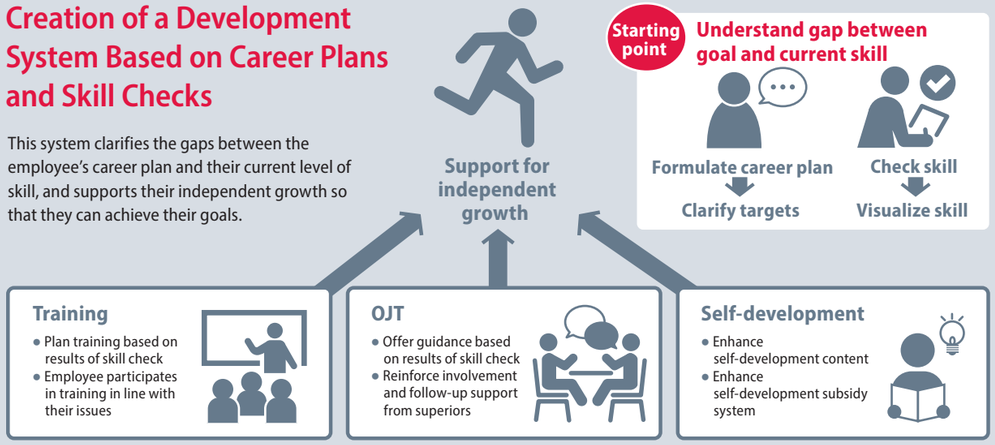
Career development system

Promote the independent improvement of expertise among employees to develop personnel who can solve increasingly sophisticated, diverse challenges, which are beyond conventional frameworks for a bank

Consulting	Develop personnel for all-employee consulting structure
Digital	Develop and retain personnel who can lead DX measures
Headquarters	Develop and retain diverse specialists
Autonomy	Develop autonomous personnel who can independently learn and implement their findings

Creation of a Development System Based on Career Plans and Skill Checks

This system clarifies the gaps between the employee's career plan and their current level of skill, and supports their independent growth so that they can achieve their goals.



Developing Personnel Who Can Support Our Regions



Jun Mishima
General Manager, HR Dept.

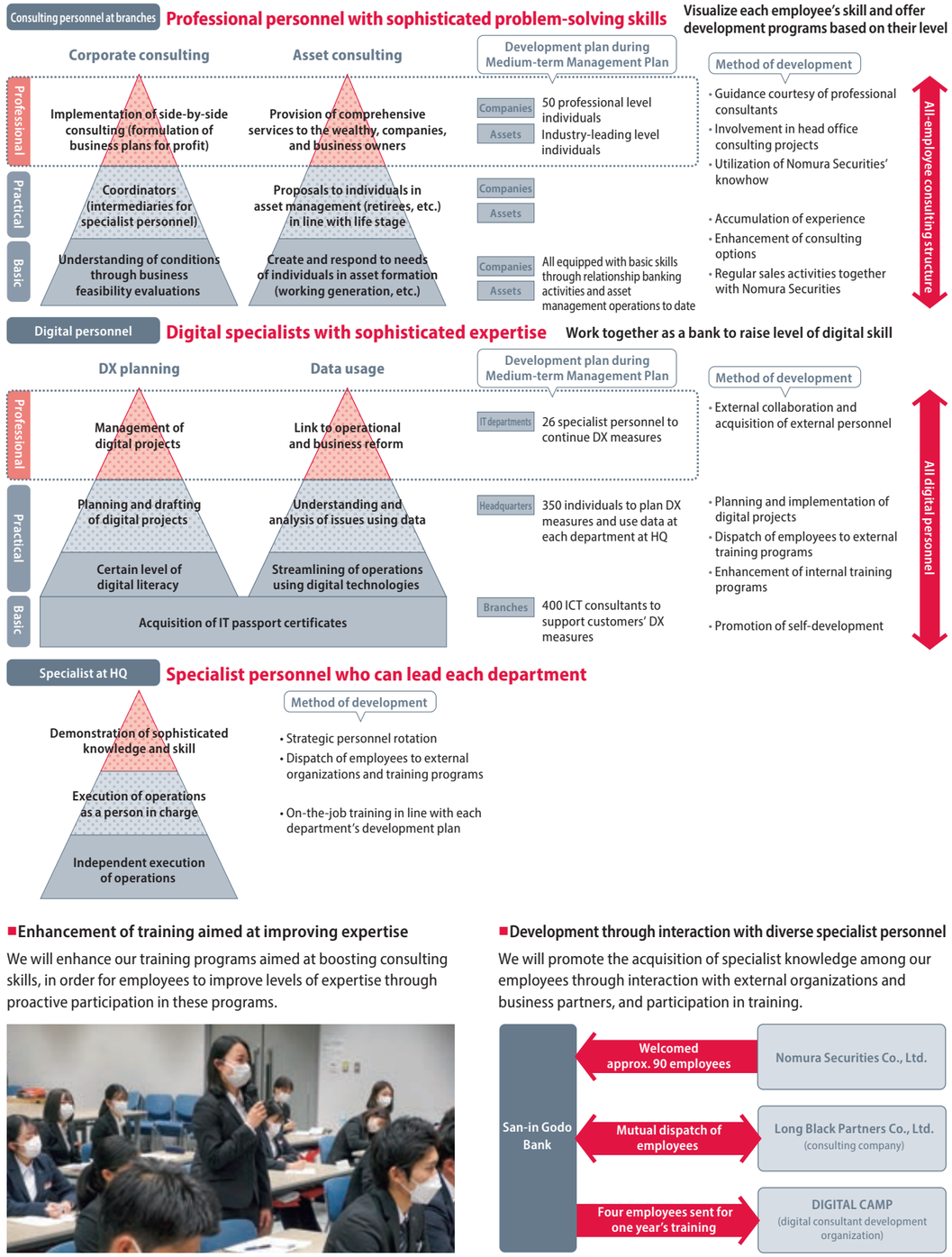
Our long-term vision is to become a wide-reaching and sustainably growing regional bank with unmatched problem-solving skills. Further, as part of our Medium-term Management Plan, we are working to reform our business model based on two pillars: consulting (solving the challenges facing our regions and customers) and digitalization (promoting digital transformation).
To bring shape to these management strategies, we believe it is essential to develop professional, passionate personnel with high levels of expertise who can help solve the challenges facing our regions and customers.
We are therefore promoting independent thinking, continuous learning, and autonomous growth among our employees to develop high-level personnel who exceed conventional bank frameworks. And, recognizing the importance of creating an environment that enables these employees to fully demonstrate their capabilities, we have revised our human resources system and career development system for the first time in 21 years and 13 years respectively. Through these system reforms, we will aim to improve job satisfaction and work environments for each employee, and support their autonomous growth.
Since implementing these system reforms, we have also enhanced our training curriculum to cater to employees' individual challenges, created a culture that emphasizes personnel development, and boosted our self-development content. As a result, I believe we are seeing an increasing number of employees take the initiative to achieve their career goals.
Meanwhile, to help employees develop their own unique careers and workstyles based on their individual values and aptitudes, and to ensure diversity among our core personnel, we are working to create comfortable working environments where employees can play an active role over the long term.
Moving forward, we will continue to develop personnel who can provide high added-value services to ensure we can grow alongside our regions and customers.

Pursuing Expertise

We are working to develop professional personnel with advanced knowledge, skills, and mindsets in every field.

Level-based Development Curriculum

Through skill checks that help visualize each employee's skills and issues, as well as our original recognition system, we will work to systematically improve our employees' expertise.



■Enhancement of training aimed at improving expertise

We will enhance our training programs aimed at boosting consulting skills, in order for employees to improve levels of expertise through proactive participation in these programs.

■Development through interaction with diverse specialist personnel

We will promote the acquisition of specialist knowledge among our employees through interaction with external organizations and business partners, and participation in training.

Motivating Employees to Take on New Challenges

We will enhance our range of support to promote independent career development.

Enhancement of Career Support System

We are currently working to create an environment that allows employees to take the initiative in developing their own careers. In addition to offering support for the formulation of career plans, we implement career training for all employees to develop the necessary mindset, and are creating opportunities for reskilling to help employees brush up the skills they need to achieve their career plans.

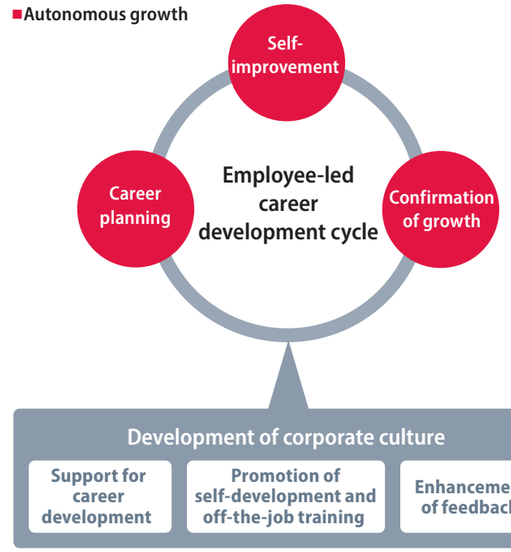
Enhancement of Opportunities for Independent Learning

We are enhancing our self-development content and hosting seminars on days off. In FY2021, we newly introduced programs from Globis Manabihodai and Digital Knowledge, and hosted seminars on strengthening corporate sales on employees' days off. Many employees are actively using these programs and attending these seminars.

Fair Employee Evaluations

We are reinforcing our personnel development methods by enhancing the feedback we give to employees. For each employee, we carefully explain in detail the reasons behind the results of their individual evaluations. In addition to boosting understanding among employees of their results, this initiative is also helping to increase motivation.

■Autonomous growth



Fostering a Sense of Unity Among Management and Employees

We are creating opportunities for directors and executive officers to directly communicate the Bank's management vision and their desires to employees, as well as opportunities for employees to directly communicate their opinions and thoughts to directors and executive officers. By reinforcing mutual communication and enhancing mutual understanding, we will strive to increase the sense of unity within the Bank.

Discussions with the President

We regularly host online discussions with the president to promote communication between the president and employees. Highly rated among those who take part, these discussions allow the president to share his ideas on the management philosophy and Medium-term Management Plan, and offer his frank thoughts and advice in response to questions from employees. Through enhanced dialog with management, we are striving to build workplaces where open communication is the norm. (Held nine times in FY2021 with 45 participants)





Sharing the Bank's Management Philosophy

By taking every opportunity to communicate messages to our employees, and explaining the significance of our operations and activities, we are working to further understanding of the Bank's management philosophy. In addition, we also provide opportunities for Bank-wide discussions on the management philosophy each year on our founding anniversary. By helping each employee interpret the philosophy in their own way, and promoting its implementation in their regular duties, we will aim to strengthen the sense of unity throughout the organization.

Enabling Diverse, Flexible Workstyles —Diversity & Inclusion—

We are currently working to increase opportunities for employees to play active roles while at the same time creating rewarding workplaces. By promoting flexible workstyles in line with the employee's life stage, striving to enhance their work-life balance, and supporting both their physical and mental health, we will make every effort to create environments that facilitate success in their careers over the long term.

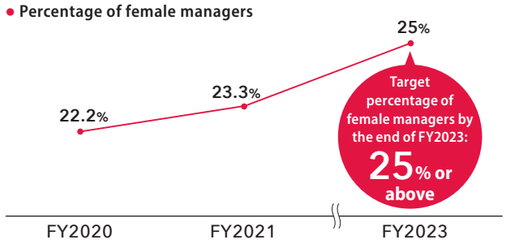
Increasing Opportunities for Diverse Personnel to Play Active Roles

By increasing opportunities for diverse personnel to play active roles within the company, we will aim to increase job satisfaction.

■Promoting female's participation in the workplace

We are striving to increase female's motivation in the workplace and provide them with rewarding environments where they can fully demonstrate their capabilities.
In creating diverse career paths and reinforcing our practical training and support systems, we are proactively supporting female's career development efforts.

● Percentage of female managers





■Active employment of individuals with disabilities

We actively employ individuals with disabilities and are creating environments where they can flourish.

A business site for individuals with disabilities Gogin Challenged



Participation in The Valuable 500—A Global Initiative Promoting the Employment of Individuals with Disabilities

Recognizing that inclusive businesses can create inclusive societies, this initiative supports action by companies across the world to enable people with disabilities to showcase their potential value in business, society, and the economy.

The initiative seeks endorsement from 500 companies worldwide, and more than 50 companies from Japan have participated

Valuable 500

■Active mid-career employment

We are actively employing mid-career individuals by enhancing our recruitment channels to include referrals and other programs.

■Full-time employment system

By increasing opportunities for part-time employees to play active roles within the company, we are actively promoting their employment to full-time employees.

Switching to a More Diverse Management Structure
—The first female employee to be promoted to Executive Officer—

In June 2022, we promoted one of our female employees to the post of Executive Officer for the first time.
To create an even more diverse management structure, we are moving forward with the development of female employees suited to management roles.

FY2016
First female Outside Auditor
(currently a Director on the Audit and Supervisory Committee)

FY2021
First female Director promoted internally
(Director on the Audit and Supervisory Committee)

FY2022
First female Outside Director
(Director not on the Audit and Supervisory Committee)
First female Executive Officer promoted internally

Enhancement of Work-life Balance

By enabling flexible workstyles and enhancing each employee's work-life balance, we are aiming to improve our working environments.

■Improvement of leave systems

We have implemented three new leave systems—Medical Leave, Short Consecutive Leave, and Spot Leave—aiming to create a corporate culture in which employees are encouraged to take all their paid vacation.

Paid vacation acquisition rate FY2021 **88.9%**

■Paternity leave

Involving superiors and workplaces as a whole, we are promoting the creation of environments that make it easy for employees to take paternity leave. We will continue to enhance our systems as we aim for a 100% acquisition rate.

Paternity leave acquisition rate FY2021 **89.7%** (incl. maternity leave)



■Workstyle reform

Flextime system	We have implemented a flextime system with no core hours for all departments. In doing so, we are aiming to enable flexible workstyles.
Telework system	To enable crisis management during the pandemic and promote flexible workstyles, we have implemented a telework system that all employees can use as they please.
Second job system	We have introduced a second job system as one part of our workstyle reforms. Through this system, we will aim to contribute to our regions, increase opportunities for self-realization and growth, and improve corporate value.
Continued employment system (through to age 70)	As part of our human resources strategy to help every individual in the company play an active role, we are increasing opportunities for our senior personnel and developing roles where they can utilize the expertise, experience, and skill they have accumulated at the Bank.

Initiatives for "Health Management"

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

Certified "White 500" For four consecutive years

On March 2022, San-in Godo Bank was recognized as a "Certified Health & Productivity Management Outstanding Organization (Large Enterprise Category) "White 500" under the certification system enacted by Japan's Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi (Japan Health Conference).
Seven affiliates of the San-in Godo Bank Group were recognized in the small- and medium-sized enterprise category.

2022 健康経営優良法人 Health and productivity ホワイト500

Health Management Declaration

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

Trials of Business Casual at Our Branches

To create working environments where employees can work in their own unique way, since October 2019, employees at our head office have been coming into work in "business casual" attire. In February 2022, we began trialing this same system at our branches. In addition to ensuring a more comfortable working environment, working in business casual attire is helping to transform workstyles and change workplace images, and increasing motivation among our employees.


The Kobe branch

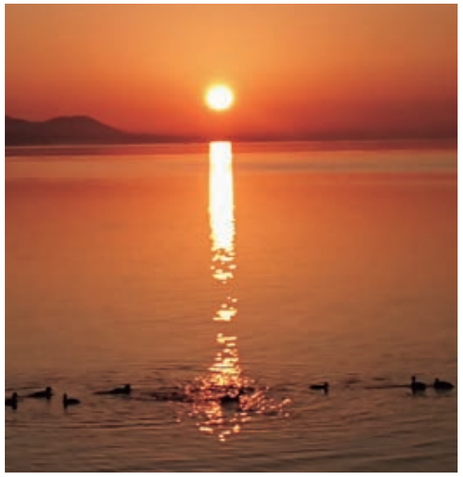
INITIATIVES FOR SUSTAINABILITY





Initiatives for Sustainability





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Policies Governing Sustainability Initiatives

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

Sustainability Statement

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

Sustainability Statement https://www.gogin.co.jp/about/csr/sustainability/

Initiatives to Enhance Sustainability Promotion

FY2019

May 2019: Declaration of Sustainability Statement

FY2020

May 2020: Establishment of environmental policy and human rights policy
Mar. 2021: Establishment of SDGs/ESG Promotion Working Group

FY2021

Apr. 2021: Joined The Valuable 500
Endorsement of TCFD recommendations
May 2021: Establishment of Sustainability Committee
Jun. 2021: Revision of investment and loan policy
Oct. 2021: Establishment of Sustainability Promotion Office and setting of sustainable finance targets
Nov. 2021: Publication of Sustainability Report 2021
Dec. 2021: Establishment of carbon neutrality targets
Mar. 2022: Establishment of policy on purchasing activities

Sustainability Promotion System

To promote initiatives for SDGs and ESG, we moved to strengthen governance, establishing the Sustainability Committee, chaired by the president, in May 2021. In October 2021, we established the Sustainability Promotion Office within the Management Planning Department, which is exclusively responsible for planning and overall management related to sustainability. This was followed by establishment of the SDGs/ESG Promotion Working Group, composed of members from all departments at the headquarters, as part of our response to climate change and implementation of other cross-cutting organizational initiatives.

Board of Directors

Agenda-setting/Reporting ↑ ↓ Supervision

Sustainability Committee

- Deliberation and decisions on matters regarding medium- to long-term critical issues (materiality) concerning sustainability
- Deliberation and decisions on matters regarding SDGs/ESG initiatives
- Reporting of matters regarding status of SDGs/ESG initiatives
- Reporting, deliberation and decisions regarding matters concerning response to climate change and other natural disasters

↑ ↓

Management Planning Department/Sustainability Promotion Office

↕

All departments at headquarters: SDGs/ESG Promotion Working Group

Group companies: Group Company Sustainability Liaison Committee

■**Sustainability Committee Members**

Chair	President and Chief Executive Officer
Members	Senior Managing Executive Officer
	Managing Executive Officer
	General managers of all departments at headquarters (Related Departments)
	Audit and Supervisory Committee Member (Observer)
Secretariat	Management Planning Department
	Sustainability Promotion Office

Policies Regarding Sustainability

Initiatives regarding the environment

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

Environmental policy https://www.gogin.co.jp/about/csr/environment/

Initiatives regarding human rights

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

Human rights policy https://www.gogin.co.jp/about/policy/humanrights/

Investment and loan policy based on the Sustainability Statement

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

Investment and loan policy https://www.gogin.co.jp/about/csr/investmentandloan/

Policy regarding purchasing activities

With the aim of creating a sustainable society, the San-in Godo Bank Group is committed to environmentally and socially responsible purchasing of goods and services, including office supplies, information systems, and outsourced services necessary for business activities. In addition, we will disclose this policy to the public and work together with suppliers of goods, services, and other commodities.

Policy regarding purchasing activities https://www.gogin.co.jp/about/csr/sustainabilitypolicy/purchase/

Medium- to Long-Term Goals

■Goals toward becoming carbon neutral

Reduce greenhouse gas emissions (Scope 1 & 2) to **net zero** by FY2030

Reduce greenhouse gas emissions including supply chain (Scope 1, 2, & 3) to **net zero** by FY2050

■Sustainable finance goal

Defining sustainable finance as investments and loans that contribute to solving environmental and social issues, we are making efforts to contribute to the realization of sustainable local communities through our core businesses.

Sustainable finance goal

Cumulative amount invested from FY2021 to FY2030 **¥1.5 trillion** (including ¥500 billion in the environmental sector)

Sector	Business	Examples
Environmental	Businesses that contribute to climate change mitigation/ adaptation and consideration for the environment	Renewable energy business, energy conservation business, decarbonization/low-carbon business, etc.
Social	Businesses that contribute to regional economic revitalization and sustainable communities	Basic infrastructure development, essential services (healthcare, education, etc.), job creation (business start-up), etc.

TOPICS Joining initiatives to accelerate sustainability efforts

Joined the Partnership for Carbon Accounting Financials (PCAF) (June 2022)

PCAF is an international initiative that is developing a methodology to measure greenhouse gas emissions through the investment and loan portfolios of financial institutions. Participants in this initiative work to measure and disclose greenhouse gas emissions while utilizing the PCAF database with the goal of achieving carbon neutrality by 2050.

Joined the Initiative based on the Declaration of Biodiversity by Keidanren (June 2022)

Having endorsed the Declaration of Biodiversity by Keidanren formulated by the Keidanren Committee on Nature Conservation and Keidanren, we joined the Initiative based on the Declaration of Biodiversity by Keidanren. The purpose of this declaration is to promote corporate management that recognizes the importance of biodiversity. As a corporation, we endorse this declaration and are committed to protecting irreplaceable ecosystems and passing on the richness of nature and its blessings to future generations.

Initiatives for Promoting Awareness of the SDGs

In addition to our own commitment to the SDGs as a leading company in the region, we are engaged in activities to promote the principles of the SDGs among local communities and customers, and to encourage local communities and our clients to take action on the SDGs.

■Promotion of SDGs among local communities

SDGs business consultants are assigned at our headquarters to conduct awareness-raising activities to deepen understanding of the SDGs, such as holding SDG-related training sessions and providing advice at local companies, regional public bodies, and educational institutions. In addition, we actively participate in related platforms, etc. to promote cooperation with municipalities and other organizations.

Held 131 SDGs training sessions, etc.

(FY2018-FY2021)



■Supporting our clients in their transition to a decarbonized society and SDGs initiatives

We work with our clients to consider the impact of the transition to a decarbonized society on their businesses, and provide effective proposals and consulting for future business development. Amid growing social demands, we also propose solutions to create business opportunities and add value by providing information and opportunities to think about the SDGs, supporting SDG initiatives through business, such as how to incorporate the SDGs into business activities and management, and proposing financial products and solutions to issues that will contribute to the SDGs.

- SDGs seminars for clients
- Gogin SDGs Management Support Service
- Financial products and services that contribute to the SDGs

TOPICS We have received positive feedback from various organizations for our ESG-related activities.

First Regional Revitalization SDGs Finance Award (March 14, 2022)

Cabinet Office We were the only financial institution chosen to receive more than one award



Support for Tottori SDGs Package: From Knowledge to Partnerships

- Efforts in collaboration with Tottori Prefecture and Tottori Bank, from raising awareness of the SDGs to considering a Tottori Prefecture version of the SDGs certification system

Challenge of SDGs Future Cities to boost sustainable management of local businesses through SDGs and decarbonization

- Collaboration with Nichinan Town, Tottori Prefecture, in supporting J-Credit intermediaries to drive regional carbon offsetting

Examples of Key Initiatives by Financial Institutions and Others Contributing to Regional Revitalization (March 16, 2022)

Cabinet Office Selected for the fifth time in four consecutive years

Advanced workcation program utilizing stress science through industry-academia-government collaboration

- Workcation projects with Shimane University's stress science methodology
- Initiatives to commercialize business concepts created through the "SAN-IN Innovation Program," a new business creation project implemented by San-in Godo Bank in 2018-2019

Principles for Financial Action for the 21st Century Special Award (Steering Committee Chairperson's Award) (March 23, 2022)

Ministry of the Environment



Using J-Credit to Support the Implementation of Environmental Management and Enhancement of Corporate Value of Business Partners

- Promotion of J-Credit and support for intermediaries to help clients offset their carbon footprints

Forest x Decarbonization Challenge 2022 Excellence Award (Forestry Agency Director-General Award) (June 22, 2022)

Forestry Agency First time for a financial institution to receive the award

Gogin's ongoing forest conservation activities since 2006

- Gogin Kibo no Mori (Forests of Hope) initiative, where our directors, executive officers and employees volunteer to plant trees and cut undergrowth
- Let's Protect Forests! San-in Network Conference to exchange information and promote exchanges with local organizations
- Restoration of *satoyama* rural landscapes through the activities of Gogin Kibo no Mori

*For details of activities, please see p. 23.

