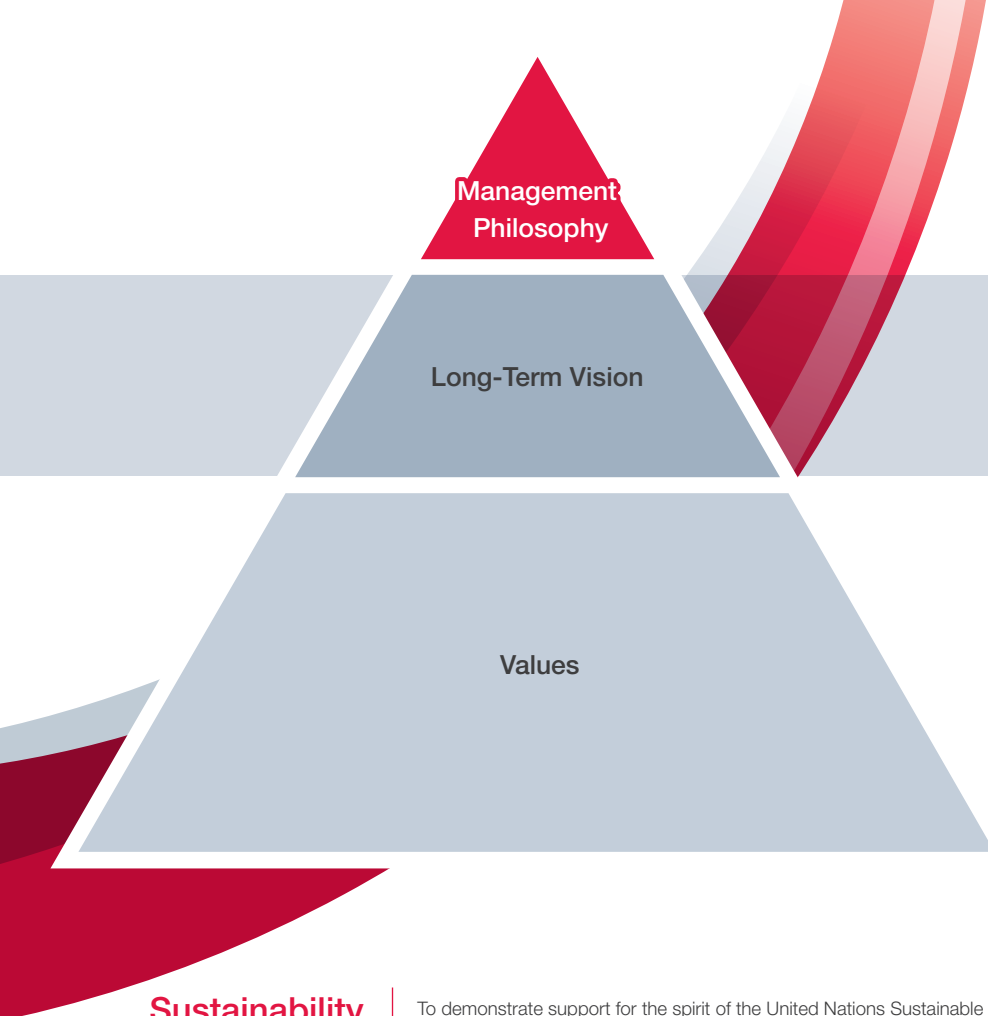


INTEGRATED REPORT 2024



SAN-IN GODO BANK



**A creative bank that fulfills the dreams
of the region and customers we serve**

**A regional bank leading in sustainable growth
and solutions-oriented services**

We aim for sustainable growth in tandem with the region and customers
by improving our capability to solve issues, thereby aligning more closely
with our management philosophy.

Integrity

It all begins with trust. Act with integrity and sincerity, always.

Passion

Passion for the community and our customers is our driving force. We engage with passion not
only in the financial domain, but across a wide range of areas, including the environment and
social contribution.

Growth

Grow together with our community and customers. We seek professional knowledge and skills,
contributing to the community and our customers.

Creativity

San-in is the source. We continue to transform ourselves by drawing from the San-in DNA,
repeatedly bringing our experience and spirit of challenge to bear to offer the best possible
services to our customers.

Team GOGIN

Crystallizing the strength of the Gogin Group. We respect diversity and endeavor to meet the
expectations of our stakeholders through an open organizational climate.

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.

Customer Satisfaction (CS) Statement

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.

*How did you build such a large loan portfolio? How do you train people
reassigned to the Corporate Business? Invariably, dialogue with investors and
other stakeholders include these questions asked of us.*

We spend considerable time focusing on human resources development in an
environment where our main business area is in a region on the front line of
daunting issues. Our aim is to grow sustainably with our customers and the

community by providing solutions to their problems.

The San-in Godo Bank Integrated Report 2024 presents the story of our human
resources development and how we will continue to improve corporate value by
fostering human resources who share our management philosophy, executing
under a new medium-term management plan launched in 2024.

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Editorial Policy



This publication is the Integrated Report 2024 prepared by San-in Godo Bank. The Integrated Report contains financial and non-financial information (ESG Information) based on the International Integrated Reporting Framework presented by the International Integrated Reporting Council (IIRC, currently the IFRS

Foundation) as well as the Value Creation Guidance proposed by the Ministry of Economy, Trade and Industry. This report serves as an integrated description of our management policy, initiatives for sustainable growth, and our medium- to long-term value creation. Items for disclosure stipulated by the enforcement regulations of Japan's Banking Act are detailed in a separate supplemental disclosure. Supplemental disclosure can be viewed on our website. <https://www.gogin.co.jp> (Japanese only)



Scope of Reporting

We principally report San-in Godo Bank information on a non-consolidated basis.

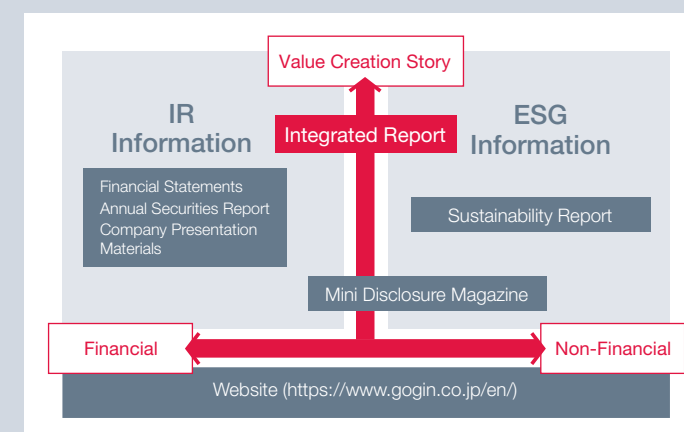
Reporting Period

Fiscal 2023 (April 1, 2023 - March 31, 2024)
Some contents include information from fiscal 2024.

Forecasts

Materials in this report include statements on future business performance. We make no guarantees for future performance in such statements, as they contain inherent risks and uncertainties. Please note that future results may differ from forecasts due to changes in the business environment and other factors.

Disclosure System



TOP message

Message From the President

Toru Yamasaki

山崎 徹

President and Representative Director

The Current Environment

Entering 2024, the Bank of Japan lifted its negative interest rate policy and raised interest rates for the first time in 17 years amid increased economic activity and corporate wage trends. The Nikkei Stock Average also reached a record high of ¥40,000 in March, which was welcome news for the stock market. Meanwhile, the yen continues to weaken and prices continue to rise in response to heightened geopolitical risks (Ukraine, etc.) and surging prices for resources.

The rapid progress of digitalization and the growing

need for cashless services in the financial industry have intensified competition among traditional banks, fintech, and cashless businesses. This development also highlights the importance of hardened measures against cyber attacks. We must also address long-term issues, which include population decline, falling birth rates, aging demographics, and climate change. The environment surrounding San-in Godo Bank remains fraught with challenges and an increasingly uncertain future, although we do see positive factors, such as a phase of rising interest rates.

Business Model Reforms Under the Previous Medium-Term Management Plan

Despite the challenging business environment over the previous medium-term management plan (FY2021-FY2023), we implemented bold structural reforms to return the fruits of the Bank's growth to our communities, customers, employees, and shareholders. One of these reforms was a review of our branch network. This review resulted in eliminating 45 branches in San-in over a six-year period. We reviewed the nature of operations at the remaining 108 branches, choosing 25 as targets to optimize personnel and operations.



In October 2020, we entered into an alliance with Nomura Securities Co., Ltd. This alliance freed up 200 people, and through our efforts to streamline and digitize operations, including consolidating mortgage and loan processing at headquarters, we optimized assignments for 800 people. Of these 800 employees, we reallocated around 400 (excluding retirees) to the strategic areas of Sanyo and Kansai Corporate Business, asset consulting, and digital transformation (DX). → P39

Under the previous medium-term management plan, we invested actively in strategic areas through such structural reforms and engaged in priority measures that included DX and the *Every Employee a Consultant* project to strengthen our ability to solve customer issues. As a result of our efforts, profit from service transactions over the three years of the previous plan rose ¥6.2 billion to ¥11.6 billion and profit from customer service operations rose ¥1.7 billion to ¥14.7 billion. In fact, we posted three consecutive years of record-high net profit on a consolidated basis. → P09

Management Philosophy and 10-Year Goals

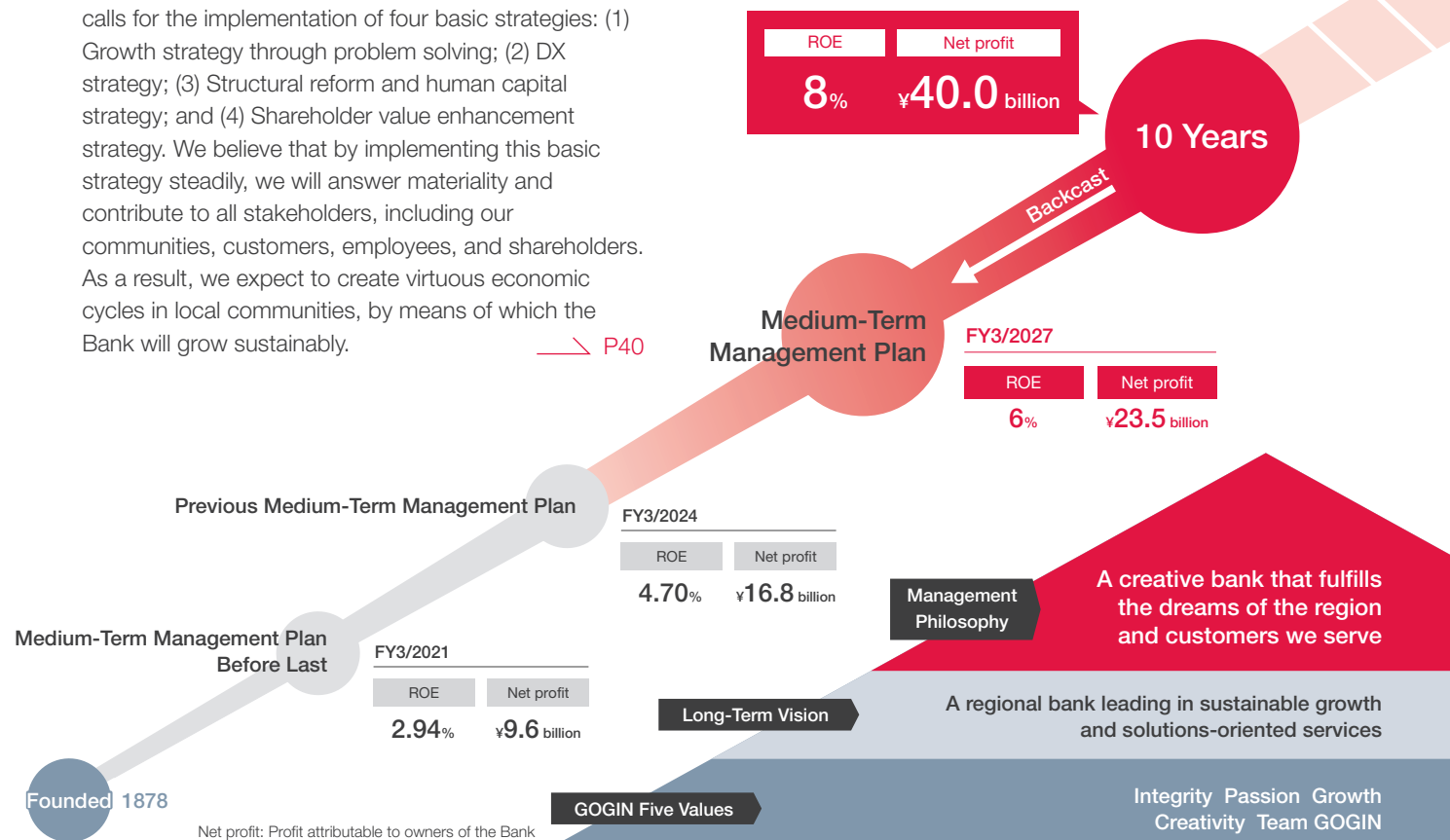
We began operating under the current medium-term management plan in fiscal 2024. This plan incorporates the feedback coming from the *Meeting to Consider the Future (Mirai) of San-in Godo Bank*, a meeting for executives and employees across generations to discuss the future of the Bank. Based on the future vision and values stemming from this meeting, we established 10-year financial targets for the Bank at an ROE of 8% and net profit of ¥40 billion. Taking this 10-year goal as a starting point, we backcast to derive final-year targets under the plan as net profit of ¥23.5 billion and ROE of 6%. → P33

Medium-Term Plan Materiality

We have laid the groundwork for the next phase of growth. However, our main business market of San-in still faces many challenges, including a declining birthrate, aging demographics, a shrinking number of companies, a sluggish rate for business openings, and slow efforts to decarbonize the region. The new medium-term plan revisits our approach to materiality, which represents issues the Bank must address from the viewpoints of stakeholders and others. The plan calls for the implementation of four basic strategies: (1) Growth strategy through problem solving; (2) DX strategy; (3) Structural reform and human capital strategy; and (4) Shareholder value enhancement strategy. We believe that by implementing this basic strategy steadily, we will answer materiality and contribute to all stakeholders, including our communities, customers, employees, and shareholders. As a result, we expect to create virtuous economic cycles in local communities, by means of which the Bank will grow sustainably. → P40



Discussion during the Meeting to Consider the Future (Mirai)



Hybrid Management: The Strengths of Personal Interactions and Non-Face-to-Face Infrastructure

Guided by our medium-term plan, we contribute to solving issues faced by communities and customers pursuing a growth strategy through problem solving and DX strategy. We use AI and IT, structural and administrative reforms, and human resources development as accelerators, aiming to reach our 10-year goals as quickly as possible.

Growth Strategy Leveraging the Strength of Personal Interactions

Loan transactions remain the primary service that local customers seek from the Bank. More loan transactions

will lead to a larger base of business for our customers, while building relationships of trust with such customers will lead naturally to consulting and other services. We increased the average balance of corporate loans under the previous medium-term plan by approximately ¥630 billion and personal loans by approximately ¥400 billion, both among the highest growth rates for regional banks. This progress was due in part to the positive impact of the personnel resulting from structural reforms and our allocation of them to strategic fields. However, I believe the most important factor was the strength of personal interactions with customers. The support of the Bank by customers in San-in and the increase in volume in the Sanyo, Hyogo, and Osaka markets is evidence that the Bank's employees earned the acceptance of our customers through face-to-face interactions and dialogues. One example is our housing loan initiative, which contributed to the increase in

personal loan balances. In a market crowded with brick-and-mortar and online banks, we by no means offer interest rates lower than our competitors. The Bank's practice is to build relationships with home builders in each of our business markets, screen deals faster than other banks, and provide detailed attention to customers who are planning to purchase a home. Our customers appreciate these personal interactions and choose our bank, even if the interest rate is slightly higher than other banks.

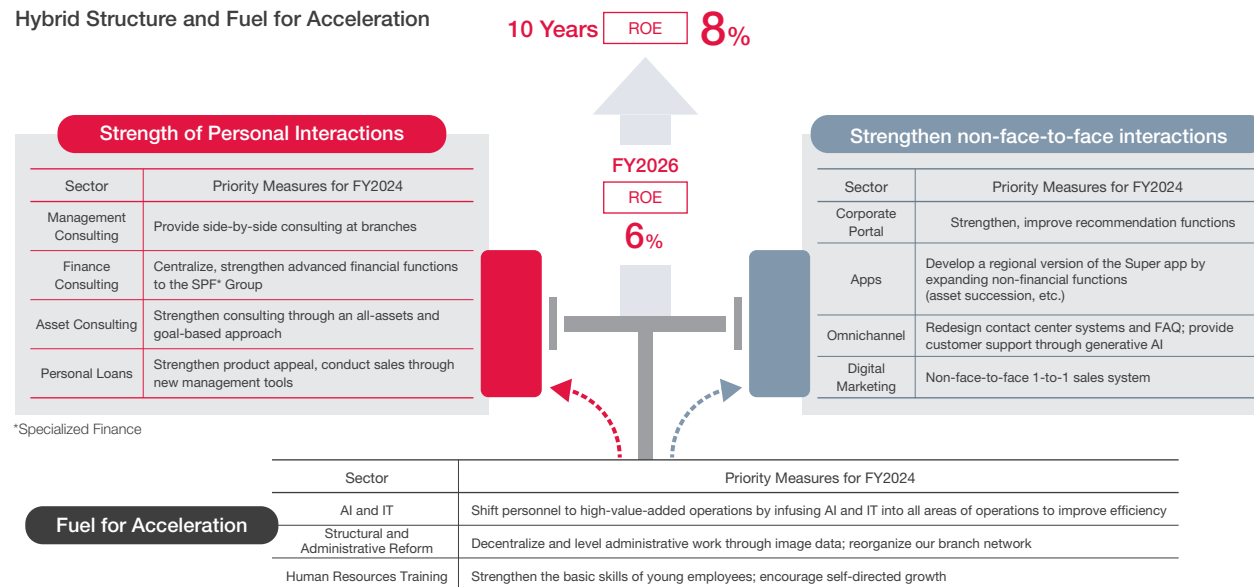
The new medium-term management plan calls for increasing corporate loans by ¥620 billion and personal loans by ¥400 billion in terms of average balances. We believe we can achieve these goals by continuing to leverage the strength of these personal interactions.

Evolve Every Employee a Consultant; Expand Fee-Based Businesses

The previous medium-term management plan included the Every Employee a Consultant project as a measure to strengthen our consulting capabilities. This project is an initiative aimed at a consulting model that is unique to regional banks. Under this approach, we work quickly on the front lines to carefully address and solve every issue faced by our customers. We introduced a certification program (basic, standard, advanced) to ensure business staff can provide a certain level of consulting services. At the same time, we develop our human resources through on-the-job and off-the-job training. As of March 2024, we have trained 407 corporate consultants, including personnel reassigned after structural reforms.

Our fee business helps solve customer issues, adds value, and receives fees in return. This business has been a weak area for us traditionally; however, our Every Employee a Consultant project has played a role

Hybrid Structure and Fuel for Acceleration



in solutions revenue, including consulting-related fees, rising from ¥1.6 billion in fiscal 2020 to ¥4.6 billion in fiscal 2023—an increase of ¥3 billion over the course of the previous medium-term management plan. By area, the Bank's efforts to integrate loan and consulting services not only in San-in, but also in Sanyo and Kansai, resulted in consulting-related fee growth. In Tokyo, the Bank captured a steady stream of project finance and other services, leading to loan and fee income growth. Given the results of the previous medium-term plan, we believe we are evolving into a bank capable of delivering profits from fee businesses such as consulting.

Under the new medium-term management plan, we intend to advance our Every Employee a Consultant project further, establishing a structure under which 500 employees are engaged in face-to-face corporate consulting by the final year of the plan. We also plan to send more personnel to Sanyo and Kansai to propose and implement solutions to customer business issues, which we expect will lead to an increase in corporate loans and consulting-related fees. To leverage products and services in answer to the diversifying financial needs of our customers, we established a new Specialized Finance Group (SPF) in Tokyo, which will focus on structured finance (LBO loans, etc.). In this way and others, we plan to build a structure even more conscious of profitability. As of March 2024, the SPF consisted of 25 professionals. We plan to double this number and strengthen our structured finance function in Tokyo and at the head office.

For individual customers, we enhanced asset consulting quality through the alliance with Nomura Securities, reaching our target of ¥800 billion in assets under management (excluding insurance). We achieved this target two years ahead of the schedule proposed in our previous medium-term plan. The alliance leverages the strengths of San-in Godo Bank and Nomura Securities,

while halving of the number of personnel involved in operations and the streamlining of redundant offices. The alliance also contributes to earnings in other businesses as we reassign personnel to more strategic areas. Under this sales structure, we aim to make use of the cutting-edge products provided by Nomura Securities and propose solutions through all-assets, goal-based, or other approaches tailored to the assets and life plan of each customer. Growth strategy through problem solving is one of the basic strategies of our new management plan. To achieve this strategy, we will continue to enhance the quality and quantity of personal interactions with customers by reassigning or using DX to increase the number of employees in strategic areas, as well as by improving the capabilities of each individual.

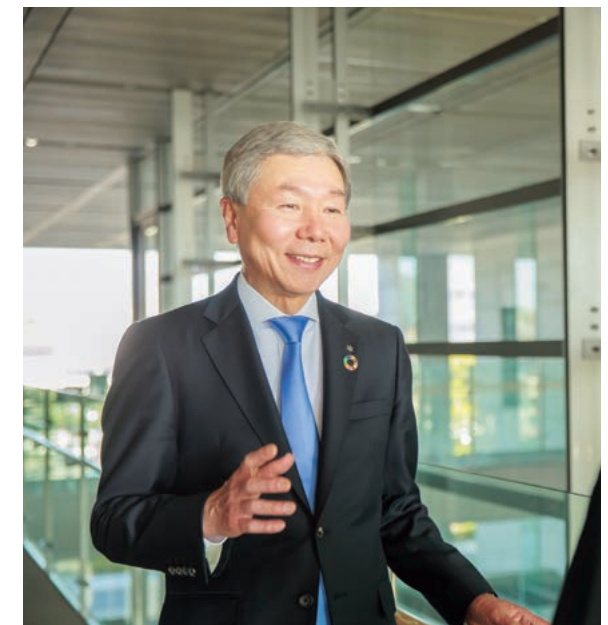
Transforming Into a Digital Bank

DX strategy is the second basic strategy under our new plan. One of our toughest challenges to date has been the 2020 migration of our core banking system from Hitachi, Ltd. to NTT Data. This migration forced us to freeze system development for several years before and after, delaying our DX efforts.

After the system development freeze ended in October 2021, we established the Digital Transformation Promotion Headquarters and began working on five areas: business, operations, IT, data, and organization/human resources. Our approach covered the entire process, from strategy formulation to implementation, as defined under the previous medium-term management plan. An objective evaluation provided by an outside consulting firm indicated that as of March 2024, we had reached a level of DX in all areas that every regional bank should aim for.

Digital marketing was an area in which we were rated lowest by the consulting firm. However, we put a system into place under the previous medium-term plan to assign digital marketers and establish a new data analysis center. At that time, we began full-scale digital marketing under the guidance of outside professionals. After repeated trial and error, we now have a system capable of delivering 1.4 million pieces of marketing content per month. We plan to make the most of this solid foundation to improve not only the quantity of distribution but also the quality of our digital marketing, honing this tool into an overwhelming advantage.

In addition to digital marketing, the new medium-term plan also addresses omnichannel strategies. One of our challenges to date has been the disparate points of contact with our customers, including online, bank branches, telephone, and the workplace. To link these disparate points of contact with customers organically, we established the Direct Channel Department as part of the organizational reform in April 2024. The Contact Center within the department now serves as a hub to



strengthen customer contact points by linking online, telephone, and personal interactions. Through a one-stop service for all needs, we improve not only customer convenience, but also profitability and productivity.

Lastly, in terms of productivity and operational reforms using DX, our business and administrative divisions engaged in 22 major measures and 128 minor measures toward reform and improvement as directed under the previous medium-term management plan. Our new medium-term plan also calls for the integration of AI into elements of operations. We plan to incorporate 96 AI-based measures in our work, including the use of ChatGPT and marketing. These measures will help us improve the efficiency of operations in an amount equivalent to 20 head office employees. We also developed and tested a system workflow for bank employees working in branches with lighter workloads to perform administrative tasks remotely for branches with higher workloads. We will use these and other measures to help branches in strategic areas offload administrative tasks as much as possible.

These are just a few examples of our current and future progress. Ultimately, we will become a hybrid organization with integrated AI and IT that allows our organization and people to focus on value-added work.

Human Capital Management Initiatives

Our third basic strategy is structural reform and human capital strategy. Since assuming the title of president, I have consistently emphasized the importance of being an open organization and evolving through change. This means that no matter how many changes we make by way of structural reform and how many

outstanding people we hire, sustainable organizational growth and enhanced competitiveness cannot be achieved without a corporate culture that frees these people to do their best. I do not think we were insufficiently open to begin with, but there had been a tendency for branches to follow in lock-step with the head office, while the head office was easily influenced by the thinking of management at the time. Top-down management is necessary at times to corral an organization in the same direction. At the same time, there is a risk of becoming too focused on homogeneous values. I have always believed that to draw out the overall strength of an organization requires employees to face their work and customers as a personal responsibility. I speak about openness and change because I feel strongly that if we are to grow as a regional bank in today's era of volatility, uncertainty, complexity, and ambiguity—the so-called VUCA era—we must become an organization that recognizes diverse values and is willing to change. I continue to tell employees to evolve through change as a means of encouraging personal growth. For the Bank to serve and grow together with our communities and customers, employees themselves must lead the

way in growth. The Bank is investing in human resources development to support this growth. On a stand-alone basis, investments in this area amounted to ¥164 million, which we more than tripled in fiscal 2021 to ¥538 million.

I have been holding opinion exchange meetings with employees since 2020 as an example of creating an open organizational climate. As of March 2024, a total of 192 employees have participated in these talks. I answer any question an employee happens to have, with no predetermined format. I encourage them to speak freely about their daily thoughts and worries, concerns about the future, opinions about policies, and so forth. For me, these are valuable opportunities to express my appreciation for the daily efforts of our employees, to discuss our management philosophy, and to provide a vision of the direction in which the Bank is headed.

To expand opportunities for diverse human resources, we seek actively to promote women to higher positions. As of March 2024, 30% of assistant managers and above were women (consolidated basis), while the figure for manager and above was 21.9%. These ratios are higher than the regional bank average. In addition, Ms. Sawako Yoshioka became our first-ever woman to be appointed representative director from within. Ms. Yoshioka is a person capable of thinking about management from the perspective of our front lines. We expect her to draw on her experience of dealing and interacting with customers and employees at branches and in the head office. While the number of women in management positions is important, I think this latest promotion signals our willingness to make changes in management while communicating a new career path to the female employees working diligently in the head office and branches.

We also appointed our first-ever foreign national as an outside director, Mr. Graeme David Knowd. Mr. Knowd

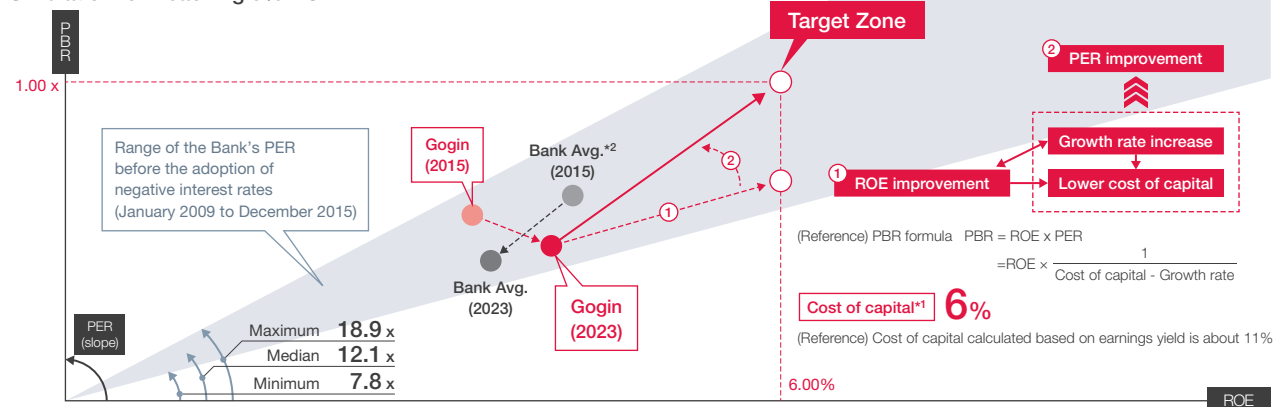


Presentation for new bank employees

is a native of Ireland and has a long history of working in the financial industry, both in Japan and internationally. His global experience in the financial industry includes work at the Bank of England and the Bank for International Settlements (BIS). He also has a wealth of experience in private sector foreign securities firms such as Morgan Stanley and as a managing director of Moody's Japan, a rating agency for financial institutions. While Mr. Knowd's career is obviously impressive, the reason we sought his appointment was our hope that his global experience would not only provide a variety of visionary suggestions, but also fresh inspiration to our regional bank. In any case, we expect even more diverse communications on the Board of Directors as we welcome new people with different experiences and philosophies. These new appointments will not only strengthen governance, but also a culture that recognizes diverse values, leading to further openness, change, and, eventually, an organizational evolution.



Simulation for Reaching 6% ROE



*1 The cost of capital is based on the capital asset pricing model (CAPM), and is currently set at 6%, reflecting a revision based on dialogue with shareholders and investors

*2 Banks listed on the TSE Prime market (TSE First Section in 2015) (Source: Japan Exchange Group statistics (stock-related); PER and PBR by size/industry)

Maximizing Corporate Value Through More Robust Shareholder Returns and Active Growth Investments

The last of our four basic strategies is shareholder value enhancement strategy. Last year, the Tokyo Stock Exchange (TSE) requested listed companies to take action in managing their businesses with an awareness of share price and the cost of capital. We have been discussing this request at Board of Directors and management meetings. We first defined the Bank's cost of capital as 6% and set an ROE target of at least 6% for fiscal 2026, which is the final year of the new medium-term management plan. If the PER recovers to levels before the introduction of negative interest rates, we believe that a PBR of 1 times will be within sight. The basic approach to capital policy under the new plan is to maximize corporate value by achieving a balance between shareholder returns, financial

soundness, and proactive investments in growth. Our policy for shareholder returns is one of progressive improvements, raising dividend levels beginning in fiscal 2024 and aiming for a dividend payout ratio of 40%. We continue to strive for higher dividends through improved earnings and opportunistic share buybacks that enhance shareholder returns and increase the Bank's corporate value.

As we meet the expectations of you, our communities, customers, shareholders, and other stakeholders, we ask for your continued support and patronage.

Message From the Executive Officer in Charge of Management Planning and Human Resources



Hiroshi Yoshikawa
Director and Senior Managing Executive Officer

In my capacity as head of management planning and human resources, I strive to conduct business with an awareness of the relationship between management strategy and human capital strategy. Recognizing that human resources are the pillar supporting the Bank's growth, we are stepping up our efforts related to human capital.

Fiscal 2023 Results

Economic conditions in fiscal 2023 remained uncertain, despite signs of recovery in consumption and investment in the aftermath of the COVID-19 pandemic. When the Bank of Japan lifted its long-running negative interest rate policy, Japan's financial institutions held high expectations for a normalization of the interest rate environment. However, our economy as a whole faced challenges in the effects of inflation and energy price hikes, as well as demands to address sustainable

growth, including digitalization and decarbonization. Amid these conditions, San-in Godo Bank focused efforts on solving community and customer issues, striving to enhance the potential for sustainable development in the region. On a non-consolidated basis, our core banking operations performed well during fiscal 2023, driven by revenue from loans, as well as fees and commissions. Profit from customer service operations, representing revenue from these core operations less operating expenses and other items, increased significantly. Interest and dividends on securities (excluding gains on cancellation of investment

trust contracts) fell year on year as we sold foreign securities and other securities impacted negatively by rising overseas interest rates. However, net profit from core banking operations rose year on year, supported by the performance of interest on loans and discounts, as well as other core banking operations. Credit expenses increased over the previous year, mainly due to an increase in loan balances. As a result, non-consolidated net profit rose ¥1.4 billion year on year to ¥15.9 billion, representing a record high for a third consecutive fiscal year.

We posted record-high consolidated profits for a third consecutive fiscal year, driven by the same positive factors behind our non-consolidated results, as well as the addition of income from group companies.

Financial Results Summary

(¥ billion)

Consolidated	FY2022	FY2023		
			YoY	%
Ordinary income	112.6	120.1	7.4	6.6
Profit attributable to owners of the Bank	15.4	16.8	1.3	8.6

Non-Consolidated	FY2022	FY2023		
			YoY	%
Gross banking profit	55.9	64.8	8.9	15.9
Net interest income	61.8	70.9	9.1	14.8
Interest on loans and discounts	42.8	51.8	8.9	20.9
Interest and dividends on securities	19.9	22.0	2.1	10.5
Net fees and commissions	9.9	11.6	1.7	17.2
Bond-related income (loss)	(13.2)	(10.4)	2.7	—
Expenses	37.0	38.2	1.1	3.1
Adjusted net banking profit	18.8	26.6	7.7	41.1
Net profit from core banking operations (excluding gains (losses) on investment trust contract cancellations)	30.7	34.0	3.2	10.6
Ordinary profit	21.0	22.9	1.9	9.2
Net income	14.5	15.9	1.4	10.0
Profit from customer service operations	9.9	14.7	4.7	47.4
Credit expenses	2.0	7.5	5.5	275.9

Overview of Previous Medium-Term Management Plans

During the six-year period of the previous two medium-term management plans (FY2018-FY2020; FY2021-FY2023), the Bank undertook structural reforms and invested management resources generated from the reforms in strategic areas. Over the same six years, we reallocated personnel to strategic posts by streamlining and digitalizing operations. Our efforts included consolidating corporate transactions in our branch network and the San-in area. As a result, we reduced total headcount to 2,686, managed operations more efficiently, raised top-line ordinary income by ¥24.3 billion, and increased consolidated net profit and profit from customer service operations. The goal of these structural reforms was not simply to reduce costs, but also to ensure sustainable growth in the future. Of the five target management indicators of the previous medium-term management plan, we achieved all measures with the exception of capital adequacy ratio. Consolidated net profit was ¥9.6 billion three years ago, and we targeted a 50% increase to ¥15 billion or more. In fiscal 2023, the final year of the previous medium-term management plan, consolidated net profit was ¥16.8 billion, far exceeding the target. ROE rose from 2.94% three years ago to 4.70%. OHR, which indicates efficiency, was low to begin with, but we reduced OHR further to 50.75% as a result of structural reform efforts, and we believe we are managing with even greater efficiency.

➤ Overview of the Medium-Term Management Plan P39

Profit Growth Under the Medium-Term Management Plan

The following waterfall diagram shows the progression of profits from consolidated net profit of ¥16.8 billion in the previous medium-term management plan to the target net profit of ¥23.5 billion in the final year of the new medium-term management plan. We project net interest income to contribute ¥11.9 billion with increased income from corporate loans, personal loans, interest and dividends on securities, and other factors. We also project profit from service transactions to contribute ¥3.4 billion due to an increase in asset management fees, while a decrease in credit expenses

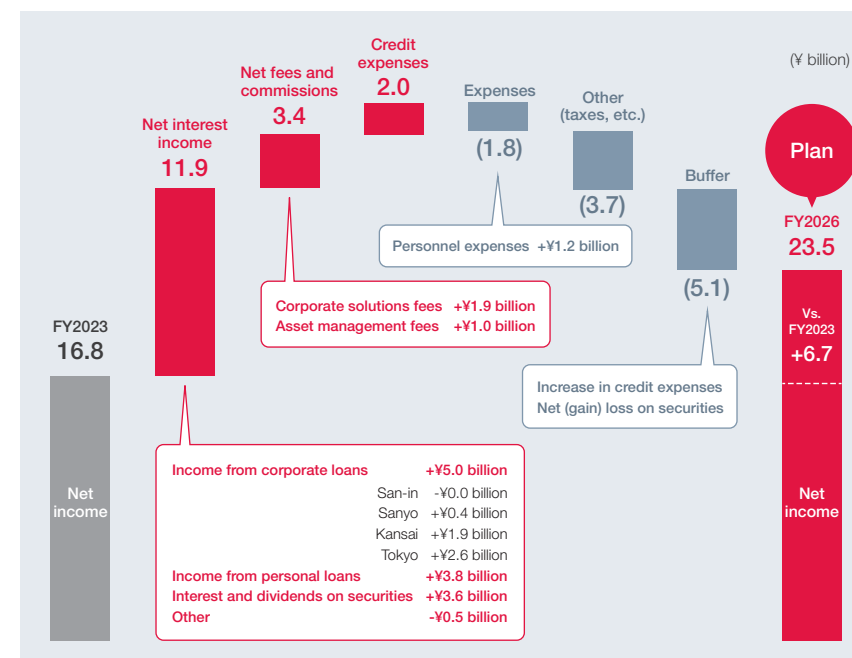
will have a positive impact of ¥2.0 billion. In terms of expenses, we expect personnel expenses to increase ¥1.2 billion over the next three years, reflecting an average annual wage increase of about 6.0%. We plan for an increase in expenses overall of ¥1.8 billion in spite of efforts to reduce non-personnel expenses, as we continue to invest actively in digital transformation and other strategic areas. We project taxes and other items to have a negative effect on profit by ¥3.7 billion. Finally, after factoring in the upward revision of credit expenses and a loss of ¥5.1 billion associated with securities, we plan for net profit of ¥23.5 billion, an increase of ¥6.7 billion over the period.

Financial Results Plan

Key Figures

	(¥ billion)		
	FY2023	FY2026	YoY
Gross banking profit	64.8	75.0	+10.2
Net interest income	70.9	82.8	+11.9
Net fees and commissions	11.6	15.0	+3.4
Expenses	38.2	40.0	+1.8
Net profit from core banking operations	37.0	51.3	+14.3
Net profit* ¹ (consolidated)	16.8	23.5	+6.7
Credit expenses	7.5	5.5	(2.0)
Buffer	7.2	12.3	+5.1

*¹ Profit attributable to owners of the Bank



Human Capital Strategy Linked to Management Strategy

San-in is the Bank's main business market. Compared to other regions, San-in is on the front line of daunting issues in terms of a declining population, aging demographics, and a host of other challenges. Our unchanging business model has been *relationship banking*, a model in which communicate closely with customers, build relationships of trust, draw out their needs, identify, and help resolve said challenges. To advance our activities further and differentiate ourselves from other banks, we developed a program under the previous medium-term management plan called the

Every Employee a Consultant. We see many examples of small teams at corporate headquarters providing specialized consulting services. However, San-in Godo Bank strives to develop a level of consulting skills in all of our business staff. Customers have given positive feedback on the speed of our response and the accurate advice received for their issues. This response has led to an increase in loans and consulting fees. The Bank will continue to pursue growth by improving the problem-solving skills of employees and by focusing human resources on strategic areas of our core operations and consulting services.

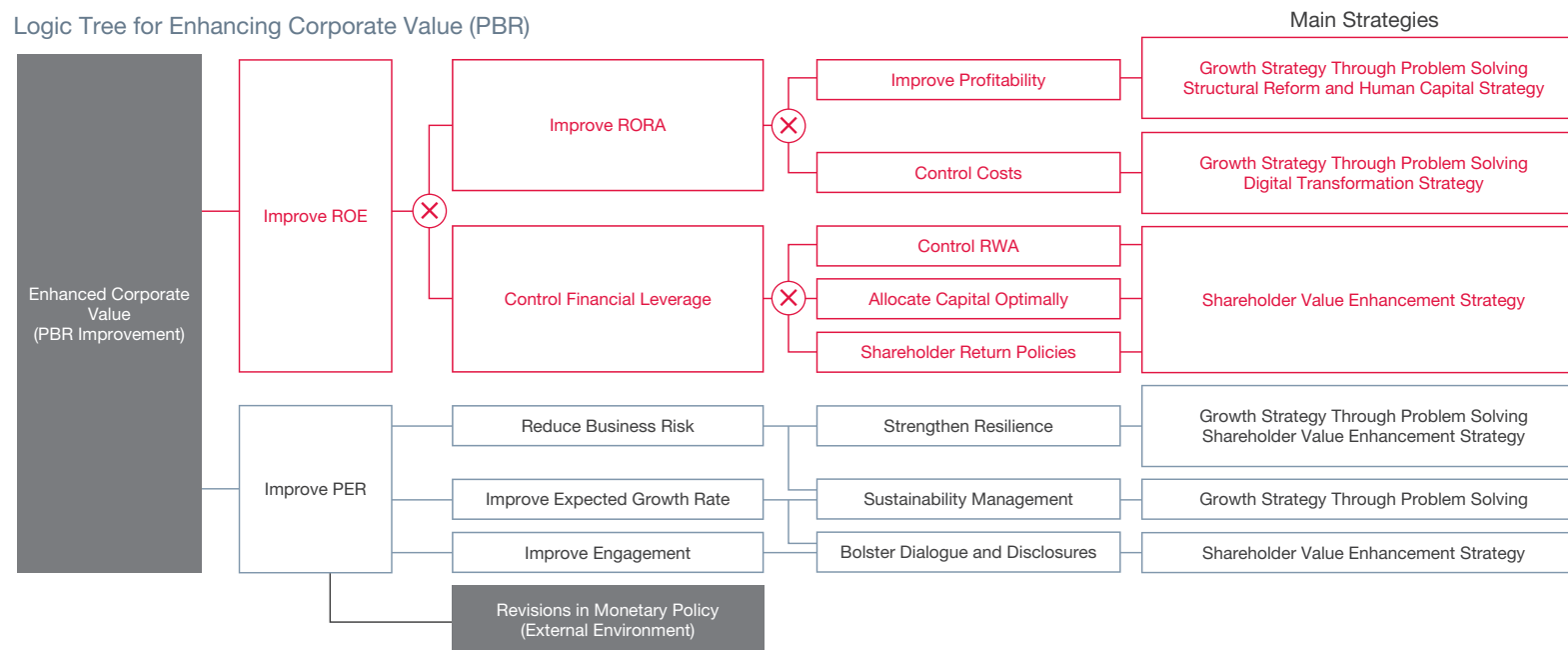
→ Human Capital Strategy P52 - P58

Medium-Term Management Plan and PBR Improvement

In March 2023, the Tokyo Stock Exchange raised an issue with publicly listed companies having a price book-value ratio (PBR) below 1.0. When drafting our new medium-term management plan, we analyzed the Bank's current market valuation, cost of capital, and return on capital, discussing the plan in light of these requirements.

Specifically, we broke down our efforts to improve corporate value (PBR) into a logic tree to be incorporated in the new medium-term management plan and put into practice to improve PBR. See *Enhancing Corporate Value* beginning on P19 for more.

Logic Tree for Enhancing Corporate Value (PBR)



Improving ROE

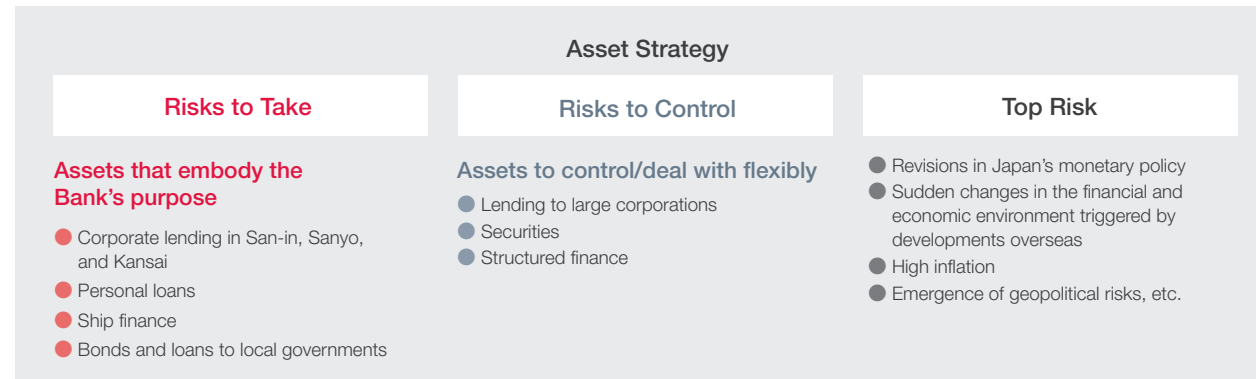
The new medium-term management plan targets ROE of 6.0% or higher. Achieving this target will help the Bank to exceed a PBR of 1 times. We will abandon the old-fashioned thinking that markets determine share price, raising ROE through self-help efforts, including financial leverage control, ensuring the markets pay attention to the Bank.

Controlling Risk

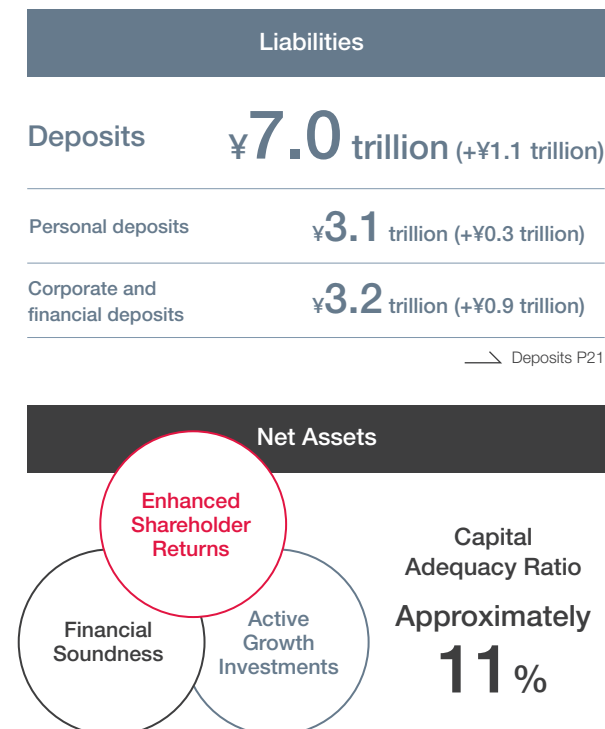
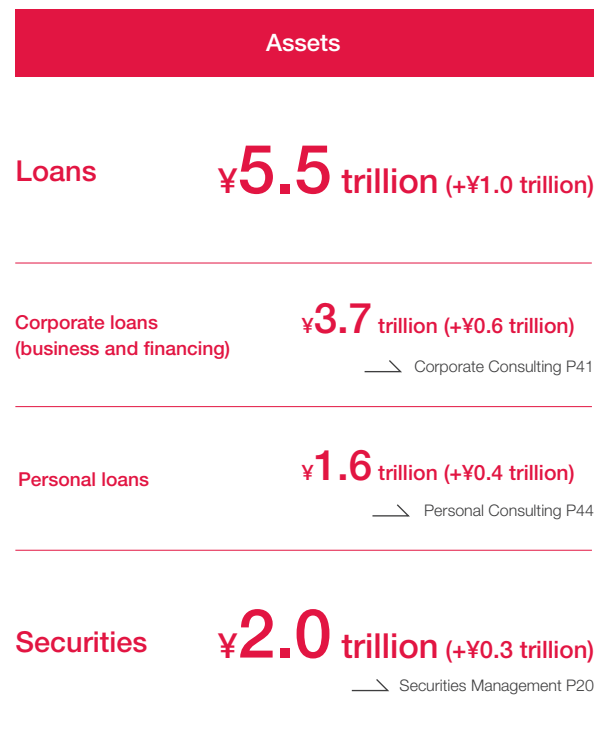
Our basic policy for capital management is to achieve a good balance between improving shareholder returns, maintaining financial soundness, and active investments in growth. Leveraging the risk appetite framework (RAF), we aim for sustainable profitability and financial soundness.

The concept behind RAF is to view loans in support of the community as risks to take and loans to large corporations, mainly in Tokyo and Osaka, as risks to control. We then manage risk with an awareness of balancing appropriate returns with our capital adequacy ratio in comparison to risk-weighted assets (RWA). Our policy in the current medium-term management plan is to maintain a capital adequacy ratio of 11.0% or above on a consolidated basis.

RAF Concept



FY2026 Allocation (vs. FY2023)



Message From the Executive
Officer in Charge of Management
Planning and Human Resources

Special dialogue

Dialogue With Outside Directors



Yasuhiro Goto
Outside Director

Professor,
Faculty of Urban Innovation,
Asia University

Chie Motoi
Outside Director

Independent Consultant
(Corporate Diversity,
Support for Women's Activities)

Yasuyuki Kuratsu
Outside Director

President,
Research and Pricing
Technologies Inc.

What do you think of the San-in Godo Bank efforts to enhance corporate value over the past year?

Yasuyuki Kuratsu The past year brought many changes in the environment, and I continued to speak at Board meetings on two major issues, given my area of expertise: Valuation losses on securities and capital policy. The executive side of the business gave serious consideration to these issues. Although it was a difficult time for securities, I appreciate that the Bank took proper measures, reflecting a certain degree of foresight. The Bank implemented capital policy faster than I had imagined. Of course, the issue involved more than just the share price, but I think the Bank has been addressing the issues with a considerable sense of urgency while seeking investor feedback.

Yasuhiro Goto I believe the Bank has engaged in more intensive dialogues with shareholders and the market. In particular, I recognize the serious efforts to address share price issues. Although sufficient results have yet to be achieved, I believe that the efforts to increase dividends and dividend payout ratio are starting to be understood by the shareholders. The Bank's performance has been growing steadily. Judging by the atmosphere within the Bank, I feel that confidence is spreading among employees, and there is a rising desire to work beyond the region. The Bank has been promoting itself as a wide-area regional bank, and I believe this year was a good start toward becoming such a bank, in fact, expanding out from San-in.

Chie Motoi Last year, we were given the opportunity to participate in information presentations to local clients. The Bank is unique in its close relationships with customers and willingness to share information on day-to-day business.



We attend Board of Directors meetings having a good feeling for the actual front-line energy of the Bank, which helps us provide more practical feedback and suggestions. This year was the first full year of activities in the post-COVID era, which was helpful and meaningful to the Board.

Kuratsu For the past several years, I attended every information presentation for institutional investors in Tokyo. It seems rare for outside directors to attend these types of meetings, but it has been a good opportunity to see the interaction between the president and outside directors.

Goto Those opportunities have helped communicate the attitude and atmosphere of Board meetings. From the looks of

it, one can imagine that we speak quite freely at Board meetings.

| A non-Japanese national and female representative director have been added to the Board of Directors recently.

Goto I think the open atmosphere of our Board meetings led to this development. Of course, the open-mindedness and flexibility of the president and others in the management team have been factors, as well. I must admit that I was surprised by their response to our advice regarding the advancement of women and the hiring of non-Japanese employees. I think these new appointments have had a major impact on the regional bank industry.

Motoi The need for diversity has been acknowledged for quite some time, and now the practice is becoming more common. I think the new appointments were a wonderful initiative, but I was almost shocked that the response was so strong. I gained a new appreciation of Japan's need to catch up in awareness of and efforts toward diversity. I mention frequently to the president about the need for diversity and involving women more actively. I also say, however, that we shouldn't give an undeserved advantage and that we should properly evaluate qualifications. Of course, the president is well aware of this, but I do not think it is quite so easy to make promotions amid this initiative. I think the appointment of a non-Japanese director came from a quick decision as soon as a suitable candidate was found.

Goto I felt once again that flexibility and spontaneity are important for an organization.

Motoi And then the decisiveness.

That is something I felt keenly with this recent development.

Kuratsu These were major decisions. I had hoped that the Bank would come to this eventually, but I have to admit that the timing seems very early. A female representative director is a symbolic appointment for an organization in which women can play active roles. A woman at the top can become a source of motivation for women working in an organization, and I believe a company will engage in many matters more flexibly when women are active in a diverse environment. Of course, Ms. Yoshioka's qualifications are beyond question, and I think the appointment sent a terrific message that Gogin is an organization that welcomes the activity of women. A non-Japanese director can also bring a different perspective to the Board, and I look forward with great interest to what Graeme will have to say.

Motoi The Bank was selected as a *Nadeshiko* brand. I think outside organizations are duly recognizing San-in Godo Bank for its various initiatives.

| The Bank also launched a new medium-term management plan. What discussions did the Board of Directors have in the process of formulating this plan and revisiting materiality? What do you think of the finalized plan?

Kuratsu In revisiting materiality, we held discussions based on an understanding of the importance of incorporating the value creation process and considering the basic strategies of our medium-term management plan in line with materiality. Even before discussing the medium-term management plan, we expected this plan to be more important and more complex than any previous one. With the advancement of digitalization,

rising interest rates, and many other changes, I wondered how we could create a medium-term management plan amid growing concerns whether regional banks could continue under the status quo. I thought the first draft was a good approach, showing how the Bank could create a plan based on a vision of 10 years into the future. Although challenging in some respects, I am convinced that the Bank must accomplish this medium-term management plan if it wants to continue for the next 10 and 20 years. The Bank demonstrated a considerably higher view of ROE and PBR than I anticipated. This plan reflects the confidence of having achieved the objectives of plans in the past, along with a sense of urgency. I thought the final version of the plan was very good and very challenging. I also thought that the plan was exactly what the Bank needs to do.

Goto The idea of the medium-term management plan is becoming more questionable in the industry. We are entering a phase in which it is difficult for banks to grow if they focus on

rollover and continuity, and we are seeing a trend toward longer-term plans. The new medium-term management plan, which looks 10 years into the future, is different, disruptive, new, and creative. While the plan describes ambitious goals across a wide range of areas, it also gives the impression that the Bank will maintain its focus on the region, looking at the next step after establishing a solid foundation in San-in. The plan also engages with DX and human resources strategies to achieve much higher goals than before. Although ambitious, I believe the Bank has a good medium-term management plan in place, without which the Bank will not grow.

Motoi The medium-term management plan covers a span of three years. Compared to the past, however, changes over the three-year period have become very significant. The changes in IT, interest rates, global conditions, and many other factors over the next three years will accelerate to such an extent that it will be impossible to compare with the past. The Bank saw many changes and developments during the three years of the previous medium-term management plan. I believe there will be even more unexpected changes and developments during the next three years, so the Bank must be aggressive or risk falling behind. Management is aware and has become quite aggressive. There is a sense of urgency to accomplish much, which is inevitable in a sense.

Kuratsu New social impact has been incorporated this time around. Initially, contribution to the regional economy was the only factor, but now the Bank pursues a variety of KPIs, including a contribution to the region that is not only economic, but also social. I feel this plan reflects a strong will to contribute to society in addition to considerations of profit and economic value.

Goto The Bank is facing issues more seriously than paying lip service to the idea of creating a sustainable society. For

example, the Gogin Energy business is firmly rooted in a regional perspective, closely tied to the mission of a regional bank.

Motoi San-in is a region affected particularly by an aging and declining population. While upholding the commitment to contribute to the region may be challenging, it is a commitment to which a regional bank must be true. The details of the new medium-term management plan are a symbolic representation of how the Bank intends to achieve this goal.

| Do you have any recommendations on recruiting and developing human resources or for creating a well-being organization to achieve the goals of the medium-term management plan?

Motoi The faster the pace of change, the more uncertain employees become. People are afraid of change, and they sometimes shy away from change because of the direct impact imposed by an organization that changes at faster speeds than ever before. I encourage all employees to look at the big picture. Think from the perspective of what you would do if you were the president of the Bank, or how you would steer the Bank over the next three years if you were on the management team. I think this exercise would help employees understand various policies, including personnel policies and development plans.

Goto The emphasis on consulting skills and making every employee a consultant is ambitious. At the same time, education is not the only way to develop human resources. To this end, I believe employees must make the decision to become professional consultants. Instilling an awareness among employees as professional consultants will require



different compensation and treatment routes within the Bank, as well as rule revisions. Human resources mobility will become an even more important factor in the future, as people with expertise in DX, skills in other fields, and people with consulting experience are brought in from outside the Bank. People who trained in the Bank and gained experience at outside entities will also come back to play active roles. The Bank will have to create workplaces in which employees create active roles for themselves from a number of different options. DX specialists are particularly difficult to recruit. The Bank will need to give these employees challenges and freedom, built on a stronger foundation to achieve Every Employee a Consultant.

Kuratsu My own experience has given me an idea of what it means to be a well-being organization. I worked for financial institutions for so long because I felt a sense of fulfillment and accomplishment in my own way. I think the surroundings were good, of course, but I also thrived in the openness of the work environments. In the past, I suggested that employees call each other by names, rather than titles. That was how it was in my past workplaces, and I think the practice helped. While the practice may not yet be widespread in the Bank, I believe that the accumulation of effort will change the workplace culture, leading to a more comfortable work environment.

| What will be needed to enhance corporate value further in the future? What roles will you play?

Goto People are what create corporate value. Most of the Bank's employees are from San-in, but as activities in Sanyo and Kansai contribute so significantly to earnings, I think the Bank must pursue a different kind of diversity in hiring people

than in the past, both regionally and by attitude. Fostering such diversity will create a true regional bank for the broader region and enhance corporate value.

Motoi Organizational flexibility is important to respond to future changes. In general, banks have a reputation for inflexibility, but how can San-in Godo Bank become a flexible organization? I think there is a flexible culture within the Bank, and more flexibility will be increasingly necessary in the future. As directors, our role is to look at things and speak up at Board meetings from a perspective that changes viewpoints and brings new perspectives. First, management must be energized. I think it is most important that management shows enthusiasm for new initiatives, in particular.

Kuratsu Corporate value should not be considered solely within the framework of finance. These are rapidly changing times, and some people say that banks will no longer be banks in the future. Banks will be forced to change considerably. But how to achieve this? Change requires a change in mindset, as well as an awareness from the perspective of the user and of society. Since banks are at the center of finance, they tend to focus inwardly. A bank works a certain way, because it thinks a certain way. In the future, users and social perspectives outside of finance impact the shape of banking services. People who previously thought they were not customers will become customers. Things that were once considered irrelevant will suddenly become relevant. The key to the future of the Bank will be how management responds to change and whether it is prepared to do so. This will be the future of the Bank ten years down the road. Only when the Bank is capable of this change will we say that corporate value has increased. The best example is in the digital realm. A bank cannot afford a mistake here. Most people in Japan are



unaware of a world with interest rates. Amid the changing consciousness, I hope to offer advice about a world with interest rates.

Goto Of course, external threats will be present, but I hope to see banks once again aware of their inherent and most powerful function. Banks must recognize their inherent strengths in lending money and creating credit. We must consider how San-in Godo Bank can capitalize on this strength.

(This conversation took place on May 13, 2024)

Strengthening Governance to Enhance Corporate Value

Diversity in Management

In June 2024, we appointed a new outside director and representative director, one of whom was born overseas and one of whom is a woman. In addition to increasing the ratio of outside directors with this additional appointment, we aim to expand the diversity of our Board of Directors, add strength to corporate governance, and enhance the functions of our Board of Directors.

With this recent promotion of a woman to director on the executive side, we now have two individuals hired from Nomura Securities Co., Ltd. as executive officers. This structure will help us resolutely execute a strategy toward achieving our medium-term management plan.

Board Composition

Directors	13	(%)
Women	4	30.7%
Outside	7	53.8%

(As of June 20, 2024)

Executive Officers

Executive officers	18	(%)
Women	2	11.1%
Outside	2	11.1%

(As of April 1, 2024)

Interview With a Newly Appointed Outside Director

interview

People from diverse backgrounds, sharing opinions, furthering dialogue, and deepening discussions

Graeme David Knowd

Outside Director

Graeme David Knowd

Born in Ireland. Extensive experience at various foreign financial institutions and companies, including Bank of England and the Financial Conduct Authority (UK). Served at the Japanese subsidiary of a rating agency and assigned responsibility over the Bank. Retired from Moody's Investors Service (now Moody's Ratings) Singapore in March 2023. Founded Knowd Advisory (Tokyo) in June. Appointed outside director of the Bank in June 2024.



My Connection With Gogin

I visited Matsue for the first time when I came to Japan as an international student, spending time in the Kansai region. I found San-in to be rich in nature, with delicious food and an attractive atmosphere. I have visited the area many times since that first experience. I love hot springs, the ocean, and Japanese gardens, and I also love Kaike Onsen and the Adachi Museum of Art. Beyond my feelings for the area, I have been involved in corporate analysis for many years, visiting many other areas of Japan. The analysis of a regional bank begins with an understanding of the region. My involvement with Gogin began in 1999 when I was assigned as an analyst for a rating agency and participated in interviews with the bank's president. Every president I met has had their own ideas, a love of the community, and a passion for their work. I always had the impression that presidents managed the Bank well, having a solid understanding of the community, their customers, companies, and employees, and speaking passionately about their ideas as managers. I have wanted to be a director of a regional bank for some time. I am very excited to be asked to serve as an outside director at Gogin, a bank in which I have always been interested.

My Role and Mission at Gogin

I believe I bring a global perspective and knowledge of risk management to the Board. Although I may attract some attention as a non-Japanese outside director, which is a rarity among regional banks, I think it is important that people from diverse backgrounds, experiences, and ideas come together to share opinions, further dialogue, and deepen discussions. Take in diverse opinions, think, decide, and act. Sometimes it works, and of course, sometimes it doesn't, which necessitates a course correction. I think Gogin has the ability to make those decisions. Even for large publicly traded companies, having more than a majority of outside directors is uncommon. At the same time, I was pleased to see a woman appointed as representative director. Of course, I was aware of Gogin's efforts, so I accepted the invitation to become an outside director, knowing that Gogin is a company unafraid to take on challenges. When I read the announcement concerning the new executive appointments, I understood that the bank was indeed striving to strengthen governance further and in a progressive manner. Very "Gogin-like," in my opinion.