Response to Climate Change

—Responding more robustly to climate change while moving for more sophisticated information disclosure—

Responding to climate change is emerging as a common concern everywhere as the world grapples with growing devastation caused by abnormal weather and large-scale natural disasters. For customers and the Bank alike, these problems are becoming factors that heavily impact both the business environment and management itself. Prompted by these conditions, San-in Godo Bank gave its endorsement to the TCFD recommendations in April 2021. Going forward, we will continue steps to strengthen our response to climate change, while moving for more sophisticated information disclosure proposed as part of the TCFD recommendations.

Governance

- **We established the Sustainability Committee, chaired by the president, as a body to deliberate climate change and other sustainability-related matters, developing a structure whereby the committee reports to and is monitored by the Board of Directors.**
- **We established the Sustainability Promotion Office to strengthen our bank-wide SDGs/ESG initiatives, and plan and promote group-wide activities.**
- **We established the SDGs/ESG Promotion Working Group at San-in Godo Bank headquarters. In addition to promoting initiatives across the organization, this body regularly reports to the Sustainability Committee and Board of Directors on the status of specific initiatives regarding responses to climate change and other ESG issues.**
- **We hold Group Company Sustainability Liaison Meetings to share information on climate change response policies and other matters throughout the Group.**

Strategy

The Group has formulated a Sustainability Declaration. We have positioned responding to environmental matters, including climate change, as important management issues, in order to make a sustainable regional society possible. To this end, we will continue to promote initiatives that target both opportunities and risks.

Opportunities

■Promotion of sustainable finance

We are bolstering both green financing for renewable energy projects, as well as transition financing to promote the shift toward a zero- and low-carbon society, supporting the region and clients in making this transition.

■Participation in the renewable energy power generation business

Recognizing the challenges facing the San-in region, such as the insufficient supply of renewable energy and slow transition to decarbonized management, we established Gogin Energy Co., Ltd, a wholly owned subsidiary engaged in the renewable energy-related business. Gogin Energy will be responsible for increasing the supply of renewable energy and promoting local production for local consumption, and will be linked to the growth strategies of the region and our clients, including the early achievement of regional decarbonization and carbon neutrality, as well as the strengthening of the competitiveness of local companies through the increased use of renewable energy.

Risk

In terms of climate change-related risk, we recognize the increased frequency of natural disasters and abnormal weather due to climate change as events that bring the risk of physical harm (physical risk), and risk associated with transitioning to a carbon-free society, particularly responding to stronger climate regulations and advancements in technological innovation (transition risk).

■Physical risk

In this area, possible scenarios include a potential surge in credit risk as companies financed by the Bank see assets and business activities impacted by natural disasters and other issues caused by climate change, as well as operational risk these pose if Group business branches are damaged.

■Transition risk

In this area, one possible scenario is significant credit risk from companies financed by the Bank if business activities are impacted by advancements in technological innovation for meeting climate regulations and curbing carbon emissions.

■Scenario analysis

We conduct scenario analyses to assess the impact of climate change-related risks and opportunities on our finances. These analyses assume the greatest impact on credit expenses, such as an increase in natural disasters due to climate change or the tightening of various regulations to achieve a decarbonized society.

Physical risk

We estimated the impact of damage to collateral properties held by our bank on credit-related expenses by using multiple scenarios, including the Intergovernmental Panel on Climate Change (IPCC) scenario of 2°C or less, in terms of credit-related costs due to flood damage, which has been occurring frequently across Japan in recent years.

Risks included in the analysis	Risk of damage to collateral property (buildings) due to flooding caused by rivers overflowing owing to torrential rainfall, etc.
Targets	Credit customers that have pledged their buildings as collateral
Reference scenario	● RCP1.9 ● RCP2.6 ● RCP8.5 (Source: IPCC)
Period covered	Up to 2050
Result of analysis	Up to 2.8 billion yen

Transition risk

We estimated the impact of the introduction of a carbon tax as a response to climate change on the cost of credit to credit customers under multiple scenarios, including the 2°C or lower scenario of the Central Banks and Supervisors Network for Greening the Financial System (NGFS).

Risks included in the analysis	Risk of deterioration in the financial condition of borrowers due to increased costs in the event of the introduction of a carbon tax
Targets	Credit customers (corporations) that have provided us with financial information
Reference scenario	● Net Zero 2050 ● Nationally Determined Contributions ● Current Policies (Source: NGFS)
Period covered	Up to 2050
Result of analysis	Up to 7.5 billion yen

As a result of the analysis, we estimated the maximum impact amounts by 2050 to be approximately 2.8 billion yen for the physical risk and 7.5 billion yen for the transition risk. These impact amounts are only a portion of the risks we have identified, and we will continue to work toward expanding the scope of our analysis and improving the method for calculating impact amounts.

Risk Management

- **Recognizing initiatives for the environment, including climate change, as one of our key management concerns, we drafted an Investment and financing policy that takes into account the Sustainability Declaration, which includes policies for responding to climate change.**
- **We recognize the impact that physical and transition risks may pose to the Group's business lines, strategies and financial scope over the medium to long term. At San-in Godo Bank, we position risk management for maintaining management stability and soundness as our most important issue, with a risk management approach led by the Board of Directors. Going forward, we will also explore initiatives for achieving an integrated risk management process for climate-related risks.**

Indicators and Targets

■Reduction of greenhouse gas emissions

Indicators	Targets			Results
	By FY2023	By FY2030	By FY2050	FY2021
Greenhouse gas emissions	**Reduce Scope 1 & 2 by 50% compared to FY2013**	**Reduce Scope 1 & 2 to net zero**	**Reduce Scope 1, 2, & 3 to net zero**	**8,106 t-CO_2** (-35.0% compared to FY2013)*

*Consolidated basis

■Sustainable finance

Indicators	Targets	Results
	(FY2021-FY2030)	FY2021
Amount of sustainable finance invested	**¥1.5 trillion** (including ¥500 billion in the environmental sector)	**¥127.7 billion** (including ¥45.5 billion in the environmental sector)

Environmental Contribution through Financial Products and Services

—Contributing to the conservation and decarbonization of the local environment through the provision of financial products and services, which is our core business—

Initiatives in the Field of Renewable Energy

We support corporations to enter into renewable energy businesses, which have lower environmental impact and use natural, renewable energy sources. Also, we are involved in the arrangement of syndicated project financing for large-scale renewable energy proposals.

Sustainable Finance

In October 2021, we began offering sustainability-linked loans and green/social loans to support the SDGs/ESG initiatives of the community and our clients in terms of finance.

■Gogin sustainability-linked loan

This product sets targets consistent with the ESG strategy of the client and provides incentives such as interest rate reductions based on the achievement of those targets.

■Gogin green/social loans

These products limits the use of funds to projects aimed at improving environmental or social aspects.

Gogin sustainability-linked loan (in-house evaluation type)

We can also conduct an evaluation if the target is to reduce greenhouse gas emissions or increase the percentage of energy-efficient houses (buildings) constructed. Compared to the external evaluation type, the procedures and costs are less burdensome.

Key Initiative

Gogin sustainability-linked loan

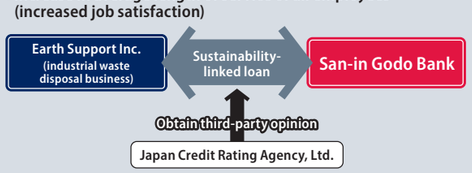
First in San-in region

Contract concluded with Earth Support Inc. (external evaluation type) (March 2022)

Earth Support Inc. (industrial waste disposal business based in Matsue City, Shimane Prefecture) is a company with a high level of ESG awareness. For example, it has been publishing an environmental report (currently called a sustainability report) since 2000, and discloses its waste recycling rates. We proposed sustainable finance because we believe that by setting and announcing specific numerical targets for the future, the company can further enhance its corporate value as a leading ESG company, which is already well established.

Sustainability goals set by Earth Support Inc.

- Increase in sales in vacant house demolition business (support for solving the problem of vacant houses)
- Increase in the recycling rate of collected waste
- Increase in average length of service of all employees (increased job satisfaction)



Support J-Credit Utilization

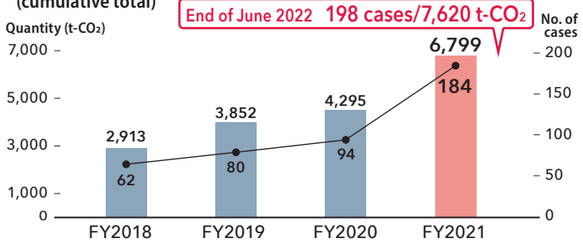
We support our clients in implementing environmental management and increasing their corporate value through carbon offsetting initiatives based on public-private partnerships that utilize J-Credit originating in the San-in region.

Received the Special Award (Steering Committee Chairperson's Award) at the Principles for Financial Action for the 21st Century, the first financial institution in the Chugoku region to receive this award

■J-Credit sales support results (cumulative total)

Exceeded 7,000 t-CO_2

End of June 2022 198 cases/7,620 t-CO_2



*For details, please see TOPICS on page 51.

Initiatives for Reducing Environmental Impact

—Striving to reduce the environmental impact of our business activities—

Promoting Resource Conservation, Energy Saving and Recycling Activities

- **Improving energy-conservation awareness**

  By requesting energy- and electricity-saving measures, we are raising the level of awareness at the Bank for the need to conserve energy.

- **Adoption of energy-saving, eco-friendly products**

  We are adopting the use of energy-saving and eco-friendly products such as air conditioners, LED lighting, solar panels, and electric vehicles.

- **Paperless and recycling**

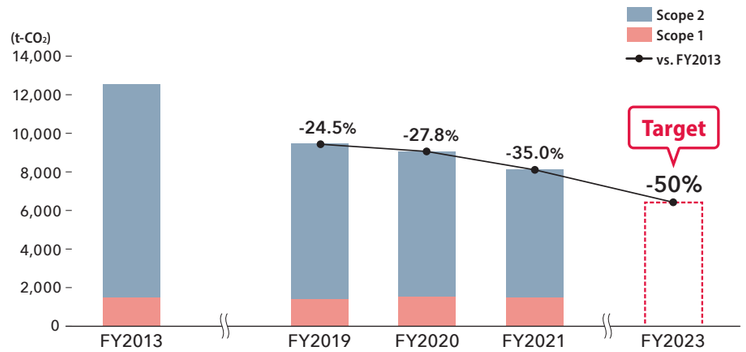
  San-in Godo Bank is making progress in going paperless by shifting to digital for internal documents and reducing paper copies and printing. We also recycle waste paper into toilet paper and recycle other waste into solid fuel resources.

■Greenhouse gas emissions, energy and electricity usage (consolidated)

Measurement categories			Unit	FY2019	FY2020	FY2021
Greenhouse gas emissions	Scope 1 (direct emissions)	Heavy oil, kerosene, light diesel oil, gasoline, city gas, propane gas, etc.	t-CO_2	1,381	1,512	1,483
	Scope 2 (indirect emissions)	Electricity	t-CO_2	8,025	7,480	6,623
	Total		t-CO_2	9,406	8,992	8,106
Total energy usage (crude oil equivalent)			kL	3,860	3,959	3,838
Total energy usage (heat value)			GJ	149,594	153,423	148,752
Electricity usage			1,000 kWh	12,752	12,917	12,511

■Greenhouse gas emissions and Targets (Scope 1 & 2) (consolidated)

San-in Godo Bank has set a "50% reduction in greenhouse gas emissions volumes compared with fiscal 2013" as a target for fiscal 2023. Initiatives are underway to meet this goal ahead of the Japanese government's own target for fiscal 2030 of a "46% reduction in CO_2 emissions volumes compared with fiscal 2013," as part of the Bank's contribution to national efforts to achieve carbon neutrality as quickly as possible. In fiscal 2021, San-in Godo Bank reduced emissions volumes by 35.0% compared with fiscal 2013 levels.



■Green purchasing initiatives

In purchasing products and services, we carefully consider the necessity and select those that have the least environmental impact. We have established KPIs for the green purchasing of paper and stationery, and in principle, we purchase products labeled with the Eco Mark and other such marks.

KPIs : Green purchasing ratios

Copy paper	100%
Stationery	100%

Sustainability and growth of regional business

Extensive Support of the Region through Relationship Banking

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

By highlighting its insight and expertise in business support, San-in Godo Bank is addressing a wide range of issues and needs that customers and the region itself face, with the entire Group committed to further developing a multifaceted approach to consulting.

Creating local dynamism

Local Revitalization

Enhancement of public-private partnerships

We make the most of our management resources to create vibrant communities and contribute to regional development.

■Support for promoting the digital transformation of municipalities

We provide support for promoting digital transformation within municipal governments and in local communities by offering our solutions and collaborating with external organizations. In addition to the use of digital technology, the introduction of cashless payment systems to improve operational efficiency and services to residents, and other initiatives, we also offer various types of support to revitalize local economies, such as smart agriculture (utilizing IT and other means to reduce labor and achieve high-quality production).

■Contributing to sustainable community development

Utilizing our accumulated expertise and know-how in PPP (Public Private Partnerships)/PFI (Private Finance Initiative), we are contributing to sustainable community development by actively participating in regional social and capital improvement projects and providing proactive support, mainly in terms of financial aspects. In addition, as a PPP Agreement partner of the Ministry of Land, Infrastructure, Transport and Tourism since 2018, we hold seminars and provide individual consultations for municipalities and clients to promote the formation of projects in the region.

■Corporate version of hometown tax donations

Aiming to solve regional issues, we also collaborate with local businesses and newspapers to promote the use of the corporate version of hometown tax donations. By conducting a wide range of activities, from planning donation projects based on regional characteristics and corporate needs to matching municipalities and businesses through our network of branches, we expect not only to solve regional issues through public-private partnerships, but also to create new opportunities for collaboration and increase the number of people involved and interacting with the local community.

■Initiatives for solving social issues

We are working to promote and expand the use of PFS (Pay for Success)/SIBs (Social Impact Bonds), which are attracting attention as a new public-private partnership scheme aimed at solving social issues faced by local communities. In July 2022, we made an investment in the largest fund for SIBs in Japan, creating a structure that can provide a stable supply of project funds to SIBs implemented by municipalities in the San-in region.

Key Initiative

SIB research efforts to solve social issues in Matsue City

With the aim of solving social issues confronting Matsue City, we concluded a memorandum of understanding in July 2022 stipulating that we will conduct surveys and research on the potential use of SIBs in Matsue City and possible administrative fields of use in cooperation with Dream Incubator Inc. and Development Bank of Japan Inc., which have advanced knowledge of SIBs.
We will further promote public-private partnerships using SIBs as a new approach to solving social issues that are becoming more diverse and complex every day, such as the declining birthrate, aging population, population decline, and the impact of COVID-19.



Improving added value

Corporate Clients

Through business support activities, we help our clients solve problems, achieve added value, and grow their businesses.

Upgrading, expanding and enhancing sophistication of solutions menu

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

■Consulting service

Business plan formulation consulting	We assist in client business growth by supporting management strategy formulation based on more in-depth analysis of client status
ICT consulting	By spurring the active use of data in management as a vital resource, we support improvements in client productivity and other areas through ICT
Recruitment consultancy	To answer human resource retention needs in areas where population is declining, we assist in securing managers and skilled professionals to support efforts to resolve client management issues
Human Resources consulting	We support the building of human resources systems that achieve enterprise growth and development by encouraging growth of employees, the key to an organization
SDGs Management Support Service	Supporting our clients' SDGs initiatives

■Business matching

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

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

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

■Business succession and M&A

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

■Financing

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

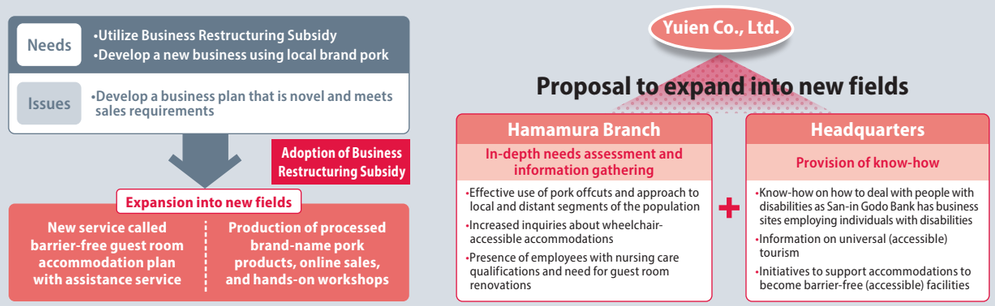
■Revitalization support

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

Key Initiative

Helping a *ryokan* struggling with COVID-19 apply for a Business Restructuring Subsidy

Yuien Co., Ltd., which operates a *ryokan* (Japanese-style inn) in the Hamamura Onsen hot spring area, Tottori Prefecture, was considering a new business venture using a Business Restructuring Subsidy amid a slump in sales due to the impact of the COVID-19 pandemic. The company had been seeking a new business using local brand pork for many years and consulted with us about making local brand pork dishes a selling point of their *ryokan*, but that alone did not qualify for the subsidy; they needed a business plan to enter a new market with a new product or service. With the support of Hamamura Branch and the know-how of Headquarters, we helped them formulate a business plan and utilize the subsidy to expand into new business fields and realize the company president's dream.



Formation of a safe, secure society

Provision of Stable Financial Infrastructure to All Customers

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

San-in Godo Bank is working to meet customers' increasingly diverse and complex needs by improving customer convenience and services, as well as by providing all customers with stable financial services as social infrastructure for the region.

Support for shaping abundant lifestyles

Individual Customers

Improved convenience through digital utilization

■Expansion/upgrade of non-direct contact channels

In a move to enhance customer convenience, we are bolstering our lineup of product and service transactions to allow completion of a wide range of banking transactions anytime via smartphone or PC without ever visiting a physical branch.

The Gogin app
A bank branch in the palm of your hand

- Ordinary saving account opening
- Smart bankbook (confirmation of account details and balances)
- Internet banking (fund transfers, time deposits, various procedures, etc.)
- Cashless payments
- Loans (application, contract)



Gogin app updated (March 2022)

Integration with online banking

Transactions such as transfers can be completed on the app without the need to log in to online banking.

Family account inquiries now possible

Added the ability to show account balances and transaction details to designated family members.

Specific-purpose savings account exclusive to the app

This savings account, where customers set their own savings objectives and target amount, is exclusive to the app.

■Use of tablets for in-branch acceptance of application

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



■Promotion of cashless payments

As initiatives prompting the shift to cashless payment spread across the region, San-in Godo Bank will support efforts to address the new lifestyle patterns that cashless settlement makes possible, while working to elevate customer convenience.
We have conducted numerous campaigns that prominently feature the credit card to encourage the everyday use of credit cards. Along with spurring the spread of cashless payments, the Bank is working to expand opportunities for consumers to spend and use credit cards in the region.

New financial services combining strengths of banking and securities
—Comprehensive business alliance in financial product intermediary services with Nomura Securities Co., Ltd.—

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

GOGIN & NOMURA Alliance

■Robust product and service lineup

Products and services currently handled by Nomura Securities, including over 800 types of investment trusts, can be purchased through San-in Godo Bank.

■Abundance of information

Through Nomura Securities' global network, we provide customers with the very latest information from Japan and around the world faster than ever.

■Highly convenient services

Transactions are available not only in-person at branches but by phone, online and through other non-direct contact channels designed to match customer needs.

■More advanced consulting

Our highly specialized consulting staff delivers financial services with even greater added value.

■Enhancement of sales structure

We have nine sales offices in the San-in region with a full-line service system, offering a substantial range of products and services, including stocks and corporate bonds.





Initiatives Ensuring Customer-oriented Business Conduct

To ensure an extensive commitment to carry out customer-oriented business philosophy, we have formulated a Policy for Customer-Oriented Business Conduct on asset management and asset formulation businesses. Under this policy, we strive to enrich the lives of customers by providing the optimal products and services for their individual needs.

*To learn more about the Policy for Customer-Oriented Business Conduct, please visit San-in Godo Bank's website at https://www.gogin.co.jp.

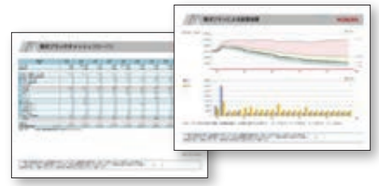
■Consulting implementation

- We strive to propose the optimal products and services to fulfill our clients' dreams by listening to their intentions and needs from various perspectives, including their life plans, as well as their knowledge, experience, financial situation, investment objectives, investment policies, income patterns, occupations, and motivations for using our products and services.
- Using asset management guides and asset design tools, we strive to propose the optimal products and services for our clients by comparing them with similar products and services.
- In making proposals, we confirm the client's family structure, life events, asset situation, and other circumstances, and simulate the life plan together with the client to ensure courteous consulting services that are easy to understand.

■Appropriate sales procedures

- We strive to propose products and services that contribute to stable asset formation from the customer's perspective, without being bound by the amount of fees for the products and services we handle.
- In the securities business, we handle an extensive lineup of products from our business partner, Nomura Securities Co., Ltd., enabling us to meet the sophisticated investment needs of our clients.

*San-in Godo Bank Ltd. is a financial instruments intermediary service provider whose securities company is Nomura Securities Co., Ltd., and provides materials, advertisements, etc. prepared by Nomura.



Initiatives for Improving Service to Elderly Customers and Customers with Disabilities

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



Communication board found in Bank branches.

Development of Unique and Far-reaching Social Contribution Activities

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

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

Environmental protection activities
Forest conservation activities
(Since 2006)

Diversity (social participation of individuals with disabilities)
Gogin Challenged
(Since 2007)

Youth Education
Shofukan
(Since 2012)

See page 23.

Active participation in regional and social activities

Social and Cultural Contribution Activities

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

We, Gogin Group directors, executive officers and employees, have taken part in this ongoing cash and material donation activity for four decades.
As of March 31, 2022, we had donated wheelchairs, televisions and other items valued at ¥127.63 million to 1,194 regional social welfare facilities and other recipients.

■Donations to universities

To support university students whose studies and lives have been disrupted by COVID-19, in August and September 2021, we donated a total of ¥2.7 million to the student funds of seven universities in Shimane and Tottori prefectures.



Presentation ceremony at Shimane University

Chiisana Shinsetsu (Small Kindness) Movement (since 1997)

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

■Eco-cap collection drive

Money earned through the sale to recyclers of used PET bottle caps, collected in cooperation with members, is donated to UNICEF to help fund the delivery of needed vaccines to children worldwide.
From the start of this movement in 2010 to March 31, 2022, a total of 17,787 kg of caps have been collected, equivalent to roughly 8,900 vaccine doses.



Receiving 32 kg of caps collected from Yonago Hokuto Junior & Senior High School

Gogin Cultural Promotion Foundations (since 1992)

These foundations support and sponsor educational, cultural arts and sports activities taking place in Shimane and Tottori prefectures.
As of March 31, 2022, the foundations have provided ¥326.64 million in assistance to a total of 2,586 activities.

■Donation of books related to the SDGs

In October 2021, we donated books related to the SDGs to all public elementary schools in Shimane and Tottori prefectures, replacing a subsidy program that we were unable to run due to the spread of COVID-19.



Donated a total of 1,380 books in both prefectures (four books each to 345 schools in both prefectures)

Helping to educate the region's future leaders

Youth Education

Financial education—Improving financial literacy—

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



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

Gogin SDGs Private Placement

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

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

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

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

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

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

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

■Number of SDGs private placement bond issues - 180 cases (FY2021)

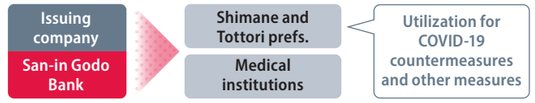
"Regional economic stimulus-type" ..... 16 cases
"Donation to medical institutions-type" ..... 20 cases
"Donation to educational institutions-type" ..... 121 cases
"Sports promotion-type" ..... 9 cases
"CSR-type" ..... 12 cases
"Eco-type" ..... 2 cases



Presentation ceremony for Shimane Susanoo Magic (sports promotion-type)

■Donations for regional economic stimulus and medical institutions-type

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



■Donations for educational institutions

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



Energizing the region through sports promotion

Promoting Sports

Gogin Women's Badminton Team (since 1993)

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





Rooting for local professional sports teams

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





POWER BEHIND VALUE CREATION



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Power behind Value Creation



Corporate Governance

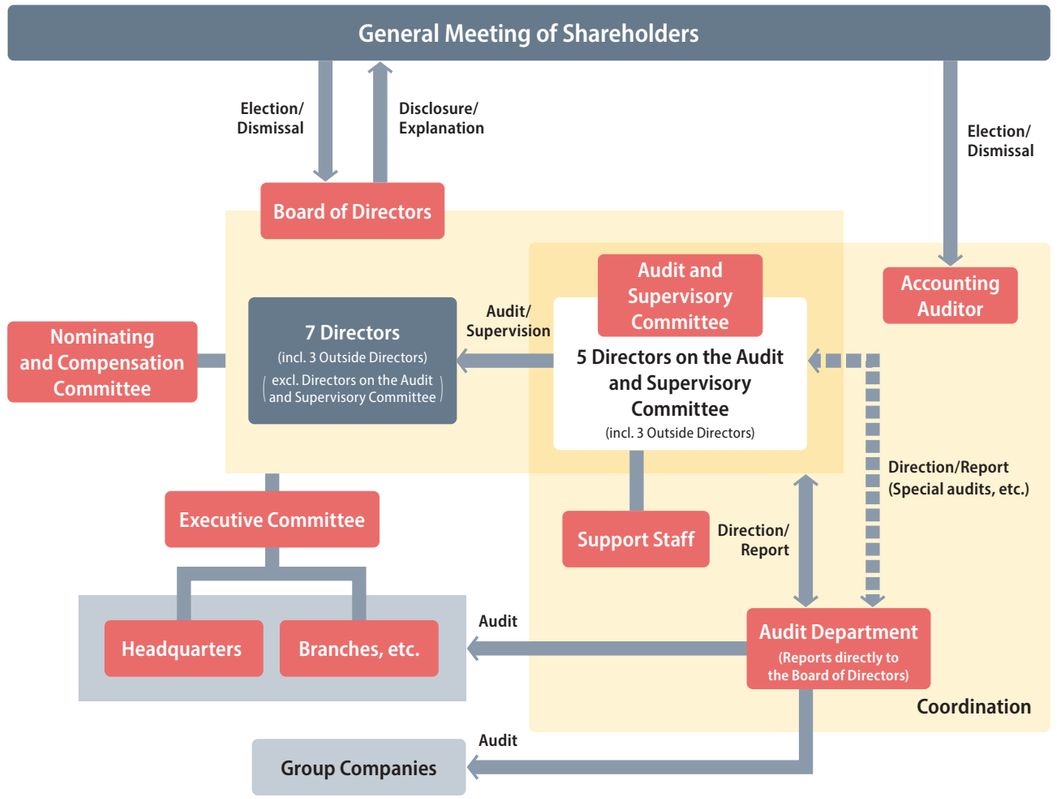
—Taking steps to strengthen and ensure robust corporate governance—

Basic Policies Regarding Corporate Governance

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

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

■Corporate Governance System



*For more on governance, see pages 14-16 in a separate supplemental disclosure (Japanese only)

(As of July 1, 2022)

Corporate Governance Reforms

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

2008

Directors' and officers' remuneration system revision

- Adoption of fixed amount remuneration system
- Adoption of performance-based remuneration
- Adoption of stock option as stock remuneration

2011

Separation of functions from adoption of executive officer system

- Board of Directors (Directors)
  - ▶Management decision-making and business execution monitoring functions
- Executive officers ▶Business execution functions

Accurate and prompt decision-making by reducing the number of directors

- Reduction of the number of directors other than Audit and Supervisory Committee members from "no more than 20" to "no more than 10" as stipulated in the Articles of Incorporation
  - ▶Enables directors to fully engage in discussions and allows the Board of Directors to make decisions accurately and promptly

2016

Start of effectiveness evaluation for Board of Directors

- Board effectiveness evaluated via questionnaire
- Formulation of action plan to address issues and pursuit of improvement measures
- Detailed disclosure of evaluation results in corporate governance report

2021

- Conducted an effectiveness assessment using an external organization

2018

Voluntary establishment of the Nomination and Compensation Committee

- Involvement by Board of Directors in transparent, highly objective director selection process
- Directors' and executive officers' remuneration system that incentivizes corporate value improvement

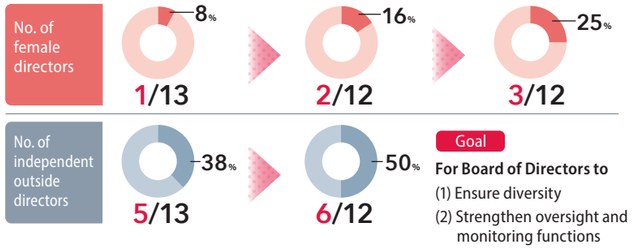
2019

Transition to the Company with "Audit and Supervisory Committee"

- Strengthening of audit and supervisory functions
- Speed up decision-making

2020 / 2021 / 2022

Change in directors' composition



Goal

For Board of Directors to

(1) Ensure diversity

(2) Strengthen oversight and monitoring functions

Strengthen Corporate Governance Structure

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

Evaluation of current status =

[Board of Directors effectiveness is sufficiently maintained]

- Board of Directors composition
- Lively debate
- Decision-making process
- Supervisory function

Priority items to strengthen governance

- Improve transparency and objectivity
- Showcase Nomination and Compensation Committee functioning
- Offense-minded governance
- Meaningful debate concerning risk taking

Vision for Board of Directors

- Fast decision-making
- Active involvement in decision-making to take risks
- Remuneration system incentivizing improvement in corporate value
- Highly transparent and objective director selection process
- Stronger management supervision functions
- Proper distribution of management resources and capital

Discussions by the Board of Directors

The Board of Directors consists of 12 directors with deep insight into San-in Godo Bank's business operations and a high level of expertise in international business, finance and accounting, legal affairs, and other areas, who engage in lively discussions aimed at enhancing our corporate value. Three of the 12 directors are female, thus ensuring diversity.
Our outside directors, who make up half of the Board of Directors, are from Shimane and Tottori prefectures. This means that they are well positioned to understand the realities and characteristics of the San-in region, enabling them to offer a variety of suggestions to help us play a more sustainable role in the local community.

■Skills matrix for directors

Name		Expertise					
		Business management	Finance	International business	Finance & accounting	Legal	ESG and community sustainability
Fumio Ishimaru	(Male)	●	●				●
Toru Yamasaki	(Male)	●	●				●
Shuichi Ida	(Male)	●	●				●
Hiroshi Yoshikawa	(Male)	●	●				
Yasuyuki Kuratsu	(Outside, Independent, Male)		●	●			●
Yasuhiro Goto	(Outside, Independent, Male)			●			●
Chie Motoi	(Outside, Independent, Female)						●
Koji Miyauchi	(Male)		●	●			
Mamiko Nakamura	(Female)		●				
Shoichi Imaoka	(Outside, Independent, Male)				●		
Tamaki Adachi	(Outside, Independent, Female)					●	
Tomoaki Seko	(Outside, Independent, Male)				●	●	

■Major items implemented at the suggestion of outside directors (FY2021)

- In November 2021, we became the first regional bank to produce a fully-fledged sustainability report summarizing our sustainability initiatives.
- Since January 2022, individual meetings between the president and institutional investors have been held once or twice a month.
- In March 2022, we held a seminar for staff at headquarters on preparing news releases, led by Yasuhiro Goto, one of our directors and a former member of Nikkei Inc.



Seminar on preparing news releases

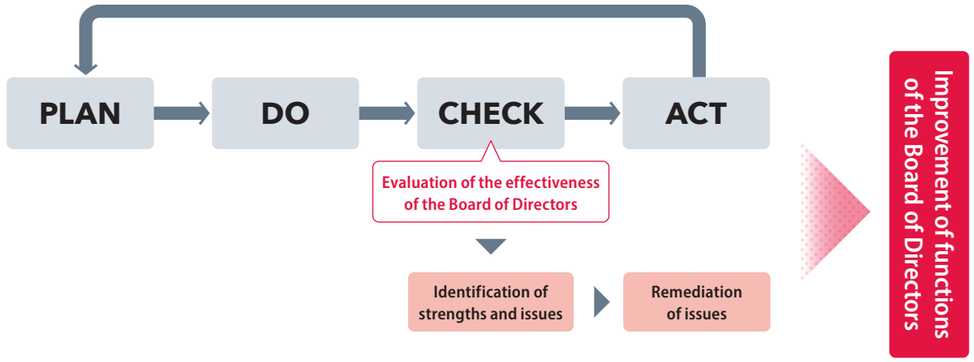


Sustainability Report 2021

Summary of the Results of the Analysis and Evaluation of the Effectiveness of the Board of Directors

Based on the perspectives of whether the Board of Directors is contributing to the enhancement of corporate value and functioning properly and achieving results, we conduct a questionnaire survey of directors and analyze and evaluate the effectiveness of the Board of Directors based on their responses. Based on the results of analysis and evaluation, we are working to improve the functions of the Board of Directors by implementing the PDCA cycle and working to remedy issues.

■PDCA cycle of the Board of Directors



Evaluation methods	■Conducted the Questionnaire on the Effectiveness of the Board of Directors among directors. (January 2022) ■Based on the responses, analyzed and evaluated the effectiveness of the Board of Directors, and discussed policies for dealing with issues. (Board of Directors meetings in March, April, and May 2022) ■In the current fiscal year, we introduced support from an external organization with the aim of improving the effectiveness of the evaluation process by ensuring objectivity and transparency.
Summary of analysis and evaluation results	■We confirmed that our Board of Directors has established an appropriate structure and implemented appropriate initiatives with respect to each of the evaluation items, and that its effectiveness is sufficiently ensured. ■We also confirmed that each director actively expresses their opinions in accordance with their abilities and experience, and fulfills their roles as directors in an appropriate manner. ■At the same time, from the perspective of further enhancing the effectiveness of the Board of Directors, we recognize that we need to take steps to further invigorate discussion between the directors.
Efforts to address issues from the previous fiscal year	■In the previous year's evaluation, we identified "invigoration of discussions on management issues and business strategies" as an issue. ■In the current fiscal year, we confirmed that the issue has been improved by establishing a number of agenda items for discussion focusing on medium- and long-term management strategies, among others.
Addressing future issues to improve effectiveness	In order to further invigorate discussions at the Board of Directors meetings, we will address the following two issues: (1) Deepen discussions on key points and issues in the medium- to long-term management strategy Deepen discussions throughout the year on key points in the management strategy, including enhancement of consulting services, promotion of digital transformation, and human resources development. (2) Establish a forum for discussion outside of Board of Directors meetings Provide a platform for the exchange of opinions between outside directors and internal management, with the lead outside director serving as a liaison with internal management to enhance discussions on a wide range of topics.

Messages from the Outside Directors

INTERVIEW



Outside Director **Yasuyuki Kuratsu**

Representative Director,
Research & Pricing Technology, Inc.

Outside Director, Audit and Supervisory Committee Member **Shoichi Imaoka**

Certified Public Accountant,
Certified Tax Accountant

How would you rate San-in Godo Bank's corporate governance reform efforts to date?

Kuratsu: The media often reports on regional banks' reluctance or conservatism in corporate governance reform, but I think the pace of reform at San-in Godo Bank has been rapid. Our bank's proactive stance to various issues is highly commendable. For example, we were quick to invite independent outside directors, adopt a performance-based remuneration system, transition to a company with an Audit and Supervisory Committee, increase the number of female directors, and increase the number of outside directors to half of the Board of Directors. In particular, the selection of independent

outside directors is a high hurdle for regional financial institutions, but in our case, I believe we have succeeded by making good use of our network. The Nomination and Compensation Committee went through a trial-and-error phase, and under the chairmanship of an independent outside director, the discussions have finally gained ground. In terms of disclosure, I am also sensing a strong desire to send a message to the community, as evidenced by the publication of a Sustainability Report in November 2021, the first of its kind for a regional bank.

Imaoka: I believe that San-in Godo Bank has been focusing on the substantive aspects from a relatively early stage. I was first appointed as a corporate auditor in June 2015, the year the Corporate Governance Code was enacted and enforced, which was the first year of so-called corporate governance reform. I was a bit nervous about being appointed in such a year, but as soon as I took office, I was given an explanation of our governance reforms. The explanation covered everything from the 2008 revision of the directors' and officers' remuneration system to the 2011 reform of the Board of Directors aimed at its revitalization. Thus, the current structure of the Board of Directors was almost complete.



When I actually attended the board meetings, there was a lively exchange of opinions, and I felt that the reforms were showing results.

As a further reform, we transitioned to a company with an Audit and Supervisory Committee system in 2019. Although some initially thought that there would be no substantive change in governance, I believe that governance has been enhanced through fuller discussions at board meetings and the establishment of a voluntary Nominating and Compensation Committee.

What is your role and aspirations for ensuring the further effectiveness of the Board of Directors?

Kuratsu: In general, it is a common belief that board meetings in traditional Japanese-style management have become increasingly redundant under formalization and formality, but at the first board meeting I attended after assuming office in June 2018, it was refreshing to see how actively the outside directors and officers expressed their opinions. I also read as much as possible of the materials distributed in advance by the day before the board meeting, and made an effort to ask questions about anything that was unclear, point out anything that I had doubts about, and make suggestions about anything that I thought needed to be improved. The other directors were also extremely active in their comments, and looking back over the past four years, there has never been a case in which a board meeting ended on an anticlimactic note. I have a background in banking and securities, so I like to think that I have a thorough understanding of the bank's operations, but without explanations from the executive side, it is impossible for me to grasp the details of the unique operations, problems, and future challenges in the San-in region. I think it will be necessary to enhance such communication. In addition, in the future, we will need to come up with cutting-edge strategies in a wide range of areas, such as ESG compliance, business succession, asset management, and digitalization. The Board of Directors will take a multifaceted approach to monitoring execution and raising issues related to such important points, and I myself will make further efforts to benefit our stakeholders to the best of my ability.

Imaoka: In order to enhance the effectiveness of the supervisory function, it is necessary to further improve the cooperation among the three auditing bodies (Audit and Supervisory Committee, Audit Department, and Accounting Auditor). This is where I believe I can make use of my expertise and practical experience in financial accounting and accounting audits as a certified public accountant. In particular, the Audit Department is aiming to further enhance the sophistication of auditing, and is undergoing external evaluation by an auditing firm in fiscal 2021. I believe that we can cooperate in future reforms based on this evaluation.

In addition, I have been a member of the Nomination and Compensation Committee as a representative of the Audit and Supervisory Committee since fiscal 2021. Involvement of outside officers in the selection of directors and officers will enhance objectivity and transparency. In particular, since the Audit and Supervisory Committee is granted the right to express its opinion on the appointment and compensation of directors who are not Audit and Supervisory Committee members, I think it is even more important for the Audit and Supervisory Committee to be involved in the process of appointing officers.

What initiatives should San-in Godo Bank take to enhance its corporate value?

Kuratsu: Corporate value has diverse aspects, including evaluation by investors, customers, and employees. We must of course take measures to raise the share price to an appropriate level, and we have already taken steps such as raising the standard for dividend payments and initiating individual meetings between institutional investors and Mr. Yamazaki, San-in Godo Bank's president. We must not forget to enhance our credibility by seeking to obtain broad-ranging external appeal, including financial strength and ESG measures. I also believe that we can enhance our overall corporate value by strengthening our consulting function and our alliance with Nomura Securities Co., Ltd., thereby giving our clients a greater sense of trust and familiarity with us, and by enhancing our education system in consideration of each employee's career path to achieve true work style reforms.

Imaoka: In the current rapidly changing social environment, I believe that we must faithfully execute our long-term vision (Be a wide-area regional bank with sustained growth through top-rated capacity to solve issues) to achieve our management philosophy. The implementation of the medium-term management plan formulated on this basis has resulted in a higher growth rate in both deposits and loans in fiscal 2021 than the average of other banks. Of particular note was the increase in individual housing loans in the Sanyo and Kansai regions. At the Board of Directors meeting, the president also commented how he was surprised about this, given that there was no particular difference in interest rates. The reason for this is that our polite lending attitude and detailed explanations when refusing loans are the reasons why customers choose us, which I believe is also an advantage for other types of loans. Furthermore, in the Kansai region, there is a lot of construction of built-for-sale house and second-hand sales, and the speed of loan decisions is highly valued by businesses. I believe that our response to these businesses' needs is the result of our recent emphasis on consulting.



The development of the region is essential for our growth. We are undertaking or considering new initiatives for regional revitalization, such as ESG-related lending, investment, and consulting, as well as the promotion of digital transformation to local governments. I look forward to seeing these efforts produce solid results.

Directors and Executive Officers

(as of June 22, 2022)

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



Chairman and Representative Director
Fumio Ishimaru

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



President and Representative Director
Toru Yamasaki

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



Director
Shuichi Ida

Apr. 1988 Joined San-in Godo Bank
Apr. 2007 Assistant Manager, Credit Screening Dept.
Jul. 2008 Assistant Manager, Human Resources Dept.
Jul. 2010 Group Manager, Human Resources Dept.
Jul. 2011 General Manager, Yonago-higashi Branch
Jul. 2014 General Manager, Hiroshima Branch
Jun. 2016 General Manager, General Operational and Administrative Dept.
Jun. 2018 Executive Officer, General Manager, Management Planning Dept.
Jun. 2020 Director and Managing Executive Officer, General Manager, Management Planning Dept.
Jun. 2022 Director and Senior Managing Executive Officer (current)



Director
Hiroshi Yoshikawa

Apr. 1989 Joined San-in Godo Bank
Apr. 2008 Deputy General Manager, Yonago Branch
Jul. 2009 General Manager, Himeji Branch
Oct. 2012 General Manager, Hanshin-kita Branch
Jun. 2015 General Manager, Okayama Branch
Jul. 2017 General Manager, Yonago Branch
Jun. 2019 Executive Officer, General Manager, Yonago Branch
Jun. 2020 Executive Officer, Chief, Sanyo Headquarters
Jun. 2021 Managing Executive Officer, Chief, Sanyo Headquarters
Jun. 2022 Director and Managing Executive Officer (current)



Director
(Outside, Independent)
Yasuyuki Kuratsu

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



Director
(Outside, Independent)
Yasuhiro Goto

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



Director (Outside, Independent)
Chie Motoi

Apr. 1987 Joined Arthur Andersen (currently, Accenture Japan Ltd)
Sept. 1997 Senior Manager, Arthur Andersen
Sept. 2000 Executive Partner, Public Service/Medical Health Headquarters, Arthur Andersen
Apr. 2011 Director, GEWEL (NPO)
Apr. 2011 Independent consultant (diversity promotion in companies, support for women's activities) (current)
Sept. 2019 Special Secretary, Yokohama City
Jun. 2022 Director, San-in Godo Bank (current)

Directors on the Audit and Supervisory Committee



Full-time Audit and Supervisory Committee Member
Koji Miyauchi

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



Full-time Audit and Supervisory Committee Member
Mamiko Nakamura

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



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

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



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

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



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

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

Executive Officers

■President and Chief Executive Officer
Toru Yamasaki

■Managing Executive Officer
Hiroshi Yoshikawa

■Executive Officer (Chief, Sanyo Headquarters)
Tomofumi Kanaya

■Executive Officer (General Manager, Okayama Branch)
Noboru Nariai

■Senior Managing Executive Officer (Chief, Kansai Headquarters)
Hideaki Furuyama

■Managing Executive Officer (Chief, N-Alliance Headquarters)
Hidetoshi Kageyama

■Executive Officer (Chief, Iwami Headquarters)
Shinji Ito

■Executive Officer (General Manager, Management Planning Dept.)
Yoshikazu Tanaka

■Senior Managing Executive Officer
Shuichi Ida

■Managing Executive Officer (General Manager, Digital Transformation Promotion Headquarters)
Hirohisa Ikuta

■Executive Officer (General Manager, Kobe Branch)
Eiji Kikkawa

■Executive Officer (Chief, Yonago Headquarters)
Sawako Yoshioka

■Senior Managing Executive Officer (Chief, Tottori Headquarters)
Soichi Akishita

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

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

■Executive Officer (General Manager, Tottori Business Dept.)
Jun Ishibashi

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

Promotion of Structural Reform

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

Basic Policy

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

Stronger points of contact with customers/ Provision of more sophisticated services

Reduction in clerical work time/ Personnel allocation to strategic fields

Thorough Pursuit of Rationalization and Streamlining

Greater organizational system rationalization

Group Governance

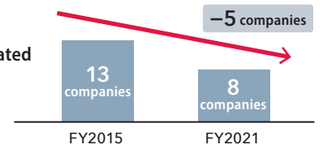
■Business performance management by segment

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

■Realigning overlapping businesses within the Group

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

■Results of recent restructuring of affiliated companies



Branch strategy

■Branch network rationalization

In addition to "branch-in-branch" models, we adopted a lunch hour system under which we stop business operations as part of efforts to develop an efficient and flexible branch structure. In parallel, we upgraded and expanded products and services available online as part of a push to ensure customer convenience

■Reviewing the role of branches to strengthen consulting sales

Through our alliance with Nomura Securities Co., Ltd., we opened Consulting Plazas at six locations in Shimane and Tottori prefectures of the San-in region. In February 2022, we integrated asset management consultation services at branches, which had handled limited products and services excluding stocks and business bonds, into Consulting Plazas, expanding them by three locations, bringing the total to nine locations capable of providing full-line services.