Future Aspirations

What makes regional banks so rewarding and interesting is the challenge of managing a business in line with the times and in support of the local economy. Regional banks are on the front line of facing the issues of aging demographics and contracting economies. Gogin is unique in a good way, aware of the issues and pioneering solutions. I hope to work closely with Gogin management to create solutions for local issues, think of how to improve corporate value, and discuss how to fulfill our role as a leading bank in the region for the next 10 and the next 100 years.

Message as a Female Representative

message

Future Aspirations

Lasting Gratitude Throughout Generations

Sawako Yoshioka

Director and Senior Managing Executive Officer

Personal Strengths

My strength lies in my ability to express my honest thoughts and perceptions. I do not hesitate to communicate candidly in management meetings when sharing insights and observations from the front lines, as such insights or observations may offer a different opinion or a fresh perspective. Although my opinions sometimes face resistance from other members, I plan to continue to seize every opportunity to speak at these meetings and offer advice for the benefit of the community, our customers, and our employees.

I find excitement in my work through the countless learning opportunities that come from exploring and implementing measures to help the community and our customers. New inspiration and ideas come from gathering information regularly from various fields, possessing a keen interest in all matters, taking a closer look, researching, taking on new challenges, and gaining diverse experiences.

I also strive to communicate with customers and employees to create an atmosphere that values honesty and ensures front-line voices and situations are conveyed to management.

Cultivating People

Providing opportunities and allowing individuals to take on new challenges is essential to cultivating human resources. I want employees to embrace the opportunities and chances presented to them, be curious, and enjoy taking on new challenges. The work presented to us may not always be to our liking, but we build our careers by focusing on the tasks at hand, fulfilling expectations, and meeting requirements. And it

all begins with earning customer trust. Nothing in banking is a one-person operation. I have personally overcome seemingly impossible tasks by cooperating with my team and drawing on the knowledge of those around me. The strength of the Bank lies in our organizational capabilities, driven by countless members with vibrant personalities who work tirelessly for the community and our customers. I hope to foster an organization that respects individuals and diversity more than ever, encouraging employees to take on any challenge and showcase their abilities regardless of gender or age. Individual employees must also align their efforts under our management philosophy, work towards common goals, and apply their skills in unique ways to revitalize the community and ensure the growth of the Bank.

Including women in management decision-making is a new challenge for the Bank that symbolizes the open-mindedness of the organization. The willingness of the Bank to incorporate the opinions of individuals from various backgrounds is well-balanced and truly diverse. I hope that our female employees will continue to take on active roles in countless situations, inspiring others and contributing to community revitalization.

Our commitment at the Bank to helping the community and our customers is in our DNA, passed down through generations of predecessors. Our customers have taught me valuable lessons about the world and played a role in my own success. My role moving forward will be to give back to these customers, turning the dreams of our community and customers into a reality and ensuring our employees feel fulfilled in their work. I also intend to pursue initiatives that allow the Bank to make meaningful impacts on the community and our customers, while ensuring our commitment to the community and the Bank's purpose is passed down to the next generation. To this end, I will embrace my role and channel my vision into shaping the future of Gogin.



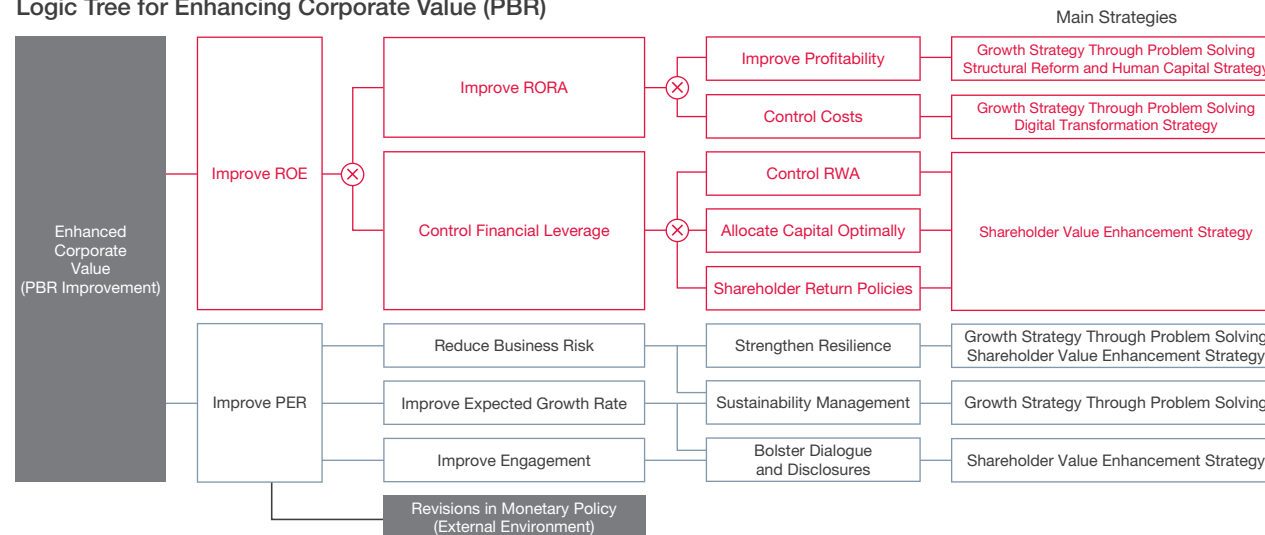
Sawako Yoshioka

Born in Shimane Prefecture. Joined the Bank in 1987. Gained experience working at sales branches and headquarters. Appointed as Executive Officer and Chief of Yonago Headquarters in June 2022 and Senior Managing Executive Officer and Chief of Tottori Headquarters in April 2024. Appointed Representative Director in June 2024. Enjoys traveling around the world to view paintings and world heritage sites.

Enhancing Corporate Value

The Bank aims to enhance corporate value by implementing the various measures set forth in our medium-term management plan. The following logic tree breaks down our various initiatives.

Logic Tree for Enhancing Corporate Value (PBR)



strive to maximize human capital by accelerating the development of professional human resources through skills development aligned with strategies for each business area.

P 52-62

Securities Management

To supplement interest earned on loans and discounts and ensure stable earnings, we have focused on securities management for many years and have put structures in place for personnel development, risk management, and other areas.

For the time being, we aim to secure stable earnings by restructuring our portfolio with a focus on yen dominated bonds. In addition, at a time of growing uncertainty with inflation and geopolitical risks worldwide, we will continue investing primarily in assets with high liquidity and thereby manage our portfolio in a way that allows us to respond flexibly to changes in the situation.

We sold foreign bonds and other securities with deteriorating profitability in fiscal 2023 and purchased currency basis funds and other securities with no interest rate risk. These efforts to reduce our interest rate risk resulted in securities outstanding totaling ¥1,619.8 billion as of March 31, 2024, remaining flat compared to the previous year.

Valuation losses decreased from ¥76.3 billion as of December 31, 2022, to ¥59.4 billion as of March 31, 2024. We aim to eliminate unrealized losses by the final year of the new medium-term management plan, expecting a decrease in write-downs ¥12.4 billion due to aging effects and ¥26.6 billion due to lower overseas interest rates. We also plan to eliminate the remaining portion by utilizing income generated through the new medium-term management plan.

Enhancing Earnings Capacity

Resolving Community and Customer Issues to Achieve Sustainable Growth

The Bank strives to achieve sustainable growth. To this end, we reorganized our materialities in the new medium-term management plan in light of the external environment. We also strive to resolve materialities through a dual approach based on the growth strategy through problem solving and the digital transformation (DX) strategy. Our growth strategy through problem solving works to build a corporate consulting structure founded in our efforts to strengthen our problem-solving capabilities launched in 2015. This strategy also extends our activities across all business areas and addresses client issues to enhance added value.

P 41-43

The Bank works with Nomura Securities Co., Ltd. in personal consulting to maximize each other's strengths and contribute to the prosperous future of individual clients. To this end, we implement a goal-based approach to advance our all-assets approach and offer customers digital personal loans that provide the benefits of face-to-face consulting and enhance convenience.

P 44-46

Group strategies leverage the knowledge and expertise of the Bank Group to contribute to the sustainable growth of the region and our customers.

P 47-48

The structural reform and human capital strategy generates human resources through the use of digital and other means, increasing personnel in strategic areas where we anticipate further growth. We also

Securities Management

Investment Policy

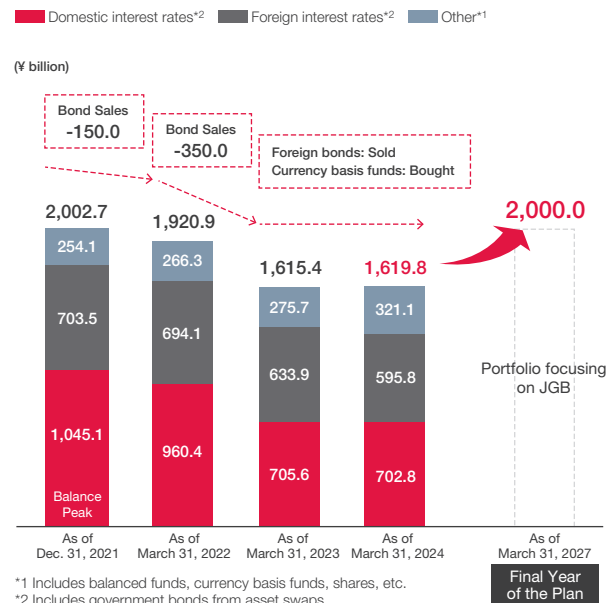
Management Focused on Highly Liquid Assets

Portfolio Management	Basic Portfolio (Liquidity Focus)		Income-Supplementing Portfolio	
	● Restructure portfolio focusing on Japanese government bonds ● Rebalance U.S. and European government bonds, etc.		● Earn income through flexible trading of stocks and REITs ● Incorporate PE and other funds	
Strengthening Earnings Capacity	Diversification of Revenue Sources ● Further diversify investments to improve the overall profile risk-return and ensure stable income		Flexible Rebalancing Based on Market Forecasts ● Achieve valuation gains through rebalancing to offset changes in carry income	
Structure Reinforcement	Securing and Developing Specialized Human Resources ● Continue internal recruitment, leverage mid-career hires, and develop through external training		Leveraging Digital Technology ● Advance simulation and data analyses	
Plan	Investment balance	FY3/24 ¥1.6 trillion	Target FY3/27 ¥2.0 trillion	Restructure portfolio focusing on Japanese government bonds
	Yield*1	0.9%	1.0%	Diversify revenue sources and implement flexible rebalancing to strengthen earnings capacity
	Carry income*1	¥15.1 billion	¥20.0 billion	
	Valuation gain (loss)	(¥59.4 billion)	±0	Address unrealized losses in a systematic manner

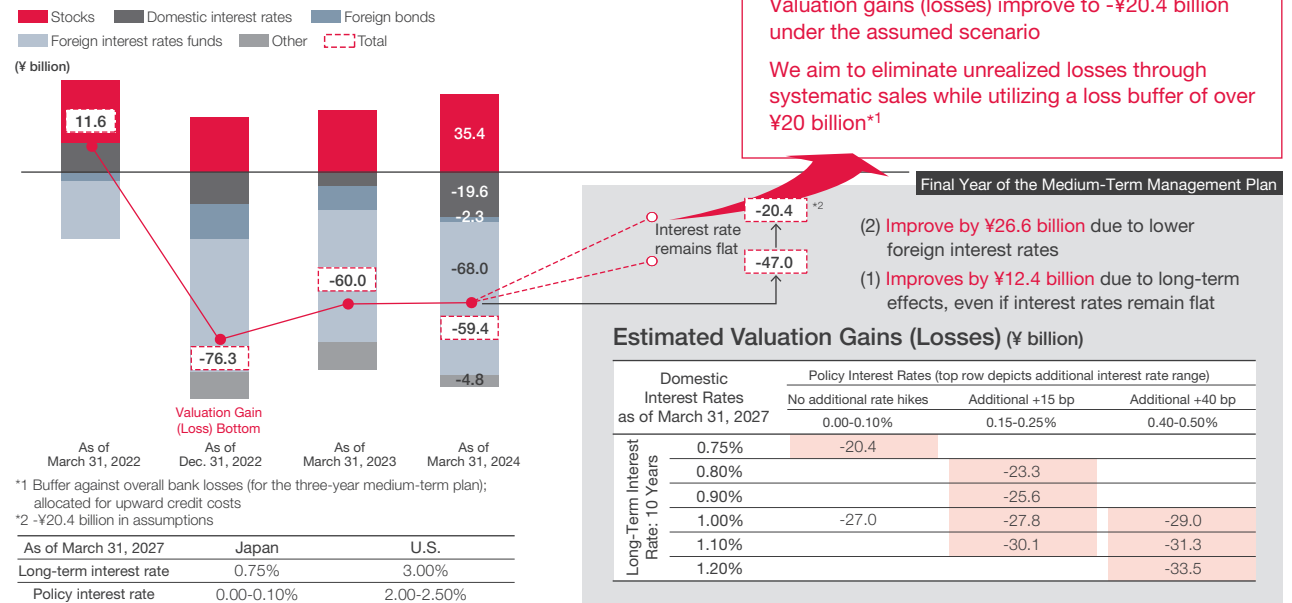
*1 Excluding cancellation gains from investment trusts, after deducting foreign currency funding costs, etc.

Net carry income on securities (interest and dividends on securities less funding costs) for fiscal 2023 totaled ¥15.1 billion, mainly due to higher funding rates. We aim for the same ¥20 billion in income in the final year of the new three-year medium-term management plan. To do so, we seek future opportunities to invest in Japanese government bonds to restructure our portfolio. We also strive to improve net carry income by focusing on investing in asset swaps and foreign exchange-related funds that avoid interest rate risks.

Securities Balance



Valuation Gain (Loss) on Securities (Including Gain (Loss) on Asset Swaps)



Deposit Acquisition Strategy to Support Growth

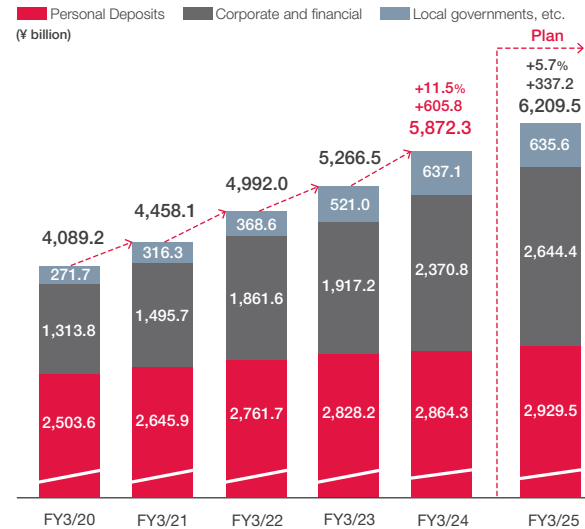
The Bank works to expand loans in Sanyo, Kansai, and other regions, striving for a steady increase in deposits in response to the ongoing widening gap between investment and funding. We roll out various policies on personal loans across different channels. We also strive to strengthen corporate deposits by increasing clients in Sanyo and Kansai and by acquiring deposits from large corporations in Tokyo. These efforts led to ¥5,872.3 billion in total deposits for fiscal 2023, up ¥605.8 billion from the previous year on an average balance basis. Total deposits by region exceeded ¥500 billion in Sanyo, Kansai, Tokyo, and other areas outside San-in. Deposits in San-in, which continues to be a base area for personal deposits, remained stable at over ¥4 trillion. We expect competition with other banks to intensify going forward as interest rates rise. While we currently acquire steady deposits, we aim to leverage digital technologies to drive further acquisition going forward.

P 46

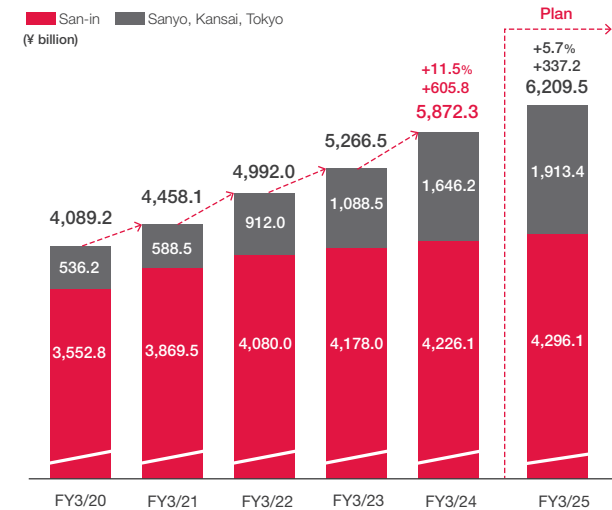
Impacts of Rising Yen Interest Rates

The Bank estimated how potential changes to the Bank of Japan's monetary policy could impact our income. Our fiscal 2024 earnings plan factors the Bank of Japan's lifting of negative interest rates in March as the only assumption. Our semiannual simulation assumes a policy interest rate hike of 0.15%, from 0.1% to 0.25%, in October 2024 and a change in market interest rates. This simulation forecasts positive effects from a widening yield differential between deposits and loans. While valuation gains (losses) on securities are likely to deteriorate on the other hand, we are confident that our capital adequacy is sufficient to absorb any expansion in unrealized losses.

Total Deposit Balance, etc. (Avg. Balance) (Deposits + NCD)
(¥ billion)

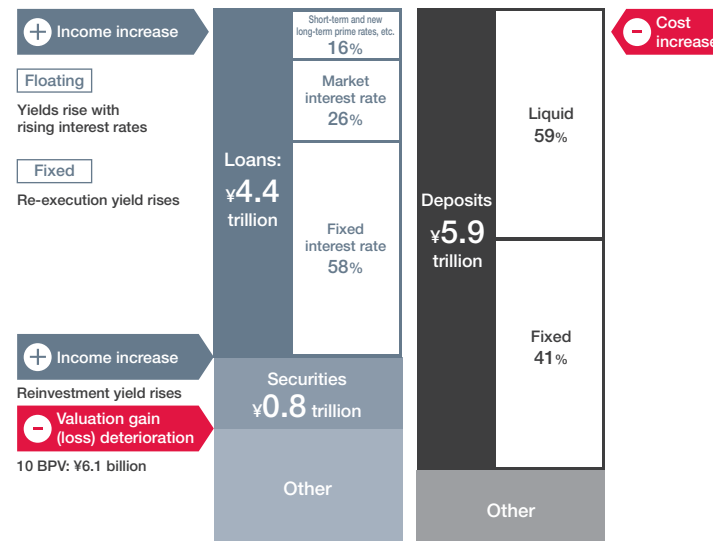


Total Deposit Balance, etc. by Region (Avg. Balance) (Deposits + NCD)
(¥ billion)



*Headquarter accounts are included under San-in

Yen Interest Rate Balance Sheet (As of March 31, 2024)



Estimation of Yen Interest Rate Income

Results Calculated as the difference of the impact of rising interest rates on the medium-term plan (same assumptions for the balance) (¥ billion)

	Medium-Term Plan Comparison		
	FY3/25	FY3/26	FY3/27
Loans	+1.6	+6.2	+8.7
Securities	+1.4	+2.8	+4.1
Deposits (Cost)	-1.1	-7.4	-8.6
Total	+1.9	+1.6	+4.2

Simulation Assumptions

Market Interest Rates	Policy interest raised to 0.25% (+0.15%) in October 2024		
	● Government bond 10-year yield	1.50%	
	● TIBOR (3M)	0.40% (+0.15%)	
*Based on the yield curve as at as of the July 2006 rate hike			
San-in Godo Bank Interest Rates	● Loans	Short-term prime rate	+0.15%
		Housing loans (variable rates)	+0.15%
		(Fixed rates for the entire period)	+0.60%
	● Deposits	Liquid	+0.080% (53% rate pass-through ratio)
		Fixed-term (1 year)	+0.125% (83% rate pass-through ratio)
	● Securities	Other redemptions (municipal bonds, etc.) repurchase	+0.50%

Control Costs

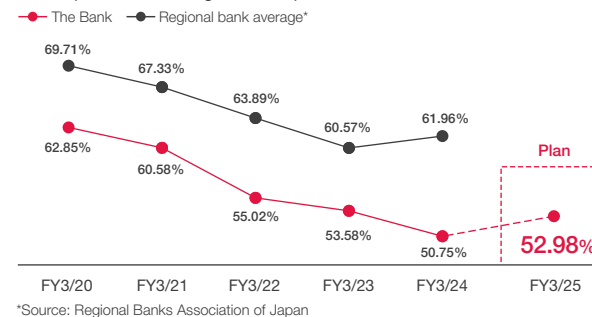
The key to achieving our growth strategy lies in reallocating the human resources generated through structural reforms to strategy divisions with the potential growth. To this end, we implemented a series of structural reforms in recent years. These efforts resulted in the Bank overhead ratio (OHR) maintaining a low at 50.75%. We will continue to implemented DX and make other strategic investments in the current fiscal year to achieve future growth, while controlling ordinary expenses. We also continue to invest in human capital, increasing wages by a total of over 15% over the past three consecutive years. The Bank intends to invest in strategic and growth areas while maintaining OHR in the low 50% range through appropriate cost control. Our DX strategy also aims to transform the Bank into a digital bank by introducing the latest technologies throughout a broad range of fields. Such technologies include expanding our business domain in non-face-to-face channels and improving productivity by integrating AI and IT into our organization.

P 49-51

Allocate Capital Optimally

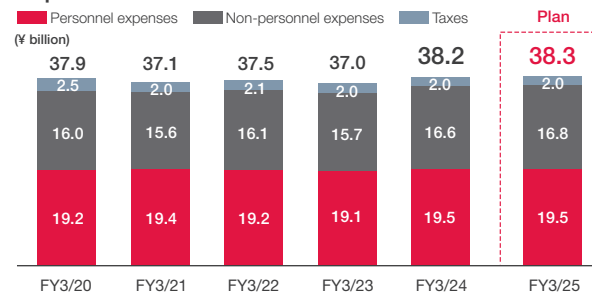
The consolidated capital adequacy ratio as of March 31, 2024 amounted to 11.76%. This ratio amounts to 10.36%, even after taking into account losses on devaluation of securities, maintaining a high level compared to the regional bank average. In our approach to capital allocation for risk, we base the risk buffer on ¥298.7 billion, after deducting the equivalent amount of valuation losses on securities from the capital. We determine the allocatable capital as ¥177.4 billion by further subtracting 4% of the capital adequacy ratio from the allocation source. We also have the capital to tolerate future securities risk, even if valuation losses increase by an additional ¥68.7 billion from the current level. The Bank is committed to controlling risks appropriately within the scope of capital allocation.

OHR (Gross Core Banking Profit Basis)

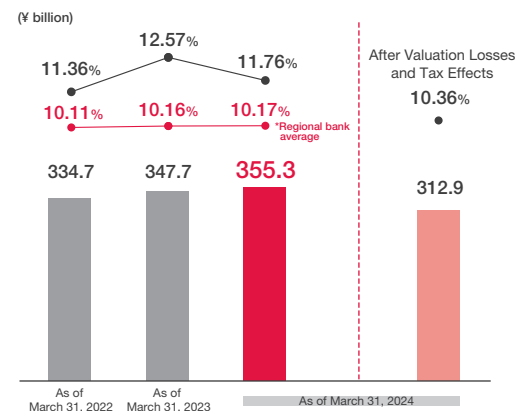


*Source: Regional Banks Association of Japan

Expenses



Capital Adequacy Ratio and Capital (Consolidated)

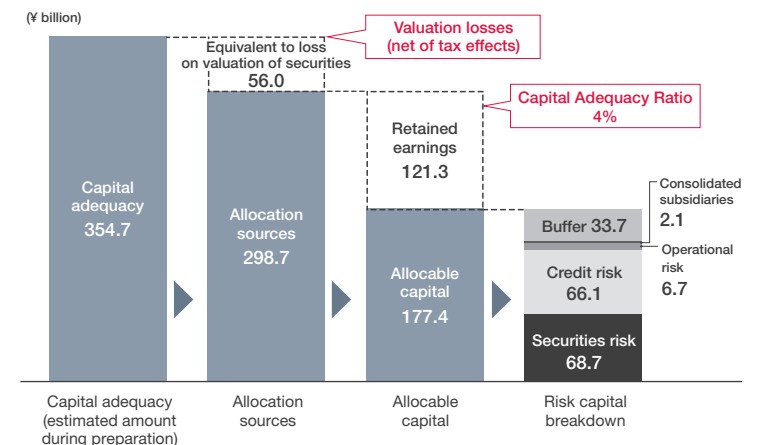


*San-in Godo Bank research based on the financial results of listed First Regional Banks (domestic standard banks)

RWA Controls

To improve ROE requires control of capital, which is the denominator of the ROE equation. At the same time, we must expand earnings, which is the numerator. With this in mind, our goal is to maximize revenues while controlling risk-weighted assets (RWA) appropriately. In line with the RAF concept, the Bank applies return-on-risk assets (RORA) to certain loan transactions and adopts RORA-based approach criteria. In particular, we take only those assets that meet RORA criteria to control risks appropriately.

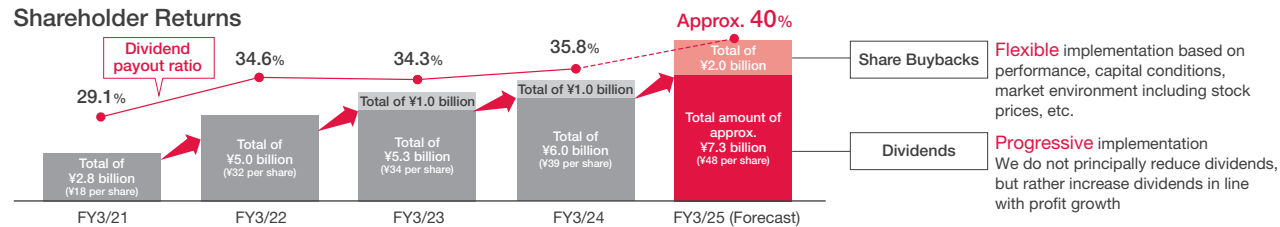
Capital Allocation (Consolidated)



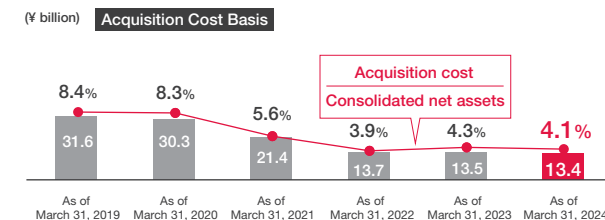
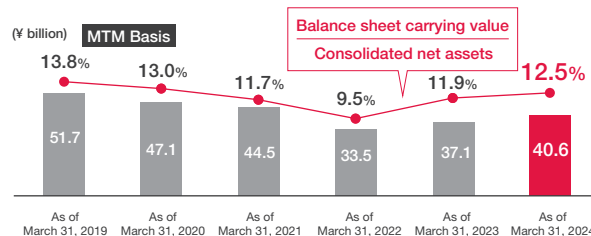
Shareholder Return Policies

The Bank changed the guideline in our shareholder return policy from a *total return ratio of 40%* to a *dividend payout ratio of 40%* to enhance profit returns to shareholders. The annual dividend per share for fiscal 2023 increased to ¥39, with an expected further increase of 23% to ¥48 for fiscal 2024, reflecting our plan to achieve record-high net income. The Bank also resolved to buy back up to ¥2 billion in treasury stock. We have also reduced cross-shareholding systematically since fiscal 2018. We will continue to assess the significance and economic rationale of our holdings and, if deemed inappropriate, will downsize such holdings with the consent of investee companies.

Shareholder Returns



Changes in Cross-Shareholdings

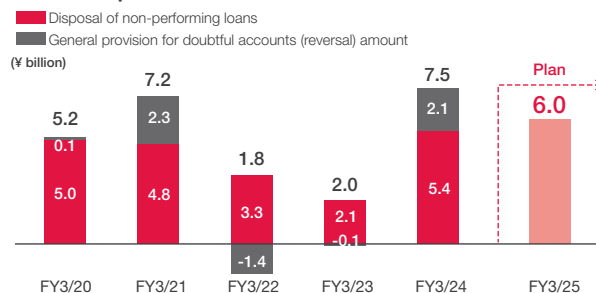


Strengthen Resilience

Credit Expenses

Credit expenses amounted to ¥7.5 billion in fiscal 2023, returning to pre-COVID-19 levels, mainly due to the termination of zero-zero loans and the total increase in loans. We assessed the credit risk for individual large borrowers and assessed factors across the entire portfolio for small borrowers, including the deterioration in corporate performance due to prolonged increases in raw material prices. We plan for ¥6.0 billion in credit expenses for the current fiscal year based on these assessments.

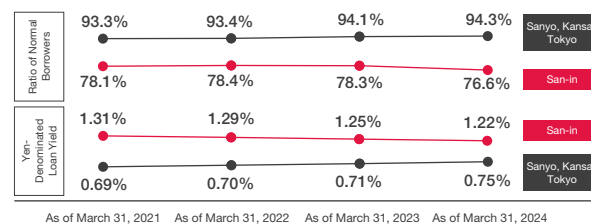
Credit Expenses



Quality of Loans (Excluding Personal Loans)

The ratio of normal borrowers of business loans in Sanyo, Kansai, and Tokyo exceeded 94% as a result of appropriate screening. Yields are also increasing due to our awareness of profitability. San-in is home to numerous small, medium, and micro businesses. While yields are stable in San-in, the ratio of normal borrowers is somewhat low, with high yields due to risk-based pricing. The Bank is committed to implementing business support activities in San-in that carefully assess customer challenges and encourage their growth.

Ratio of Normal Borrowers*1 and Yen-Denominated Loan Yield*2



*1 Percentage of normal borrowers = Balance of loans to normal assets / Total outstanding loans
 *2 Corrected for the interest subsidy rate for zero-zero loans

Practice Sustainability Management

The Bank practices sustainability management based on our recognition that sustainable local communities and the sustainable growth of the Bank are one and the same. We build trusting relationships with local communities and customers and offer solutions to their issues, aiming for sustainable growth for both the local community and the Bank.

P 29, P 35, P 63-74

Enhance Dialogues and Disclosures

The Bank is committed to highly transparent information disclosures and proactive dialogue with shareholders and investors, aiming to enhance corporate value.

P 85

We share investor opinions with the Board of Directors and reference such feedback in our business operations and throughout various measures. The Bank will continue to enhance our investor relations activities to earn the long-term trust of investors and enhance our corporate value and sustainable growth.