Improved rationalization based on service maintenance and cost awareness

ATM operation structure

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

Transactions with regional public bodies and organizations

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

Transformation of Human Resources Portfolio

Through the structural reforms that have been steadily implemented since the previous Medium-term Management Plan, we are expanding our top line by reallocating the human resources that have been generated to the strategic areas of corporate consulting and digital fields.

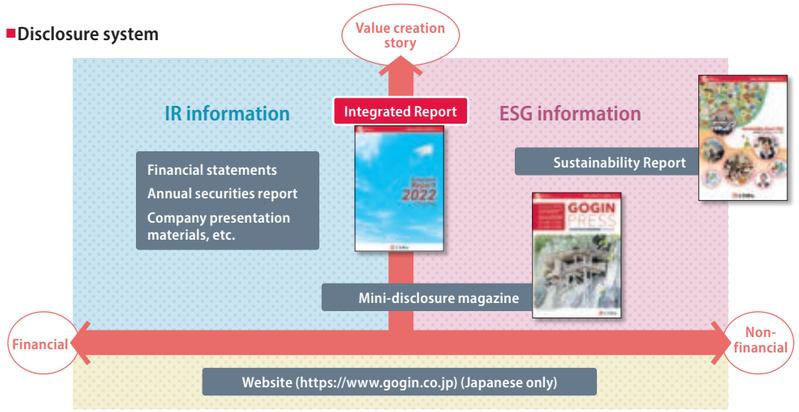
Appropriate Information Disclosure and Creation of Communication Opportunities

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

Proactive Information Disclosure

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

■Disclosure system



Basic Policy on Constructive Conversation with Shareholders

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

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

Ordinary General Meeting of Shareholders

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

Corporate Briefings

Corporate briefings are held regularly to explain details regarding financial statements, management strategies and Bank initiatives for a sustainable regional society, among other matters.

■Briefings for institutional investors and analysts

- **Large meetings** (held twice a year)
  The large meeting held in December 2021 was attended by three outside directors for the first time. The meeting was very well received by those in attendance as it enabled them to get a feel for the lively discussions that take place at meetings of the Board of Directors. We intend to continue having outside directors participate in these meetings in the future.
- **Small meetings**
  We held our first small meeting in June 2022.
- **Individual meetings** (20 meetings in FY2021, 5 by the president and 15 by office staff)
  Since January 2022, we have been holding individual meetings between the president and institutional investors. The meetings are conducted online once or twice a month to allow the president to directly convey his thoughts and ideas to investors.



Large meeting held on May 31, 2022

■Briefings for individual investors (Cancelled in fiscal 2021)

■Briefings for regional clients (Cancelled in fiscal 2021)

Power behind Value Creation

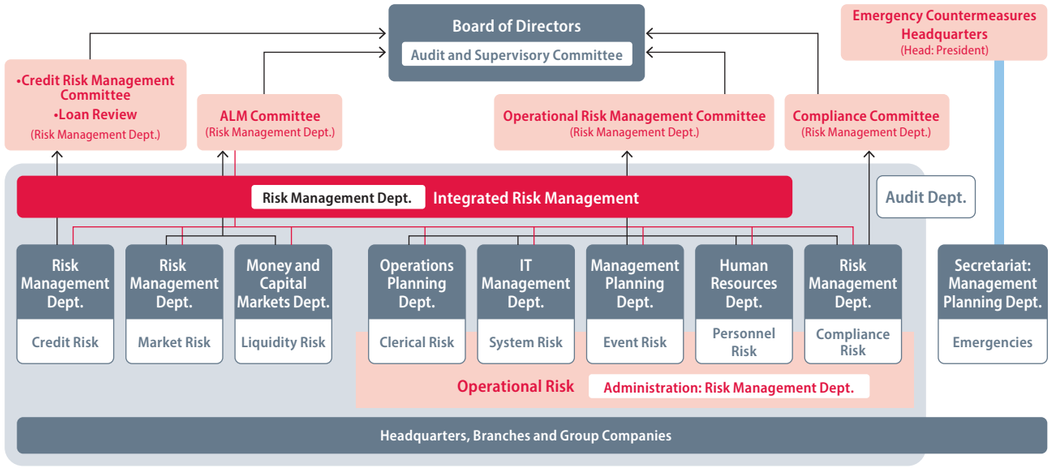
Risk Management

—Aiming to maintain sound management and enhance profitability—

Basic Approach to Risk Management

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

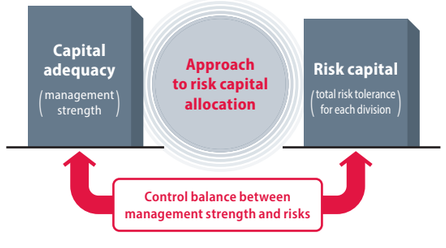
■**Risk Management System** (as of July 1, 2022)

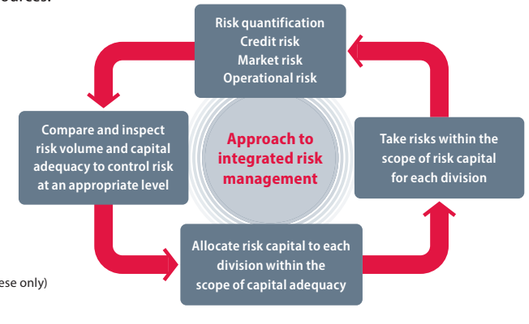


— indicates integrated management of various risks through risk measurement using VaR and other unified metrics
→ indicates line for reporting the risk management status of the department in charge
■ indicates line for providing top-down instruction in case of emergency

Integrated Risk Management

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





*For more on risk management, see pages 22-26 in a separate supplemental disclosure (Japanese only)

Response to Cybersecurity

In light of the increasing sophistication and subtlety of cyber attacks, we recognize the importance of cybersecurity and are working to strengthen our cybersecurity management system in order to provide safe and secure financial services to our customers.

Cybersecurity management system

To combat the many cyber attacks that San-in Godo Bank and Group companies confront, we have established a Computer Security Incident Response Team (CSIRT) with related departments to put a structure in place to manage such risk and prevent the spread of any damage. Specifically, the team develops cybersecurity-related regulations, collects information on the latest attack methods and vulnerabilities, plans and implements cyber attack countermeasures, conducts periodic inspections and monitoring, and provides security education to employees. In addition, it conducts periodic response drills to ensure that we can respond promptly in the event of an incident, thereby improving our effectiveness.

Main initiatives

■**Adapting to new lifestyles**

We have introduced a telework system to enable flexible work styles and to respond to the need for crisis management that emerged with the COVID-19 pandemic. In introducing the system, we have implemented measures to prevent information leaks and unauthorized access, and have also provided in-house education on rules for telework. In addition, we have also established a web conferencing environment, which is used for remote meetings with clients as well as for in-house training, etc.

■**Response to financial crime**

With the rapid development of electronic payment services on the Internet, cyber crime targeting online services is increasing. We are taking various measures to ensure that our customers can use our online services with peace of mind, such as by stepping up personal and transaction authentication when applying for online services like Internet banking, as well as through monitoring to detect unusual or unauthorized transactions.

Response to Emergency Situations

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

■**Crisis response according to crisis level**

In the event of a crisis event, the situation may change over time, requiring a crisis response by an appropriate responder according to the changes in the situation. For this reason, we have established crisis level classifications I-III according to the severity of the situation, and will promptly establish an appropriate crisis response system (escalation) in accordance with the crisis level.

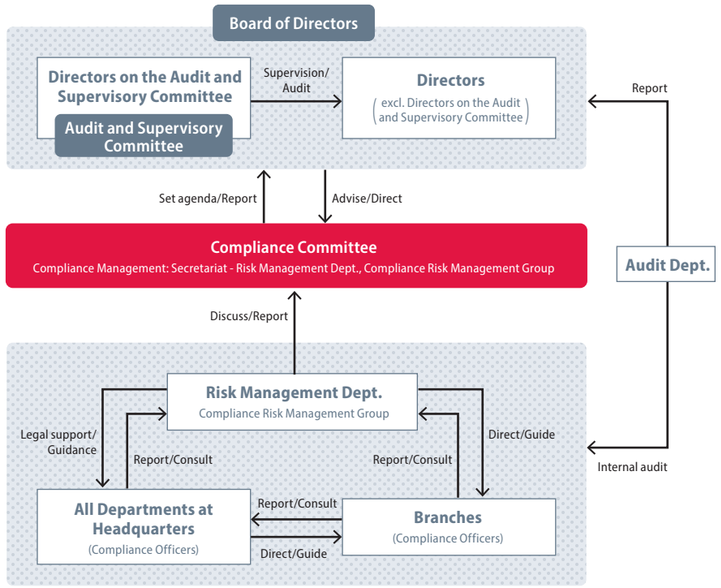
Crisis level	Responder	Crisis event	
Level I	Risk perceiver* / Branch (workplace disaster prevention team)	Definition	An event in which the damage or escalation of impact can be contained by the response of the risk perceiver or the workplace disaster prevention team
		Examples:	Small fires, illnesses, torrential rain, traffic accidents, etc.
Level II	Incident response department (department in charge at headquarters)	Definition	(1) An event in which the damage or the expansion of the impact can be controlled mainly through the initiative of the incident response department (department in charge at headquarters) in cooperation with branches, etc. (2) An event for which a response by the incident response department (department in charge at headquarters) is determined
		Examples:	Earthquakes (intensity 5 or lower), fires, typhoons, new strains of influenza (low pathogenic), prolonged power outages, equipment damage, reputational risks (payoff response), etc.
Level III	Emergency Response headquarters	Definition	(1) An event that has caused or is expected to cause serious damage (2) An event that particularly warrants judgment and direction by management (3) An event that particularly warrants a coordinated response among divisions at head office and branches, or a unified bank-wide response
		Examples:	Earthquakes (intensity 5 or higher), large-scale fires, large-scale floods, new strains of influenza (highly pathogenic), serious reputational risks (payoff response), etc.

*Risk perceivers are those who identify risks and crisis events and implement initial responses on site

Basic Approach Regarding Compliance

At San-in Godo Bank, we position compliance as one of our most important management issues, taking aggressive steps to strengthen the compliance system for fostering a corporate culture in respect of compliance.
Under its remit, the Compliance Committee periodically inspects compliance status as well as the improvement and operation of compliance and risk management structures, proposing appropriate measures and solving problems as needed. Inspection-related matters are regularly put on the agenda or reported to the Board of Directors.

■**Compliance Structure (as of July 1, 2022)**



- At San-in Godo Bank, to ensure compliance is maintained and practiced, we conduct compliance and risk management commensurate with risk from a risk-based approach perspective.
- To carry out effective compliance and risk management, the Board of Directors formulates a compliance program, an implementation plan composed of specific procedures for mitigating risk.

Group Compliance and Risk Management

The Gogin Group has established the San-in Godo Bank Group Basic Compliance Policy to ensure compliance in accordance with the Basic Policy on Internal Control Systems.
By establishing the Group's basic approach to compliance and a risk management framework, including the recognition and practice of compliance as the top priority in all aspects of business execution, the policy clarifies the Gogin Group's position on compliance and its management framework.

Better Compliance Management through Proper Internal Whistleblower System Operation

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

Initiatives for Eliminating Antisocial Forces

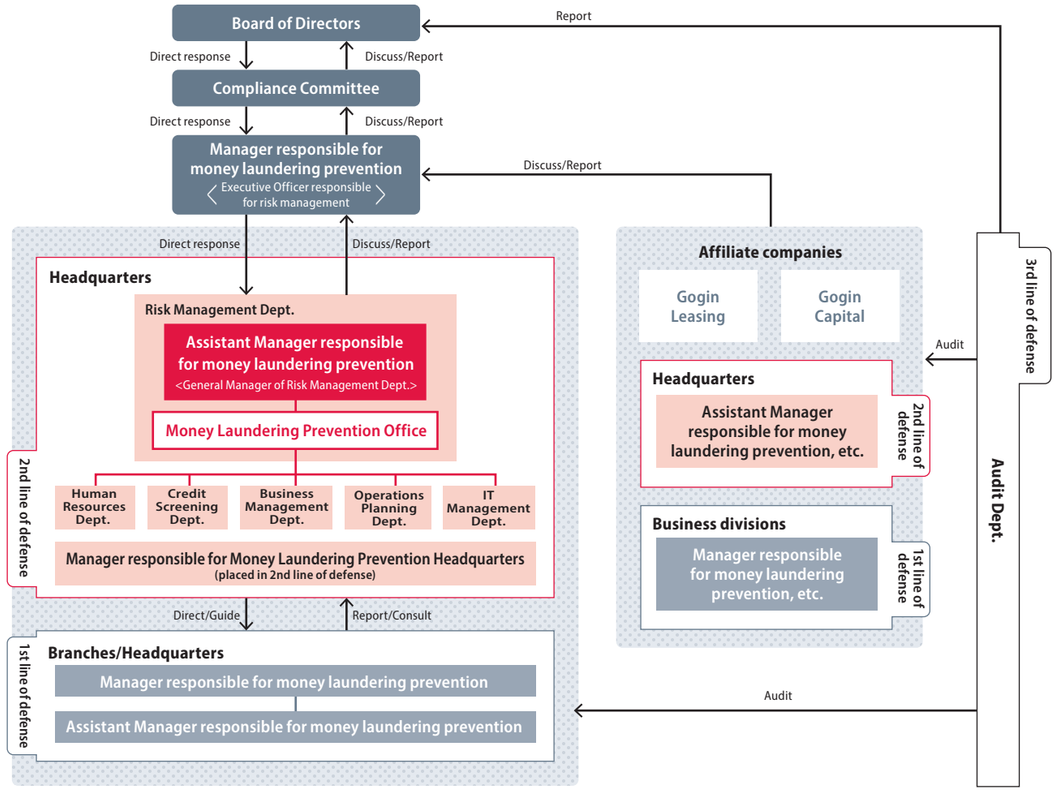
To maintain public trust in financial transactions and ensure both the appropriateness and soundness of its operations, San-in Godo Bank has internal systems in place regarding the complete cut-off of any relationships with antisocial forces, not only the Bank but the entire Group united in efforts to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

*For more on compliance and risk management, see pages 17-18 in a separate supplemental disclosure (Japanese only)

Initiatives to Prevent Money Laundering

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

■**Money laundering prevention framework** (as of July 1, 2022)



Initiatives to Safeguard Clients

From the viewpoint of protecting and improving convenience for the customers who use San-in Godo Bank, we have further enhanced a number of policies, such as "offering appropriate and sufficient explanations to customers," "responding appropriately to consultations and complaints," "appropriately managing client information," "maintaining accuracy and appropriate responses to client data and customers in externally outsourced services" and "appropriate management of conflicts of interests." Our aim is to establish and maintain the management structure to further enhance safeguard of customers. Additionally, we make sure that directors, executive officers and employees are keenly aware of the importance of safeguarding clients and related concerns during regular trainings and seminars on compliance, in a commitment to protecting customers and improving their convenience.

Extensive safeguarding of customers and improved customer convenience

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

Management approach to customer protection, etc.

Appropriate and sufficient explanations to customers	Respond appropriately to consultations and complaints	Appropriate management of customer information	Maintain accuracy in externally outsourced services	Appropriate management of conflicts of interests

Key Financial Indicators

(Unit: ¥ million)

Consolidated	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Ordinary income	91,010	87,244	90,733	91,476	93,746	95,806	97,833	90,352	89,178	**95,111**
Ordinary profit	19,587	19,981	23,126	22,486	20,562	19,867	19,294	16,256	14,439	**20,791**
Profit attributable to owners of the Bank	9,857	11,175	12,161	12,911	13,399	13,692	13,205	10,467	9,679	**14,485**
Non-interest revenue ratio (gross core banking profit basis) (%)	15.20	15.92	16.52	15.95	14.50	16.93	15.54	14.47	14.15	**17.22**
ROE (shareholders' equity basis) (%)	3.88	4.27	4.51	4.64	4.61	4.51	4.21	3.25	2.94	**4.29**
Capital adequacy ratio (domestic standard) (%)*	17.99	17.26	15.71	15.68	14.85	14.06	13.79	12.95	12.48	**11.36**
Non-consolidated										
Summary of business performance										
Ordinary income	76,741	72,976	76,453	77,124	77,898	79,039	81,512	73,350	72,540	**78,367**
Interest income	53,985	54,036	53,964	54,506	54,382	53,146	53,144	54,062	54,857	**58,349**
Interest on loans	36,280	35,142	34,472	33,774	32,849	32,494	32,861	33,482	34,952	**36,165**
Interest and dividends on securities	21,545	22,564	23,109	24,972	26,923	26,547	23,734	22,270	20,669	**21,890**
Revenue from service transactions	4,993	5,928	6,585	6,550	5,553	5,935	6,201	5,977	6,218	**8,077**
Debt-related income (or loss)	3,837	657	576	926	-5,041	-4,440	-3,502	-748	-2,623	**-9,397**
Expenses	38,559	38,353	37,222	37,068	36,931	36,835	36,978	37,900	37,129	**37,504**
Net profit from core banking operations	21,024	22,119	23,716	24,296	23,325	22,816	22,543	22,402	24,153	**30,654**
Stock-related income (or loss)	-825	131	1,705	644	2,021	2,753	4,086	1,265	840	**1,180**
Disposal of non-performing loans	5,675	3,867	-20	2,827	155	686	3,390	5,042	4,853	**3,316**
Ordinary profit	17,622	18,507	21,373	21,927	19,450	19,262	19,259	15,906	13,891	**20,346**
Net income	9,528	10,977	11,753	13,260	13,385	13,357	13,495	10,478	8,325	**14,222**
Credit expenses	6,126	3,915	4,193	3,447	-260	628	3,969	5,234	7,246	**1,890**
Major accounts (year-end balance)										
Total assets	4,210,000	4,448,860	4,760,617	5,138,148	5,391,748	5,534,909	5,584,011	5,672,201	6,356,422	**6,752,805**
Loans	2,288,629	2,318,491	2,442,621	2,605,731	2,822,492	3,016,546	3,121,051	3,353,056	3,583,995	**3,933,541**
Securities	1,597,674	1,628,989	1,757,342	1,861,544	1,922,061	1,848,466	1,600,463	1,656,038	1,809,181	**1,928,882**
Deposits, etc. (deposits + negotiable certificates of deposit)	3,619,460	3,717,840	3,794,564	3,883,269	3,956,361	4,081,460	4,157,292	4,237,248	4,738,294	**5,036,977**
Key figures and indicators										
Yield on loans (domestic) (%)	1.64	1.56	1.48	1.38	1.22	1.12	1.07	1.04	1.00	**0.97**
Yield on securities (domestic) (%)	1.42	1.32	1.27	1.25	1.26	1.24	1.26	1.42	1.07	**0.92**
Non-performing loan amount	80,886	79,879	67,412	66,551	58,437	53,678	56,999	59,817	61,568	**66,995**
Non-performing loan ratio (%)	3.46	3.37	2.70	2.49	2.02	1.73	1.77	1.72	1.66	**1.65**
Over Head Ratio (OHR) (gross core banking profit basis) (%)	64.71	63.42	61.08	60.40	61.29	61.75	62.12	62.85	60.58	**55.02**
Capital adequacy ratio (domestic standard) (%)*	17.06	16.24	14.68	14.82	14.30	13.48	13.32	12.52	11.97	**10.92**
Per share data										
Net assets per share (¥)	1,848.29	1,885.00	2,093.19	2,238.49	2,205.58	2,255.35	2,324.78	2,265.44	2,355.52	**2,177.08**
Annual dividend per share (¥)	10.00	11.00	13.00	15.00	15.00	26.00	26.00	20.00	18.00	**32.00**
Earnings per share (¥)	58.33	67.98	73.45	83.27	85.18	85.61	86.44	67.15	53.45	**91.20**
Earnings per share, diluted (¥)	58.07	67.64	73.00	82.84	84.82	85.33	86.21	66.98	53.35	**91.09**
Other indicators										
Dividend payout ratio (%)	17.14	16.18	17.69	18.01	17.60	30.37	30.07	29.78	33.67	**35.08**
Stock price (year-end) (¥)	806	698	991	696	892	942	794	547	561	**627**
No. of branches (incl. former sub branches, branch-in-branch locations and one direct branch)	171	171	170	167	161	152	150	150	149	**149**
No. of employees	1,996	1,983	1,987	1,978	1,995	2,003	2,018	1,992	1,961	**1,923**
Market data (year-end)										
Nikkei-225 Stock Average (¥)	12,397	14,827	19,206	16,758	18,909	21,454	21,205	18,917	29,178	**27,821**
10-year government bond yields (%)	0.560	0.640	0.400	-0.050	0.065	0.045	-0.095	0.005	0.120	**0.210**
Exchange rate ($=¥: TTM at the end of period) (¥)	94.05	102.92	120.17	112.68	112.19	106.24	110.99	108.83	110.71	**122.39**

*Calculated according to the Basel III rules since FY2013

Corporate Data

San-in Godo Bank Overview (non-consolidated) (As of March 31, 2022)

Date of establishment: July 1, 1941

Head office: 10, Uomachi, Matsue, Shimane 690-0062, Japan

Common stock: ¥20.7 billion

Number of employees: 1,923

Number of locations:

Number of offices: Domestic branches (incl. Head office): 68

Sub-branches: 46 (excl. 34 branch-in-branch locations and 1 direct branch)

Representative offices in Japan: 1 (Tokyo)

Overseas representative offices: 3 (Dalian, Shanghai, Bangkok)

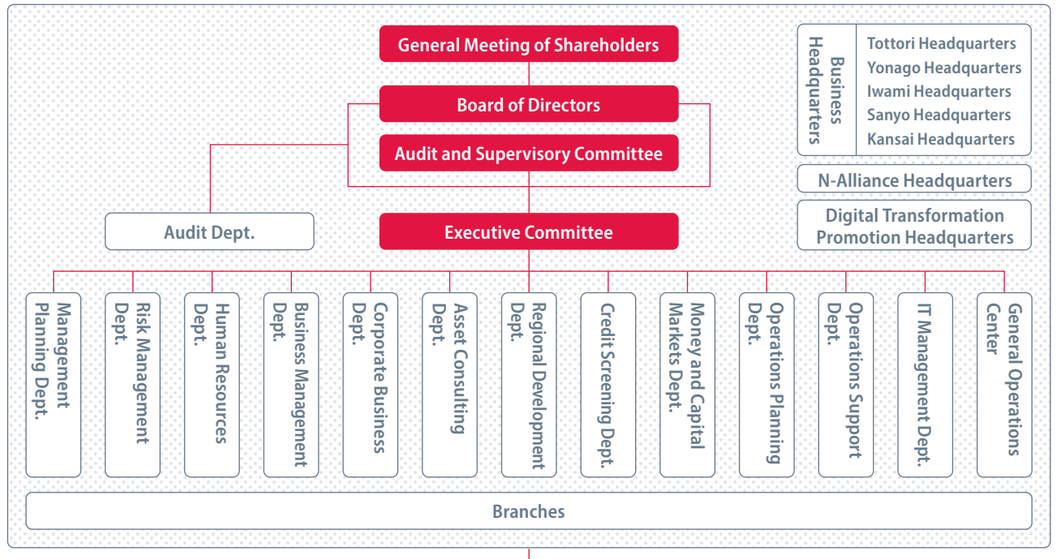
Major accounts: Total assets: ¥6,752.8 billion
Deposits, etc. (Deposits + NCD): ¥5,036.9 billion
Loans: ¥3,933.5 billion
Securities: ¥1,928.8 billion

Capital adequacy ratio: 10.92%

Ratings: A3 (Moody's Japan K.K.)
A+ (Rating & Investment Information, Inc.)
AA- (Japan Credit Rating Agency, Ltd.)

Gogin Group Organizational Structure (as of July 1, 2022)

■San-in Godo Bank



■Subsidiaries

- Matsue Real Estate Co., Ltd.
- San-in Office Services Co., Ltd.
- San-in Servicing Co., Ltd.
- Gogin Leasing Co., Ltd.
- Gogin Guaranty Co., Ltd.
- Gogin Credit Co., Ltd.
- Gogin Capital Co., Ltd.
- Gogin Energy Co., Ltd.

San-in Godo Bank Wide-ranging Branch Network

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

■Gogin wide-ranging branch network

(as of July 1, 2022)

	Head office and branches	Sub-branches	Total
Shimane Pref.	28	23	**51**
Tottori Pref.	18	23	**41**
Hiroshima Pref.	5	0	**5**
Okayama Pref.	5	0	**5**
Hyogo Pref.	10	0	**10**
Osaka Pref.	1	0	**1**
Tokyo Pref.	1	0	**1**
Total	**68**	**46**	**114**

Three overseas representative offices (Dalian, Shanghai, Bangkok)
*Excl. 34 branch-in-branch locations and 1 direct branch

■Bank's ATM installation status

(As of end of May, 2022)
(No.)

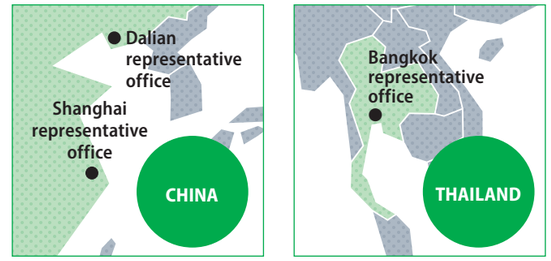
	Total	On-site	Off-site
Shimane Pref.	258	121	137
Tottori Pref.	162	91	71
Hiroshima Pref.	3	3	0
Okayama Pref.	5	5	0
Hyogo Pref.	2	2	0
Grand Total	**430**	**222**	**208**

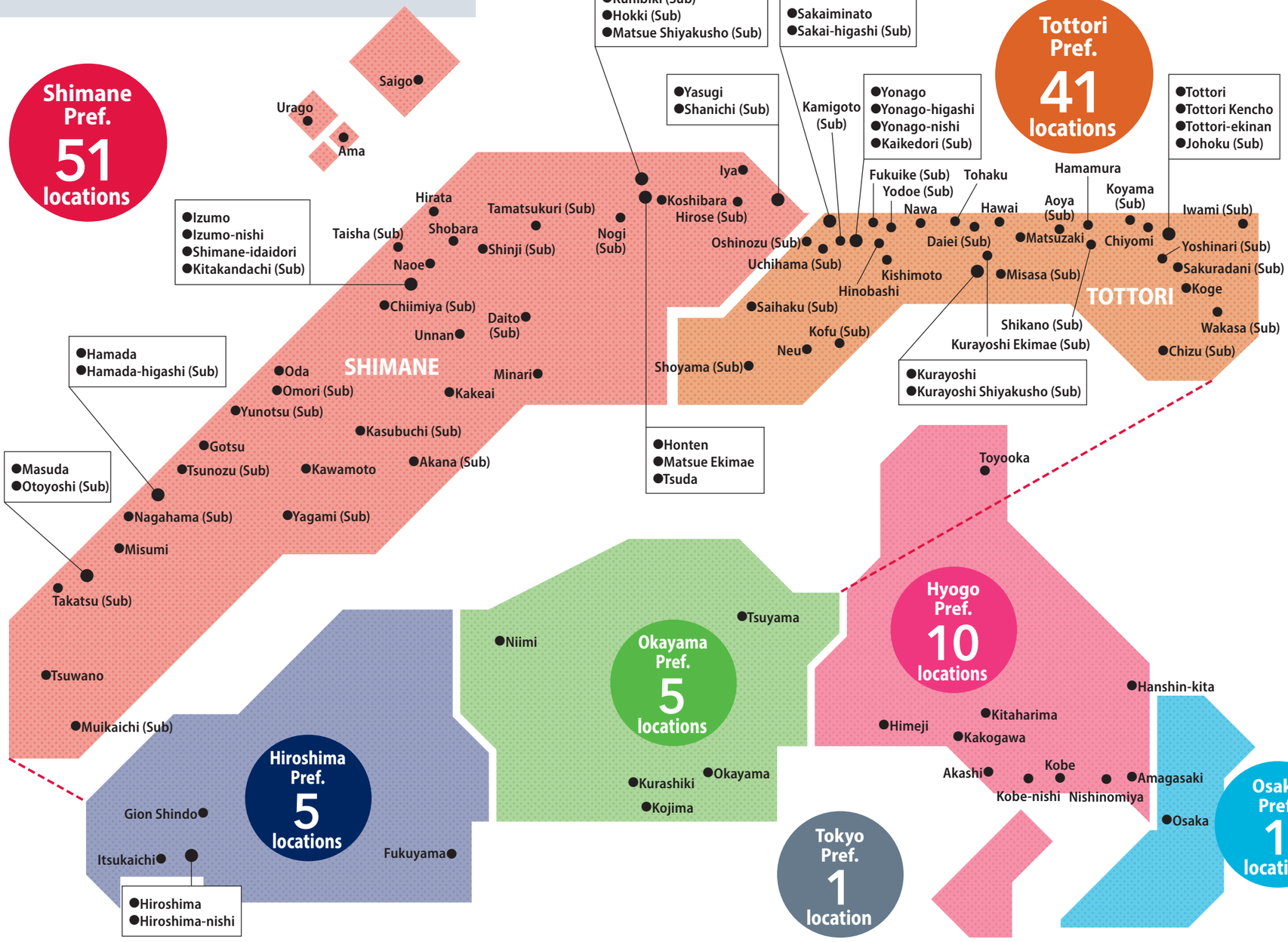
■Bank ATM installation status in convenience stores

(As of end of May, 2022)
(No.)

Number of convenience stores where the Bank ATM is installed	E-net ATM
Across the country	12,092
Shimane Pref.	61
Tottori Pref.	66

■Overseas Representative Offices





*Number of branch locations does not include branch-in-branches or our one direct branch

Consolidated Balance Sheets

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

As of March 31, 2021 and 2022	Millions of Yen 2021	Millions of Yen 2022	Thousands of U.S. Dollars 2022
Assets:			
Cash and due from banks (Notes 16 and 18)	¥ 872,988	¥ 775,086	$ 6,332,919
Debt purchased	10,914	11,699	95,587
Money held in trust (Note 21)	4,978	4,998	40,836
Securities (Notes 6, 8, 18, 19 and 20)	1,809,682	1,931,505	15,781,558
Loans and bills discounted (Notes 6, 8, 9 and 18)	3,554,553	3,909,437	31,942,454
Foreign exchange	9,494	10,020	81,869
Lease receivables and investments in lease assets (Notes 8 and 17)	29,514	29,287	239,292
Other assets (Notes 8 and 18)	67,392	77,013	629,242
Tangible fixed assets (Notes 10 and 11):	34,226	34,220	279,598
Buildings	11,251	10,652	87,033
Land	19,737	19,713	161,067
Construction in process	81	436	3,562
Others	3,157	3,418	27,927
Intangible fixed assets:	4,894	4,374	35,738
Software	4,626	4,112	33,597
Others	268	261	2,132
Net defined benefit asset	443	1,589	12,983
Deferred tax assets (Note 25)	39	15,408	125,892
Customers' liabilities for acceptances and guarantees (Note 6)	13,971	13,269	108,415
Reserve for possible loan losses	(42,629)	(42,571)	(347,830)
Reserve for devaluation of securities	(179)	(182)	(1,487)
Total assets	¥ 6,370,285	¥ 6,775,158	$ 55,357,120
Liabilities:			
Deposits (Notes 8 and 18)	¥ 4,432,481	¥ 4,872,042	$ 39,807,516
Negotiable certificates of deposit (Note 18)	285,982	151,444	1,237,388
Call money and bills sold	115,456	120,895	987,784
Cash collateral received under securities lending (Notes 8 and 18)	445,776	429,129	3,506,242
Borrowed money (Notes 8 and 18)	597,672	703,317	5,746,523
Foreign exchange	83	50	408
Other liabilities (Notes 8, 18 and 26)	83,830	117,160	957,267
Reserve for bonuses to employees	966	950	7,762
Net defined benefit liability (Note 23)	9,681	9,503	77,645
Reserve for stock benefits	392	420	3,431
Reserve for directors' and corporate auditors' retirement benefits	76	57	465
Reserve for reimbursement of deposits	319	279	2,279
Reserve for contingencies	862	812	6,634
Deferred tax liabilities (Note 25)	743	570	4,657
Deferred tax liabilities for land revaluation excess (Note 10)	2,133	2,061	16,839
Acceptances and guarantees (Note 6)	13,971	13,269	108,415
Total liabilities	¥ 5,990,432	¥ 6,421,967	$ 52,471,337
Net assets (Note 32):			
Common stock:			
Authorized — 495,021,000 shares in 2021 and 2022			
Issued and outstanding — 156,977,472 shares in 2021 and 2022	¥ 20,705	¥ 20,705	$ 169,172
Capital surplus	22,058	22,058	180,227
Retained earnings	290,042	301,096	2,460,135
Treasury stock, at cost —1,142,966 shares in 2021 and 989,297 shares in 2022	(749)	(643)	(5,253)
Total shareholders' equity	332,056	343,217	2,804,289
Net unrealized gain on other securities (Note 19)	47,912	7,137	58,313
Net deferred gain (loss) on hedging instruments	(0)	2,688	21,962
Land revaluation excess (Note 10)	2,510	2,348	19,184
Remeasurements of defined benefit plans (Note 23)	(3,330)	(2,814)	(22,992)
Total accumulated other comprehensive income	47,092	9,358	76,460
Subscription rights to shares (Note 24)	170	123	1,004
Non-controlling interests	532	491	4,011
Total net assets	¥ 379,852	¥ 353,191	$ 2,885,783
Total liabilities and net assets	¥ 6 ,370,285	¥ 6,775,158	$ 55,357,120

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

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

Years Ended March 31, 2021 and 2022	Millions of Yen 2021	Millions of Yen 2022	Thousands of U.S. Dollars 2022
Income:			
Interest income:	¥ 56,723	¥ 60,038	$ 490,546
Interest on loans and discounts	34,854	36,071	294,721
Interest and dividends on securities	20,667	21,838	178,429
Other interest income	1,200	2,127	17,378
Fees and commissions	11,384	13,115	107,157
Other operating income	17,030	18,387	150,232
Other income	4,061	3,626	29,626
Total income	89,199	95,168	777,579
Expenses:			
Interest expenses:	1,999	1,875	15,319
Interest on deposits and NCDs	1,222	980	8,007
Interest on call money and bills sold	429	402	3,284
Interest on securities lending with cash collateral	110	121	988
Interest on borrowed money	44	41	334
Other interest expenses	191	328	2,679
Fees and commissions	4,214	4,337	35,435
Other operating expenses	17,814	24,489	200,089
General and administrative expenses	40,262	40,065	327,355
Provision for reserve for possible loan losses	7,159	1,934	15,801
Other expenses (Note 12)	3,582	2,182	17,828
Total expenses	75,032	74,885	611,855
Extraordinary gains	21	57	465
Extraordinary losses	293	566	4,624
Profit before income taxes	14,167	20,283	165,724
Income taxes (Note 25):	4,500	5,821	47,561
Current	5,603	4,826	39,431
Deferred	(1,102)	994	8,121
Profit	9,667	14,462	118,163
Profit (loss) attributable to non-controlling interests	(11)	(22)	(179)
Profit attributable to owners of the Bank	¥ 9,679	¥ 14,485	$ 118,351

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, 2021 and 2022	Millions of Yen		Thousands of U.S. Dollars
	2021	2022	2022
Profit	¥ 9,667	¥ 14,462	$ 118,163
Other comprehensive income:			
Net unrealized gain (loss) on other securities	9,722	(40,791)	(333,287)
Net deferred gain (loss) on hedging instruments	(8)	2,688	21,962
Remeasurements of defined benefit plans	1,984	515	4,207
Total other comprehensive income (Note 13)	11,698	(37,587)	(307,108)
Comprehensive income	¥ 21,365	¥ (23,125)	$ (188,945)
Comprehensive income attributable to owners of the Bank	¥ 21,376	¥ (23,086)	$ (188,626)
Comprehensive income attributable to non-controlling interests	(10)	(38)	(310)

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, 2021 and 2022	Millions of Yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Net assets as of April 1, 2020	¥ 20,705	¥ 21,385	¥ 283,495	¥ (947)	¥ 324,637
Cumulative effects of changes in accounting policies			–		–
Restated balance	20,705	21,385	283,495	(947)	324,637
Dividends			(3,132)		(3,132)
Profit attributable to owners of the Bank			9,679		9,679
Purchases of treasury stock				(0)	(0)
Sales of treasury stock		(3)	(12)	199	183
Transfer from land revaluation excess			12		12
Change in ownership interest of parent due to transactions with non-controlling interests		677			677
Net changes of items other than shareholders' equity					
Total changes during the year	–	673	6,546	198	7,419
Net assets as of April 1, 2021	20,705	22,058	290,042	(749)	332,056
Cumulative effects of changes in accounting policies			(142)		(142)
Restated balance	20,705	22,058	289,899	(749)	331,914
Dividends			(3,448)		(3,448)
Profit attributable to owners of the Bank			14,485		14,485
Purchases of treasury stock				(0)	(0)
Sales of treasury stock		–	(1)	106	105
Transfer from land revaluation excess			162		162
Change in ownership interest of parent due to transactions with non-controlling interests		–			–
Net changes of items other than shareholders' equity					
Total changes during the year	–	–	11,197	105	11,302
Balance as of March 31, 2022	¥ 20,705	¥ 22,058	¥ 301,096	¥ (643)	¥ 343,217

Years Ended March 31, 2021 and 2022	Millions of Yen							
	Accumulated other comprehensive income							
	Net unrealized gain (loss) on other securities	Net deferred gain (loss) on hedging instruments	Land revaluation excess	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to new shares	Non-controlling interests	Total net assets
Net assets as of April 1, 2020	¥ 38,191	¥ 8	¥ 2,522	¥ (5,314)	¥ 35,407	¥ 281	¥ 1,323	¥ 361,650
Cumulative effects of changes in accounting policies								–
Restated balance	38,191	8	2,522	(5,314)	35,407	281	1,323	361,650
Dividends								(3,132)
Profit attributable to owners of the Bank								9,679
Purchases of treasury stock								(0)
Sales of treasury stock								183
Transfer from land revaluation excess								12
Change in ownership interest of parent due to transactions with non-controlling interests								677
Net changes of items other than shareholders' equity	9,721	(8)	(12)	1,984	11,684	(110)	(791)	10,783
Total changes during the year	9,721	(8)	(12)	1,984	11,684	(110)	(791)	18,202
Net assets as of April 1, 2021	47,912	(0)	2,510	(3,330)	47,092	170	532	379,852
Cumulative effects of changes in accounting policies								(142)
Restated balance	47,912	(0)	2,510	(3,330)	47,092	170	532	379,710
Dividends								(3,448)
Profit attributable to owners of the Bank								14,485
Purchases of treasury stock								(0)
Sales of treasury stock								105
Transfer from land revaluation excess								162
Change in ownership interest of parent due to transactions with non-controlling interests								–
Net changes of items other than shareholders' equity	(40,775)	2,688	(162)	515	(37,733)	(47)	(41)	(37,822)
Total changes during the year	(40,775)	2,688	(162)	515	(37,733)	(47)	(41)	(26,519)
Balance as of March 31, 2022	¥ 7,137	¥ 2,688	¥ 2,348	(2,814)	¥ 9,358	¥ 123	¥ 491	¥ 353,191

Years Ended March 31, 2022	Thousands of U.S. Dollars Shareholders' equity Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Net assets as of April 1, 2021	$ 169,172	$ 180,227	$ 2,369,817	$ (6,119)	$ 2,713,097
Cumulative effects of changes in accounting policies			(1,160)		(1,160)
Restated balance	169,172	180,227	2,368,649	(6,119)	2,711,937
Dividends			(28,172)		(28,172)
Profit attributable to owners of the Bank			118,351		118,351
Purchases of treasury stock				(0)	(0)
Sales of treasury stock		–	(8)	866	857
Transfer from land revaluation excess			1,323		1,323
Change in ownership interest of parent due to transactions with non-controlling interests		–			–
Net changes of items other than shareholders' equity					
Total changes during the year		–	91,486	857	92,344
Balance as of March 31, 2022	$ 169,172	$ 180,227	2,460,135	$ (5,253)	$ 2,804,289

Years Ended March 31, 2022	Thousands of U.S. Dollars Accumulated other comprehensive income Net unrealized gain (loss) on other securities	Net deferred gain (loss) on hedging instruments	Land revaluation excess	Remeasure-ments of defined benefit plans	Total accumulated other comprehen-sive income	Subscription rights to new shares	Non-controlling interests	Total net assets
Net assets as of April 1, 2021	$ 391,469	(0)	$ 20,508	$ (27,208)	$ 384,769	$ 1,389	$ 4,346	$3,103,619
Cumulative effects of changes in accounting policies								(1,160)
Restated balance	391,469	(0)	20,508	(27,208)	384,769	1,389	4,346	3,102,459
Dividends								(28,172)
Profit attributable to owners of the Bank								118,351
Purchases of treasury stock								(0)
Sales of treasury stock								857
Transfer from land revaluation excess								1,323
Change in ownership interest of parent due to transactions with non-controlling interests								–
Net changes of items other than shareholders' equity	(333,156)	21,962	(1,323)	4,207	(308,301)	(384)	(334)	(309,028)
Total changes during the year	(333,156)	21,962	(1,323)	4,207	(308,301)	(384)	(334)	(216,676)
Balance as of March 31, 2022	$ 58,313	$ 21,962	$ 19,184	$ (22,992)	$ 76,460	$ 1,004	$ 4,011	$2,885,783

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, 2021 and 2022	Millions of Yen 2021	2022	Thousands of U.S. Dollars 2022
Cash flows from operating activities:			
Profit before income taxes	¥ 14,167	¥ 20,283	$ 165,724
Depreciation	2,965	3,003	24,536
Loss on impairment of fixed assets	249	525	4,289
Net change in reserve for possible loan losses	2,163	(57)	(465)
Net change in reserve for devaluation of securities	140	3	24
Net change in reserve for bonuses to employees	(3)	(16)	(130)
Net change in net defined benefit asset	(443)	(1,146)	(9,363)
Net change in net defined benefit liability	(1,514)	(177)	(1,446)
Net change in reserve for stock benefits	3	27	220
Net change in reserve for directors' and corporate auditors' retirement benefits	(0)	(18)	(147)
Net change in reserve for reimbursement of deposits	(30)	(40)	(326)
Net change in reserve for contingencies	(118)	(50)	(408)
Interest and dividend income	(56,723)	(60,038)	(490,546)
Interest expenses	1,999	1,875	15,319
Net (gain) loss on securities transactions	1,778	8,200	66,998
Net (gain) loss on money held in trust	21	(21)	(171)
Net foreign exchange (gain) loss	(400)	(436)	(3,562)
Net (gain) loss on disposals of fixed assets	23	(17)	(138)
Net change in loans and bills discounted	(232,176)	(354,884)	(2,899,615)
Net change in deposits	520,689	439,561	3,591,478
Net change in negotiable certificates of deposit	(23,417)	(134,537)	(1,099,248)
Net change in borrowed money	149,955	105,645	863,183
Net change in due from banks (exclusive of the Bank of Japan)	1,094	928	7,582
Net change in call loans	316	(785)	(6,413)
Net change in call money	6,663	5,438	44,431
Net change in cash collateral received under securities lending	2,679	(16,647)	(136,016)
Net change in foreign exchange assets	(3,169)	(525)	(4,289)
Net change in foreign exchange liabilities	58	(32)	(261)
Interest and dividends received	56,644	60,232	492,131
Interest paid	(2,354)	(1,938)	(15,834)
Others	2,493	7,977	65,176
Subtotal	443,752	82,330	672,685
Income taxes paid	(4,677)	(6,130)	(50,085)
Net cash provided by (used in) operating activities	439,075	76,199	622,591
Cash flows from investing activities:			
Purchases of securities	(485,064)	(553,872)	(4,525,467)
Proceeds from sales of securities	77,362	270,129	2,207,116
Proceeds from redemption of securities	275,960	116,787	954,220
Increase in money held in trust	(44)	(21)	(171)
Purchases of tangible fixed assets	(724)	(2,123)	(17,346)
Purchases of intangible fixed assets	(612)	(954)	(7,794)
Proceeds from sales of tangible fixed assets	116	333	2,720
Net cash provided by (used in) investing activities	(133,006)	(169,720)	(1,386,714)
Cash flows from financing activities:			
Purchases of treasury stock	(0)	(0)	(0)
Proceeds from sales of treasury stock	0	0	0
Dividends paid	(3,132)	(3,448)	(28,172)
Dividends paid to non-controlling shareholders	(1)	(2)	(16)
Purchases of subsidiary's stock that do not result in change in scope of consolidation	(102)	–	–
Net cash provided by (used in) financing activities	(3,236)	(3,451)	(28,196)
Effect of changes in exchange rates on cash and cash equivalents	0	–	–
Net increase (decrease) in cash and cash equivalents	302,833	(96,972)	(792,319)
Cash and cash equivalents at the beginning of the year	567,637	870,471	7,112,272
Cash and cash equivalents at the end of the year (Note 16)	¥ 870,471	¥ 773,499	$ 6,319,952

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 ¥122.39 to U.S. $1, prevailing at the end of March 2022, has been used to translate the yen amounts in the accompanying financial statements into U.S. dollar amounts.

2. Summary of Significant Accounting Policies

(a) Scope of Consolidation

(i) Consolidated subsidiaries
The consolidated financial statements include the accounts of the Group, after elimination of all significant inter-company transactions, balances, and unrealized profits. The number of consolidated subsidiaries as of March 31, 2021 and 2022 were 9 and 8, respectively.

(ii) Unconsolidated subsidiaries
The number of unconsolidated subsidiaries due to less materiality as of March 31, 2021 and 2022 was 10. 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) 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) Securities other than trading purpose securities and held-to-maturity securities are classified as other securities. Other securities are stated at fair value (calculated by applying the moving average method to the cost of sales), however shares, etc., that do not have a market price are carried at cost using the moving average method. Unrealized gains or losses for other securities are included, net of applicable taxes, directly in net assets.