25	Our History and Future
27	Our Strengths
28	Business Locations
29	Creating Value Through Sustainability Management
30	Value Creation Process
31	Financial and Non-Financial Highlights
33	The Gogin Values That Enhance Corporate Value

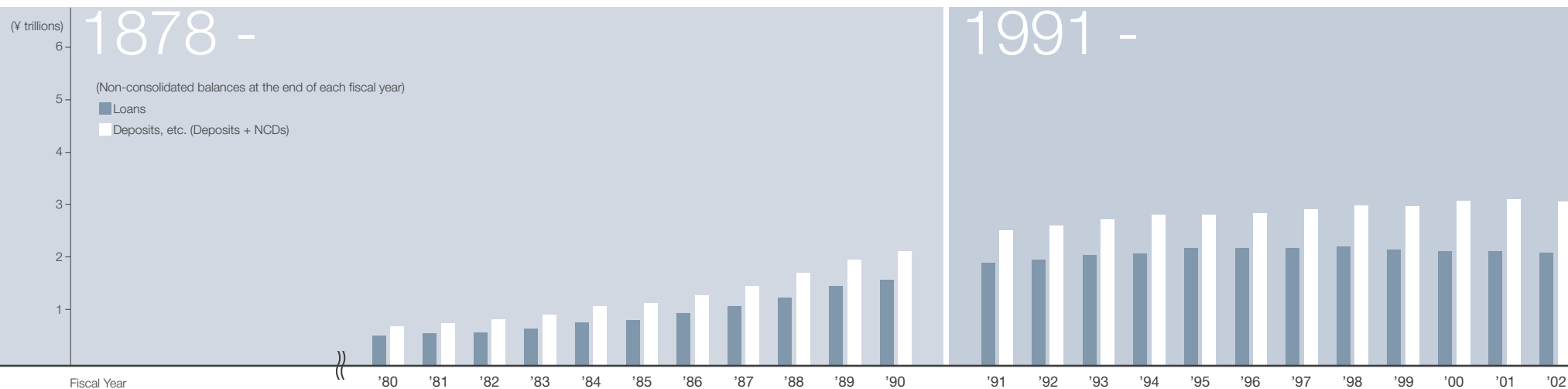
Gogin Value Creation Story

Our History and Future

Continue to work together with the community and our customers

Whether in our core operations or social contribution activities, we continue to take measures to resolve issues for local communities and customers.

San-in Godo Bank aims to respond to changes in the surrounding environment and customer needs, as well as meet expectations as a leading regional bank. To do so, we have historically sought to strengthen our management foundation, maintain financial soundness through enhancing profitability, and continue to provide cutting-edge financial services and expertise. Our fundamental desire to help the community and our customers will remain unchanged at all times as we stay committed to being deeply rooted in the community and endeavor in the sustainability of the region. We will work to pass on our strengths cultivated to date, further improve our problem-solving skills, and grow closer to our management philosophy. In doing so, we aim to achieve a sustainable community where both the community and the Bank can grow together going forward.



Management Direction

History of bank mergers and acquisitions in San-in (Shimane and Tottori)

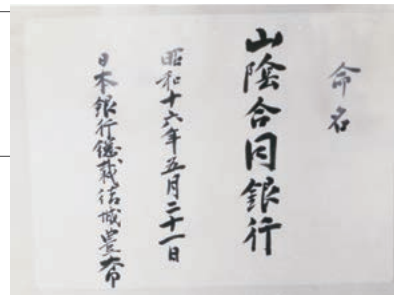
- The Shimane-based Matsue Bank and the Tottori-based Yonago Bank merged to form San-in Godo Bank

Topics

- 1878 Originated from 40 branches since the establishment of the Tsuwano 53rd National Bank, the oldest origin of San-in Godo Bank
- 1941 Established San-in Godo Bank
- 1987 Listed on the First Section of the Tokyo Stock Exchange

Social and Economic Backdrop

- 1941 Outbreak of Pacific War
- 1973 Tokyo Foreign Exchange Market shifts to a floating exchange rate system
- 1985 G5 countries agreed on coordinated intervention in foreign exchange markets (Plaza Accord)



Became a wide-ranging bank in the San-in, Sanyo, and Hyogo/Osaka regions

- Merged with Fuso Bank, forming the foundation of our current business model with a wide-ranging network of branches

- 1991 Merged with Fuso Bank
- 1997 Updated corporate name (Japanese only), finished constructing a new head office, introduced a new corporate identity, and launched the new *Gogin*

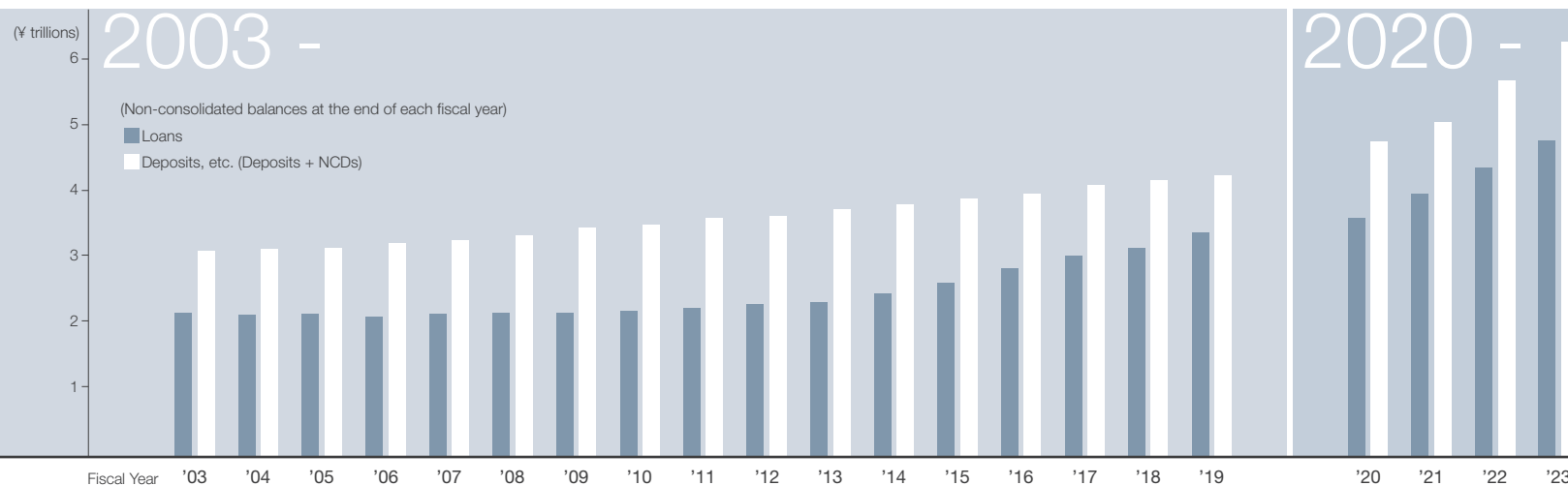
- 1991 Collapse of the Japanese bubble economy
- 1996 Japanese government announced a financial system reform called the Japanese Financial Big Bang



Value Provided

Solving regional issues through relationship banking and regional contribution activities

Providing city-level financial services as a leading regional bank



Management Direction

Transitioned to a business model based on relationship banking

- Develop unique measures and initiatives ahead of competitors
- Reallocate management resources to strategic divisions through fundamental structural reforms; expanded career opportunities for women

Topics

- 2003 Formulated the Relationship Banking Reinforcement Plan
- 2006 Launched forest conservation activities; launched Gogin Duo Card transactions, which became widely used as a regional card
- 2007 Began paid business matching and the full-scale development of fee-based business; opened Gogin Challenged, employment offices for individuals with disabilities
- 2012 Established new branches in Hyogo and Osaka; opened the private school Shofukan

Social and Economic Backdrop

- 2005 Lifting of the ban on deposit insurance
- 2008 Collapse of the Lehman Brothers
- 2016 Bank of Japan introduced first negative interest rate

Transform our business model to focus on consulting and digital technologies

- Improve our problem-solving capabilities and greatly accelerate digitalization
- Partner with Nomura Securities Co., Ltd. to establish a new model of securities business in regional areas

- 2020 Launched financial instruments brokerage services, entrusted by Nomura Securities Co., Ltd.
- 2022 Selected for the Prime Market in the Tokyo Stock Exchange

- 2020 Global spread of COVID-19
- 2022 Deterioration of situation in Ukraine
- 2024 Bank of Japan lifted negative interest rates



Our Strengths

Leveraging our strengths built to date and passing them on to the future

Hardworking human resources committed to the region

Human Capital

Many of our employees share our management philosophy and are strongly committed to helping the community and customers. San-in Godo Bank works to not only cultivate autonomous human resources capable of providing high-quality services but also develop an organization in which each employee can maximize their abilities. We will respond to the increasingly sophisticated and diverse needs of the community and our customers through these measures.



Experts in quality relationship banking with an imaginative and creative corporate culture

Intellectual Capital

Positioning relationship banking as a universal business model, we are committed to contributing to the community through our core business, aiming to add value to the community and our customers, and growing the Bank. We spearhead the development of various initiatives, both in our core business and in our regional contribution activities to ensure the sustainability of San-in, a region with a weak economy and advanced issues.

High capital adequacy ratio and high-quality loan assets

Financial Capital

The Bank actively takes risks by leveraging our stable financial base and sufficient capital, striving to provide high-quality services and develop the community.

Balance of Deposits (Deposits + NCDs)	Balance of Loans	Capital Adequacy Ratio
¥6,242.3 billion (As of March 31, 2024; Non-Consolidated)	¥4,768.3 billion (As of March 31, 2024; Non-Consolidated)	11.76% (FY03/2024; Consolidated)

A high share of transactions in San-in and a wide-ranging network of branches

Social Capital

As a leading bank in the region, we have a strong customer base and an overwhelming share of deposits and loans in both prefectures of San-in (Shimane and Tottori). We contribute to the economic revitalization and sustainable growth of both prefectures, utilizing our wide-ranging network of branches to deepen relationships between San-in and other prefectures.

Our Share in San-in (Shimane and Tottori)

Deposits	Loans
49.6% (As of September 30, 2023) *Banks, credit unions, credit associations, and the Japan Post Bank with branches in San-in (based on our survey)	50.0% (As of September 30, 2023) *Banks, credit unions, and credit associations with branches in San-in (based on our survey)

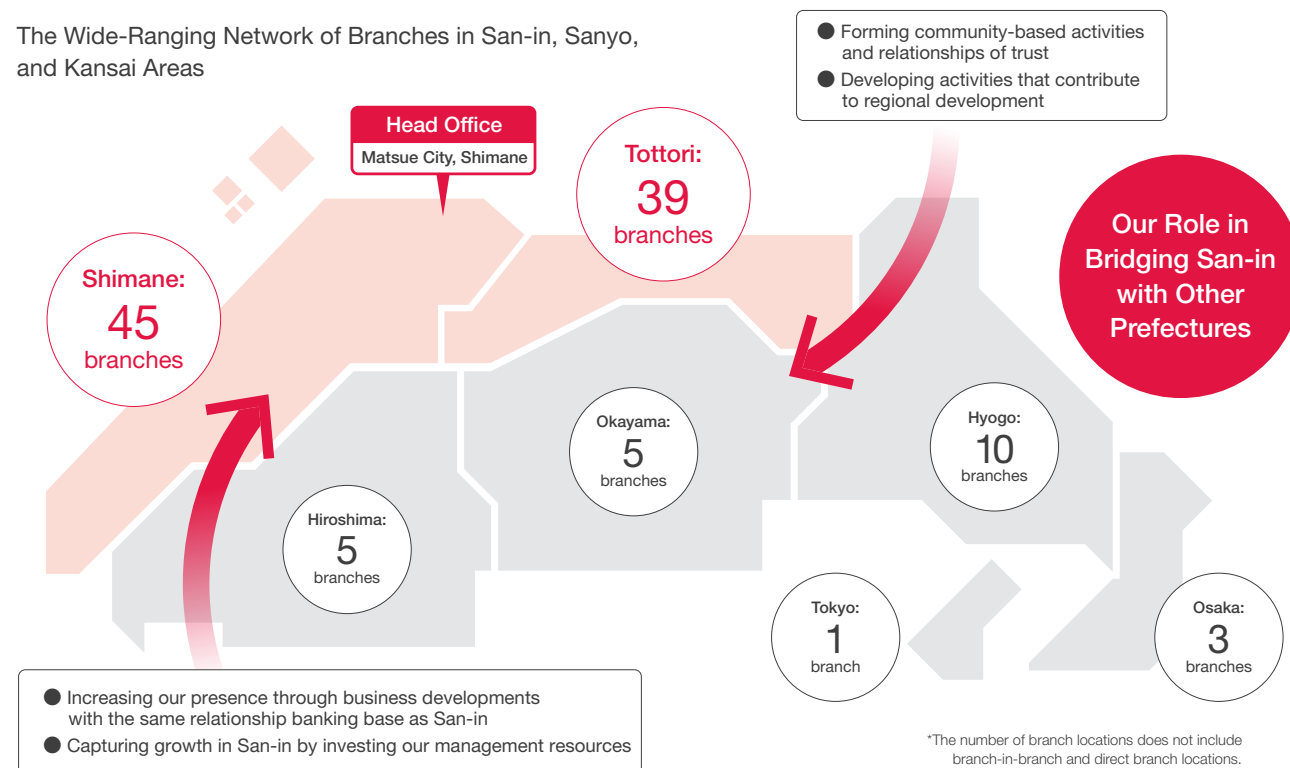
A rich natural environment with abundant regional resources

Natural Capital

San-in is surrounded by the Sea of Japan to the north and the Chugoku Mountains to the south. It is a region with a beautiful natural environment and a unique history and culture. The Bank is committed and deeply connected to these communities and continues to work for their sustainability in every area.

Business Locations

The Wide-Ranging Network of Branches in San-in, Sanyo, and Kansai Areas



Markets Utilizing Our Wide-Ranging Network of Branches

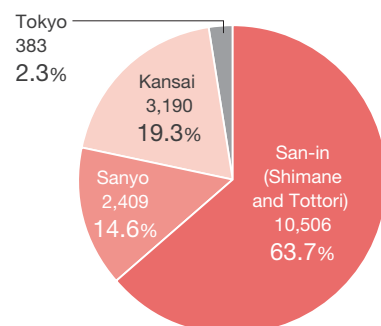
Even with both prefectures combined, the San-in economic base accounts for less than 1% of Japan's total gross prefectural product. However, San-in, Sanyo (Okayama and Hiroshima), and Hyogo prefectures together have the second largest gross prefectural product in Japan, representing a substantial market. The Bank positioned business areas outside San-in as important markets for relationship banking developments, with the combined loan balance of the Sanyo, Kansai (Hyogo and Osaka), and Tokyo regions exceeding that of San-in. Our share of loans in the Sanyo and Kansai regions is limited, so we expect further growth in both of these major markets.

Share in GDP

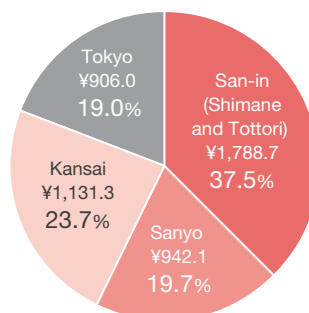
Rank	Prefecture	Actual Amount (¥ billion)	Share
1	Tokyo	109,601.5	19.61%
2	Osaka	39,720.3	7.11%
3	Aichi	39,659.2	7.10%
6	Hyogo	21,735.8	3.89%
12	Hiroshima	11,555.3	2.07%
22	Okayama	7,606.4	1.36%
45	Shimane	2,575.6	0.46%
47	Tottori	1,819.9	0.33%
(34)	San-in (Shimane and Tottori)	4,395.6	0.79%
(2)	Total of San-in, Sanyo, and Hyogo	45,293.3	8.11%
—	Total of all prefectures	558,778.3	100.00%

* From the Cabinet Office Prefectural Accounts (FY2020). Rankings in parentheses are national rankings when totaled for each prefecture.

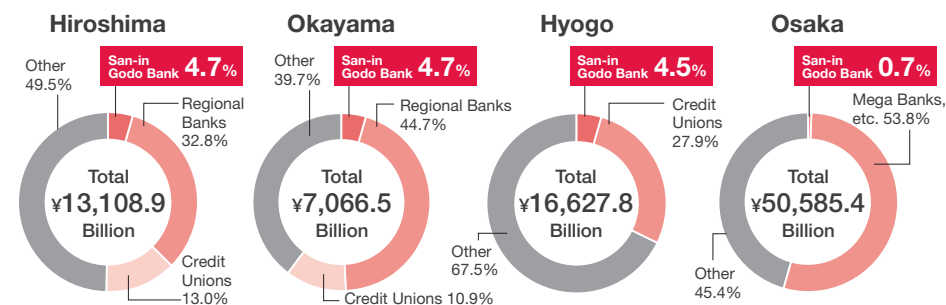
No. and Composition of Corporate Clients by Region
(As of March 31, 2024)



Loan Composition by Region
(As of March 31, 2024, billions of yen)



Share of Loans in Sanyo and Kansai (By Region)



*Total balance by prefecture includes the balance of city banks, trust banks, regional banks, second regional banks, and credit union banks (March 31, 2023, calculated by the Bank based on materials from the Bank of Japan, the Shinkin Central Bank Research Institute, and the Osaka Bankers Association)

Creating Value Through Sustainability Management

San-in Godo Bank Group believes that sustainable local communities and the sustainable growth of the Bank are one and the same. We recognize that regional sustainability initiatives are among our most important management issues, and we strive to solve these issues and enhance corporate value over the medium to long term.

We provide solutions to community issues through relationship banking and community contribution activities. In this way, we foster sustainable growth across the entire region, achieve growth in Bank operations, and enhance corporate value.

Gogin Sustainability

Developing Relationships With Local Communities

We believe sustainability management and relationship banking are two sides of the same coin. For Gogin, relationship banking is a universal, unchanging business model that we pursue on a constant basis. We continue to develop deep ties with local communities through contribution activities for greater sustainability in all respects.

Developing Human Resources for Gogin Sustainability

We believe the Bank's greatest strength is our human resources. Human resources development is the starting point of our relationship banking cycle and is essential to the practice of sustainability management.

Sustainability Committee Chair Comments

Comment

Regional Sustainability is a Top Management Priority

Toru Yamazaki

President and Representative Director
(Sustainability Committee Chair)

Backing our business as a regional bank is the tangible and intangible regional resources, including the natural environment, social infrastructure, and relationships with citizens in the region. This is why enhancing regional sustainability is essential for the Bank to grow in concert with the region, and we view regional sustainability as a top management priority. To contribute to a better regional society, we added a new goal in our medium-term management plan, launched in fiscal 2024, to positively impact society and increase regional sustainability.

Conserving the natural environment and responding to climate change, in particular, are global issues. Companies and individuals in every region must call for higher awareness and concrete action. The Bank set a target to reduce the Bank Group's greenhouse gas emissions toward becoming carbon neutral, and we strive every day toward achieving this goal over the long term. At the same time, we encourage our clients toward regional decarbonization, urging them to use renewable energy and providing related financing and consulting services.

Regional companies must add value and sustain growth for the region to prosper and grow as a whole. We support business growth by communicating with our clients to better understand their businesses and business challenges, offering appropriate consulting and financing. We also hope to contribute to more abundant lifestyles through expanded asset



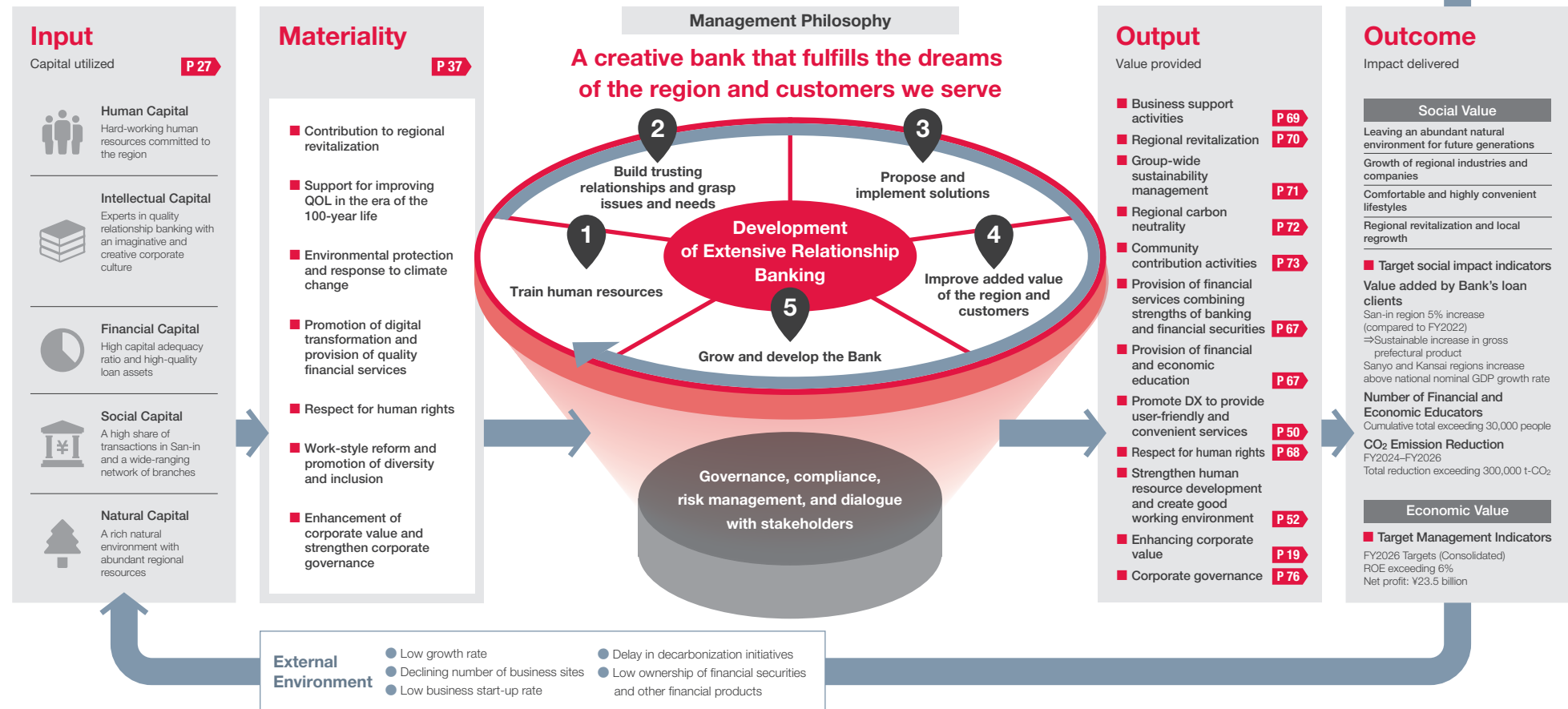
management and loan services for all life stages.

For the Bank to provide better services to regional customers and contribute to regional sustainability, we must create environments and develop human resources who feel comfortable exercising their talents. By pursuing diversity among our human resources, including encouraging the active participation of women and appointing non-Japanese directors, we expect to bolster an open corporate culture of mutual respect for opinions and ideas. In this way, we aim to create an organization that adapts flexibly to new business challenges and responds nimbly to social change.

Value Creation Process

San-in Godo Bank views relationship banking as our universal business model, and we aim to achieve sustainable regional growth together with our regions. To do so, we will utilize the capital we have built to date to proactively solve social issues. The Bank will continue to support our regions and customers by establishing deeper-than-ever ties built on extensive relationship banking that fully leverages consulting and digitalization.

Our Sustainable Cycle that Leads to Regional Growth and Increased Corporate Value Through Contributing to Solving Social Issues



**Achieve
a Sustainable
Regional Society**

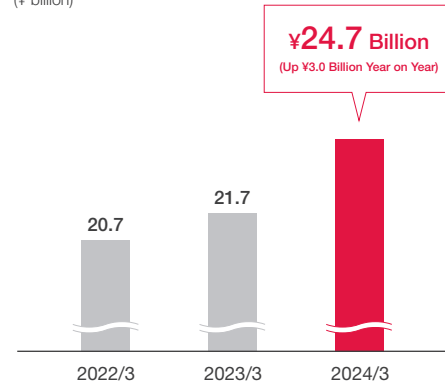
Contribute to SDGs

Financial Highlights

Profitability

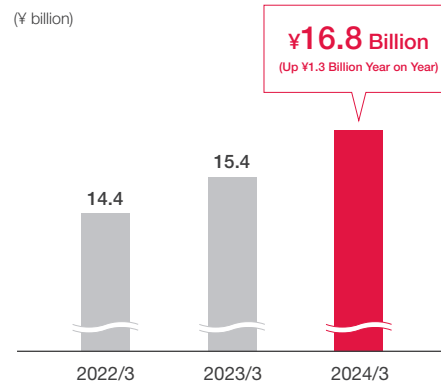
Ordinary Income (Consolidated)

(¥ billion)



Profit Attributable to Owners of the Bank (Consolidated)

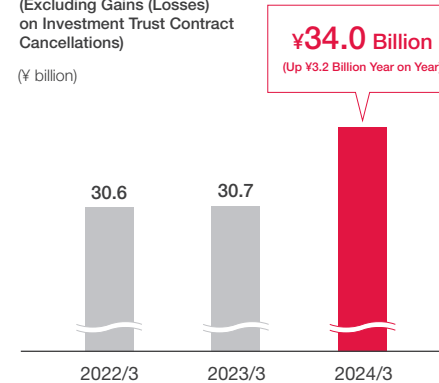
(¥ billion)



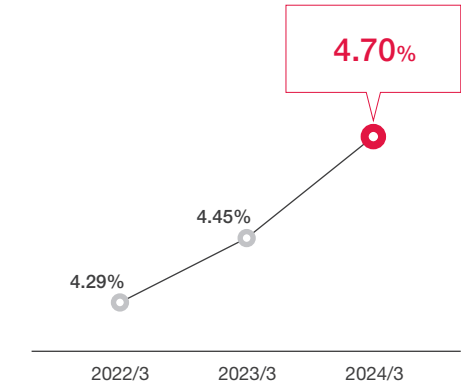
Net Profit From Core Banking Operations (Non-Consolidated)

(Excluding Gains (Losses) on Investment Trust Contract Cancellations)

(¥ billion)



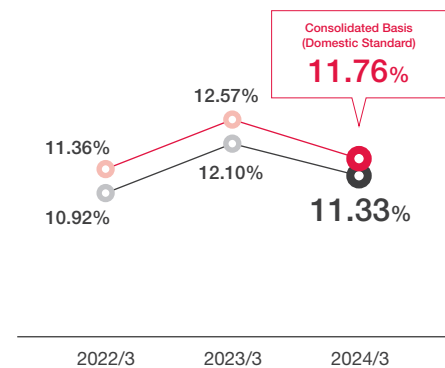
ROE (Consolidated)



*Shareholders' equity basis

Safety and Soundness

Capital Adequacy Ratio

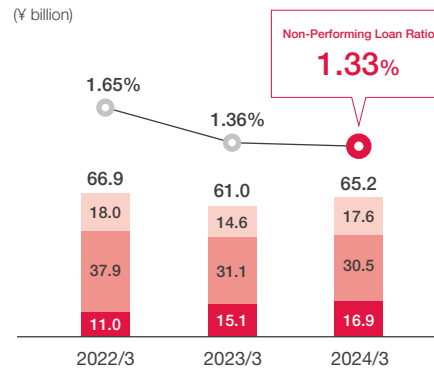


—○— Consolidated —●— Non-Consolidated

*Finalized Basel III was applied from March, 2023

Non-Performing Loans (Non-Consolidated)

(¥ billion)



—●— Non-Performing Loan Ratio

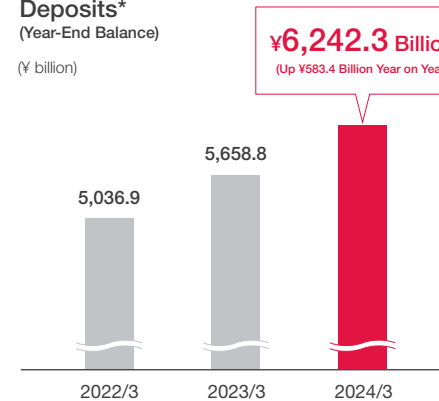
— Substandard loans — Doubtful assets — Bankrupt and quasi-bankrupt assets

*Disclosed assets pursuant to the Financial Reconstruction Act

Main Accounts (Non-Consolidated)

Deposits* (Year-End Balance)

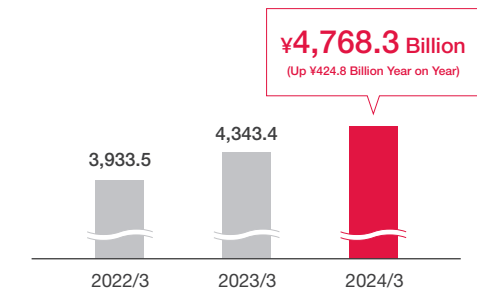
(¥ billion)



*Deposits and NCDs

Loans (Year-End Balance)

(¥ billion)



Non-Financial Highlights



Investment in Sustainable Finance (Cumulative)

Including in environmental fields

¥ **404.7** billion

¥ **158.2** billion

(Total of FY2021-FY2023)

FY2021-FY2030 Targets:
Invest ¥1.5 trillion in sustainable finance,
including ¥500 billion in environmental fields



Ratio of Greenhouse Gas Emission Reduction (Consolidated)

Compared With FY2013

56.7 %

(FY2023)

FY2026 Target: 70% reduction vs. FY2013



Business Successions and M&A

Business Succession Consulting

Contracts **27** Signed

M&A Advisory

Contracts Signed: **32** Contracts Concluded: **12**

(FY2023)



Balance of Assets Under Management

¥ **1,056.9** billion

(FY2023)



No. of Financial and Economic Educators

8,116

(FY2023)

FY2024-FY2026 Target: 30,000 (cumulative)



Turnover Rate (Under 30 Years of Age, Consolidated)

6.3 %

(FY2023)

FY2026 Target: Less than 5%



Employment Rate of Individuals With Disabilities (Consolidated)

3.0 %

(As of March 31, 2024)

Employees With Disabilities at Gogin Challenged Matsue: 17 / Tottori: 18



Wage Differences Between Male and Female Employees (Consolidated)

All Employees **48.6** %

Full-Time Employees **59.4** % Non-Regular Employees **84.5** %

(FY2023)

*When wages for male employees are indexed at 100.
See P58 for details on our efforts to improve wage differences between male and female employees.