(iii) For money held in trust, the value of securities that comprise trust assets is stated at fair value (calculated by applying the moving average method to the cost of sales) and using the same method as detailed in (i) and (ii) above.

(c) Derivatives
Derivative financial instruments are stated at fair value. Moreover, with respect to specific market or credit risks, fair value is calculated for units of grouped financial assets or liabilities, based on net assets or liabilities after financial assets and liabilities have been offset.

(d) Depreciation of Tangible Fixed Assets
Buildings are depreciated using the straight-line method, while the declining-balance method is used for other tangible fixed assets. The estimated useful lives of major tangible fixed assets are as follows:

Buildings..... 15 to 50 years
Others..... 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.

(e) 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).

(f) 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.

(g) Reserves

(i) Reserve for possible loan losses
The Bank's reserves for possible loan losses, in line with amortization and reserve standards set in advance, are recorded as follows:

Reserves for normally performing loans, as regulated in "Guidelines for Auditing Self-Assessment of Assets, Write-Offs and Loan Loss Provisions of Banks and Other Financial Institutions" issued by the Japanese Institute of Certified Public Accountants ("JICPA") (JICPA Bank Auditing Special Committee Report No. 4, issued on October 8, 2020), are recorded based on forecasts of expected losses in the following one year. These reserves are classified into the following two categories: reserves for borrowers who credit amounts, net of protection from collateral, etc., above a certain amount, and other borrowers, and then calculated. Expected losses for borrowers for whom that amount is above a certain level, are calculated using loan loss ratios based on actual loan losses in the past one year, making supplemental adjustments in accordance with variations in the frequency of bankruptcies. Expected loan losses for other borrowers are calculated using an average of loan loss ratios or probability of bankruptcies for a certain period in the past based on actual loan losses or bankruptcies in the past one year, and to which adjustments are made statistically.

A reserve is provided for loans to borrowers under close observation, mainly based on expected loan losses for the next one or three years. Expected loan losses are calculated by using an average of loan loss ratios or probabilities of bankruptcies for certain periods in the past based on actual loan losses or bankruptcies in the past one or three years, and by making supplemental adjustments statistically.

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 based on the related rules in the estimated amount of future stock payments to the Bank's directors (excluding directors who are members of the Audit and Supervisory Committee) 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.

(h) 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.

(i) 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.

(j) Revenue Recognition
The Bank applies the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and other standards, and recognizes revenue, resulting from contracts with customers, in an amount expected to be earned in exchange for goods or services, at the point when control of the promised goods or services are transferred to customers.

(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 and fixed-interest-rate debt securities. The Bank applies the deferral method of hedge accounting, under which gains or losses on derivatives are deferred until maturity of the hedged transactions, or the special treatment for interest rate swaps, under which the differential paid or received under the swap agreements are recognized and included in interest expenses or income. "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (ASBJ PITF No.40, March 17, 2022) is applied for these hedges accounting.

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

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

(l) 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.

(m) Adopted Accounting Policies and Procedures When Provisions of Relevant Accounting Standards are Not Clarified
Interim dividends (including gain on cancellation or redemption) from investment trusts held by the Bank included in "Securities" in the consolidated balance sheets are recorded in interest and dividends on securities. Loss on cancellation or redemption is recorded in other operating expenses.

3. Significant Accounting Estimates

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

Regarding the impact of the spread of COVID-19, at the end of the previous fiscal year, the Bank had assumed that the pandemic would gradually ease during the fiscal year ended March 31, 2022, but that its impact would continue and that during the first half of the fiscal year ending March 31, 2023, a recovery to pre-pandemic levels would occur. However, the Bank's hypothesis has changed to assume a continued impact for a certain period in the fiscal year ended March 31, 2022, and beyond. Below (1) Reserve for possible loans losses includes accounting estimates based on this assumption. The Bank, including consolidated subsidiaries, set assumptions concerning the COVID-19 spread, time to settle down and economic recovery process based on the available information as of fiscal year ended March 31, 2022.

(1) Reserve for Possible Loans Losses

The Bank considers estimating the reserve for possible loans losses related to credit risk a vital accounting item, as it heavily impacts on the Group's financial position, management performance, and other factors.

(a) Amount in the consolidated financial statements for the current fiscal year
Reserve for possible loans losses ¥42,571 million ($347,830 thousand)

(b) Calculation method and major assumptions
The calculation method of "Reserve for possible loan losses" is described on "2. Summary of Significant Accounting Policies (g) Reserves (i) Reserve for possible loan losses."

The major assumptions used are "Future business outlook of borrowers used in determining the classification of obligors" and "Addition of statistical revisions to loan loss ratio and probability of bankruptcies when calculating predicted losses."

"Future business outlook of borrowers used in determining the classification of obligors" is set by individually assessing each obligor's earning ability, the nature of their finances, business improvement plans, etc.

"Addition of statistical revisions to loan loss ratio and probability of bankruptcies when calculating predicted losses" is undertaken to more accurately reflect credit risk at the end of the fiscal year on the reserve.

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

4. Changes to Accounting Policies

Application of Accounting Standard for Revenue Recognition, etc.

From the beginning of the fiscal year ended March 31, 2022, the Bank has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and other standards, and recognizes revenue in an amount expected to be earned in exchange for goods or services, at the point when control of the promised goods or services are transferred to customers.

As a result, the recognition of revenue for annual credit card membership fees has changed. Previously, after a contract had been signed with the customer, the fees would be recognized as revenue at the points at which the customer was billed. Now, the Bank has switched to a method that recognizes revenue over the period in which services are provided.

In line with the transitional treatment in the provisos of paragraph 84 of "Accounting Standard for Revenue Recognition," where the new accounting policy is applied retroactively to a period prior to the beginning of the fiscal year ended March 31, 2022, the cumulative impact is added to or subtracted from retained earnings at the beginning of the fiscal year ended March 31, 2022, and the new accounting policy applied to the balance at the beginning of the fiscal year ended March 31, 2022.

As a result, in the fiscal year ended March 31, 2022, revenue from sales of services, ordinary income, and net profit before income tax increased by ¥4 million ($32 thousand), while retained earnings for the beginning of the fiscal year ended March 31, 2022 decreased by ¥129 million ($1,054 thousand). The impact on per share information for the fiscal year ended March 31, 2022 was negligible.

In accordance with transitional measures in the provisos of paragraph 89-3 of the "Accounting Standard for Revenue Recognition," the Bank does not provide notes on revenue recognition related to the fiscal year ended March 31, 2021.

Application of Accounting Standards, etc., Related to Fair Value Measurement

From the beginning of the fiscal year ended March 31, 2022, the Bank has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) and other standards, and the Bank has revised its fair value calculation for derivative transactions in line with paragraph 8 of the "Accounting Standard for Fair Value Measurement" to a method that makes maximal use of observable inputs, estimated from derivatives, etc., that can be traded on the market. This revision takes place alongside the application of the "Accounting Standard for Fair Value Measurement" and other standards, and in accordance with the transitional treatment of paragraph 20 of the "Accounting Standard for Fair Value Measurement," where the new accounting policy is applied retroactively to a period prior to the beginning of the fiscal year ended March 31, 2022, the cumulative impact is added to or subtracted from retained earnings at the beginning of the fiscal year ended March 31, 2022.

As a result, retained earnings, other assets, and other liabilities for the beginning of the fiscal year ended March 31, 2022 decreased by ¥12 million ($98 thousand), ¥20 million ($163 thousand), and ¥2 million ($16 thousand), respectively, while deferred tax assets increased by ¥5 million ($40 thousand). The impact on per share information for the fiscal year ended March 31, 2022 was negligible.

As part of its notes related to financial instruments, the Bank provides notes on the breakdown by level of the fair value of financial instruments. However, in line with the transitional treatment in the provisos of paragraph 7-4 of "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, July 4, 2019), the Bank does not provide these notes for the fiscal year ended March 31, 2021.

Application of the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021)

From the fiscal year ended March 31, 2022, the Bank has applied the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021; hereafter the 2021-revised "Implementation Guidance on Accounting Standard for Fair Value Measurement") and for investment trusts where the investment trust asset is real estate, and where there is no market price, and where important limitations—satisfactory for market participants to require equivalent value for risks related to cancellation of contracts, etc.—exist, the Bank previously recorded its value on the balance sheet using the acquisition cost. However, the Bank has revised this to a fair value measurement method that regards the most recent available standard value as fair value.

As a result, for the fiscal year ended March 31, 2022, the valuation difference on other securities increased by ¥1,216 million ($9,935 thousand), while deferred tax assets decreased by ¥532 million ($4,346 thousand). The impact on per share information for the fiscal year ended March 31, 2022 was negligible.

In line with the transitional measures set forth in the provisos of paragraph 27-4 of the 2021-revised "Implementation Guidance on Accounting Standard for Fair Value Measurement," the Bank does not provide an adjustment sheet for the difference between the beginning and end of the fiscal year in balance for investment trusts where the investment trust asset is real estate.

5. Additional Information

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

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

(a) Overview of the transaction

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

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

(b) The Bank's shares in the trust

The Bank's shares in the trust are recognized as treasury stock in net assets at carrying amount of the trust. The amounts of treasury stock in the trust were ¥543 million and ¥486 million ($3,970 thousand) and the numbers of those shares were 888 thousand and 794 thousand as of March 31, 2021 and 2022, respectively.

6. Loans and Bills Discounted

Claims under the Banking Act of Japan and the Act on Emergency Measures for the Revitalization of the Financial Functions are as follows: Claims are corporate bonds in the "Securities" in the consolidated balance sheet (limited to bonds for which redemption of principal and payment of interest are guaranteed in whole or in part, and the issuance of such bonds is due to private placement of securities (article 2, paragraph 3 of the Financial Instruments and Exchange Act), loans and bills discounted, foreign exchanges, accrued interest and suspense payments in "Other assets," and customers' liabilities for acceptances and guarantees, and securities lent (limited to those under a loan for use or lease contract).

	Millions of Yen		Thousands of U.S. Dollars
	2021	2022	2022
Bankrupt and quasi-bankrupt loans	¥ 13,438	¥ 11,542	$ 94,305
Doubtful loans	34,017	37,902	309,682
Loans past due for three months or more	–	147	1,201
Restructured loans	14,615	17,910	146,335
Total	¥ 62,070	¥ 67,502	$ 551,531

Bankrupt and quasi-bankrupt loans are claims to borrowers who have fallen into bankruptcy due to reasons such as commencement of bankruptcy proceedings, rehabilitation proceedings, or petition for commencement of rehabilitation proceedings, and other similar claims.

Doubtful loans are claims to borrowers that are not yet in bankruptcy but their financial condition and operating performance have deteriorated and it is highly probable that the loan principal cannot be collected and interest cannot be received under the contracts, excluding bankrupt and quasi-bankrupt loans.

Loans past due for three months or more are loans on which principal and/or interest are delayed for three months or more from the day after the agreed-upon payment date, excluding bankrupt and quasi-bankrupt loans and doubtful loans.

Restructured loans are loans on which the terms and conditions have been altered to support the borrower's financial recovery, such as by reducing or exempting interest, postponing interest payment and principal payment, and forgiving debts, excluding bankrupt and quasi-bankrupt loans, doubtful loans, or loans past due for three months or more.

The amount of loans above is the amount before deduction of reserve for possible loan losses.

7. Change in Presentation

With the implementation of "Cabinet Office Order to Partially Amend the Ordinance for Enforcement of the Banking Act" of Japan (Cabinet Office Ordinance No. 3, January 24, 2020) on March 31, 2022, categories of risk managed loans under the Banking Act of Japan are presented in accordance with those categories in the Act on Emergency Measures for the Revitalization of the Financial Functions.

Discounted bills are accounted for as financing transactions in accordance with "Accounting and Auditing Treatment of Financial Instruments for the Banking Industry" (JICPA Industry Committee Practical Guidelines No. 24, issued on March 17, 2022). The Bank has a right to sell or pledge these commercial bills discounted without restrictions. As of March 31, 2021 and 2022, the face value of commercial bills were ¥7,439 million and ¥8,178 million ($66,819 thousand), respectively.

8. Assets Pledged

Assets pledged as collateral as of March 31, 2021 and 2022 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2022	2022
Assets pledged as collateral:			
Securities	¥ 899,910	¥ 989,221	$ 8,082,531
Loans and bills discounted	266,507	263,556	2,153,411
Lease receivables and investments in lease assets	13,712	12,475	101,928
Other assets	2,603	6,976	56,998
Liabilities secured by the above assets:			
Deposits	150,335	179,157	1,463,820
Cash collateral received under securities lending	445,776	429,129	3,506,242
Borrowed money	594,807	699,517	5,715,475
Other liabilities	2,383	6,709	54,816

Other than the items presented above, other assets of ¥40,017 million and ¥30,017 million ($245,256 thousand) as of March 31, 2021 and 2022, respectively, were held as collateral for transactions of exchange settlement etc.

Other assets included guarantee deposits of ¥715 million and ¥713 million ($5,825 thousand) as of March 31, 2021 and 2022, respectively.

9. 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, 2021 and 2022 totaled ¥925,972 million and ¥993,525 million ($8,117,697 thousand), respectively, of which 836,011 million and ¥855,493 million ($6,989,892 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 its 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.

10. 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, 2021 and 2022 resulted in unrealized loss of ¥8,044 million and ¥7,834 million ($64,008 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.

11. Accumulated Depreciation and Deferred Revenue on Tangible Fixed Assets

The amounts of accumulated depreciation of tangible fixed assets were ¥49,033 million and ¥48,666 million ($397,630 thousand) as of March 31, 2021 and 2022, respectively. The amounts of deferred revenue of tangible fixed assets were 1,251 million and ¥1,153 million ($9,420 thousand) as of March 31, 2021 and 2022, respectively. There was no deferred revenue on tangible fixed assets incurred for the years ended March 31, 2021 and 2022.

12. Other Expenses

For the year ended March 31, 2021, other expenses included loss on impairment of fixed assets of ¥249 million, loss on write-offs of loans of ¥19 million, loss on write-offs of stocks of ¥112 million, and loss on sales of loans of ¥102 million.

For the year ended March 31, 2022, other expenses included loss on impairment of fixed assets of ¥525 million ($4,289 thousand), loss on write-offs of loans of ¥21 million ($171 thousand), loss on write-offs of stocks of ¥121 million ($988 thousand), and loss on sales of loans of ¥73 million ($596 thousand).

13. Other Comprehensive Income

Reclassification adjustment and tax effect of other comprehensive income for the years ended March 31, 2021 and 2022 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2022	2022
Net unrealized gain (loss) on other securities:			
Amount incurred during the year	¥ 13,505	¥ (65,985)	$ (539,137)
Reclassification adjustment	481	7,326	59,857
Amount before tax effect	13,987	(58,658)	(479,271)
Tax effect	(4,264)	17,867	145,984
Net unrealized gain (loss) on other securities	9,722	(40,791)	(333,287)
Net deferred gain (loss) on hedging instruments:			
Amount incurred during the year	379	5,065	41,384
Reclassification adjustment	(391)	(1,200)	(9,804)
Amount before tax effect	(12)	3,865	31,579
Tax effect	3	(1,176)	(9,608)
Net deferred gain (loss) on hedging instruments	(8)	2,688	21,962
Remeasurements of defined benefit plans:			
Amount incurred during the year	1,581	(331)	(2,704)
Reclassification adjustment	1,272	1,072	8,758
Amount before tax effect	2,853	740	6,046
Tax effect	(868)	(225)	(1,838)
Net remeasurements of defined benefit plans	1,984	515	4,207
Total other comprehensive income	¥ 11,698	(37,587)	$ (307,108)

14. Shares Issued

The numbers of shares issued and changes during the years ended March 31, 2021 and 2022 are summarized as follows:

Year ended March 31, 2021	Thousands of shares		
	Treasury stock		Common stock issued
Beginning of the year	(*1)	1,417	156,977
Increase during the year	(*2)	1	–
Decrease during the year	(*2)	276	–
End of the year	(*1)	1,142	156,977

(*1) The Bank's stock held by Board Benefit Trust (BBT) of 1,007 thousand shares and 888 thousand shares were included in the treasury stock at the beginning and end of the year, respectively.
(*2) The increase in treasury stock is due to purchase of odd-lot shares. The decrease in treasury stock is due to execution of stock options of 156 thousand shares, stock benefit paid by Board Benefit Trust (BBT) of 119 thousand shares and sales of odd-lot shares of 0 thousand shares.

Year ended March 31, 2022	Thousands of shares		
	Treasury stock		Common stock issued
Beginning of the year	(*1)	1,142	156,977
Increase during the year	(*2)	1	–
Decrease during the year	(*2)	154	–
End of the year	(*1)	989	156,977

(*1) The Bank's stock held by Board Benefit Trust (BBT) of 888 thousand shares and 794 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 60 thousand shares, stock benefit paid by Board Benefit Trust (BBT) of 94 thousand shares and sales of odd-lot shares of 0 thousand shares.

15. Dividends

Year ended March 31, 2021

Dividends paid during the year are summarized as follows:

Resolution	Total dividends	Dividend per share	Base date	Effective date
The general shareholders' meeting on June 25, 2020	¥ 2,035 million	¥ 13.0	March 31,2020	June 26, 2020
The board of directors on November 11, 2020	¥ 1,097 million	¥ 7.0	September 30, 2020	December 4, 2020

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

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

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

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

Year ended March 31, 2022

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, 2021	¥ 1,723 million $ 14,077 thousand	¥ 11 $ 0.08	March 31, 2021	June 23, 2021
The board of directors on November 11, 2021	¥ 1,724 million $ 14,086 thousand	¥ 11 $ 0.08	September 30, 2021	December 3, 2021

(*) Total dividends resolved by the general shareholders' meeting on June 22, 2021 and the board of directors on November 11, 2021 include ¥ 9 million ($73 thousand) and ¥ 8 million ($65 thousand) of dividends to the shares held by Board Benefit Trust (BBT), respectively.

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

Resolution	Total dividend	Dividend per share	Base date	Effective date
The general shareholders' meeting on June 22, 2022	¥ 3,292 million $ 26,897 thousand	¥ 21 $ 0.17	March 31, 2022	June 23, 2022

(*) Total dividend resolved by the general shareholders' meeting on June 22, 2022 includes ¥16 million ($130 thousand) of dividend to the shares held by Board Benefit Trust (BBT).

16. Reconciliation of Cash and Cash Equivalents

Reconciliation between cash and due from banks in the consolidated balance sheets as of March 31, 2021 and 2022 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
	2021	2022	2022
Cash and due from banks	¥ 872,988	¥ 775,086	$ 6,332,919
Deposits to banks excluding the Bank of Japan	(2,516)	(1,587)	(12,966)
Cash and cash equivalents	¥ 870,471	¥ 773,499	$ 6,319,952

17. Lease Transactions

As a Lessee

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

As a Lessor

Investments in lease assets as of March 31, 2021 and 2022 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2022	2022
Gross lease receivables	¥ 29,157	¥ 28,950	$ 236,538
Expected residual values	2,499	2,474	20,214
Unearned interest income	(2,142)	(2,137)	(17,460)
Investments in lease assets	¥ 29,514	¥ 29,287	$ 239,292

Maturities of gross lease receivables for finance leases as of March 31, 2022 are as follows:

Year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2023	¥ 9,317	$ 76,125
2024	7,431	60,715
2025	5,487	44,832
2026	3,512	28,695
2027	1,762	14,396
2028 and thereafter	1,439	11,757
Total	¥ 28,950	$ 236,538

18. 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 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 an “Internal rating system.”

With respect to the 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, 2022, the volume of VaR was ¥87,664 million ($716,267 thousand) and the real risk was ¥65,225 million ($532,927 thousand), respectively.

The Bank verifies the effectiveness of the VaR model by comparing VaR and daily gains and losses. However, VaR calculates the volume of market risk with certain probability level which is statistically calculated based on the historical market changes, and it may not capture risks under extremely unusual situations where market environments change 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, 2022 was ¥(13,575) million ($(110,915) 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 situations where market environments change 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 forecasts 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 emergencies.

The Bank holds sufficient highly liquid debt securities such as government bonds and other highly liquid assets and has established effective system against liquidity risk.

(4) Supplementary explanation about fair value of financial instruments

Since certain assumptions are used in calculating the fair value of financial instruments, the result of such calculation may vary if different assumptions are used.

Disclosure of Fair Values of Financial Instruments

The amount recorded on the consolidated balance sheet, fair value, and the difference between these values are as follows: Moreover, items for which consolidated balance sheet amounts are insignificant, or for shares and investment in partnerships for which there is no market price, are not included in the following table (see Note 1).

For investment in partnerships, some partnerships’ structural assets are financial assets, and the equity share equivalent to valuation differences on other securities belonging to the partnership was previously detailed on the following table, but from the fiscal year ended March 31, 2022 this information is excluded and not provided. As of March 31, 2021, the amount recorded on the consolidated balance sheet and its fair value was ¥1,839 million.

	Millions of Yen		
	Carrying amount	Fair value	Difference
As of March 31, 2021			
Cash and due from banks	¥ 872,988	¥ 872,988	¥ –
Securities:			
Held-to-maturity debt securities	89,143	89,023	(120)
Other securities	1,701,465	1,703,005	1,540
Loans and bills discounted	3,554,553		
Reserve for possible loan losses (*2)	(40,763)		
	3,513,789	3,585,528	71,738
Total assets	6,177,387	6,250,545	73,158
Deposits	4,432,481	4,433,369	887
Negotiable certificates of deposit	285,982	285,982	–
Call money and bills sold	115,456	115,456	–
Cash collateral received under securities lending	445,776	445,776	–
Borrowed money	597,672	597,474	(198)
Total liabilities	5,877,369	5,878,059	689
Derivative transactions (*3)			
To which hedge accounting is not applied	(1,533)	(1,533)	–
To which hedge accounting is applied (*4)	1,333	1,333	–
Total derivative transactions	¥ (200)	¥ (200)	¥ –
As of March 31, 2022			
Cash and due from banks	¥ 775,086	¥ 775,086	¥ –
Securities:			
Held-to-maturity debt securities	93,675	93,254	(420)
Other securities (*1)	1,815,717	1,815,717	–
Loans and bills discounted	3,909,437		
Reserve for possible loan losses (*2)	(40,924)		
	3,868,513	3,884,431	15,918
Total assets	6,552,992	6,568,489	15,497
Deposits	4,872,042	4,872,755	712
Negotiable certificates of deposit	151,444	151,444	–
Call money and bills sold	120,895	120,895	–
Cash collateral received under securities lending	429,129	429,129	–
Borrowed money	703,317	701,379	(1,938)
Total liabilities	6,276,830	6,275,604	(1,225)
Derivative transactions (*3)			
To which hedge accounting is not applied	(5,509)	(5,509)	–
To which hedge accounting is applied (*4)	10,132	10,132	–
Total derivative transactions	¥ 4,623	¥ 4,623	¥ –

	Thousands of U.S. Dollars		
As of March 31, 2022	Carrying amount	Fair value	Difference
Cash and due from banks	$ 6,332,919	$ 6,332,919	$ –
Securities:			
Held-to-maturity debt securities	765,381	761,941	(3,431)
Other securities (*1)	14,835,501	14,835,501	–
Loans and bills discounted	31,942,454		
Reserve for possible loan losses (*2):	(334,373)		
	31,608,080	31,738,140	130,059
Total assets	53,541,890	53,668,510	126,619
Deposits	39,807,516	39,813,342	5,817
Negotiable certificates of deposit	1,237,388	1,237,388	–
Call money and bills sold	987,784	987,784	–
Cash collateral received under securities lending	3,506,242	3,506,242	–
Borrowed money	5,746,523	5,730,688	(15,834)
Total liabilities	51,285,480	51,275,463	(10,008)
Derivative transactions (*3)			
To which hedge accounting is not applied	(45,011)	(45,011)	–
To which hedge accounting is applied (*4)	82,784	82,784	–
Total derivative transactions	$ 37,772	$ 37,772	$ –

(*1) Other securities include investment trusts where the investment trust asset is real estate, in line with the application of article 24, paragraph 9 of the 2021-revised “Implementation Guidance on Accounting Standard for Fair Value Measurement.” The amount and fair value of this item were recorded on the consolidated balance sheet as ¥9,161 million ($74,850 thousand).

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

(*3) Derivative transactions include derivatives recorded in other assets and other liabilities. Assets and liabilities arising from derivative transactions are shown on a net basis. Where the total is a net liability, this is shown in parentheses.

(*4) In order to offset market price fluctuations for hedged loans and bills discounted, securities, etc., the Bank mainly applies deferred hedge accounting, using interest rate swaps and other designated hedging methods. For these hedging-related activities, the “Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR” (ASBJ PITF No. 40, March 17, 2022) is applied.

(Note 1) The amounts of shares, etc., and investment in partnerships that do not have a market price are recorded on the consolidated balance sheet as follows. These amounts are not included in Fair value information for financial instruments disclosed in “Other securities.”

	Millions of Yen		Thousands of U.S. Dollars
	2021	2022	2022
Unlisted equity securities (*1) (*2)	¥ 2,204	¥ 2,139	$ 17,476
Investment in partnerships (*3)	16,868	19,974	163,199
Others	0	0	0
Total	¥ 19,073	¥ 22,113	$ 180,676

(*1) In line with paragraph 5 of “Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020), the fair value of unlisted equity securities is not disclosed.

(*2) The Group recognized impairment losses on unlisted equity securities in an amount of ¥112 million and ¥37 million ($302 thousand) for the years ended March 31, 2021 and 2022, respectively.

(*3) In line with article 24, paragraph 16 of the 2021-revised “Implementation Guidance on Accounting Standard for Fair Value Measurement,” investment in partnerships is not disclosed.

(Note 2) Repayment schedule of monetary receivables and securities with contractual maturities as of March 31, 2021 and 2022

	Millions of Yen					
	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
As of March 31, 2021						
Due from banks	¥ 821,499	¥ –	¥ –	¥ –	¥ –	¥ –
Securities:	51,817	296,862	123,232	117,907	247,538	419,972
Held-to-maturity debt securities:	19,317	37,234	28,200	4,290	100	–
Corporate bonds	19,317	37,234	28,200	4,290	–	–
Other securities with maturity:	32,500	259,628	95,032	113,617	247,438	419,972
Government bonds	–	170,000	20,000	20,000	–	279,000
Municipal bonds	17,070	39,802	48,321	44,770	92,548	1,000
Corporate bonds	3,912	16,918	6,016	8,918	3,700	28,750
Loans and bills discounted	857,979	629,239	521,558	347,752	383,444	814,579
Total	¥ 1,731,296	¥ 926,102	¥ 644,790	¥ 465,659	¥ 630,982	¥ 1,234,551
As of March 31, 2022						
Due from banks	¥ 725,373	¥ –	¥ –	¥ –	¥ –	¥ –
Securities:	193,748	145,228	150,711	198,108	210,257	478,751
Held-to-maturity debt securities:	18,079	38,464	32,520	4,510	100	–
Corporate bonds	18,079	38,464	32,520	4,510	–	–
Other securities with maturity:	175,669	106,764	118,191	193,598	210,157	478,751
Government bonds	135,000	5,000	40,000	–	–	324,000
Municipal bonds	18,588	47,786	50,183	53,398	95,835	500
Corporate bonds	12,039	8,319	4,017	9,800	8,500	29,369
Loans and bills discounted	914,372	689,611	596,569	359,710	422,069	927,105
Total	¥ 1,833,494	¥ 834,839	¥ 747,281	¥ 557,818	¥ 632,327	¥ 1,405,856

	Thousands of U.S. Dollars					
As of March 31, 2022	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	$ 5,926,734	$ –	$ –	$ –	$ –	$ –
Securities:	1,583,037	1,186,600	1,231,399	1,618,661	1,717,926	3,911,683
Held-to-maturity debt securities:	147,716	314,274	265,707	36,849	817	–
Corporate bonds	147,716	314,274	265,707	36,849	–	–
Other securities with maturity:	1,435,321	872,326	965,691	1,581,812	1,717,109	3,911,683
Government bonds	1,103,031	40,853	326,824	–	–	2,647,275
Municipal bonds	151,875	390,440	410,025	436,293	783,029	4,085
Corporate bonds	98,365	67,971	32,821	80,071	69,450	239,962
Loans and bills discounted	7,470,969	5,634,537	4,874,327	2,939,047	3,448,557	7,575,006
Total	$14,980,750	$ 6,821,137	$ 6,105,735	$ 4,557,708	$ 5,166,492	$11,486,690

(Note 3) Repayment schedule of borrowed money and other interest bearing liabilities as of March 31, 2021 and 2022

	Millions of Yen					
	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
As of March 31, 2021						
Deposits (*1)	¥ 3,958,540	¥ 420,442	¥ 53,498	¥ –	¥ –	¥ –
Negotiable certificates of deposit	285,982	–	–	–	–	–
Call money and bills sold	115,456	–	–	–	–	–
Cash collateral received under securities lending	445,776	–	–	–	–	–
Borrowed money	53,525	392,207	151,940	–	–	–
Total	¥ 4,859,281	¥ 812,650	¥ 205,438	¥ –	¥ –	¥ –
As of March 31, 2022						
Deposits (*1)	¥ 4,318,363	¥ 428,288	¥ 111,495	¥ –	¥ 13,895	¥ –
Negotiable certificates of deposit	151,444	–	–	–	–	–
Call money and bills sold	120,895	–	–	–	–	–
Cash collateral received under securities lending	429,129	–	–	–	–	–
Borrowed money	152,477	233,645	317,195	–	–	–
Total	¥ 5,172,311	¥ 661,933	¥ 428,690	¥ –	¥ 13,895	¥ –

	Thousands of U.S. Dollars					
As of March 31, 2022	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)	$35,283,626	$ 3,499,370	$ 910,981	$ –	$ 113,530	$ –
Negotiable certificates of deposit	1,237,388	–	–	–	–	–
Call money and bills sold	987,784	–	–	–	–	–
Cash collateral received under securities lending	3,506,242	–	–	–	–	–
Borrowed money	1,245,828	1,909,020	2,591,674	–	–	–
Total	$42,260,895	$ 5,408,391	$ 3,502,655	$ –	$ 113,530	$ –

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

Breakdown of each level of fair value for financial instruments

The fair values of financial instruments are categorized into the following three levels, depending on the observability and significance of the input used in the fair value measurement.

Level 1: Fair value calculated using observable inputs. Calculations use fair value relating to assets and liabilities for which relevant fair value is formed in an active market
Level 2: Fair value calculated using observable inputs. Calculations use inputs not used for calculations for Level 1
Level 3: Fair value calculated using unobservable inputs

In cases where multiple inputs are used that could have a major influence on fair value measurement, the fair value is classified in the lowest priority category to which each input belongs.

(1) Financial instruments measured at fair value on the consolidated balance sheet

	Fair value (Millions of Yen)			
March 31, 2022	Level 1	Level 2	Level 3	Total
Securities				
Other securities				
Government bonds	¥ 514,110	¥ –	¥ –	¥ 514,110
Municipal bonds	–	266,147	–	266,147
Short-term corporate bonds	–	–	–	–
Corporate bonds	–	72,672	–	72,672
Stocks	43,568	–	–	43,568
Other (*1)	116,667	793,389	–	910,056
Total assets	¥ 674,346	¥ 1,132,209	¥ –	¥ 1,806,555
Derivative transactions (*2)				
Interest-rate-related	¥ –	¥ 4,753	¥ –	¥ 4,753
Currency-related	–	(129)	–	(129)
Stock-related	–	–	–	–
Bond-related	–	–	–	–
Commodity-related	–	–	–	–
Credit derivatives	–	–	–	–
Total derivatives	¥ –	¥ 4,623	¥ –	¥ 4,623

	Fair value (Thousands of U.S. Dollars)			
March 31, 2022	Level 1	Level 2	Level 3	Total
Securities				
Other securities				
Government bonds	$ 4,200,588	$ –	$ –	$ 4,200,588
Municipal bonds	–	2,174,581	–	2,174,581
Short-term corporate bonds	–	–	–	–
Corporate bonds	–	593,774	–	593,774
Stocks	355,976	–	–	355,976
Other (*1)	953,239	6,482,465	–	7,435,705
Total assets	$ 5,509,812	$ 9,250,829	$ –	$ 14,760,642
Derivative transactions (*2)				
Interest-rate-related	$ –	$ 38,834	$ –	$ 38,834
Currency-related	–	(1,054)	–	(1,054)
Stock-related	–		–	–
Bond-related	–		–	–
Commodity-related	–		–	–
Credit derivatives	–		–	–
Total derivatives	$ –	$ 37,772	$ –	$ 37,772

(*1) Investment trusts where the investment trust asset is real estate, and to which article 24, paragraph 9 of the 2021-revised “Implementation Guidance on Accounting Standard for Fair Value Measurement” applies, are not included in the table above. The amount for investment trusts recorded on the consolidated balance sheet was ¥9,161 million ($74,850 thousand).
(*2) Derivative transactions recorded as other assets or liabilities are presented collectively. Assets and liabilities arising from derivative transactions are shown on a net basis. Where the total is a net liability, this is shown in parentheses.

(2) Financial instruments not measured at fair value on the consolidated balance sheet

	Fair value (Millions of Yen)			
March 31, 2022	Level 1	Level 2	Level 3	Total
Cash and due from banks	¥ –	¥ 775,086	¥ –	¥ 775,086
Securities				
Debt securities to be held to maturity				
Government bonds	–	–	–	–
Municipal bonds	–	–	–	–
Corporate bonds	–	301	92,860	93,161
Other	–	92	–	92
Loans and bills discounted	–	–	3,884,431	3,884,431
Total assets	¥ –	¥ 775,480	¥ 3,977,291	¥ 4,752,772
Deposits	¥ –	¥ 4,872,755	¥ –	¥ 4,872,755
Negotiable certificates of deposit	–	151,444	–	151,444
Call money and bills sold	–	120,895	–	120,895
Cash collateral received under securities lending	–	429,129	–	429,129
Borrowed money	–	701,379	–	701,379
Total liabilities	¥ –	¥ 6,275,604	¥ –	¥ 6,275,604

	Fair value (Thousands of U.S. Dollars)			
March 31, 2022	Level 1	Level 2	Level 3	Total
Cash and due from banks	$ –	$ 6,332,919	$ –	$ 6,332,919
Securities				
Debt securities to be held to maturity				
Government bonds	–	–	–	–
Municipal bonds	–	–	–	–
Corporate bonds	–	2,459	758,722	761,181
Other	–	751		751
Loans and bills discounted	–		31,738,140	31,738,140
Total assets	$ –	$ 6,336,138	$ 32,496,862	$ 38,833,009
Deposits	$ –	$ 39,813,342	$ –	$ 39,813,342
Negotiable certificates of deposit	–	1,237,388	–	1,237,388
Call money and bills sold	–	987,784	–	987,784
Cash collateral received under securities lending	–	3,506,242	–	3,506,242
Borrowed money	–	5,730,688	–	5,730,688
Total liabilities	$ –	$ 51,275,463	$ –	$ 51,275,463

(Note) Explanation of evaluation techniques and inputs used to measure fair value

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). This fair value is classified as Level 2.

Securities
Fair values for securities of which unadjusted quoted price in an active market can be used are classified as Level 1. This mainly covers listed equity securities and government bonds.

Fair values for which published quotation prices are available, but where the market is not active, are classified as Level 2. This mainly covers municipal bonds and corporate bonds.

Where market price is not available, evaluation techniques such as the present value of future cash flows are used to calculate fair value. For evaluation, observable inputs are used wherever possible, and inputs include TIBOR, government bond yields, prepayment rates, and loss given default, etc.

The fair values of private placement bonds guaranteed by the Bank are categorized by internal ratings, protection, and time period, and fair value is calculated based on the present value of the aggregated principal and interest discounted at an interest rate assumed if the same issue were underwritten. They are classified as Level 3 as the discount rate is unobservable.

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. This fair value is classified as Level 3.

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 and negotiable certificates of 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. This fair value is classified as Level 2.

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). This fair value is classified as Level 2.

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). This fair value is classified as Level 2.

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). This fair value is classified as Level 2.

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. This fair value is classified as Level 2.

Derivative transactions:
Fair value for derivative transactions of which unadjusted quoted price in an active market can be used are classified as Level 1. This mainly covers trading in bond futures and interest rate futures.

However, the majority of derivative transactions are over-the-counter transaction, and published quotation prices are not available, fair value is calculated using evaluation techniques such as the discounted cash flow or the Black-Scholes model, depending on the type of transaction and the period of time until maturity. The inputs mainly used for these evaluation techniques include interest rate, exchange rate, or volatility, etc. Furthermore, the Bank makes price adjustments based on the credit risk of the counterparty or the Bank itself. If unobservable inputs are not available or impact of unobservable inputs is not significant, the fair value is classified as Level 2. This includes “plain vanilla” interest rate swaps and foreign exchange forwards. If unobservable inputs are used, the fair value is classified as Level 3. This includes stock option transactions, etc.

19. Fair Value of Securities

(1) Trading securities
Fiscal year ended March 31, 2021
There is no significant information to be disclosed.

Fiscal year ended March 31, 2022
There is no significant information to be disclosed.

(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, 2021 and 2022 are as follows:

	Millions of Yen		
	Carrying value	Fair value	Difference
As of March 31, 2021			
Fair value exceeding amount on consolidated balance sheet:			
Corporate bonds	¥ 37,790	¥ 37,877	¥ 87
Fair value below amount on consolidated balance sheet:			
Corporate bonds	51,253	51,054	(199)
Other	100	91	(8)
Sub total	51,353	51,145	(207)
Total	¥ 89,143	¥ 89,023	¥ (120)
As of March 31, 2022			
Fair value exceeding amount on consolidated balance sheet:			
Corporate bonds	¥ 16,500	¥ 16,519	¥ 19
Fair value below amount on consolidated balance sheet:			
Corporate bonds	77,075	76,642	(432)
Other	100	92	(7)
Sub total	77,175	76,735	(439)
Total	¥ 93,675	¥ 93,254	¥ (420)

	Thousands of U.S. Dollars		
As of March 31, 2022	Carrying value	Fair value	Difference
Fair value exceeding amount on consolidated balance sheet:			
Corporate bonds	$ 134,814	$ 134,970	$ 155
Fair value below amount on consolidated balance sheet:			
Corporate bonds	629,749	626,211	(3,529)
Other	817	751	(57)
Sub total	630,566	626,971	(3,586)
Total	$ 765,381	$ 761,941	$ (3,431)

(3) Other securities

The carrying value and acquisition cost of other securities as of March 31, 2021 and 2022 are summarized as follows:

	Millions of Yen		
	Carrying value	Acquisition cost	Difference
As of March 31, 2021			
Amount on consolidated balance sheet exceeding acquisition cost:			
Equity securities	¥ 45,155	¥ 14,854	¥ 30,300
Debt securities:	636,648	612,597	24,050
Government bonds	380,958	359,928	21,030
Municipal bonds	188,096	186,397	1,698
Corporate bonds	67,593	66,270	1,322
Others	459,266	432,471	26,795
Sub total	1,141,070	1,059,923	81,146
Amount on consolidated balance sheet below acquisition cost:			
Equity securities	7,056	7,828	(772)
Debt securities:	188,874	191,150	(2,276)
Government bonds	130,002	132,071	(2,069)
Municipal bonds	56,906	57,109	(202)
Corporate bonds	1,964	1,969	(4)
Others	359,211	368,274	(9,062)
Sub total	555,142	567,253	(12,110)
Total	¥ 1,696,212	¥ 1,627,176	¥ 69,036
As of March 31, 2022			
Amount on consolidated balance sheet exceeding acquisition cost:			
Equity securities	¥ 39,810	¥ 11,938	¥ 27,871
Debt securities:	442,586	424,817	17,769
Government bonds	315,854	299,714	16,139
Municipal bonds	83,373	82,527	845
Corporate bonds	43,359	42,576	783
Others	331,126	314,910	16,215
Sub total	813,523	751,667	61,855
Amount on consolidated balance sheet below acquisition cost:			
Equity securities	3,758	4,823	(1,065)
Debt securities:	410,343	419,018	(8,674)
Government bonds	198,256	205,766	(7,510)
Municipal bonds	182,774	183,759	(985)
Corporate bonds	29,313	29,491	(178)
Others	590,253	631,992	(41,738)
Sub total	1,004,355	1,055,834	(51,478)
Total	¥ 1,817,879	¥ 1,807,501	¥ 10,377

	Thousands of U.S. Dollars		
As of March 31, 2022	Carrying value	Acquisition cost	Difference
Amount on consolidated balance sheet exceeding acquisition cost:			
Equity securities	$ 325,271	$ 97,540	$ 227,722
Debt securities:	3,616,194	3,471,010	145,183
Government bonds	2,580,717	2,448,843	131,865
Municipal bonds	681,207	674,295	6,904
Corporate bonds	354,269	347,871	6,397
Others	2,705,498	2,573,004	132,486
Sub total	6,646,972	6,141,572	505,392
Amount on consolidated balance sheet below acquisition cost:			
Equity securities	30,705	39,406	(8,701)
Debt securities:	3,352,749	3,423,629	(70,871)
Government bonds	1,619,870	1,681,232	(61,361)
Municipal bonds	1,493,373	1,501,421	(8,048)
Corporate bonds	239,504	240,959	(1,454)
Others	4,822,722	5,163,755	(341,024)
Sub total	8,206,185	8,626,799	(420,606)
Total	$ 14,853,166	$ 14,768,371	$ 84,786

The components of net unrealized gain (loss) on other securities as of March 31, 2021 and 2022 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2022	2022
Gross valuation difference	¥ 69,036	¥ 10,377	$ 84,786
Deferred tax assets	(27)	(29)	(236)
Deferred tax liabilities	(21,062)	(3,192)	(26,080)
Net unrealized gain on other securities before adjustment for non-controlling interests	47,946	7,155	58,460
Non-controlling interests	(33)	(18)	(147)
Net unrealized gain on other securities	¥ 47,912	¥ 7,137	$ 58,313

(4) Impairment of securities

Securities other than trading purposes, excluding stocks with no market price, etc. and investment in partnership, are considered as impaired if the fair value decreases materially below the acquisition cost and such decline is not considered as recoverable. The fair value is recognized as the consolidated balance sheet amount and the amount of write-off is accounted for as valuation loss (hereafter “impairment loss”) for the fiscal year. The fair value is determined to be “material decline” when the decline in fair value is 50% or more of the carrying value of securities, loss on impairment is recognized at the amount of the decline without exception. When a decline in fair value is less than 50% but 30% or more of the carrying value and one of the following conditions is met, a loss on impairment is recognized:

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

For the year ended March 31, 2021, loss on impairment was not recorded.
For the year ended March 31, 2022, loss on impairment of ¥83 million (all shares) ($678 thousand) was recorded.

20. Held to Maturity and Other Securities Sold

Held-to-maturity securities sold during the years ended March 31, 2021 and 2022 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2022	2022
Cost of sales	¥ 730	¥ 290	$ 2,369
Proceeds from sales	732	291	2,377
Gain on sales	2	1	8

For the years ended March 31, 2021 and 2022, the securities were sold due to redemption by the issuer.

Other securities sold during the years ended March 31, 2021 and 2022 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2022	2022
Proceeds from sales	¥ 76,668	¥ 271,632	$ 2,219,397
Gain on sales	3,899	2,883	23,555
Loss on sales	5,050	8,611	70,357

21. Money Held in Trust

The carrying value of money held in trust for the purpose of securities trading as of March 31, 2021 and 2022 and the related net holding gain (loss) for the years then ended are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2022	2022
Carrying value	¥ 4,978	¥ 4,998	$ 40,836
Net holding gain (loss)	–	–	–

22. 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 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, 2021				
Over-the-counter				
Interest-rate swaps				
Receive fixed/pay floating	¥ 2,500	¥ 2,500	¥ 395	¥ 395
Receive floating/pay fixed	2,500	2,500	(150)	(150)
Total			¥ 244	¥ 244
As of March 31, 2022				
Over-the-counter				
Interest-rate swaps				
Receive fixed/pay floating	¥ 28,732	¥ 27,731	¥ 645	¥ 645
Receive floating/pay fixed	28,732	27,731	241	241
Total			¥ 886	¥ 886

	Thousands of U.S. Dollars			
	Contract amount			
As of March 31, 2022	Total	Over one year	Fair value	Gains (losses)
Over-the-counter				
Interest-rate swaps				
Receive fixed/pay floating	$ 234,757	$ 226,578	$ 5,270	$ 5,270
Receive floating/pay fixed	234,757	226,578	1,969	1,969
Total			$ 7,239	$ 7,239

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

(2) Currency-related transactions

	Millions of Yen			
	Contract amount			
	Total	Over one year	Fair value	Gains (losses)
As of March 31, 2021				
Over-the-counter				
Currency swaps	¥ 51,019	¥ 12,928	¥ (1,838)	¥ (1,838)
Forward foreign exchange contracts:				
Sold	8,633	–	(218)	(218)
Bought	8,524	–	213	213
Currency options:				
Sold	20,121	–	(530)	(347)
Bought	20,121	–	530	413
Total			¥ (1,843)	¥ (1,778)
As of March 31, 2022				
Over-the-counter				
Currency swaps	¥ 114,409	¥ 12,095	¥ (6,260)	¥ (6,260)
Forward foreign exchange contracts:				
Sold	18,148	6,119	(292)	(292)
Bought	7,235	6,119	129	129
Currency options:				
Sold	15,127	–	(524)	(369)
Bought	15,127	–	524	396
Total			¥ (6,423)	¥ (6,395)

	Thousands of U.S. Dollars			
	Contract amount			
As of March 31, 2022	Total	Over one year	Fair value	Gains (losses)
Over-the-counter				
Currency swaps	$ 934,790	$ 98,823	$ (51,147)	$ (51,147)
Forward foreign exchange contracts:				
Sold	148,280	49,995	(2,385)	(2,385)
Bought	59,114	49,995	1,054	1,054
Currency options:			(4,281)	(3,014)
Sold	123,596	–	4,281	3,235
Bought	123,596	–		
Total			$ (52,479)	$ (52,251)

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

Derivatives to Which Hedge Accounting is Applied

With respect to derivatives to which hedge accounting is applied, contract amount or notional principal and 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, 2021					
Normal method	–	–	¥ –	¥ –	¥ –
Special treatment for interest rate swaps	Interest rate swaps: Receive-floating/ Pay-fixed	Loans	¥ 10,512	¥ 7,326	(Note 2)
Total					¥ –
As of March 31, 2022					
Normal method	Interest rate swaps: Receive-floating/ Pay-fixed	Securities	¥ 50,000	¥ 50,000	¥ 3,866
Special treatment for interest rate swaps	Interest rate swaps: Receive-floating/ Pay-fixed	Loans	¥ 7,326	¥ 5,724	(Note 2)
Total					¥ 3,866

			Thousands of U.S. Dollars		
As of March 31, 2022			Contract amount		
Hedge accounting method	Type of derivatives	Major hedged items	Total	Over one year	Fair value
Normal method	Interest rate swaps: Receive-floating/ Pay-fixed	Securities	$ 408,530	$ 408,530	$ 31,587
Special treatment for interest rate swaps	Interest rate swaps: Receive-floating/ Pay-fixed	Loans	$ 59,857	$ 46,768	(Note 2)
Total					$ 31,587

Notes: 1. These transactions are principally accounted for under the deferral hedge method in accordance with JICPA Industry Committee Practical Guidelines No. 24.
2. The fair value of 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, 2021					
Normal method	Forward foreign exchange contracts	Securities and call money	¥ 104,955	–	¥ 1,333
Total					¥ 1,333
As of March 31, 2022					
Normal method	Forward foreign exchange contracts	Call money	¥ 153,201	–	¥ 6,266
Total					¥ 6,266

			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, 2022					
Normal method	Forward foreign exchange contracts	Call money	$ 1,251,744	–	$ 51,196
Total					$ 51,196

Note: These transactions are principally accounted for under the deferral hedge method in accordance with JICPA Industry Committee Practical Guidelines No. 25.