Percentage of Male Employees Taking Childcare Leave and Leave for Childcare Purposes (Consolidated)

97.1 %

(FY2023)



Percentage of Female Management Positions (Consolidated)

Manager or Higher **21.9** %

Assistant Manager or Higher **30.0** %

(As of March 31, 2024)

FY2026 Target: 25% (manager or higher)
30% (assistant manager or higher)



Percentage of Female Directors

30.7 %

(As of June 20, 2024)



Percentage of Independent Outside Directors

53.8 %

(As of June 20, 2024)



The Gogin Values That Enhance Corporate Value

Defining the GOGIN Five Values

As we aim to become an organization with an increasingly diverse workforce, we have defined the GOGIN Five Values as a decision-making axis for executives and employees. The GOGIN Five Values remind us to respect the diversity of each individual while moving forward as one. At the Meeting to Consider the Future (Mirai) of San-in Godo Bank, diverse participants shared their thoughts and ideas on the topic of the most important values to the Bank. Based on those discussions, the management meetings discussed and defined five values that guide our vision. We endeavor to instill the GOGIN Five Values into the Bank's culture and to fulfill our Management Philosophy.

GOGIN Five Values

Integrity

It all begins with trust. Act with integrity and sincerity, always.

Passion

Passion for the community and our customers is our driving force. We engage with passion not only in the financial domain, but across a wide range of areas, including the environment and social contribution.

Growth

Grow together with our community and customers. We seek professional knowledge and skills, contributing to the community and our customers.

Creativity

San-in is the source. We continue to transform ourselves by drawing from the San-in DNA, repeatedly bringing our experience and spirit of challenge to bear to offer the best possible services to our customers.

Team GOGIN

Crystallizing the strength of the Gogin Group. We respect diversity and endeavor to meet the expectations of our stakeholders through an open organizational climate.

Diverse Members Discuss the Future of the Bank

2nd Meeting to Consider the Future (Mirai) of San-in Godo Bank

Date: October 1, 2023 Participants: 24 employees (open invitation); 7 executive officers; 12 headquarters division managers; 9 block managers
Observers: directors

1 Individual Work

Each person has one hour to think over the topic.

2 Group Work

The group organizes their thoughts and provides an explanation to directors, including the thought process. Directors provide feedback with questions and comments.

3 Roundtable Meeting

Multiple groups gather to mingle, talk over their thoughts with directors, and brush up their ideas.



Meeting to Consider the Future (Mirai) of San-in Godo Bank

- Since April 2023, the Bank has held a meeting called the Meeting to Consider the Future (Mirai) of San-in Godo Bank
- Employees representing various generations, affiliations, and positions discuss the Bank's future vision, aspirations, values, and growth strategies

Participant Comments I was excited to talk frankly with people from management and other departments, so I applied to become part of the meeting. With staff from a variety of affiliations, we had lively group discussions with the free exchange of diverse opinions. I was surprised to see that the groups eventually landed on similar values. At that moment, I realized that the Bank's employees share many of the same values and work toward the same goals on a daily basis. I was also impressed by the way people spoke passionately about the Bank and their vision for the future during group discussions with the management team. I feel that the meeting was even more productive because it revealed the type of professionals we wanted to be ourselves. I feel fortunate to have had the opportunity to engage in close discussions with the management team. The most significant benefit was the personal sense of participation in the direction of the Bank. The GOGIN Five Values are printed on cards that every employee and executive carries as a sort of compass. As one of the participants in this meeting, I feel a personal responsibility to live the Bank's values every day.



Yuri Maeda
Gion Shindo Branch
(Joined in 2018)

Comment From President Yamasaki



We summarized the opinions expressed at the Meeting to Consider the Future (Mirai) of San-in Godo Bank under the same general topics for easier communication and understanding. In the end, we narrowed the list to five. In the Executive Committee, we discussed whether the phrase GOGIN was consistent with our Management Philosophy and Long-Term Vision. We also discussed whether the phrase was unique enough to our bank that customers would equate our values with GOGIN. Defining values and deciding priorities can be very difficult. And while values should be similar across similar organizations, being aware of and putting these values into practice is what differentiates us from our competitors. I encourage every employee to put these values into practice wherever called to serve.

3 5	Pathway to Sustainability Management
3 6	Value Co-Creation With Stakeholders
3 7	Materialities
3 9	Medium-Term Management Plan
4 1	Growth Strategy Through Problem Solving
	Corporate Consulting
	Personal Consulting
	Group Strategy
4 9	Digital Transformation Strategy
5 2	Human Capital Strategy
5 9	Special Feature: Human Resource Development at Gogin
6 1	Special Feature: Diversity and Inclusion
6 3	Special Feature: Addressing Environmental and Social Issues
6 9	Sustainability Management Practices

Strategy for Value Creation



Pathway to Sustainability Management

The San-in Godo Bank Group considers the enhancement of local sustainability to be a top management priority, and by putting this into practice, we aim to achieve mutual growth for the community, our customers, and the Bank. In the formulation of our medium-term management plan, a plan for the period commencing in fiscal 2024, we reviewed materialities, incorporated these into our basic strategies, and established key goal indicators (KGIs). Our aim going forward is to have a social impact by practicing sustainability management and contributing to the resolution of materiality issues.



Sustainability Management Structure

Sustainability Statement

San-in Godo Bank Group endorses the United Nations Sustainable Development Goals (SDGs) and strives to make sustainable regional societies possible through initiatives that solve regional issues.

Sustainability Statement

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

Sustainability Policies

Environmental Policy

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

Human Rights Policy

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

Investment and Loan Policy

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

Purchasing Activity Policy

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

Sustainability Implementation Framework

The Bank established the Sustainability Committee to strengthen governance and pursue initiatives related to the SDGs and ESG. The Sustainability Promotion Group is solely responsible for planning and management related to sustainability at the Bank. The SDGs/ESG Promotion Working Group, consisting of representatives from each headquarters division, is responsible for organization-wide initiatives. The Group Company Sustainability Liaison Committee holds meetings to communicate related policies and initiatives.



Value Co-Creation With Stakeholders

Our aim is to enact our management philosophy and so contribute to all our stakeholders, together co-creating social and economic value.

Multi-Stakeholder Policy

In light of the growing importance in corporate management of value co-creation, which takes place with a diverse range of stakeholders, we will pursue collaboration with these multiple stakeholders.

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



Management Philosophy

A creative bank that fulfills the dreams of the region and customers we serve

	Stakeholder relations	Value co-creation important to stakeholders and the Bank
Regional Society	We are committed to fulfilling our responsibilities as a member of the local community by conducting activities rooted in these actual local communities. In order to pass on an abundant natural environment to the next generation, we are engaged in environmental protection activities in cooperation with local communities and customers.	Contribute to Resolving Local and Social Issues ■ Contributing to the creation of local attractions and the revitalization of local economies by proactively working to resolve local and social issues ■ Accelerating the Bank's decarbonization initiatives to achieve carbon neutrality, while at the same time supporting customers' own actions to decarbonize ■ Pursuing value co-creation by supporting local communities and customers in their own DX
Customers	We value dialogue with our customers in our day-to-day business activities, and we strive to provide high-quality consulting and further improve our products and services.	Support Business Development and Prosperous Lifestyles ■ Enhancing corporate value for our clients by providing business support to resolve their issues ■ Ensuring customers enjoy a prosperous lifestyle by supporting them with optimal advice tailored to their life stage ■ Providing highly beneficial financial products and services to our local customers by utilizing financial and non-financial services that make use of digital technology
Business Partners	We are working together with our business partners to resolve local and customer issues to create a sustainable society.	Support All Bank Activities ■ Collaborating with a number of outside experts and organizations to provide optimal resolutions to our clients' management issues ■ Partnering with Nomura Securities Co., Ltd. to establish a new model for the securities business in our regions ■ Appropriately compensating our suppliers for the goods and services that support us in our business activities
Employees	We are strengthening two-way communication between management and employees so that our people can work with drive and enthusiasm and our company is dynamic.	Empower Employees to Reach Their Full Potential ■ Actively investing in human capital to support the growth and career development of each and every employee ■ Enhancing human resources development so that employees can contribute to resolving local issues ■ Maintaining a good working environment
Shareholders and Investors	We are increasing management transparency via the appropriate disclosure of information and using opportunities to communicate our message.	Meet Shareholder Expectations ■ Accelerating growth to achieve the key goal indicators (KGIs) of the medium-term management plan ■ Increasing corporate value by practicing sustainable management ■ Enhancing shareholder returns

Materialities

The Bank has worked consistently over the years to address social issues and continues to strengthen its management base so that the entire region can grow. We recognize that the Bank itself must be strong and robust in order to continue supporting the region. Our core business is all about solving regional and customer issues, such as community revitalization and the environment. As such, we aim to create a virtuous cycle in regional economies and achieve sustainable growth for the entire region.

Materiality Identification Process

The Bank reorganized materialities when formulating the medium-term management plan (FY2024-FY2026). This reorganization bases materialities on the two axes of *importance to stakeholders (society)* and *importance to management (the Bank)*. We also considered sustainability issues presented by international guidelines and changes in the external environment and social structure during reorganization. We formulate policies and strategies for each materiality identified, engage in initiatives, and manage initiative progress through KPIs linked to materialities and ongoing monitoring. Materialities are revised as appropriate following discussions by the Sustainability Committee and Board of Directors in light of the stakeholder perspectives and the rapidly changing external environment.



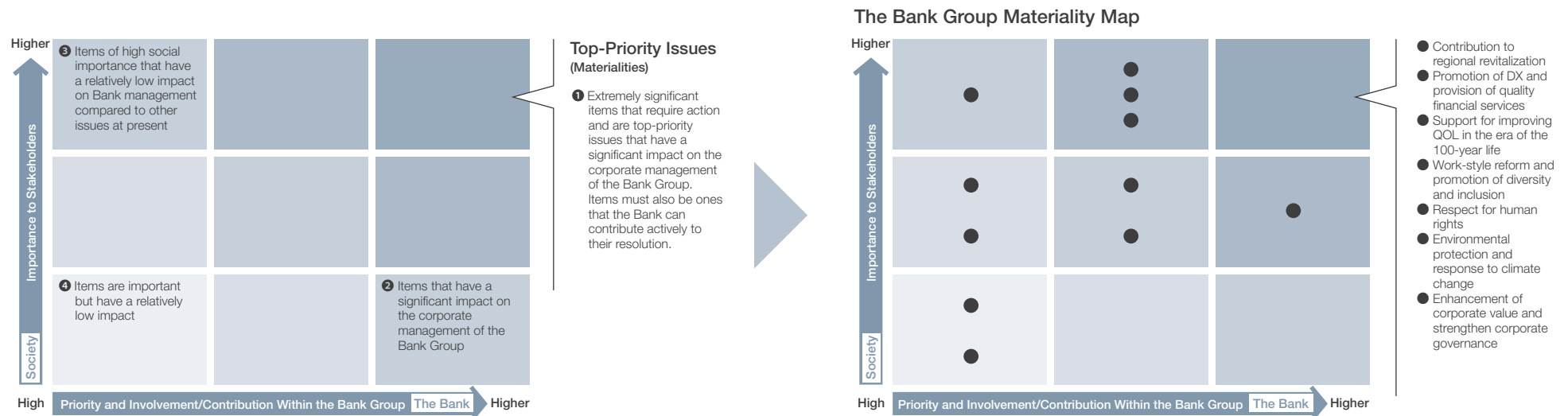
Specific Materiality Identification and Review Process

We identified and reviewed our materialities through the following three steps.

Step 1 We extracted target materialities from issues indicated by government and international guidelines, as well as national and regional issues. We then consolidated and organized these items based on similar issues to narrow the list to 24 items.

Step 2 We identified the 18 items with the highest significance by further consolidating relevant items through an additional evaluation of the involvement and contribution of our business activities. This evaluation was based on the two axes of *importance to stakeholders (society)* and *importance to management (the Bank)*.

Step 3 We deliberated repeatedly on extracted and identified items from Steps 1 and 2 at the Sustainability Committee and the Board of Directors to identify materialities.



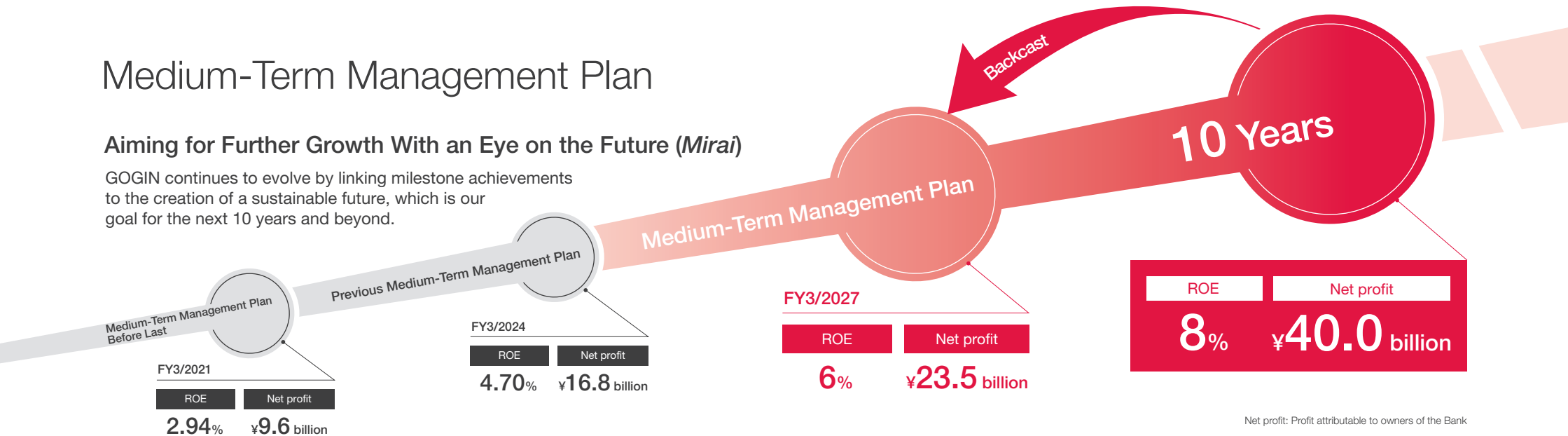
Materialities	Reasons for Identification and Action Policy	Pages
Contribution to regional revitalization	We are committed to the region, contributing to the revitalization of the local economy from various angles in response to the declining population, low birthrates, aging population, lack of successors, stagnation of the local economy, and other regional issues. We will also play our role in contributing to the region through social contribution activities as a member of the regional society.	P 69-71 P 73-74
Support for improving QOL* in the era of the 100-year life	We provide financial and economic education to improve the financial literacy of local residents. In this way, we improve the asset income of local customers to help achieve a prosperous regional society.	P 67
Environmental protection and response to climate change	We engage in sustainable finance and supply renewable energy electricity through our subsidiaries, aiming to create a decarbonized society. In this way, we support companies in their efforts to become carbon neutral. We recognize that preserving local biodiversity presents a new challenge, and we are committed to addressing this issue.	P 72
Promotion of DX and provision of quality financial services	We will implement digital transformation while serving our role as a crucial financial infrastructure to provide stable and high-quality services to local customers. We are committed to our role, even as populations and birth rates continue to decline and the population ages.	P 50
Respect for human rights	As awareness and the importance of human rights increases in Japan and overseas, companies must go beyond addressing human rights issues related to internal operations, officers, and employees. We must respect the human rights of diverse stakeholders, including those in our supply chains and our business partners. The Bank recognizes that it is our major responsibility as a financial institution to respect human rights through our core business and engage with stakeholders. We are committed to continuing our efforts.	P 68
Work-style reform and promotion of diversity and inclusion	We make active investments to provide diverse and flexible work options to our employees and support their career development. In this way, we strive to ensure employees' good physical and mental health, as well as the well-being of our employees and their families, and improve employee engagement. We develop personnel who can act to solve regional and customer issues to ensure we continue supporting the community. We also respect our employees' diverse personalities and values regardless of gender, working to be an organization where every employee can play an active role.	P 52-62
Enhancement of corporate value and strengthening of corporate governance	We strive to meet stakeholder expectations and achieve sustainable corporate value. To this end, we strengthen the governance and compliance of the entire Group and pursue the maximum group synergies.	P 19-23 P 76-90

*QOL: Quality of Life

Medium-Term Management Plan

Aiming for Further Growth With an Eye on the Future (Mirai)

GOGIN continues to evolve by linking milestone achievements to the creation of a sustainable future, which is our goal for the next 10 years and beyond.



Management Issues and Solutions

Main Management Issues

- Weak economic base in San-in
- Pressing need to transform profit structure and business model

Transform management issues into growth opportunities

Improve level of service in existing markets and continue investments in strategic fields

	Creating a Foundation					
	Medium-Term Management Plan (FY2018-FY2020)			Medium-Term Management Plan (FY2021-FY2023)		
Priority Measures	Create added value alongside customers	Pursue structural reform through digitalization	Manage human resources to re-energize our organizations	Contribute Solutions to Community and Customer Issues	Pursue Digital Transformation	Strengthen Management Base
Structural Reform	Nomura Alliance	Branch Network Reorganization Branch closures (36), downsizing (13) New branch (1)	Affiliate Reorganization Operations in-house (decreased three companies)	Branch Network Reorganization Branch closures (9), downsizing (12) New branch (2)	Consolidation of Corporate Transactions Consolidated 17 branches to four corporate sales groups	Affiliate Reorganization Operations in-house (decreased two companies; established one new company)
Total employees (non-consolidated, excl. officers)	April 2018 3,108	-158	March 2021 2,950	-264	March 2024 2,686	

Medium-Term Management Plan
FY2024-FY2026

Overview of Previous Medium-Term Management Plans

As we reduce headcount, structural reforms over the previous two medium-term management plans have allowed the Bank to focus management resources on strategic areas. This focus resulted in an increase in the top line and a significant rise in profit levels. Our previous medium-term management plan emphasized three priority measures to transform our business model toward sustainable growth. We achieved all of the targeted management indicators, with the exception of capital adequacy ratio.

- Strengthened problem-solving capabilities through the Every Employee a Consultant project
- Pursued DX across all areas of management
- Advanced structural reforms to achieve growth strategies

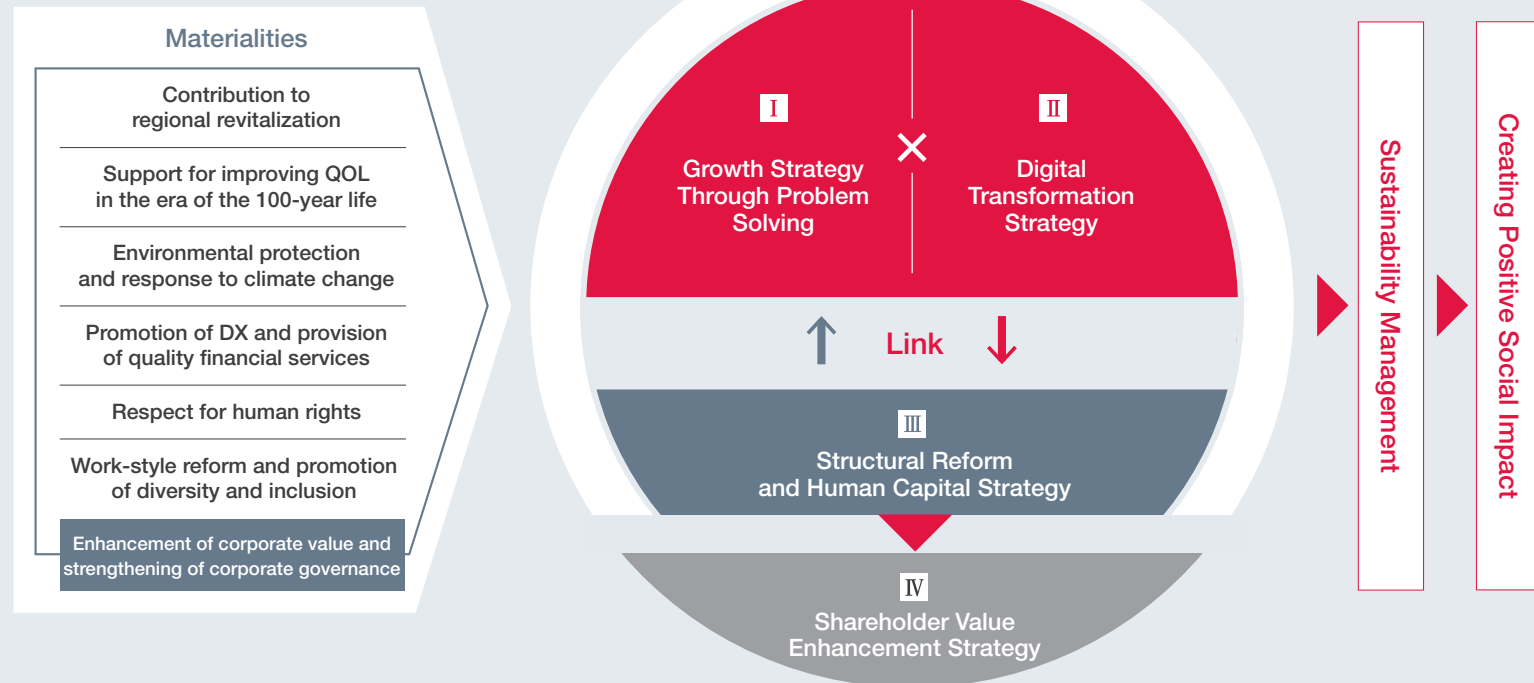
Target Management Indicators	2021/3	2022/3	2023/3	2024/3	Final Year Target (FY2023)
Net profit* ¹ (consolidated)	¥9.6 billion	¥14.4 billion	¥15.4 billion	¥16.8 billion	¥15.0 billion
Non-interest revenue ratio* ² (consolidated)	14.15%	17.22%	17.87%	19.35%	15.8% or More
ROE* ³ (consolidated)	2.94%	4.29%	4.45%	4.70%	4.4% or More
OHR* ⁴ (non-consolidated)	60.58%	55.02%	53.58%	50.75%	53% or less
Capital adequacy ratio (consolidated)	12.48%	11.36%	12.57%	11.76%	12%

*1 Profit attributable to owners of the Bank *2 (Profit from service transactions + profit from other operations (excluding gains (losses) related to bond transactions, gains on cancellations of asset swaps, and currency swap expenses)) / consolidated gross profit from core banking operations *3 Shareholders' equity basis *4 Gross core banking profit basis

Medium-Term Management Plan (FY2024-FY2026)

Have a Positive Social Impact Through Sustainable Growth Based on Solutions to Materialities

The future remains difficult to predict, as the population continues to decline and age, local economies face increasing challenges, and the pace of change in digitalization, decarbonization, and other industrial structures accelerates. In response to this business environment, we established a 10-year vision, backcasting from the future to formulate strategies and targets to achieve our management philosophy and long-term vision for sustainable growth together with the community and customers. Our aim is to have a positive social impact by reconfirming materiality and achieving sustainable growth based on solutions to materialities supported by our basic strategies.



Target Indicators

Aiming to contribute to all stakeholders, we established target indicators in the areas of finance, human capital, and social impact.

Category	Financial Indicators (Consolidated)			Human Capital Indicators (Consolidated)				Social Impact Indicators			
Items	ROE ^{*1}	Net profit ^{*2}	Capital adequacy ratio	Engagement ratings	Turnover rate (under 30)	Experienced professional hires	Percentage of female managers	Value added by Bank's loan clients		No. of financial and economic educators	CO ₂ emissions avoidance PPA; avoidance via increased renewable energy financing
Final-Year Targets	6% or higher	¥23.5 billion	About 11%	AA or higher ^{*3}	Less than 5%	25% or higher	Manager or higher ^{*4} 25% or higher Assistant manager or higher ^{*5} 30% or higher	San-in 5% increase (vs. FY2022) Sustainable increase in gross prefectural product	Sanyo and Kansai Increase above national nominal GDP growth rate	Cumulative total exceeding 30,000 people	Medium-Term Plan total 300,000 t-CO ₂ or more

^{*1} Based on shareholders' equity ^{*2} Profit attributable to owners of the Bank ^{*3} Using the Link and Motivation Cloud tool. AA is the second-highest rating. Financial industry average is BB ^{*4} General managers and other managers/supervisors ^{*5} Deputy branch managers, assistant manager, and other positions

Growth Strategy Through Problem Solving

Corporate Consulting

Accelerating side-by-side consulting services to resolve the issues our clients face,
starting with business feasibility evaluations

Toru Hinokuma

General Manager, Solution Sales Department



Basic Approach

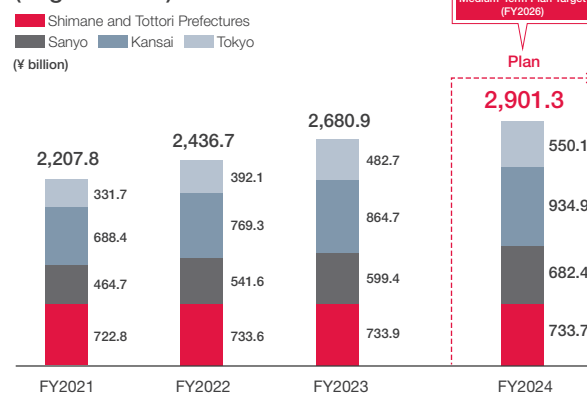
San-in Godo Bank continues to work consistently on relationship banking as our universal business model focusing on long-term relationships of trust. We strive to be a side-by-side consulting group that works with our clients to solve the issues they face by developing and providing advanced consulting services in high demand, starting with business feasibility evaluations.

FY2023 Results and FY2024 Forecast

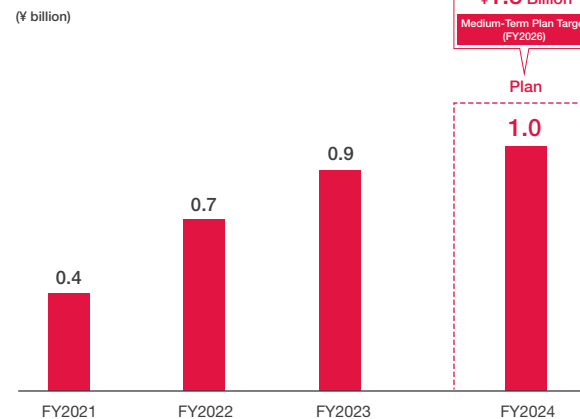
In fiscal 2023, the average balance of corporate loans increased significantly in each region due to increased transactions through consulting and business support activities, with one of the highest growth rates among regional banks. We plan to increase this number steadily from fiscal 2024. In corporate solutions revenue, corporate solutions fees increased steadily through successful consulting activities. We will continue to strengthen our consulting structure and plan for ¥5.2 billion in corporate solutions revenues in fiscal 2024.

Medium-Term Management Plan Targets

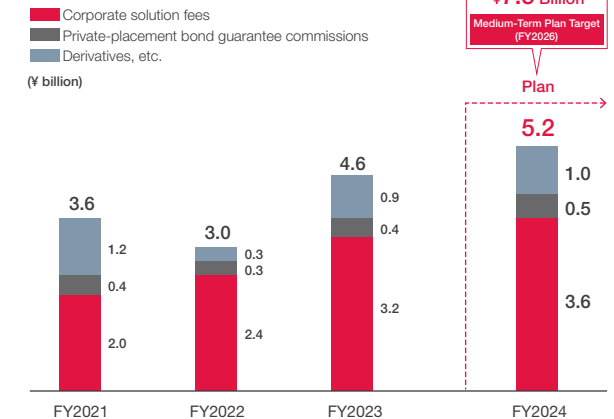
The number of Corporate Business employees increased significantly and the average balance of corporate loans increased by approximately ¥630 billion over the three-year period of the previous medium-term management plan. We anticipate further growth in strategic areas, planning for corporate loans to increase by approximately ¥620 billion to ¥3.3 trillion during the medium-term management plan period. We also plan to increase consulting-related fees by ¥400 million to ¥1.3 billion through the development of consulting personnel. Corporate solution revenues are likely to grow by ¥2.9 billion to ¥7.5 billion, consistent with the growth achieved in the previous medium-term management plan.

Corporate Loans by Region
(Avg. Balance)

Consulting-Related Fees



Corporate Solutions Revenue



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

Progress and Prospects of *Every Employee a Consultant*

Our efforts to date to strengthen our consulting capabilities form the foundation for the Every Employee a Consultant structure.

The medium-term management plan that began in fiscal 2024 aims to implement the Every Employee a Consultant structure throughout all business areas and implement activities to resolve issues faced by our clients.

Every Employee a Consultant

A consulting system in which not only specialists at headquarters but also all branch staff thoroughly analyze client issues and offer side-by-side support for their growth strategies.

Headquarters

Bring together 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



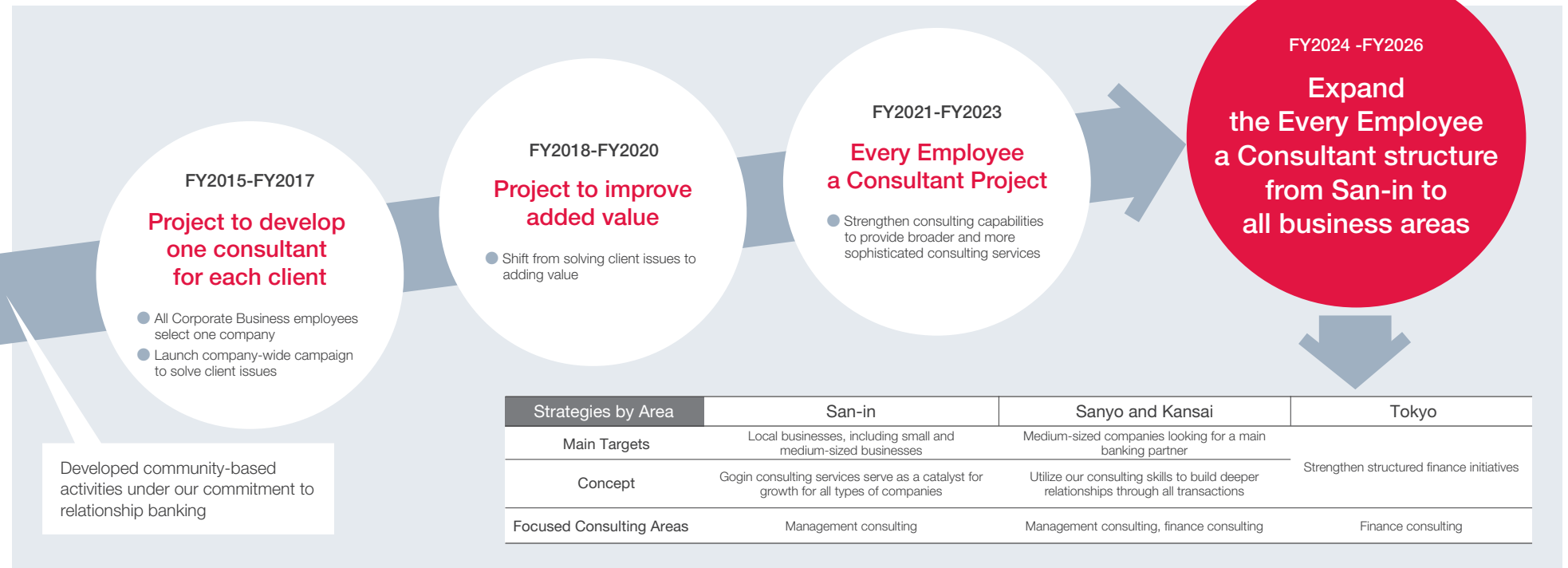
Sales Staff Assigned to Clients Provide Sophisticated Consulting

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 more detailed and speedy consulting services from each branch.

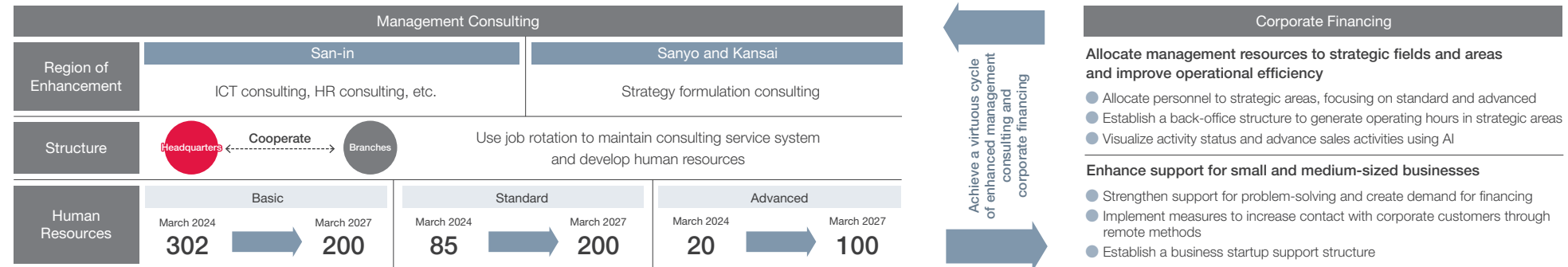


Priority Measures

Management Consulting

Advancing Management Consulting

We endeavor to develop corporate consulting personnel, focusing on allocating approximately 100 employees with strong consulting skills to strategic fields. We will also work to advance our management consulting services by generating time for sales activities through fundamental reform of loan back-office operations.

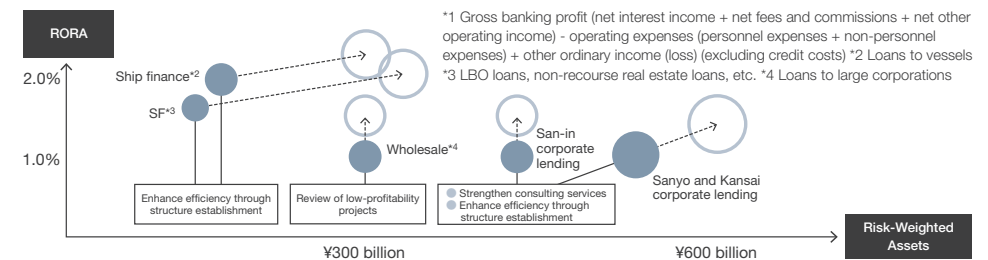


Improving Profitability

We strive to expand volumes, enhance our consulting services, and improve efficiency to shift to our most profitability-oriented sustainable growth strategy to date.



Conceptual Diagram of RORA*1 (return on risk-weighted assets) (Circle size is proportional to the amount of RORA)



Finance Consulting

Strengthening Advanced Financing

San-in Godo Bank views finance consulting as a key area to strengthen and as a growth driver. To this end, we strive to increase the number of employees in structured finance, LBO loans, and other such areas to be strengthened, while also developing specialized personnel within these areas. We also established a new Specialized Finance Group in Tokyo in April 2024 to take more proactive action than ever before in numerous projects. The Bank is committed to improving profitability by leveraging our products and expertise to respond to the diversifying financial needs of our clients.

Region of Enhancement	● Structured finance (SF) ● Syndicated loans and derivatives ● LBO loans and real estate non-recourse loans ● Venture businesses			
Human Resources	March 2024	25	2x →	March 2026 50
SF Balance	March 2024	¥250 billion	Over 2x →	March 2027 ¥550 billion
SF Fees (Tokyo)	March 2024	¥0.25 billion	Over 5x →	March 2027 ¥1.35 billion

Growth Strategy Through Problem Solving

Personal Consulting

Offering a range of support for your life plans

Combining the strengths of face-to-face contact with the convenience of non-direct contact

Yoshikazu Tanaka
Managing Executive Officer



Basic Approach

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 accurately responds to customer needs by combining the high-added value and sense of security found in face-to-face channels with the convenience and ease of non-direct channels.

FY2023 Results and FY2024 Forecast

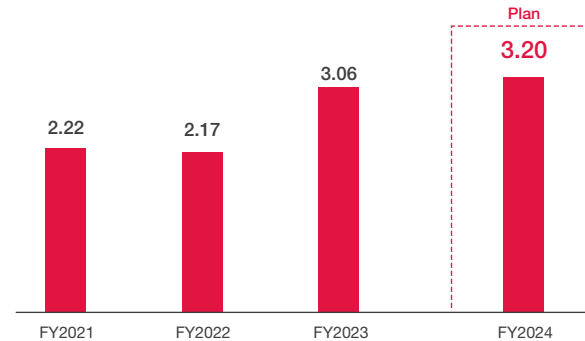
Our asset management operations are accumulating favorable results thanks to sales activities that leverage the mutual strengths born from our alliance with Nomura Securities Co., Ltd. Our stock asset balance increased steadily while asset management fees and commissions saw significant growth. For personal loans, the Bank reduced the administrative burden on customers, and strengthened non-interest rate competitiveness through careful and prompt face-to-face consultations, leading to an increase in housing loans. Corporate deposits grew significantly growth in Sanyo, Kansai, and Tokyo, while personal deposits remain stable in San-in as a base area.

Medium-Term Management Plan Targets

In our asset management operations, we plan to leverage the structure established through the mutual strengths of Nomura Securities to provide high-quality consulting services using the all-assets approach and the goal-based approach. We aim to generate ¥4 billion in asset management fees and commissions in fiscal 2026. The Bank also aims for a balance of ¥1.6 trillion in personal loans at the end of fiscal 2026 by utilizing an approach combining the strengths of face-to-face contact with digital technology. For deposits, we aim for ¥7 trillion in fiscal 2026 through expanding transactions with corporations and promoting deposits through wide-area development.

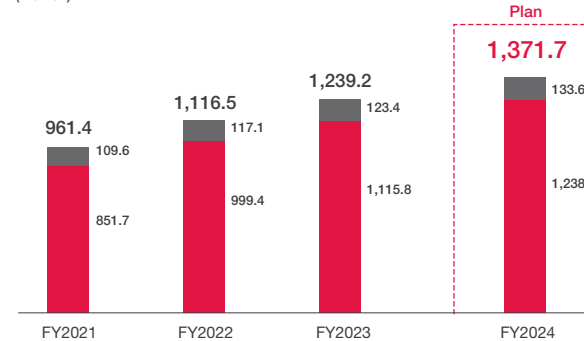
Asset Management Fees and Commissions

(¥ billion)



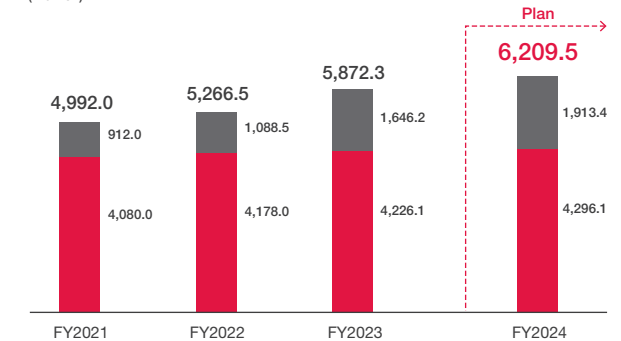
Personal Loan Balance (Ending Balance)

■ Housing Loans ■ Consumer Loans
(¥ billion)



Total Deposit Balance, etc. (Avg. Balance)

■ San-in ■ Sanyo, Kansai, Tokyo
(¥ billion)

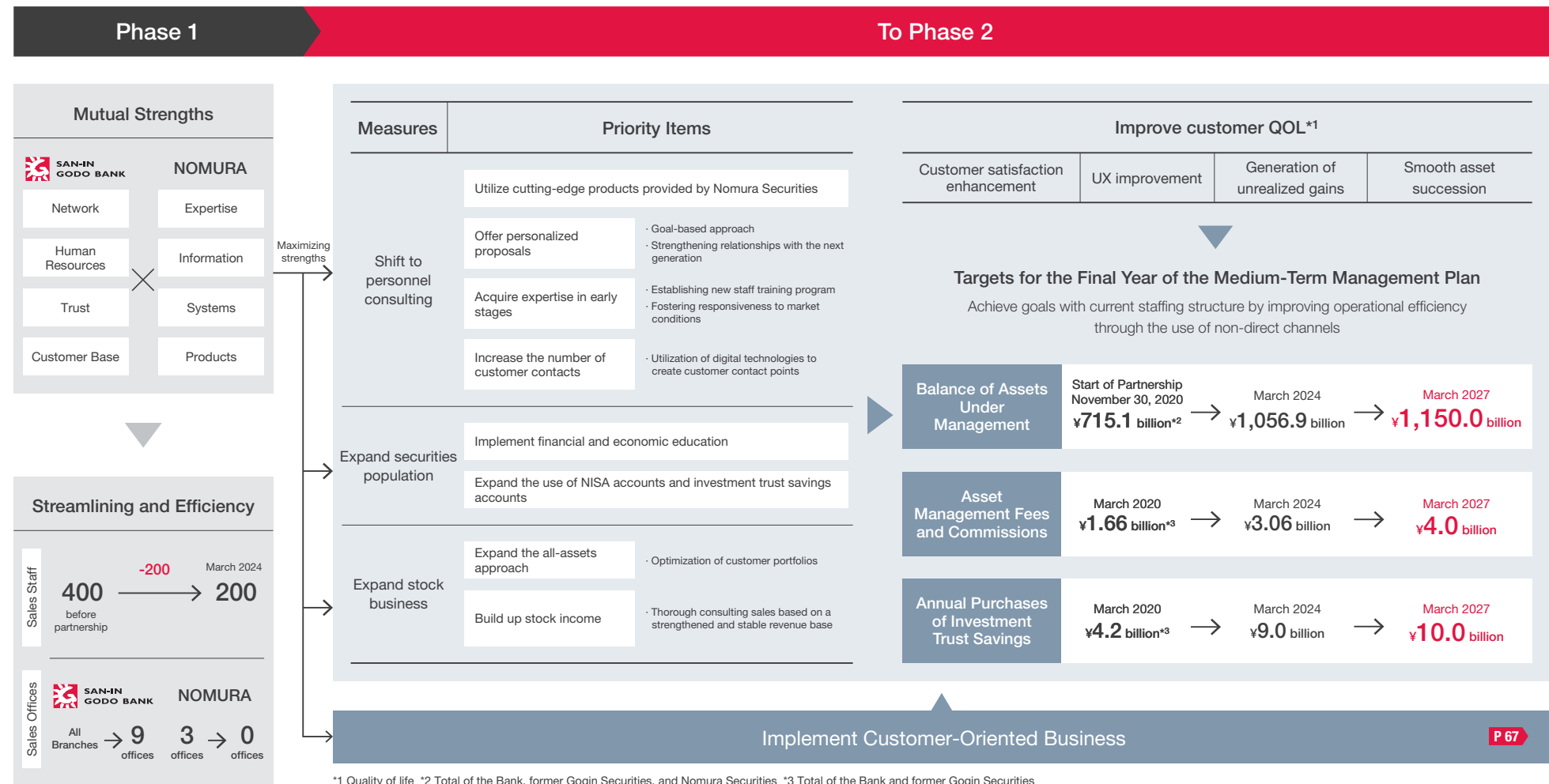


Priority Measures

Asset Consulting

Leveraging Our Alliance With Nomura Securities to Provide Industry-Leading Services

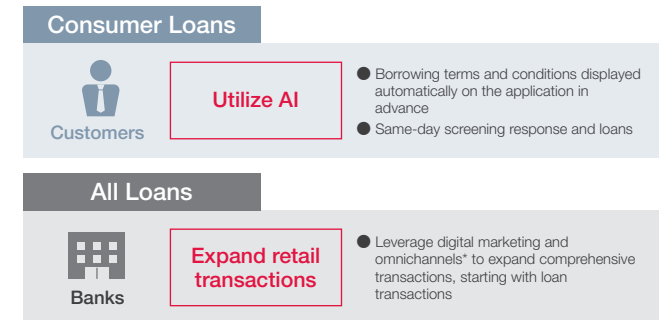
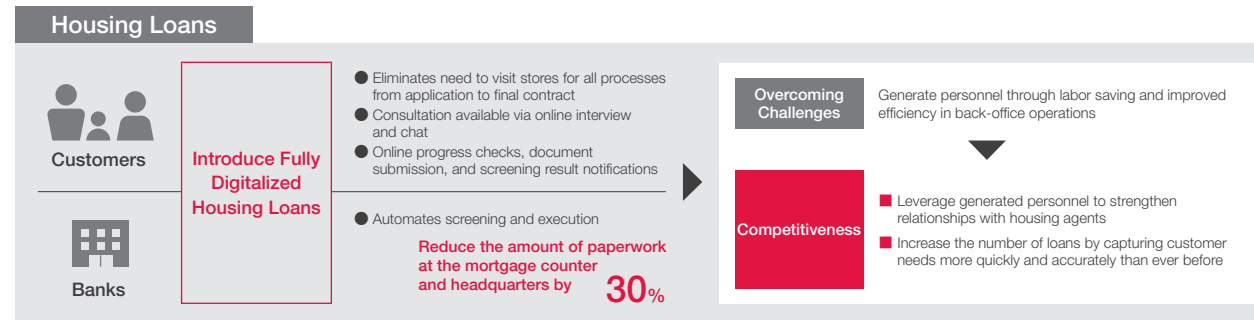
The Bank simplified and streamlined out sales structure during the previous medium-term management plan through the alliance with Nomura Securities. The new medium-term management plan aims to move into the second phase of maximizing our mutual strengths and help create a prosperous future for our customers by offering plans that best suit each of their attributes and life stages.



Personal Loans

Expanding Personal Loan Business Focusing on Consulting Functions and Customer Convenience

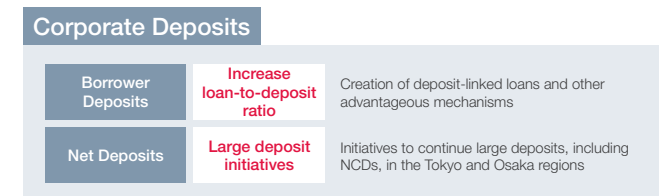
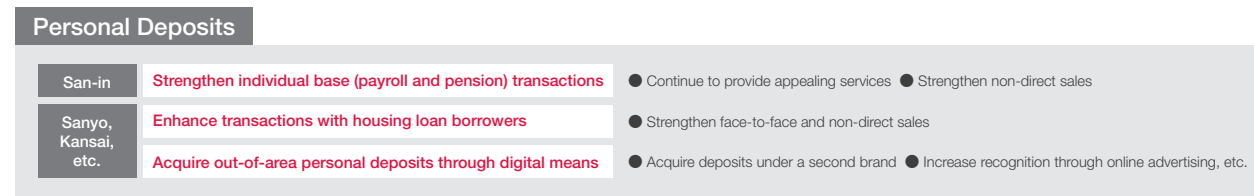
We strive to strengthen our personal loan business by enhancing our sales force through digital transformation and promoting personal loans in the wide-ranging markets of San-in, Sanyo, and Kansai. We also work to uncover additional demand by enhancing our consulting functions and improving convenience, while differentiating San-in Godo Bank from other banks through prompt and careful correspondence. Furthermore, the Bank will improve productivity by fully leveraging digital technology to fundamentally rethink office operations.



*See P50 for more on digital marketing and omnichannels

Deposits

The Bank strives to promote deposits by enhancing transactions with customers and expanding a wide-ranging business through the use of digital technology.



TOPICS

Consulting Services Provided by the Bank and Nomura Securities

■ Improving Customer Satisfaction Through a Goal-Based Approach

Our all-assets approach takes into account the overall assets of the customer when proposing portfolios in line with customer risk tolerance and life plans. Through this approach, we make proposals that further meet customer needs and provide higher-quality services. The Bank and Nomura Securities work together and increase customer satisfaction through our goal-based approach, conducted using the all-asset approach.

Improve customer satisfaction

Achieve goal-based approach

All-Assets Approach



SAN-IN
GODO BANK



NOMURA

■ Revitalizing the Organization Through Personnel Exchange With Nomura Securities

We strive to enhance employee motivation through active communication with seconded employees from Nomura Securities. Although our corporate cultures are different, we share the same desire to provide better customer service. We aim to inspire each other to improve, striving to offer even higher levels of service. Seconded employees provide their unique, candid perspectives and opinions on the differences between the Bank and Nomura Securities. Such personnel exchange with Nomura Securities has inspired the Bank as a whole, providing new ideas that we incorporate into our policies and measures.



Growth Strategy Through Problem Solving

Group Strategy

Enhancing our consulting functions through group synergies to solve regional and customer issues

Tsuyoshi Takahashi

Executive Officer, General Manager, Management Planning Dept.



Basic Approach

The Bank contributes to solving regional and customer issues by combining the expertise of each company through group collaborations.

We aim to achieve sustainable growth by broadening and deepening business areas throughout the Group.

Fiscal 2023 Results

We incorporated Regional Trading Company TOTTORI as a wholly-owned subsidiary in March 2024. The Bank Group is committed to leveraging our sales network and other management resources further to propel the value-added enhancement of producers in San-in and the revitalization of the San-in economy. Gogin Career Design Co., Ltd. took over the placement and recruiting services of the Bank in May 2023. The company addresses human resource shortages, including the local shortage of specialized personnel, making 49 successful placements in fiscal 2023 (up 35 from the previous fiscal year). Gogin Energy Co., Ltd., established in July 2022, is also making steady efforts to decarbonize the region, with a total of 22 PPA projects under contract as of the end of March 2024. The Gogin Group will continue to enhance our comprehensive financial services by further strengthening cooperation.

Overview of Group Companies

Company name	Nature of business
 Matsue Real Estate	Real estate leasing services
 Gogin Career Design Co., Ltd.	Placement and recruiting services, document preparation services, 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.	Power generation and retail electricity business, consulting business
Regional Trading Company TOTTORI	Regional trading services

Expanding Recruitment and Placement Services

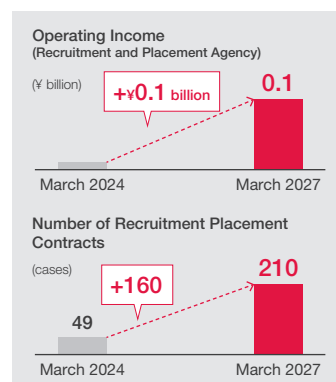


Gogin Career Design Co., Ltd.

Expanding support to solve the human resource-related issues facing our clients

Gogin Career Design strengthens our support for client efforts to secure human resources in response to the intensifying labor shortages in the region. Human resources are a company's most important management resource. Through recruitment and placement services, Gogin Career Design contribute to the growth and development of businesses while supporting the career development of professionals who wish to play an active role in their communities.

- Improve recruitment and replacement response capacity
- Establish a database of applicants to improve matching accuracy
- Strengthen support for recruiting foreign personnel



Strengthening Coordination Between Banking and Leasing

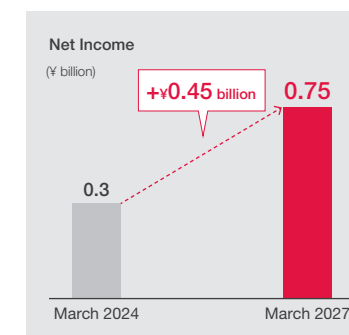


Gogin Leasing Co., Ltd.

Supporting Sustainable Client Growth Through High-Quality, Comprehensive Financial Services

San-in Godo Bank and Gogin Leasing Co., Ltd. share information and propose optimized finance and leasing funding to add value in solving community and customer challenges. Gogin Leasing aims to engage in group-wide business support activities to achieve sustainable growth in local businesses and the Bank Group as a whole.

- Restructure sales structure
- Strengthen sales force by improving business skills
- Strengthen coordination with banks



Establishing Cashless Infrastructure



Gogin Credit Co., Ltd.

Improving local convenience through cashless services

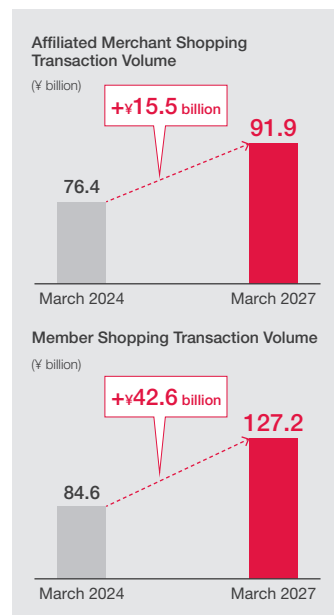
Gogin Credit endeavors to improve the convenience of the community by establishing cashless infrastructure in the region.

Strengthen Cashless Initiatives

- Propose cashless solutions that best suit affiliated merchant business
- Propose affiliated merchants to municipalities and other entities that previously had little need for cashless options

Gogin Group Initiatives

- Increase membership through debit card release
- Increase the number of cardholders and expand the affiliated merchant network to create a society where customers are not inconvenienced by the need to withdraw cash



Achieving Regional Carbon Neutrality



Gogin Energy Co., Ltd.

Creating a regional cycle of renewable energy to drive regional decarbonization and carbon neutrality

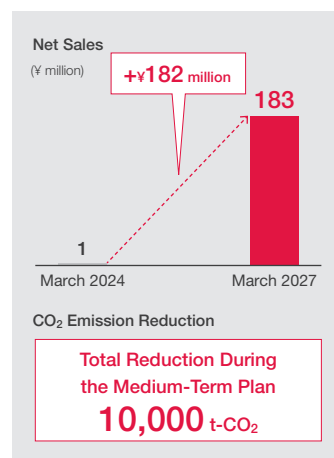
Gogin Energy aims to accelerate local decarbonization and carbon neutrality through solar PPA projects and other activities. Gogin Energy also contributes to enhancing the competitiveness of local companies by expanding the use of renewable energy.

Local Production and Local Consumption of Energy

- Provide renewable energy to public and private sectors by engaging in PPA projects
- Participate in Decarbonization Leading Areas and other local government initiatives
- Develop power sources other than solar power utilizing local resources

Enhancing Consulting Activities

- Support local companies in entering the renewable energy power generation business



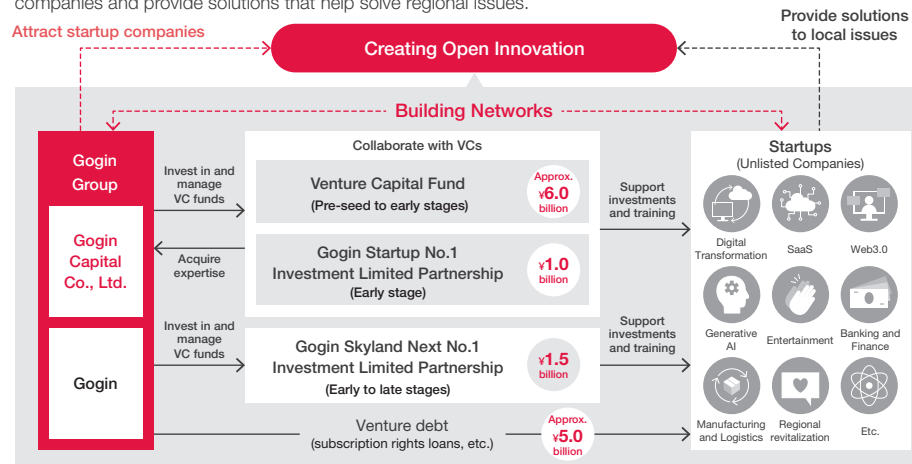
Creating Open Innovation



Gogin Capital Co., Ltd.

Contributing to sustainable regional growth through venture capital and startup investments

Gogin Capital strives to strengthen collaboration and networking with venture capitalists to attract startup companies and provide solutions that help solve regional issues.



TOPICS

Regional Trading Company TOTTORI

- Transitioning to a company to advance other banking services and become a wholly owned subsidiary -

March 2024

Strengthening Support for Local Producers

The Bank led the establishment of Regional Trading Company TOTTORI in October 2017 through public and private investment, aiming to promote local production for external consumption and revitalize the primary industry. To do so, we strive to link producers in San-in, mainly in eastern Tottori Prefecture, with retailers, restaurants, and other businesses outside the region.

Making the company a wholly-owned subsidiary in March 2024 will allow the Bank to utilize Bank Group management resources, including our sales network, more effectively and efficiently than ever before. In this way, we will drive support for producers and revitalize the local economy throughout San-in.



Business Overview

- Sell agricultural, marine, and processed food products from Shimane and Tottori Prefectures to other prefectures
- Work with local businesses to develop, manufacture, and sell joint products

Digital Transformation Strategy

Implementing the latest technologies in a wide range of areas
to transform into a digital bank

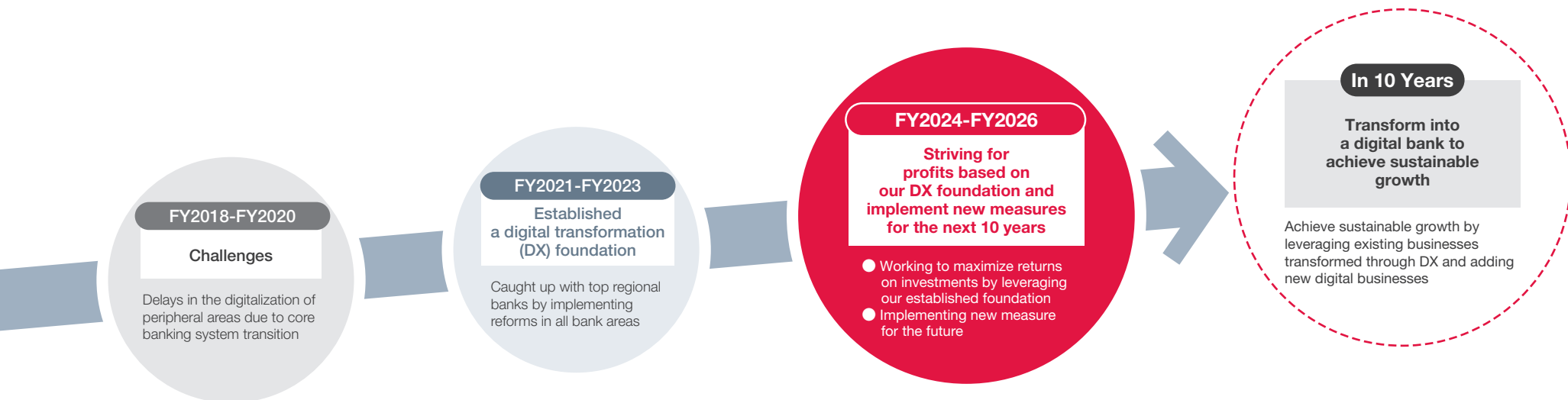
Hirohisa Ikuta

Director and Senior Managing Executive Officer, General Manager,
Digital Transformation Promotion Headquarters



Basic Approach

We are committed to incorporating AI and other cutting-edge digital technologies to improve our customer service and transform our sales approach, a point of customer contact. We will also embrace the challenge of creating new businesses through digital technology.

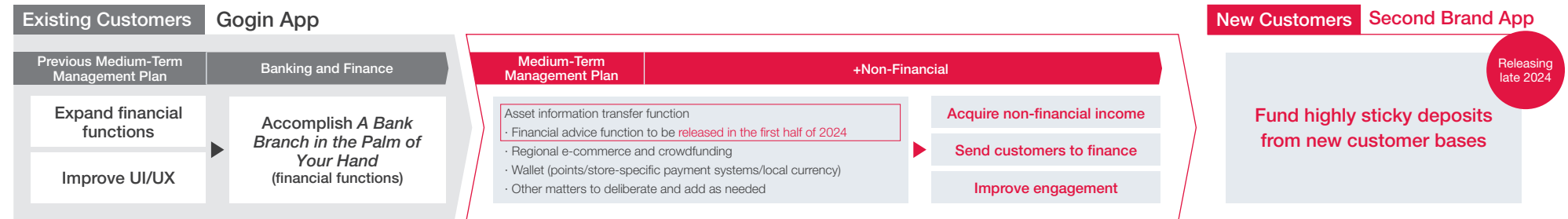


Business Areas	Non-Direct Channels	Enhanced functions and improved UX (apps, corporate portal) Prepared for implementation	Striving to fully leverage in business Pursuing monetization	Implement channels that combine face-to-face strengths with non-direct channels to expand business Non-financial services become a major source of revenue
	Non-Financial Services			
Productivity	Technologies	IT (RPA, etc.) Office work	AI Planning, sales, etc.	Optimize the allocation of people, AI, and IT
	Areas			
IT Foundation		Implemented full-scale use of the cloud	In-house production with no-code and low-code tools	Environments use advanced technologies actively All members generate ideas based on a digital perspective

Priority Measures

Individual Customers

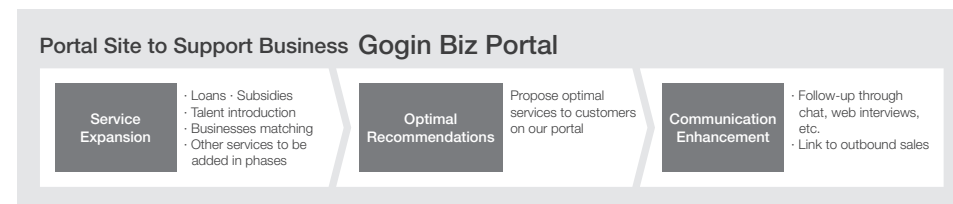
We will add non-financial functions to the Gogin app, evolving the application into a regional version of the Super app indispensable to the community.



Corporate Clients

We strive to expand the corporate market further by developing new non-direct areas and strengthening our sales capabilities in the face-to-face areas.

Developing New Non-Direct Areas -Establishing Corporate Sales in Non-Direct Areas-



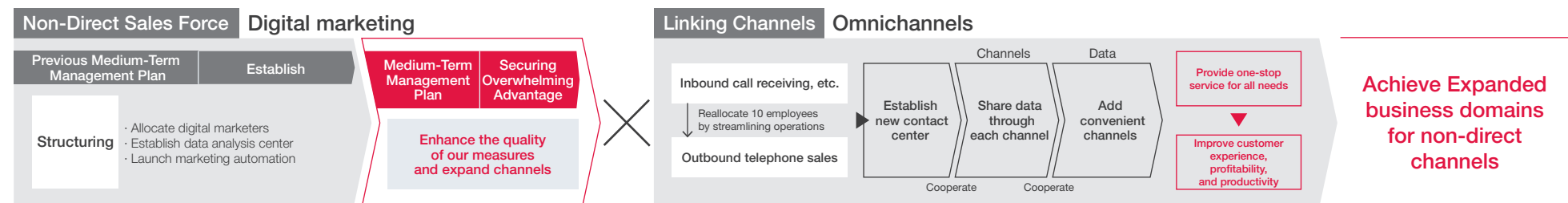
Enhancing Face-to-Face Corporate Sales Channels

-Enhancing Sales Capabilities by Improving Corporate Sales Productivity-



Digital Marketing Omnichannels

We strive to expand our business domains in non-direct channels by combining digital marketing with omnichannels.