23. 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, 2021 and 2022

	Millions of Yen		Thousands of U.S. Dollars
	2021	2022	2022
Projected benefit obligations at the beginning of the year	¥ 40,527	¥ 39,321	$ 321,276
Service cost	966	927	7,574
Interest cost	235	250	2,042
Actuarial gains or losses incurred	(152)	(143)	(1,168)
Benefits paid	(2,256)	(2,195)	(17,934)
Prior service cost incurred	–	–	–
Others	–	–	–
Projected benefit obligations at the end of the year	¥ 39,321	¥ 38,159	$ 311,782

(b) Reconciliation of plan assets from beginning to ending balances for the years ended March 31, 2021 and 2022

	Millions of Yen		Thousands of U.S. Dollars
	2021	2022	2022
Plan assets at the beginning of the year	¥ 29,331	¥ 30,083	$ 245,796
Expected return on plan assets	293	511	4,175
Actuarial gains or losses incurred	1,428	(475)	(3,881)
Contribution from the Bank	603	1,674	13,677
Benefits paid	(1,575)	(1,551)	(12,672)
Others	0	3	24
Plan assets at the end of the year	¥ 30,083	¥ 30,245	$ 247,119

(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, 2021 and 2022

	Millions of Yen		Thousands of U.S. Dollars
	2021	2022	2022
Projected benefit obligations of funded plans	¥ 29,639	¥ 28,656	$ 234,136
Plan assets	(30,083)	(30,245)	(247,119)
	(443)	(1,589)	(12,983)
Projected benefit obligations of unfunded plans	9,681	9,503	77,645
Net amount of liability and assets	¥ 9,238	¥ 7,914	$ 64,662

	Millions of Yen		Thousands of U.S. Dollars
	2021	2022	2022
Net defined benefit liability	¥ 9,681	¥ 9,503	$ 77,645
Net defined benefit asset	(443)	(1,589)	(12,983)
Net amount of liability and assets	¥ 9,238	¥ 7,914	$ 64,662

(d) Components of net retirement benefit expense for the years ended March 31, 2021 and 2022

	Millions of Yen		Thousands of U.S. Dollars
	2021	2022	2022
Service cost	¥ 966	¥ 927	$ 7,574
Interest cost	235	250	2,042
Expected return on plan assets	(293)	(511)	(4,175)
Amortization of actuarial gains or losses	1,307	1,107	9,044
Amortization of prior service cost	(35)	(35)	(285)
Others	(0)	(3)	(24)
Net retirement benefit expense	¥ 2,181	¥ 1,735	$ 14,175

(e) Components of remeasurements of defined benefit plans (before income taxes) for the years ended March 31, 2021 and 2022

	Millions of Yen		Thousands of U.S. Dollars
	2021	2022	2022
Prior service cost	¥ (35)	¥ (35)	$ (285)
Actuarial gains or losses	2,888	775	6,332
Total	¥ 2,853	¥ 740	$ 6,046

(f) Accumulated other comprehensive income for remeasurements of defined benefit plans (before income taxes) as of March 31, 2021 and 2022

	Millions of Yen		Thousands of U.S. Dollars
	2021	2022	2022
Unrecognized prior service cost	¥ (9)	¥ (44)	$ (359)
Unrecognized actuarial gains or losses	(4,778)	(4,002)	(32,698)
Total	¥ (4,787)	¥ (4,047)	$ (33,066)

(g) Component ratio of plan assets as of March 31, 2021 and 2022

	2021	2022
Bonds	57.89%	50.22%
Stocks	18.55%	19.14%
Cash and deposits	0.14%	0.48%
Others	23.40%	30.13%
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, 2021 and 2022

	2021	2022
Discount rate	0.58%	0.63%
Long-term expected rate of return on plan assets	1.00%	1.70%
Expected salary increase rate	2.70%	2.70%

(2) Defined contribution plans

Contribution paid to the plans by the Group during the year ended March 31, 2021 and 2022 were ¥159 million and ¥161 million ($1,315 thousand), respectively.

24. Stock Options

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

(a) The stock options outstanding as of March 31, 2022

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, 2022	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, 2021—outstanding	10,700	13,900	18,300	26,000	39,400	36,400	42,500	42,200
Granted	–	–	–	–	–	–	–	–
Forfeited	–	–	–	–	–	–	–	–
Vested	1,900	2,100	2,800	6,000	6,600	12,800	14,000	14,300
March 31, 2022—outstanding	8,800	11,800	15,500	20,000	32,800	23,600	28,500	27,900
Vested:								
March 31, 2021—outstanding	–	–	–	–	–	–	–	–
Vested	1,900	2,100	2,800	6,000	6,600	12,800	14,000	14,300
Exercised	1,900	2,100	2,800	6,000	6,600	12,800	14,000	14,300
Forfeited	–	–	–	–	–	–	–	–
March 31, 2022—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	544	544	544	544	544	544	544	544
Fair value at the date of grant	¥ 878	¥ 804	¥ 609	¥ 569	¥ 500	¥ 710	¥ 677	¥ 1,182

	2008 Stock Option	2009 Stock Option	2010 Stock Option	2011 Stock Option	2012 Stock Option	2013 Stock Option	2014 Stock Option	2015 Stock Option
Exercise price	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Average stock price at the time of exercise	4.44	4.44	4.44	4.44	4.44	4.44	4.44	4.44
Fair value at the date of grant	$ 7.17	$ 6.56	$ 4.97	$ 4.64	$ 4.08	$ 5.80	$ 5.53	$ 9.65

(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.

25. 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, 2021 and 2022 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2022	2022
Deferred tax assets:			
Reserve for possible loan losses	¥ 12,517	¥ 12,430	$ 101,560
Depreciation	634	487	3,979
Impairment loss on fixed assets	2,484	2,597	21,219
Write-offs of securities	615	340	2,778
Net defined benefit liability	2,952	2,899	23,686
Tax loss carry-forwards	519	235	1,920
Net deferred loss on hedging instruments	0	–	–
Others	3,764	3,344	27,322
Subtotal	23,489	22,336	182,498
Valuation allowances	(2,857)	(2,505)	(20,467)
Total deferred tax assets	20,631	19,830	162,023
Deferred tax liabilities:			
Reserve for deferred revenue of tangible fixed assets	(83)	(81)	(661)
Net unrealized gain on other securities	(21,062)	(3,192)	(26,080)
Net deferred gain on hedging instruments	–	(1,176)	(9,608)
Others	(190)	(541)	(4,420)
Total deferred tax liabilities	(21,336)	(4,992)	(40,787)
Net deferred tax assets (liabilities)	¥ (704)	¥ 14,838	$ 121,235

Breakdown by major item of the causes if there are significant differences between the statutory tax rate and the effective income tax rate for the company submitting consolidated financial statements

	2021	2022
Statutory tax rate	–	30.45%
(adjustment)		
Permanent non-deductible expenses, including entertainment expenses	–	0.21%
Permanent profits not included in income, including dividends	–	(0.49%)
Loss on valuation of subsidiary stock	–	(1.67%)
Result of valuation allowance changes	–	(0.06%)
Other	–	0.27%
Effective income tax rate	–	28.70%

Note: Since the difference between the statutory tax rate and actual effective tax rate for the year ended March 31, 2021 was less than 5%, details are omitted.

26. 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 agreements 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, 2021 and 2022 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2022	2022
Balance at the beginning of the year	¥ 485	¥ 490	$ 4,003
Changes due to the passage of time	5	5	40
Decrease due to transfer of tangible fixed assets	–	15	122
Balance at the end of the year	¥ 490	¥ 480	$ 3,921

27. Revenue Recognition

(1) Revenue analysis

Category	Millions of Yen 2022	Thousands of U.S. Dollars 2022
Fees and commissions income	¥ 13,115	$ 107,157
Deposits and loans	3,775	30,844
Remittances and transfers	2,556	20,884
Securities	2,370	19,364
Agency work	773	6,315
Guarantees	482	3,938
Other	¥ 3,158	$ 25,802

Note: Fees and commissions, of which deposits and loans, and remittances and transfers arise from the Banking segment, while securities, agency work, guarantees, and other are mainly from the Banking and Other segments. The table above includes revenue not covered by "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020).

(2) Information that forms the basis for understanding revenue

Most of the Group's revenue comes from its work in deposits, loans, securities investment, remittances and transfers, etc. For revenue arising from contracts with customers that is covered by the "Accounting Standard for Revenue Recognition," significant revenue is recorded as fees and commissions in the consolidated statements of income. Details on the recording method can be found in Notes to the Consolidated Financial Statements in "2." "(j) Revenue recognition."

28. Segment and Other Related Information

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, remittances and transfers businesses, etc. "Leasing" consists of leasing business conducted by Gogin Leasing 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, 2021 and 2022 are as follows:

Millions of Yen

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

Millions of Yen

Year ended March 31, 2022	Reportable segments: Banking	Reportable segments: Leasing	Reportable segments: Total	Others (Note 2)	Total	Adjustments (Note 3)	Consolidated
Ordinary income (Note 1):							
Customers	¥ 78,096	¥ 16,044	¥ 94,140	¥ 970	¥ 95,111	¥ –	¥ 95,111
Inter-segment	271	196	468	534	1,003	(1,003)	–
Total	78,367	16,241	94,608	1,505	96,114	(1,003)	95,111
Segment profit	20,346	457	20,804	145	20,949	(157)	20,791
Segment assets	6,750,365	46,660	6,797,026	16,502	6,813,528	(38,369)	6,775,158
Segment liabilities	6,413,456	40,519	6,453,976	5,780	6,459,756	(37,789)	6,421,967
Other items:							
Depreciation	2,645	277	2,922	80	3,003	–	3,003
Interest income	60,184	6	60,191	19	60,210	(171)	60,038
Interest expenses	1,836	129	1,965	6	1,972	(97)	1,875
Extraordinary gains:	44	–	44	13	57	–	57
Gain on disposals of fixed assets	44	–	44	13	57	–	57
Extraordinary losses:	565	–	565	1	566	–	566
Loss on disposals of fixed assets	39	–	39	1	40	–	40
Impairment loss	525	–	525	–	525	–	525
Tax expenses	¥ 5,603	¥ 150	¥ 5,754	¥ 92	¥ 5,846	¥ (24)	¥ 5,821

Thousands of U.S. Dollars

Year ended March 31, 2022	Reportable segments: Banking	Reportable segments: Leasing	Reportable segments: Total	Others (Note 2)	Total	Adjustments (Note 3)	Consolidated
Ordinary income (Note 1):							
Customers	$ 638,091	$ 131,089	$ 769,180	$ 7,925	$ 777,114	$ –	$ 777,114
Inter-segment	2,214	1,601	3,823	4,363	8,195	(8,195)	–
Total	640,305	132,698	773,004	12,296	785,309	(8,195)	777,114
Segment profit	166,239	3,733	169,981	1,184	171,165	(1,282)	169,874
Segment assets	55,154,546	381,240	55,535,795	134,831	55,670,626	(313,497)	55,357,120
Segment liabilities	52,401,797	331,064	52,732,870	47,226	52,780,096	(308,758)	52,471,337
Other items:							
Depreciation	21,611	2,263	23,874	653	24,536	–	24,536
Interest income	491,739	49	491,796	155	491,951	(1,397)	490,546
Interest expenses	15,001	1,054	16,055	49	16,112	(792)	15,319
Extraordinary gains:	359	–	359	106	465	–	465
Gain on disposals of fixed assets	359	–	359	106	465	–	465
Extraordinary losses:	4,616	–	4,616	8	4,624	–	4,624
Loss on disposals of fixed assets	318	–	318	8	326	–	326
Impairment loss	4,289	–	4,289	–	4,289	–	4,289
Tax expenses	$ 45,779	$ 1,225	$ 47,013	$ 751	$ 47,765	$ (196)	$ 47,561

Notes: 1. Ordinary income is presented instead of sales of general companies. Adjustments detail the difference between ordinary income by reportable segment and the amount of ordinary income recorded on consolidated statements of income.

2. "Others" include business segments other than reportable segments such as credit guarantee business.

3. "Adjustments" include as follows:

(1) Adjustments for ordinary income for customers of ¥(13) million for the year ended March 31, 2021 represent reversal of reserve for possible loan losses in the Leasing segment.

(2) Adjustments for segment profit of ¥(68) million and ¥(157) million ($(1,282) thousand) for the years ended March 31, 2021 and 2022, respectively, represent elimination of inter-segment transactions.

(3) Adjustments for segment assets of ¥(51,932) million and ¥(38,369) million ($(313,497) thousand) as of March 31, 2021 and 2022, respectively, represent elimination of inter-segment balances.

(4) Adjustments for segment liabilities of ¥(49,429) million and ¥(37,789) million ($(308,758) thousand) as of March 31, 2021 and 2022, respectively, represent elimination of inter-segment balances.

(5) Adjustments for interest income of ¥(127) million and ¥(171) million ($(1,397) thousand) for the years ended March 31, 2021 and 2022, respectively, represent elimination of inter-segment transactions.

(6) Adjustments for interest expenses of ¥(103) million and ¥(97) million ($(792) thousand) for the years ended March 31, 2021 and 2022, respectively, represent elimination of inter-segment transactions.

(7) Adjustments for gain on disposals of fixed assets of ¥(2) million for the year ended March 31, 2021 represent elimination of inter-segment transactions.

(8) Adjustments for loss on valuation of subsidiary's stock of ¥ (1,019) million for the year ended March 31, 2021 represent elimination of loss on valuation of subsidiary's stock recognized for a consolidated subsidiary (in the securities business) undergoing liquidation, in the Banking segment.

(9) Adjustments for tax expenses of ¥(12) million and ¥(24) million ($(196) thousand) for the years ended March 31, 2021 and 2022, 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, 2021	¥ 35,915	¥ 25,365	¥ 15,468	¥ 12,428	¥ 89,178
Year ended March 31, 2022	¥ 38,150	¥ 25,272	¥ 16,044	¥ 15,643	¥ 95,111

	Thousands of U.S. Dollars				
Income from customers	Loans	Securities investment	Leasing	Others	Total
Year ended March 31, 2022	$ 311,708	$ 206,487	$ 131,089	$ 127,812	$ 777,114

(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, 2021	¥ 249	¥ –	¥ 249	¥ –	¥ 249
Year ended March 31, 2022	¥ 525	¥ –	¥ 525	¥ –	¥ 525

	Thousands of U.S. Dollars				
	Reportable segments				
Impairment loss	Banking	Leasing	Total	Others	Total
Year ended March 31, 2022	$ 4,289	$ –	$ 4,289	$ –	$ 4,289

29. Related Party Transactions

Transactions with the Bank's directors, corporate auditors, executive officers and their relatives include loan receivables, guarantees and securities. These transactions totaled ¥1,649 million and ¥0 million ($0 thousand) for the years ended March 31, 2021 and 2022, respectively. The balances of loan receivables from these parties totaled ¥2,504 million and ¥2,431 million ($19,862 thousand) as of March 31, 2021 and 2022, respectively. The balances of securities (corporate bonds of these parties) totaled ¥400 million and ¥400 million ($3,268 thousand) as of March 31, 2021 and 2022, respectively. The terms of these transactions were determined on an arm's-length basis.

* Choemon Tanabe stepped down as a director of the Bank on June 22, 2021. Transaction amounts with relevant business partners are shown until that date, and the balance as of March 31, 2022 is shown as of that day.

30. Amounts per Share

	Yen		U.S. Dollars
	2021	2022	2022
Net assets per share	¥ 2,433.02	¥ 2,260.27	$ 18.46
Profit per share:			
Basic	¥ 62.14	¥ 92.88	$ 0.75
Diluted	62.03	92.77	0.75

The basis for the calculation of net assets per share as of March 31, 2021 and 2022 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2022	2022
Net assets	¥ 379,852	¥ 353,191	$ 2,885,783
Deduction:	703	614	5,016
Subscription rights to shares	170	123	1,004
Non-controlling interests	532	491	4,011
Net assets attributable to shares of common stock	379,149	352,576	2,880,758
Number of shares of common stock outstanding	155,834 thousand	155,988 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 (888 thousand shares and 794 thousand shares as of March 31, 2021 and 2022, 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, 2021 and 2022 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2022	2022
Profit attributable to owners of the Bank	¥ 9,679	¥ 14,485	$ 118,351
Amount not attributable to common shareholders	–	–	–
Profit attributable to common shareholders	9,679	14,485	118,351
Average number of shares of common stock outstanding	155,761 thousand	155,946 thousand	
Average number of shares of dilutive common stock	266 thousand	182 thousand	

Regarding the calculation of profit per share, the shares of the Bank owned by Board Benefit Trust (BBT) and recognized as treasury stock (924 thousand shares and 822 thousand shares in average number for the years ended March 31, 2021 and 2022, respectively) are deducted from the average number of shares of common stock outstanding.

Consolidated Supplementary Schedules

Schedule of bonds payable

There is no significant information to be disclosed.

Schedule of loans payable

Category	At the beginning of the fiscal year (millions of yen)	At the end of the fiscal year (millions of yen)	Average interest rate (%)	Repayment schedule
Borrowed money	¥ 597,672	¥ 703,317	0.00	–
Rediscounted bills	–	–	–	–
Loans payable	597,672	703,317	0.00	May 2022–December 2026
Leases obligations with repayment due in one year or less	197	173	–	–
Leases obligations (excl. due in one year or less)	543	288	–	April 2023–December 2028

Category	At the beginning of the fiscal year (thousands of U.S. dollars)	At the end of the fiscal year (thousands of U.S. dollars)	Average interest rate (%)	Repayment schedule
Borrowed money	$ 4,883,340	$ 5,746,523	0.00	–
Rediscounted bills			–	–
Loans payable	4,883,340	5,746,523	0.00	May 2022–December 2026
Leases obligations with repayment due in one year or less	1,609	1,413	–	–
Leases obligations (excl. due in one year or less)	4,436	2,353	–	April 2023–December 2028

Notes: 1 "Average interest rate" represents weighted average interest rate based on the interest rates at the "End of the fiscal year" at the balance sheet date. Moreover, leases obligations are recorded on the consolidated balance sheet with the amounts prior to the exclusion of interest-equivalent amounts, including certain lease fees. As such, average interest rate is not provided.

Notes: 2 The repayment schedule over the next five years on loan payable and leases obligations after the consolidated balance sheet date are as follows:

	1 year or less	More than 1 year, 2 years or less	More than 2 years, 3 years or less	More than 3 years, 4 years or less	More than 4 years, 5 years or less
Loans payable (millions of yen)	¥ 152,477	¥ 80,800	¥ 152,845	¥ 316,765	¥ 430
Lease obligations (millions of yen)	173	112	85	59	20

	1 year or less	More than 1 year, 2 years or less	More than 2 years, 3 years or less	More than 3 years, 4 years or less	More than 4 years, 5 years or less
Loans payable (thousands of U.S. dollars)	$ 1,245,828	$ 660,184	$ 1,248,835	$ 2,588,160	$ 3,513
Lease obligations (thousands of U.S. dollars)	1,413	915	694	482	163

In the Banking business, receiving deposits and procuring and effectively managing capital from call money and commercial paper markets are the normal course of business. As such, schedules of loans payable show a breakdown of “Borrowed money” included in the “Liabilities” and leases obligations included in “Other liabilities” in the consolidated balance sheet.

Schedule of asset retirement obligations

Category	At the beginning of the fiscal year (millions of yen)	Increase (millions of yen)	Decrease (millions of yen)	At the end of the fiscal year (millions of yen)
Hazardous materials (asbestos) removal obligations	¥ 112	¥ –	¥ –	¥ 112
Obligation to restore stores, etc., to original condition according to property leasing contracts	377	5	15	367

Category	At the beginning of the fiscal year (thousands of U.S. dollars)	Increase (thousands of U.S. dollars)	Decrease (thousands of U.S. dollars)	At the end of the fiscal year (thousands of U.S. dollars)
Hazardous materials (asbestos) removal obligations	$ 915			$ 915
Obligation to restore stores, etc., to original condition according to property leasing contracts	3,080	40	122	2,998

Other

(i) Quarterly consolidated financial information in the fiscal year ended March 31, 2022 is as follows:

Cumulative period	Q1	Q2	Q3	(Millions of Yen) FY ended March 31, 2022
Ordinary income	¥ 21,816	¥ 46,146	¥ 68,378	¥ 95,111
Net profit before income taxes	4,483	11,520	16,958	20,283
Profit attributable to owners of the Bank	3,443	8,353	12,164	14,485
Net profit per share (yen)	22.09	53.58	78.01	92.88

Cumulative period	Q1	Q2	Q3	FY ended March 31, 2022
Ordinary income (thousands of U.S. dollars)	$ 178,249	$ 377,040	$ 558,689	$ 777,114
Net profit before income taxes (thousands of U.S. dollars)	36,628	94,125	138,557	165,724
Profit attributable to owners of the Bank (thousands of U.S. dollars)	28,131	68,249	99,387	118,351
Net profit per share (U.S. dollars)	0.18	0.43	0.63	0.75

(*) Ordinary income is presented instead of sales of general companies.

Accounting period	Q1	Q2	Q3	Q4
Quarterly net profit per share (yen)	¥ 22.09	¥ 31.48	¥ 24.42	¥ 14.87

Accounting period	Q1	Q2	Q3	Q4
Quarterly net profit per share (U.S. dollars)	$ 0.18	$ 0.25	$ 0.19	$ 0.12