Productivity Improvements and Business Reform

We aim to form a hybrid organization that integrates AI and IT while employees focus on high value-added tasks.

Planning and Sales

AI

Integrate AI into business operations

- Leverage ChatGPT and other generative AI in business operations
- Leverage AI thoroughly in sales promotion, human resources, screening, contact centers, and other business management areas

Head office Reduce **20** employees

Office Work

Centralization and decentralization of administration

Challenges

- Wide range of branch locations
- Decreasing number of workers

Centralize

Centralize remaining branch office operations at the head office

Decentralize

Utilize image data to process paperwork for all remote branches

Optimize personnel and eliminate regional differences through balance office work workloads

Implement a series of administrative reforms Reduce **100** employees

Developing

Democratize IT through no-code and low-code tools

Implement no-code and low-code tools

Foster human resources at the head office and sales branches

Develop daily system at various internal locations
→ significant increase in our transformation speed

Office hours Reduce **120,000** hours over three years

Problem Solving Through the Use of Image Data

Issues

Past Initiatives and Business Environment

- Closed 45 branches over approx. four years (35% of San-in branches)
- Hired designated-area workers in various locations
- Made sure to ensure customer convenience

(1) Further significant branch reduction is difficult

San-in Branch Environment

- Ongoing declines in customers
- Decreasing branch office work due to centralization of operations at the head office
- Imbalance between busy and slow workdays

(2) Utilize our surplus of designated-area workers generated through streamlined efficiency

Sanyo and Kansai Branch Environment

- Shortage in corporate business employees
- Shortage in tellers

(3) Allocate management resources to strategic areas

Solutions -Decentralizing and Balancing Sales Branch Administration-

Phase 1 (April 2024)

Utilized image data to mutually complement certain deposits, exchanges, and notification services (nine San-in branches)

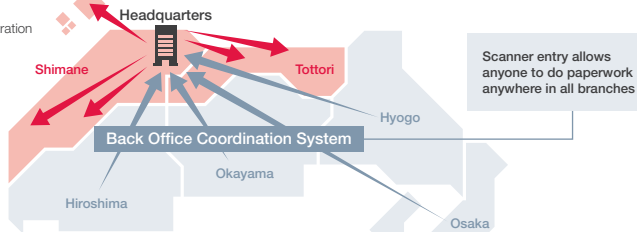
Phase 2 (entered in July 2024)

Expand into financing operations
Ex: South Osaka Sales Department is moved independently from Osaka Branch. Only business staff are assigned, and all back-office work is handled by the headquarters and bureaus.

Phase 3

Expansion of operations and branches covered by the program
Ex: Tokyo, Osaka, and Kobe branches administrative work

Centralization of Head Office Administration
Decentralization of Administration



Effects

San-in

Building a sustainable management foundation

- Maintain branch network
- Generate opportunities for designated-area workers
- Balance busy and slow workdays (office work)

Sanyo and Kansai

- Secure clerical workforce in remote areas
- Generate corporate business representatives (transfer from administrative staff to corporate business staff)

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Human Capital Strategy

We aim to develop professional human resources who can address local and customer issues while creating an organization that responds flexibly to change.

Naoyuki Hara

General Manager, Human Resources Dept.



Basic Approach

The San-in Godo Bank Management Philosophy is to be a creative bank that fulfills the dreams of the region and customers we serve. Under this philosophy, we strive for sustainable development and growth, working together with communities and customers to solve their issues. Human resources represent a key management issue and are the greatest pillar supporting the achievement of our management philosophy. Our medium-term management plan defines our intention to strengthen human resources development and create comfortable work environments as one of our priority measures. We intend to strengthen human capital initiatives to create an organization that attracts and nurtures professional human resources with outstanding problem-solving skills, encouraging employees to maximize their talents. Through these talented individuals, the Bank will achieve our long-term vision and embody our management philosophy.

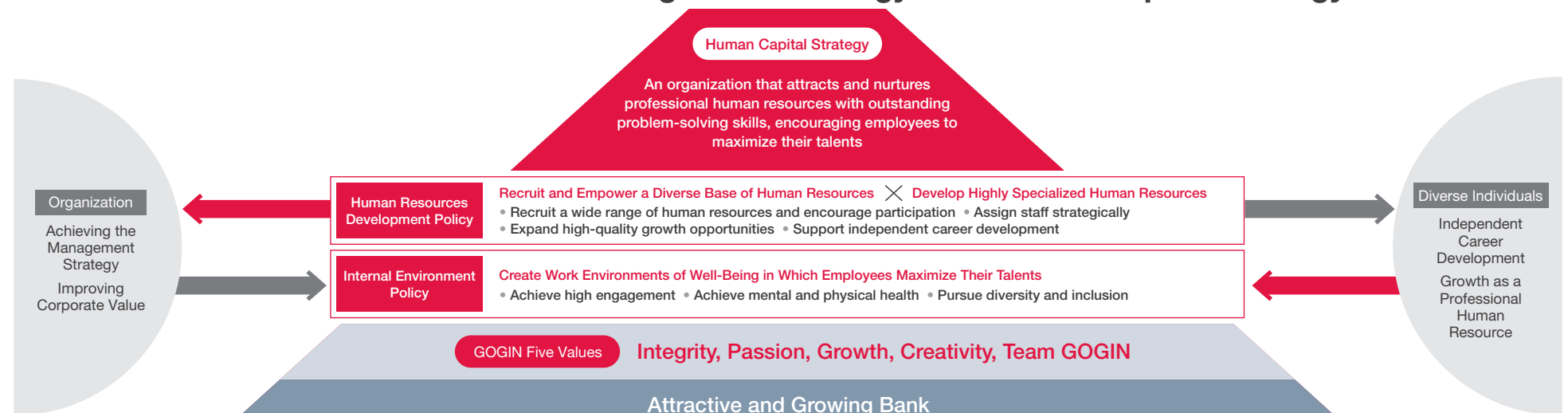
Management Philosophy

A creative bank that fulfills the dreams of the region and customers we serve

Long-Term Vision

A regional bank leading in sustainable growth and solutions-oriented services

The Link Between the Management Strategy and Human Capital Strategy



Human Capital and Career Develop Systems at the Foundation of Human Capital Strategy

Human Resources System

Improve job satisfaction through a system that rewards active contribution.

Promote worthy candidates, regardless of age

Provide compensation based on market value and results

Provide compensation based more closely on contribution

Implement evaluation systems that prioritize employee development

Do away with defined career paths

Career Development System

Encourage independent expertise development among employees who solve increasingly sophisticated, diverse challenges beyond the conventional banking framework.

Consulting Foster an Every Employee a Consultant Structure

Digital Develop and secure personnel to lead DX measures

Head Office Develop and retain diverse specialists

Independence Develop employees who learn and act independently

Employee Development System Based on Career Plans and Skill Checks

Clarify the gaps between employee career plans and current skill level.
Build a system that supports independent growth toward career plans.

Training

- Training plan based on skill check
- Training based on needs



OJT

- Guidance based on skill check
- Follow-up and support from superiors

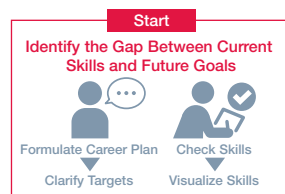


Self-Development

- Enhance self-development content
- Enhance self-development subsidy system



Support Independent Growth



The Link Between the Human Capital Strategy and Management Strategy: Maximizing Human Capital with Human Resources Development and Internal Environment Policies

We view the human capital strategy, human resources development policy, and internal environment policy as important issues related to sustainability. The Executive Committee, Sustainability Committee, and Board of Directors deliberate these policies before making official resolutions.

Human Resources Development Policy

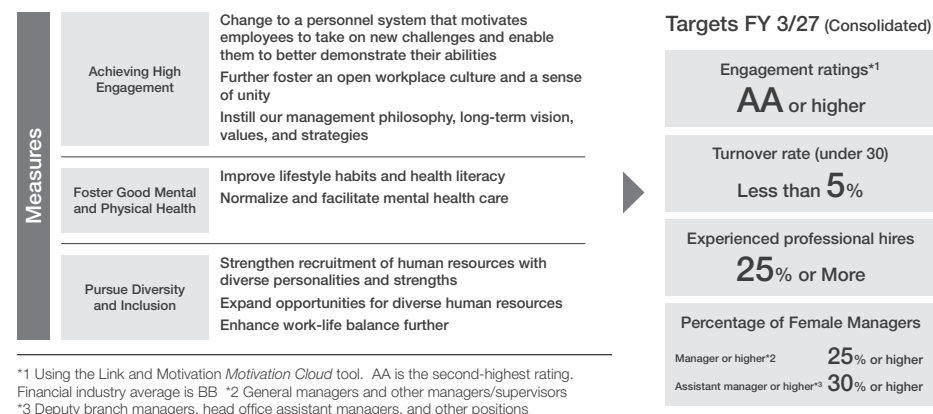
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We will develop highly specialized human resources capable of excelling internally and externally to achieve our management philosophy and long-term vision of becoming a regional bank leading in sustainable growth and solutions-oriented services. To this end, we invest in human resources and provide high-quality growth opportunities, supporting the independent career development of each employee.

Internal Environment Policy

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San-in Godo Bank Group is committed to creating workplace environments of well-being in which employees maximize their talents.



*1 Using the Link and Motivation *Motivation Cloud* tool. AA is the second-highest rating. Financial industry average is BB *2 General managers and other managers/supervisors *3 Deputy branch managers, head office assistant managers, and other positions

TOPICS

Changes Based on System Revisions (FY2023)

- **Improve the ratio of female managers**
Promoted to supervisor based on ability, regardless of gender, raising the percentage of female management positions (managers or higher) to 21.9% (FY2023, consolidated)
- **Accelerate the promotion of young employees**
Accelerated promotions to assistant manager and manager by two and four years, respectively

- **Hire specialists**
Hired experienced personnel through the use of highly professional operations (provide compensation based on market value and results)
- **Expand Growth Opportunities**
Expanded opportunities for acquiring practical skills through training programs tailored to individual needs

TOPICS

Recognized for Human Capital Management Quality 2023 (Silver)

The Human Capital Survey 2023 recognized the Bank as a Human Capital Management Quality 2023 (Silver) company that implements effective disclosures of practices that enhance corporate value.

Key Areas Recognized

- Verification of the effectiveness of human resource policies based on human capital data and improvement efforts
- Human capital disclosures and dialogues with stakeholders

Human Capital Survey: This survey sponsored by HR Technology Consortium, HR Research Institute, and MS&AD InterRisk Research & Consulting, Inc. examines human capital initiatives that lead to increased corporate value



Human Capital Management Quality 2023

Human Resource Development Initiatives

Recruiting and Empowering a Diverse Base of Human Resources

Recruit and Encourage Participation

We are committed to a flexible approach in recruiting and hiring a diverse workforce.

New Graduate Recruitment

Increase in Starting Salary

We raised starting salaries to increase competitiveness in recruiting, attracting, and retaining talented personnel.

Starting Salary

¥260,000

In 2 years
+¥55,000

Recruiting Specialized Personnel New Digital Career Path

We established a new digital career path for professionals in the field of finance and digital, beginning with our recruitment class of fiscal 2024. We plan to establish a career path that allows the individual to experience all aspects of banking operations with a focus on the digital field, in addition to a career path as a specialist in digital-related departments at the head office.

Hires From FY2024
Digital Course

6

Experienced Professional Hires P 62

We actively recruit experienced professionals through expanded recruitment channels, including a career return program and the referral hiring program.

Ratio of Experienced
Professional Hires

Target
(FY2026) **25%** or higher

Experienced
Professional Hires **19**

Ratio of Experienced
Professional Hires **27.1%**
(FY2023, Consolidated)

Full-Time Employment

We actively promote part-time employees, etc., to full-time status.

Full-Time
Promotions **8**
(FY2023, Consolidated)

Strategic Staffing

We achieve sustainable profit growth by strategically reassigning, training, and empowering human resources freed through structural reforms to new areas such as corporate business.

Developing Highly Specialized Human Resources

The Bank develops professional human resources through skills development aligned with our management strategies.

(Persons)

		Ideal	Medium-Term Plan	Development Method	Certifications (as of March 31, 2024)
Corporate Consulting	Advanced	Human resources with project management skills to formulate and implement solutions	100	Guidance by professional consultants; head office consulting projects	20
	Standard	Human resources who cooperate with the head office and specialists to propose and coordinate solutions to issues	200	Gain experience in the field; increase consulting service products	85
	Basic	Human resources capable of identifying issues, generating consulting needs, and providing sales branch consulting	200	Reskilling, expanded training, and development led by advanced personnel	302
Asset Consulting	Advanced	Human resources with a high level of expertise and business knowledge, capable of coordinating our all-assets approach	15	Leverage the expertise of Nomura Securities	7
	Standard	Human resources capable of identifying needs and making appropriate proposals	85	Sales activities with Nomura	66
	Basic	Human resources capable of responding to emerging needs	25	Sales activities with Nomura; Training	46
Digital Personnel	Advanced	Human resources capable of serving as project managers for the business side of cross-business systems	10		3
	Standard	Human resources capable of autonomously planning and advancing digitalization projects	160	Plan and implement digital projects; improve off-site training	123
	Basic	Human resources with basic digital skills and efficient task performance	220		251

TOPICS

Offering Internships

We offer internships that allow students to learn about finance's structure and operations while experiencing the appeal of working at a regional financial institution. Our program also provides students with opportunities to assess their abilities and explore future career options.

Gogin 2023
Internship
[5DAYS]

[Date] August 28, 2023 - September 1, 2023

[Number of participants] 93

[Main Programs] · Identification of local issues in San-in and explore solutions
· Experience in HQ planning and operations
· Experience in branch business operations (asset consulting and corporate business)
· Roundtable discussions, group work with young employees
· Self-development workshops

Awarded the 7th
Student-Selected
Career Design
Program Award



High-Quality Growth Opportunities

We provide high-quality growth opportunities tailored to the skills of each individual, supporting independent growth by accelerating human resources development. At the same time, we encourage employees to look at broader career options, increasing motivation and willingness to take on new tasks.

Opportunities to Learn Practical Skills

We look to offer more opportunities to learn practical skills through hands-on training, trainee programs, etc. Employees have more exposure to growth opportunities through interactions with professionals inside and outside the Bank to learn about diverse career choices.

Interactions With Diverse Specialists

No. of Participants
(FY2023)

Specialized Department Trainees	Corporate Business trainees (outside San-in)	39
	Loan Dept. trainees	46
	Consulting Plaza trainees	87
	Outbound trainees	44
Trainee Secondments	Nomura Securities Contact Center Training	4
	Secondments to consulting firms, etc.	2

Investment in Human Resources*

¥543 million
(FY2023, Consolidated)

* Training expenses, personnel expenses for lecturers and participants, career development allowance, etc.

Training per Person **30** hours
(FY2023, Consolidated)

Opportunities for Independent Learning

We continue to add content for self-development and engage in other measures.

Many employees utilize these programs actively for self-growth.

Total Self-Development Content Participants

(Cumulative Since FY2022)

Udemy	871
VBA Course	244
Shimane University Data Science Course	432
NIKKEI The KNOWLEDGE (introduced in FY2024)	744

TOPICS

Human Resource Development With Nomura Securities

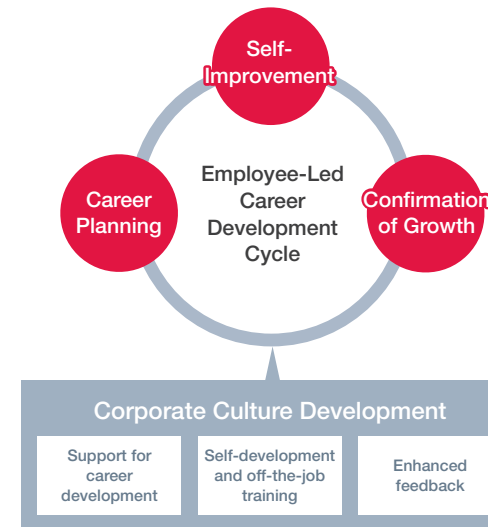
■ Short-Term Dispatch Training at Consulting Plaza

We provide on-the-job training opportunities for first-year employees at the Consulting Plaza, focusing on knowledge acquisition, role-playing, and customer communication. We also aim to enhance employee skills and motivation through interactions with specialists while expanding career options.



Independent Career Development Support

We plan to enhance the range of support we provide for independent career development.



Career Support System Enhancement

We strive to support career plan development for employees through career interviews with supervisors, expanded in-house job recruitment, practical training, trainee recruitment, and a reskilling environment.

A Culture of Learning and Mindset Improvement

We support independent learning and foster a learning culture through opportunities and enhanced self-study content, subsidies for independent learning expenses, and expanded incentives for self-development.

Fair Employee Evaluations

We provide enhanced feedback through training for all department heads, etc., to strengthen human resources development. We carefully explain in detail the reasons behind the results of evaluations to the individual in question. In addition to ensuring a better understanding among employees of their evaluation results, this initiative also helps increase motivation.

TOPICS

Information Sharing Among Female Corporate Business Employees

Every block holds an information-sharing meeting for female Corporate Business employees. Participants share business-related issues and day-to-day concerns to encourage interaction, foster a sense of unity, and increase motivation.



Internal Environment Improvement Initiatives

Achieving High Engagement

Improving Engagement

San-in Godo Bank conducts an employee engagement survey of group employees to visualize the status of engagement across the organization. After identifying the strengths and challenges of the San-in Godo Bank Group and individual workplaces, we work with them on improvement activities to create better work environments and improve engagement across the Group.

Engagement Score

A

(February 2024)

Using the Link and Motivation Motivation Cloud tool

Engagement Rating Target

AA or higher
(FY2026)

Bank Group Strengths

- Supervisors collect solid information about their subordinates' work
- Goals are shared in the workplace and we foster a sense of unity toward their achievement
- Employees are motivated to change and feel they are engaged in reformlation

Items to Be Further Enhanced Company-Wide

- Enhancement of job satisfaction and a sense of fulfillment regarding ability to express one's talents
- Improvement of communication and resonance with management philosophy and recognition of strategic objectives
- Stimulation of cross-departmental cooperation and communication, etc.

Example Measures to Improve Engagement

- Conduct management training for all department heads
- Encourage use of the communication tool TUNAG
- Empower women and those 55 or older, enhance benefits, etc.

Establishing KPIs for the Turnover Rate of Employees Under 30

We create workplaces that allow each employee to feel rewarded while playing an active role.

Turnover Rate of Employees Under 30

6.3%

(FY2023, Consolidated)

Target Turnover Rate of Employees Under 30

5% or less (FY2026)

Revitalizing Communication Among Employees

The Bank introduced TUNAG, an intra-bank communication tool, in February 2024 at the suggestion of a Bank employee. Since then, over 80% of employees have adopted this tool. Employees share individual and internal information in real-time, encouraging communication regardless of age, position, or work area.

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TOPICS

Company Song Renewed for the First Time in 30 Years

San-in Godo Bank renewed the company song for the first time in 30 years. The song was established in 1991 to commemorate the 50th anniversary of our founding. We invited employees to submit new lyrics for the song in light of our expanding operations and business areas, as well as changes in the attitudes and values of Bank employees. All employees and directors participated in selecting the lyrics from among the 33 entries, and the winning entry was established as the *Reiwa Version*. We enhance our sense of uniting by singing these lyrics at ceremonies and other events within the Bank, beginning with the fiscal 2024 initiation ceremony.

Fostering a Sense of Unity Among Management and Employees

—Enhanced Dialogue—

We provide opportunities for directors and executive officers to communicate the Bank's management vision and aspirations directly to employees. These opportunities include a direct channel for employees to communicate their opinions and thoughts to directors and executive officers. Through stronger communication and mutual understanding, we strive to foster a sense of unity within the Bank.

Discussions With the President

We host regular online discussions with the president to encourage communication between the president and employees. Dialogues focus on topics suggested by participants, including management strategies, human resource development, strengths and weaknesses of the Bank, and the president's definition of an ideal employee. Occasionally, the president even addresses individual questions about personal successes and failures. Participants felt more motivated, commenting that direct conversations with the president helped them understand management strategies better, feel encouraged by the president's appreciation for their daily work, and feel the president's genuine care for Bank employees.



No. of Participants

192

(Cumulative total between October 2020 and March 2023)

Excerpt From a Direct Dialogue With the President

Employee: How did you spend your time when you were 30?

Yamasaki: I was just trying my best to focus on what was in front of me. I always tried to communicate my opinions clearly since I was young. When do you find your work to be rewarding?

Employee: I work with business owners passionate about reviving their local communities while achieving mutual growth. I find it rewarding to contribute to my hometown through my work.

Employee: What do you look for in younger employees?

Yamasaki: I want younger employees to be ambitious and take on new challenges. I ask each employee to focus on consulting and help us achieve our management philosophy. I also ask employees to constantly consider what we can offer our customers and work towards ensuring that we remain an essential bank. All of our employees have high potential. Our entire organization is committed to supporting your development, so I hope we will work together to achieve our management philosophy.

Employee: What areas do you focus on in human resource development?

Yamasaki: I don't have anything particularly impressive to say, but I believe it's important to create environments that motivate growth and inspire employees. Our strength lies in our people, and finding ways to motivate employees is always a priority for me.

Employee: I joined the Women's Empowerment Team to motivate each employee and contribute to creating comfortable workspaces.

Yamasaki: Engaging in detailed communication is important for women to continue their careers. I strive to create an organization that enables each employee to share their thoughts and concerns.

Foster Mental and Physical Health

Initiatives for Health Management

The Bank issued our Health Management Declaration in September 2018. Since that time, the president has led the group in encouraging mental and physical wellness for all employees.

White 500 Certification

In March 2024, San-in Godo Bank was recognized for the sixth consecutive year as a Certified Health & Productivity Management Outstanding Organization (Large Enterprise Category) White 500 under a certification system overseen by Japan's Ministry of Economy, Trade and Industry in cooperation with Nippon Kenko Kaigi (Japan Health Conference). Seven San-in Godo Bank Group affiliates were recognized in the Small- and Medium-Sized Enterprise Category.



Improving Financial Wellness (Helping Employees Build Assets)

We help employees to build assets, supporting financial stability and engagement.

- Employee Stock Ownership Plan
- Defined Contribution Pension Plan
- Financial and Economic Workshops for Employees



TOPICS



Introducing the QOLism Health App

We introduced the QOLism health app in October 2023 to maintain and improve the health of our executives and employees, that helps maintain

health by tracking daily diet, exercise, sleep, and other lifestyle activities to assess user health. The app also addresses executive and employee health issues. We introduced this app as part of our efforts to prevent lifestyle-related diseases, providing employees with the opportunity to reflect on their personal health by gaining a more concrete understanding of their current condition.



Holding Walking Challenges

The Bank implemented these challenges to improve the health of all our executives and employees, attracting 760 participants.

Pursue Diversity and Inclusion

Increasing Opportunities for Diverse Personnel to Play Active Roles

Encouraging the Participation of Women in the Workplace P 61

We strive to increase the motivation of women in the workplace, providing rewarding work environments where women can express their talents fully. We support career development for women proactively by creating diverse career paths and strengthening practical training and support systems.

FY2016	First female outside corporate auditor (currently a director on the Audit and Supervisory Committee)	
FY2021	First female employee promoted to director (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	
FY2024	First female representative director promoted internally	
Number of Female Executives (As of July 1, 2024)	Directors	4 (incl. 2 outside directors)
	Executive officers	2 (1 also a director)
	General managers (Head Office)	1 (also an executive officer)
	Audit and Supervisory Committee Office managers (Head Office)	1
	Department managers (Head Office)	1
	Group managers (Head Office)	6
	Branch managers	34

Percentage of Female Managers

Manager or Higher
(FY2023, Consolidated) **21.9%**

FY2026 Target **25%**

Assistant Manager or Higher
(FY2023, Consolidated) **30.0%**

FY2026 Target **30%**

TOPICS

Selected FY2023 Nadeshiko Brand

San-in Godo Bank was selected as an FY2023 Nadeshiko Brand, sponsored by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange. We were recognized as a publicly listed company demonstrating excellent initiatives empowering women in the workplace.

Only
Regional Bank
Selected



Women's Empowerment Initiatives

- Launched the Women's Empowerment Team in November 2022 to raise awareness among women. The team discusses women's recruitment, training, and promotions and makes recommendations to management.
- Achieved a 30% ratio of female managers (assistant manager or higher, consolidated) by the end of March 2024, achieving our 25% target.
- Appointed a female career employee as a representative director.
- Employ four female directors on the Board of Directors, with a 30.7% ratio of female directors, as of the June 2024 General Meeting of Shareholders.

Nadeshiko Brand: The Nadeshiko Brand began in 2012, aiming to raise awareness of selected companies and accelerate their initiatives. The organization showcases publicly listed companies that excel in empowering women in the workplace, targeting investors who prioritize medium- to long-term corporate value enhancement.



Closing the Wage Gap Between Men and Women

Having abolished the defined career path system in April 2022, we have also done away with any wage gaps between men and women for identical work. However, differences in the average length of service and the ratio of men and women in management positions affect the wage gap. Another factor affecting the wage gap is the difference in staffing ratios by employment type. Women account for more than 80% of non-regular employees at the Bank. The Diversity Promotion Group of the Human Resources Department, established in April 2024, will play a central role going forward in formulating and implementing measures to improve the wage gap between men and women. The Group will create workplace environments that enable employees to balance work and life and demonstrate their skills over the long term.

Wage Gap Between Men and Women

All Workers	48.6% (FY2023, Consolidated)
Full-Time Employees	59.4% (FY2023, Consolidated)
Non-Regular Employees	84.5% (FY2023, Consolidated)

*When wages for male employees are indexed at 100.

Active Employment of Individuals With Disabilities

We actively employ individuals with disabilities and create environments where such individuals have an opportunity to flourish.

**Gogin Challenged:
A Business for Individuals
With Disabilities**

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Senior Human Capital Participation P 62

The Bank expands opportunities for senior human capital to play active roles by enabling continued employment until age 70, promoting highly motivated and capable senior personnel, and implementing other measures.

TOPICS

Introduced a Partnership System

April 2024

We introduced a partnership system that grants employees with same-sex partners the same benefits and rules as those provided to legal spouses. This system is part of our efforts to respect the individual values and aptitudes of each employee and create flexible and comfortable workplaces. The partnership system allows the company to recognize the same-sex partner as a spouse and grant benefits and allowances.

Introduced a Career Leave System

June 2024

We introduced a career leave system as part of our efforts to create environments that support reskilling and work-life balance. Here, we aim to introduce a career leave system to establish a structure that enables employees seeking autonomous growth to learn while remaining in the company, as well as a system that is responsive to diverse life events.

Enhancement of Work-Life Balance

We aim to improve work environments by offering flexible work styles and encouraging employees to find work-life balance.

Leave System

We aim to create a corporate culture in which employees feel comfortable taking all paid vacation days.

Paternity Leave

We create work environments that encourage male employees to take childcare leave.

Paid Vacation Acquisition Rate	Average Paid Vacation Days Taken	Percentage of Male Employees Taking Childcare Leave and Leave for Childcare Purposes
90.4% (FY2023, Consolidated)	17.2 days (FY2023, Consolidated)	97.1% (FY2023, Consolidated)
		Percentage of Male Employees Taking Childcare Leave
		94.2% (FY2023, Consolidated)
		Average Days of Childcare Leave Taken by Male Employees
		8.7 days (FY2023, Consolidated)

Work-Style Reform

Flextime System

Telework System

Continued
Employment System
(to Age 70)

Business Casual
Dress Code

Side Job System

Aiming to Create a Vibrant Organization by Further Enhancing Diversity

We established the Diversity Promotion Group in April 2024 to further diversity and inclusion. The Bank considers the work-style reform, diversity, and inclusion as materialities. To this end, we work to create work environments that ensure well-being and allow each individual to demonstrate their abilities. We work to enhance workplace environments to ensure employees can work comfortably and feel motivated, while accommodating individual lifestyles. We also strive to create inclusive workplaces that embrace diverse backgrounds and values, recognize individuality, and allow each person to thrive, regardless of age, gender, disability, sexual orientation, gender identity, or other attributes. We are committed to establishing a dynamic organization by furthering diversity, aiming to be an organization that grows alongside our employees.



Junko Shoji
Human Resources Dept.
Group Manager,
Diversity Promotion Group

Special Feature

Human Resource Development at Gogin Reskilling Employees Involved in Corporate Business

We are using structural reforms to free up personnel and reassign them to strategic areas. Since April 2021, when implementation of the previous medium-term management plan began, we have been increasing the number and developing the capabilities of employees working in corporate business, one of our strategic areas. We are achieving this by concentrating on reskilling employees who were previously involved in other areas of our business.

Now working in corporate business after joining the Bank as a mid-career hire and then taking maternity and childcare leave

I began working for a life insurance company after graduating university and was responsible for developing and planning new personal insurance policies. After moving away from our home prefecture with my spouse following his intra-company transfer, I worked on a customer service counter at a government-affiliated financial institution and also at a regional bank. When my spouse returned to our home prefecture, we both joined the Bank, and I worked in customer services and personal banking. The personal banking structure changed while I was on childcare leave; however, as I was interested in corporate business, I decided to give it a try when I returned to work in June 2021. Basic knowledge about the banking business is gained by obtaining the Banking Proficiency Test Certification and by gathering information from newspapers and other sources. I also learned a lot about sales skills and techniques from visiting clients with senior employees. In fact, the training curriculum for corporate business staff is very comprehensive, which shows the Bank's commitment to investing money and time on developing human capital. At first, I had no idea how to even look at a financial statement properly, but with a combination of on- and off-the-job training, I am now able to make loan proposals to clients as well as provide information tailored to their needs and solve their problems. This in turn all leads to client satisfaction. In corporate business, I am able to use all the knowledge gained from my previous experiences. An interesting point is that there is never a single correct answer. This is because the way you interact with clients and how you make suggestions can lead to different outcomes. And I would say my breadth of knowledge is increasing all the time, with even casual conversations with business owners presenting learning experiences. So going forward, I would like to meet clients armed with the knowledge I need. Moreover, I want to make useful proposals to my clients, so my immediate goal is to obtain high-level certification as a corporate consultant.



Sachiko Tsukahara

Deputy General Manager,
Kita Corporate Sales Group

Apr. 2005 Joined life insurance company
Jul. 2018 Joined San-in Godo Bank (Kita Branch)
Apr. 2020 Took maternity and childcare leave
Jun. 2021 Returned to Bank (Kita Branch)
Dec. 2022 Kita Corporate Sales Group
Jun. 2023 Obtained Standard Certification as Corporate Consultant

Is there something that has left an impression on you while working in corporate sales?

Yes, absolutely. I am now responsible for our corporate sales to a client whom I previously handled when I was in personal banking. Until I joined corporate sales, the Bank had never made commercial loans to this customer's business; however, by making use of the knowledge I gained about the customer's business while I was in personal banking, I was able to gradually make tailored proposals regarding asset management and provide them with various kinds of information helpful to their business, such as introductions to potential clients. So over time, my proposals led to the client coming onto our loan book. This outcome was very satisfying and has definitely left an impression on me. I think the client appreciated our regular proposals and our willingness to be of service to them.



Supervisor's comments

Ms. Tsukahara understands the importance of self-development and has a very strong desire to see herself grow professionally. She is also highly motivated to achieve department goals. In addition, she is very able to explain product features and benefits during promotional activities. Moreover, she is quick to seek help when she feels out of her depth or has a problem, so little time is wasted with holdups. She is also aiming for high-level certification, and we feel she will certainly improve her performance in the future.

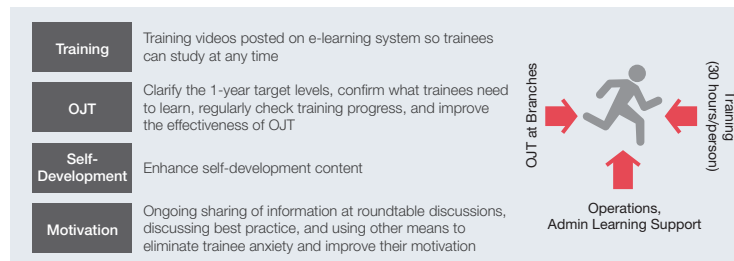


Kazuki Hiroe

Deputy General Manager, Kita Corporate Sales Group
(Currently Assistant Manager, Solutions Business Dept.
Seconded to client of Kita Corporate Sales Group as in-house consultant)

Major Initiatives in Corporate Business Staff Development

The Human Resources Development Group, which is part of the Human Resources Department, has assigned specialists to provide an intensive training program on the fundamentals of loan operations to corporate business staff who enter this field as beginners. These people include reskilled employees who worked in designated areas of our business but were not transferred to other locations. The program is divided into six levels, with the aim being to have employees on the program obtain certification as Basic Corporate Consultants (Consultant HR System).



Goal Basic Corporate Consultant (Consultant HR System) P 54

Corporate Business Employees Undergoing Reskilling (No. of trainees)

	Expectations	Training Period	As of Apr. 30, 2024
Level 6	Have own mid-level clients	After 37 months	38
Level 5	Specific cases require support/follow-up from supervisors	25–36 months	42
Level 4	Acquire basic knowledge and work under guidance	13–24 months	8
Level 3	Determine own questions for clients and visit clients unaccompanied by senior staff	10–12 months	12
Level 2	Visit clients unaccompanied by senior staff after prior-visit briefing	4–9 months	16
Level 1	Visit clients accompanied by senior staff	0–3 months	6
Total			122

Roles Before Reassignment: Personal banking, loans, customer services, and other positions

Approx. 70% of trainees have reached Level 4 or above, level at which they work unsupervised

Special Feature

Human Resource Development at Gogin

Promoting Gender Representation on Board

While there are only a small number of female officers in the regional banking industry as a whole, there are female directors and executive officers at San-in Godo Bank.

Developing female leaders is an issue the Bank has recognized for the last 20 years, and over that time we have established a training program to address the issue in a systematic, sustained manner. Initially, the lack of experience that women had in corporate banking was a barrier to them becoming branch managers. To remove this barrier, we introduced career development courses and other motivational programs to provide intensive training and support across the entire Bank. In addition, we made sure that female employees acquired basic loan-related knowledge and experience in the field by transferring them to the head office loan department and secondments to clients for on-the-job training. We also changed our organizational structure to enable women to follow a career path in corporate banking. We enhanced our training programs by, amongst other things, improving classroom training, seminars, and the content of our self-study packages. We also have trainees shadow senior staff on client visits as a form of on-the-job training.

In April 2022, we revised our personnel and career development systems so that human resources development forms the basis for the creation of career paths. In addition to expanding support for career development, such as conducting career development reviews, our training curriculum promotes the development of human resources regardless of gender. An example of this is having women gain experience in corporate business early in their careers.

This long-standing, systematic female empowerment has led to women being at the forefront of the Bank's activities and so becoming role models. Female employees earlier in their careers are able to grow professionally by watching their example. This has led to an increased willingness to take on new challenges, with the number of women working as branch managers, at headquarters, and in corporate business outside the prefecture increasing, which in turn is removing the bounds placed on women in the workplace more and more. The percentage of women in management positions is increasing every year, steadily expanding the talent pool from which the next generation of female leaders will be drawn.

Interview With Female Officer

Career Turning Point

I believe that the bold decision made by management to start promoting women in the first place is precisely why the development of female leaders at the Bank has become so successful. While I was successfully involved in asset management operations for many years, a major career turning point for me came when I was entrusted in October 2015 with managing a new branch of Gogin Securities Co., Ltd. The Bank's decision to take the plunge and let me try was the moment I thought that, with the expertise I have in my field, I was going to have a go at doing this my way. I was involved in a major project that transformed the way we carried out our asset management operations, which led to me, as a branch manager, being given responsibility for the management organization and management accounting of my branch and those of the entire block. I learned about real management in practice and at the same time had the opportunity to look at the entire Gogin Group, which really broadened my perspective. Our alliance with Nomura Securities Co., Ltd. involved a collaboration that broadened the scope of our own business operations and expanded personal connections and allowed us to experience a much larger management structure.

Do you have a message for junior employees?

Yes, I certainly do. As I have advanced in my own career, I have always been conscious of the need to nurture my successors, and so I paid attention to using day-to-day business activities to broaden the perspectives of junior employees. I believe that if managers and supervisors can support the career development of these employees



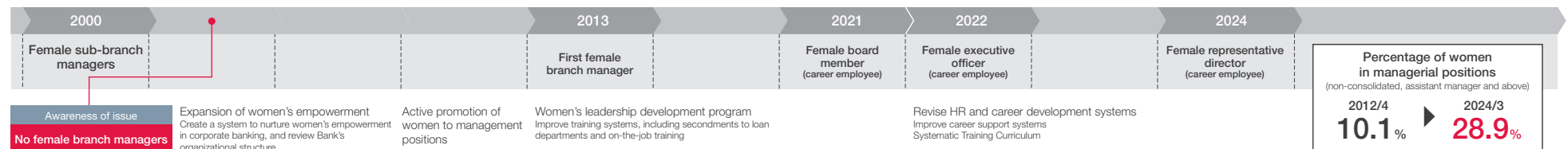
Akemi Hayashi

Executive Officer
General Manager,
Direct Channel Dept.

Apr. 1988 Joined San-in Godo Bank
Oct. 2015 Transferred to Gogin Securities Co., Ltd., General Manager, Tottori Branch
Nov. 2020 Plaza Manager, Asset Consulting Dept.
Apr. 2022 Deputy General Manager, Asset Consulting Dept.
July 2022 General Manager, Asset Consulting Dept.
Apr. 2024 Executive Officer, Direct Channel Dept.

and systematically nurture the talent pool in their respective workplaces, then the number of female managers and executive officers will increase. Gogin is an organization that gives all employees opportunities. I would like to encourage junior employees to expand their career fields. I would also tell them that the initial fears when doing something for the first time are always overcome. For example, when staff from Nomura Securities Co., Ltd. were first seconded to our Bank at the start of our partnership with the broker, many of the female employees said they did not have the confidence to work with the incoming people. However, I persuaded them that this was a rare opportunity, and they were very much spurred on by contact with the Nomura staff and grew professionally. I am looking forward to seeing how women's empowerment will pan out over the next 10 to 20 years, and part of that is seeing myself continue to grow professionally, too. I have now been given the opportunity to take on the new challenge of running our Direct Channel. We intend to pursue hybridization by combining face-to-face services, one of our Bank's strengths, with enhanced non-face-to-face services. This will involve leveraging our asset management experience and using omnichannel strategies to achieve customer satisfaction, improve productivity, and increase profitability.

interview



Special Feature

Diversity and Inclusion

We strive for cultural reform, aiming to become an open and dynamic organization where employees support management, act autonomously, and take on new challenges. To create a corporate culture where everyone feels comfortable expressing ideas and opinions, we provide opportunities for employees with their various viewpoints to discuss matters such as how things currently are at the Bank and how they will be in the future. Many employees actively participate in these discussions, deepening their understanding of the Bank. Moreover, the wide range of ideas and candid opinions obtained are incorporated into the management of the Bank. This encourages individuals to take on challenges and grow, which in turn revitalizes our organization.

Gogin DX Junior Board: Business Discussions With Young Bank Employees

Participants range in age from new recruits to managers, spanning generations and departments. These groups discuss the Bank's medium- to long-term goals, strategies, and new business areas from the perspective of DX. In September 2023, the second round of participants reported the results of their discussions to management, and some of their proposals have already taken on board.



Number of participants
(open internal recruitment)

1st session: **38** 2nd session: **20**

May 2023 Start of 2nd session: Split into 3 teams to discuss proposals over approximately 3 months

Sep. 2023 Recommendations made to management

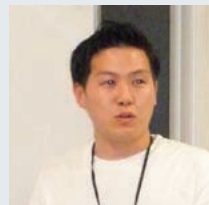
Recommendations

HR Strategy Team	Introduction of intrabank SNS to strengthen internal engagement
Business Promotion Strategy Team A	Introduction of information gathering tools to enable efficient/effective sales promotion activities
Business Promotion Strategy Team B	Strengthening information gathering to enhance information dissemination

Feb. 2024 Introduction of TUNAG, an intrabank communication tool **P 56**

Interview With HR Strategy Team's Ryotaro Nakamura, Proposer of the TUNAG Intrabank Communication Tool

I found myself in a field different from my usual line of work and so saw things from a different perspective. I thoroughly enjoyed being exposed to various opinions and ideas and the discussions that followed. The thinking of my team was that an intrabank communication tool would provide opportunities to learn about our colleagues' perspectives, which is difficult to do in the course of our everyday work. Moreover, such a tool would also make communication easier, bringing employees closer together. In addition, employees who are temporarily away from Gogin due to maternity or childcare leave, secondment, or other reasons can also still feel connected to the Bank and their colleagues. I hope that using TUNAG will lead to an increase in work-related topics of conversation, revitalize communication, and improve the sense of unity in our organization. TUNAG is also a tool that allows people to easily share their ideas and opinions. Every day, I would like to come up with ways of making Gogin better, and going forward I shall be regularly sharing my own ideas using this tool.



Ryotaro Nakamura
Risk Management Dept.
(Joined in 2017)

Women's Empowerment Team

We launched the Women's Empowerment Team in November 2022 as an employee-led initiative with the goal of making us a company that leads in the empowerment of women in the workplace. In the first session, a group of 32 people identified issues and formulated systems, and in September 2023, recommendations were made to management.

Recommendations

- Change attitudes to women's careers
- Raise awareness among managers

President

Discuss and propose priority actions regarding the recruitment, training, and advancement of women

Women's Empowerment Team

Comments From Team Leader Emiri Ishida

Although there have always been many women working in our Bank, we have set up this team with the aim of creating a place where women can work even more comfortably and with greater job satisfaction in the future. The team's first task was to survey all employees on careers, work-life balance, and women's empowerment itself, with the aim of identifying issues related to empowering women. After discussing the results of the survey within the team, we recognized that the two priority issues were changing attitudes in general to women's careers and managers themselves actually changing their attitudes. This led us to make certain recommendations to management, which included implementing training to help employees create career plans; introducing intrabank secondments; and holding seminars on managing diverse organizations. Since November 2023, the 14 members of the second session have been active, working on plans to put into practice the measures proposed to management by the first session. Team members were openly recruited from within the Bank to participate, and they enthusiastically thought about the issues and shared their ideas and opinions. With the team's activities, we are feeling a change in the energy and awareness exhibited by our employees.



Emiri Ishida (top right)
General Manager,
Human Resources Development Group,
Human Resources Dept.

Increasing Momentum of Women's Empowerment in Our Regions
Cross-Industry Networking Event

At a cross-industry networking event held in Matsue City, Shimane Prefecture in February 2024, two of our female directors took to the stage to answer questions from the participants and introduced the ways our Bank is empowering women. We are contributing to the promotion of diversity throughout our regions by exchanging information on women's empowerment and sharing examples of leading initiatives.



Diversity and Inclusion

Participation by Diverse Personnel

The presence of people with diverse backgrounds creates vitality in our organization.

Experienced Professional Hires

Assigned to Digital Transformation Promotion Headquarters from a branch (open internal recruitment)

Gogin is the third company where I have worked. Previously, I worked in management accounting, including on a project implementing a management accounting system at the head office of an electronics manufacturer. In addition, I have been involved with the in-store operations of a sports brand. I joined Gogin by chance and found myself responsible for personal loans and corporate business at branches. This lasted for six years. I am now working on a project developing the regional version of a super app at the Digital Transformation Promotion Headquarters. In addition, I have daily meetings with outside consultants to review the development of non-financial services for individuals and examine new business opportunities. As a facilitator of the DX Junior Board, I also get to evaluate the Bank's DX policies with other board members. I have plenty of opportunities to make direct recommendations to management. And moreover, I believe I am leveraging my experience gained at branches of the Bank and other companies to play what I feel is a key role in creating business and new services that are a good fit for Gogin.

Supervisor's comments

At the Digital Transformation Promotion Headquarters, we are looking for people who can transform the Bank's business by mastering new digital technologies and methods and then applying them to our business. Currently, Mr. Itagaki is working on a project involving a regional version of a super app. Having worked in other industries before coming to our Bank, he has a wealth of experience for someone so early in his career. So we are expecting him to come up with particularly flexible and innovative solutions, creating and implementing digital projects from a new perspective.

Senior Human Capital

Leadership and experience in branch roles

I utilize my leadership qualities and experience gained as a sub-branch manager to perform my current role as a customer services representative at the Izumo Branch, where I propose strategies and operational improvements to enhance our organization's performance. I chose to continue working at the Bank after talking with various people as I was approaching retirement. Even though I am now a senior, I still feel I am continuing to grow as a person, and by working for a bank that is rooted in the local community, I derive a sense of well-being from being able to participate in society. Respecting the wealth of knowledge that comes with age and experience is part of the Gogin workplace culture, a culture cultivated over many years. Interacting and communicating with colleagues is something seniors feel comfortable doing, and we are able to handle our work with a sense of ease.

Supervisor's comments

Most of our people on our customer service counters are non-regular employees (part-time employees, etc.), and they are generally in their 50s. The problem for us is that our current full-time bank employees often have little or no experience working on customer service counters, and sometimes the role may even be filled by someone who has no such experience at all. The presence of someone who has displayed sound judgment and decisiveness throughout her career has boosted the morale of the bank employees, and more importantly, it has helped put the younger people working on the counters at ease. It is very gratifying to have a seasoned career banker working with us whom we can rely on and consult with. We are grateful that she is with us.



Daiki Itagaki

Deputy Assistant Manager,
Digital Transformation Promotion
Headquarters

Apr. 2013 Joined electronics manufacturer
Sep. 2016 Joined sporting goods manufacturer
Apr. 2017 Joined San-in Godo Bank
(Kurayoshi Branch)
Oct. 2019 Kita Branch
Apr. 2023 Digital Transformation Promotion
Headquarters



Mitsuko Tokunaga

Izumo Branch

Apr. 1982 Joined San-in Godo Bank
Apr. 2016 Assistant Manager, Kitakandachi
Sub-branch
Jul. 2016 General Manager, Akana Sub-branch
Mar. 2024 Izumo Branch, post-retirement
contract employee

Career Continuity

Improving retail consulting while raising twins

I am currently on the client service team at Matsue Consulting Plaza. Retail consulting is handled by teams, with team members and the branches working together to look after customers. In this way, we aim to deepen the connection between customers and our staff and so build a system that always provides a high-quality service. Furthermore, we are actively developing the use of non-face-to-face tools and also continuously looking at how to improve the way we do various tasks, with the aim of moving away from how we traditionally interact with customers. In terms of balancing work and childcare, I am now more conscious than ever of the benefits of improving my productivity at work. With the support of everyone in my workplace and also because my spouse and I have the same employer, we can both take advantage of the Bank's leave system and various work styles, such as reduced working hours and teleworking. Now, as I deal with my daily struggles, I imagine what I will be doing tomorrow and a year from now. That said, I do know I would like to continue the challenge of leading the Bank's retail consulting services.

Supervisor's comments

I am always impressed by Ms. Maejima's attitude: She gives her all when she is working but at the same time balances her work with being an excellent mother. Not only is she devising ways to improve productivity with the use of non-face-to-face tools, she is also improving the skills of the consulting team members themselves by actively engaging in human resources development. The way she is pursuing her career while maintaining a work-life balance makes her a role model for junior employees, and I look forward to what she will accomplish going forward.



Mutsumi Maejima

Assistant Manager, Asset Consulting Dept.

Apr. 2005 Joined San-in Godo Bank
Apr. 2018 Transferred to Gogin Securities Co., Ltd.
Nov. 2020 Asset Consulting Dept.
May 2021 Took maternity and childcare leave
May 2022 Returned to Asset Consulting Dept.

Nurturing Community Professionals

Bank-Trained Professionals Contribute to Client Growth and Community Revitalization

Many of the talented people at Gogin are active in the community and among our clients, combining the expertise and experience gained at the Bank with a passion for their communities. In response to the problem of labor shortages amid our declining population, we are contributing to the sustainable growth of the region by having our alumni reemployed as senior management and specialists at our clients. For alumni, it is also an opportunity to further their careers by continuing to be active outside the Bank and to be re-learning regardless of age.

Addressing Environmental Issues

Response to Climate Change

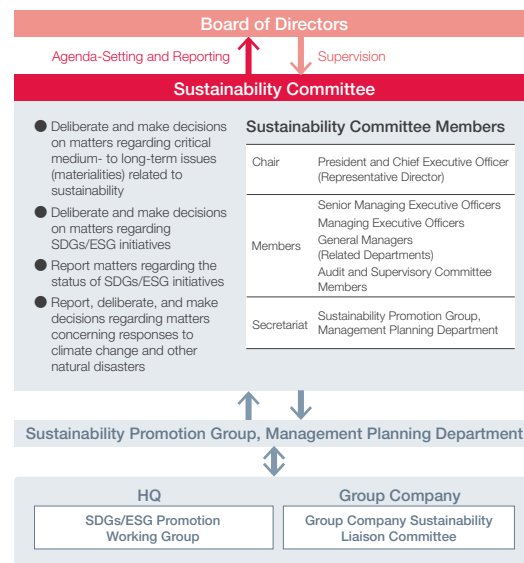


Climate change has emerged as a common concern across the globe as the world grapples with the growing devastation caused by abnormal weather and large-scale natural disasters. For customers and the Group alike, these problems are becoming factors that impact the business environment and business management heavily. Given these conditions, San-in Godo Bank Group addresses climate change as a key management issue. In this context, we are reinforcing our governance structure and analyzing the impact of climate change on our businesses, taking appropriate measures to address opportunities and risks.

In April 2021, we published our endorsement of the TCFD recommendations. We disclose information based on the TCFD recommendations on our website, in integrated reports, and in sustainability reports. In fiscal 2022, we began conducting scenario analyses for transition risk and physical risk, publishing estimates of impacts (maximum values) through the year 2050. We will continue our efforts to enhance risk management and information disclosure.

Governance

- We established the Sustainability Committee, chaired by the representative director and president, as a body to deliberate climate change and other sustainability-related matters. Under this structure, the committee reports to and is monitored by the Board of Directors.
- The Sustainability Promotion Group strengthens Bank-wide SDGs and ESG initiatives, planning and advancing group-wide activities.
- We established the SDGs/ESG Promotion Working Group at the San-in Godo Bank head office. In addition to advancing initiatives across the organization, this body reports regularly to the Sustainability Committee and Board of Directors on the status of specific initiatives regarding responses to climate change and other ESG issues.
- Group Company Sustainability Liaison Meetings provide a forum to share information on climate change response policies and other matters throughout the Bank Group.



Major Items Discussed and Reported at Sustainability Committee Meetings in FY2023

Meeting No. (Month Held)	Topics
1st (April)	Formulation of the human resources development policy and internal environment improvement policy
2nd (June)	Human Rights Policy revision
3rd (July)	Future action policies on health management
4th (Aug.)	Participation in the carbon credit market
5th (Sept.)	Status of ESG-related measures and future policies
6th (Sept.)	Reorganization of management philosophy and materialities
7th (Oct.)	Reorganization of management philosophy and materialities (further discussions)
8th (Nov.)	Reorganization of management philosophy (further discussions)
	Status of various initiatives
9th (Jan.)	Reorganization of management philosophy (further discussions)
10th (March)	FY2024 ESG business plans
	Introduction of decarbonization support tools for customers

Strategy

In May 2019, San-in Godo Bank Group published our Sustainability Declaration. This declaration identifies environmental protection, including our response to climate change, as a priority issue in achieving sustainable communities. Climate change is a key management issue, and we address opportunities and risks related to this issue. As a regional financial institution, we support local communities and customers in addressing climate change through our products and services. At the same time, we advance initiatives to reduce the environmental impact of the Group's business activities. In terms of climate change-related risk, we recognize two types of risk: Physical risk, or the increased frequency of natural disasters and abnormal weather due to climate change as events causing physical damage, and Transition risk, or risk associated with transitioning to a carbon-free society, and particularly the response to stronger climate regulations and advancements in technological innovation.

Opportunities

● Sustainable Finance and Consulting Initiatives

We recognize the business opportunities for the Group that lie in green finance for renewable energy projects, transition financing to facilitate the transition toward decarbonization, and consulting initiatives to assist businesses in dealing with climate change.

● Entering the Renewable Energy Generation Business

Recognizing the regional challenges of insufficient renewable energy supply and the slow transition to decarbonized management, in July 2022, we established Gogin Energy Co., Ltd., a wholly-owned subsidiary engaged in renewable energy-related businesses. Gogin Energy is responsible for increasing the supply of renewable energy and advancing local production for local consumption. We include the company in growth strategies for the region and clients, including the early achievement of regional decarbonization and carbon neutrality. Gogin Energy also plays a role in strengthening the competitiveness of local companies through the increased use of renewable energy.

Gogin Energy PPA* business initiatives in FY2023 are as follows.

Achievements

No. of PPA
Contracts
(Cumulative)

22

Assumed Annual
Contribution to
CO₂ Reduction

1,024 t-CO₂

*PPA: Power Purchase Agreement, also known as the third-party ownership model, referring to electricity sales. A scheme where PPA providers install power generation facilities on buildings or land owned by electricity consumers, who then purchase the generated power for their own consumption.

Risk

We address two types of climate-change-related risks: (1) Physical risk (increased frequency of natural disasters and abnormal weather due to climate change) and (2) Transition risk (risk associated with transitioning to a carbon-free society, including stricter climate regulations and advancements in technological innovation).

● Physical Risk

Possible physical risk 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. Other risks include operational risks posed by natural disasters and other factors that damage Group business facilities.

Examples of Physical Risks

	Major Physical Risks
Acute	Increased damage due to extreme weather events (typhoons, floods, etc.)
Chronic	- Changes in precipitation patterns and extremes in weather patterns - Average increase temperatures - Rising sea levels

● Transition Risk

We anticipate that tighter climate-related regulations and technological innovations in decarbonization will increase credit risk to our financing and investment clients, whose business activities may be affected.

Examples of Transition Risks

	Major Transition Risks
Policies and Regulations	- Increase in the cost of greenhouse gas emissions (carbon tax) - Regulations affecting existing products and services - Lawsuits
Technology	- Shift to products and services with lower greenhouse gas emissions - Failure to invest in new technologies - Transition costs in moving to low-emission technologies
Markets	- Changes in customer behavior - Rise in raw material prices
Reputation	- Changing consumer preferences - Condemnation of high-emissions sectors - Increased stakeholder scrutiny and negative feedback

Scenario Analysis

Since fiscal 2022, we have conducted scenario analyses for physical risk and transition risk to understand the impact of climate change on the Bank's portfolio in the future. We base these analyses on the 1.5°C scenario and several other scenarios to envision different situations related to climate change, to increase the flexibility of our plans, and to incorporate greater resilience into our strategies.

In fiscal 2024, we added the following analyses to those conducted in the previous year. In terms of physical risk, we expanded the scope of analysis to include corporate borrowers in Japan for financial deterioration risks stemming from the suspension of business (decrease in sales). In terms of transition risk, we added the marine transportation sector to the scope of analysis and analyzed the impact of increased environmental response costs and other factors due to the switch to next-generation vessels. Our fiscal 2024 analysis is as follows.

● Physical Risk

Risks	(1) Damage to collateral (buildings) due to flooding (2) Deterioration of financial results due to suspension of business (decrease in sales) of borrowers due to flooding
Analysis	(1) Borrowers in Japan (2) Borrowers in Japan (corporations)
Scenario	IPCC (Intergovernmental Panel on Climate Change) ● RCP 1.9 (1.5°C scenario) ● RCP 2.6 (2.0°C scenario) ● RCP 8.5 (4.0°C scenario)
Period Analyzed	Through 2050
Risk Indicators	Estimated increase in credit costs
Risk Level	Maximum of ¥5.7 billion

● Transition Risk

Risks	(1) Deterioration in the financial condition of borrowers due to asset damage, sales declines, cost increases, etc. (2) Deterioration in the financial condition of borrowers due to the introduction of carbon taxes
Analysis	(1) Specific clients in the electricity, oil, gas, and marine transportation sectors (2) Borrowers in Japan (corporations)
Scenario	NGFS (Network of Central Banks and Supervisors for Greening the Financial System) ● Net Zero 2050 ● Below 2°C ● Current Policies
Period Analyzed	Through 2050
Risk Indicators	Estimated increase in credit costs
Risk Level	Maximum of ¥8.1 billion

Carbon-Related Assets (Loan Balances)

The percentage of carbon-related assets to Bank loan balances as of March 31, 2024, is shown on the right.

Carbon-Related Sectors	Energy	Transportation	Materials and Buildings	Agriculture, Food, and Forestry Products
Ratio	2.2%	9.7%	18.9%	4.6%

Risk Management

■ Climate change and other environment-related initiatives represent a key management concern. Recognizing this fact, we created an investment and financing policy that reflects our 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. Risk management for maintaining management stability and soundness is our most important issue. The Board of Directors leads our approach to risk management, and we intend to continue exploring initiatives to achieve integrated risk management for climate-related risks.

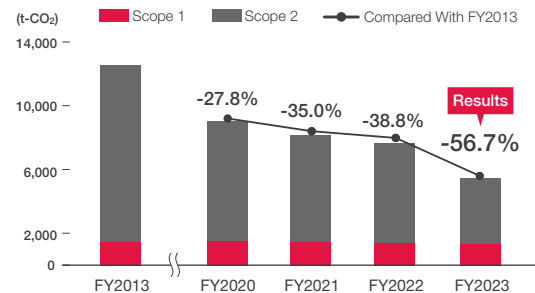
Indicators and Targets

Reduction of Greenhouse Gas Emissions

Indicator	Targets	Results
Greenhouse Gas Emissions	Previous medium-term management plan target	50% reduction by FY2023 compared to FY2013 (Scope 1,2)
	Current medium-term management plan target	70% reduction by FY2026 compared to FY2013 (Scope 1,2)
	Carbon neutral medium- to long-term target	Reduce Scope 1 and 2 to net zero by FY2030
		FY2023 results 5,396t-CO₂ (-56.7% compared to FY2013)
		Reduce Scope 1, 2, and 3 to net zero by FY2050 —*1

Greenhouse Gas Emissions Trends and Targets (Scope 1 and 2, Consolidated)

San-in Godo Bank set a 50% reduction in greenhouse gas emissions (vs. FY2013) as fiscal 2023 target and worked to meet this goal ahead of the Japanese government's target for fiscal 2030 of a 46% reduction (vs. FY2013). In fiscal 2023, we reduced emissions volumes by 56.7% compared with fiscal 2013 levels.



Greenhouse Gas Emissions (Consolidated)

(t-CO₂)

Measurement Categories		FY2020	FY2021	FY2022	FY2023
Scope 1 (direct emissions)		1,512	1,483	1,396	1,303
Scope 2 (indirect emissions)		7,480	6,623	6,224	4,093
Total (Scope 1+2)		8,992	8,106	7,620	5,396
Scope 3 (indirect emissions other than Scope 1 and 2)		10,775	12,822	2,304,872	
Category 1	Purchased goods and services	4,331	3,459	3,398	
Category 2	Capital goods	2,153	5,022	7,127	
Category 3	Fuel- and energy-related activities not included in Scope 1 or Scope 2	1,191	1,154	1,134	
Category 4	Upstream transportation and distribution	1,518	1,790	1,641	
Category 5	Waste generated in operations	483	284	287	
Category 6	Business travel	246	250	314	
Category 7	Employee commuting	853	863	971	
Category 8*2	Upstream leased assets				
Category 9*2	Downstream transportation and distribution				
Category 10*2	Processing of sold products	—	—	—	
Category 11*2	Use of sold products				
Category 12*2	End-of-life treatment of sold products				
Category 13*3	Downstream leased assets	—	—	—	
Category 14*2	Franchises	—	—	—	
Category 15*4	Investments	—	—	2,290,000	
Total (Scope 1, 2, and 3)		19,767	20,928	2,312,492	

Scope 3 calculations are based on the *Basic Guidelines for Calculating Greenhouse Gas Emissions through Supply Chains Ver. 2.5* and the *Emission Factor Database for Calculating Greenhouse Gas Emissions through the Supply Chain Ver. 3.3* of the Ministry of the Environment and the Ministry of Economy, Trade and Industry.

*1 Refer to the Sustainability Report 2024 published on our website in October 2024 for FY2023 calculation results.

*2 Categories 8-12 and 14 do not apply to our business operations. *3 Gogin Leasing Co., Ltd. is not included in the total for category 13.

*4 Category 15 is estimated on a non-consolidated basis only.

● Scope 3 Category 15 Estimates

Category 15 (indirect greenhouse gas emissions through investments) accounts for the majority of Scope 3 for financial institutions. To this end, we estimated this category for the first time in fiscal 2022 for our business loans and listed stocks and bonds, based on the PCAF Standard*1 measurement method.

Our fiscal 2022 estimations are as follows. We will explore leveraging our estimate to encourage decarbonization among our clients.

Refer to the Sustainability Report 2024 published on our website in October 2024 for FY2023 estimation results.

Estimation Results for FY2022 (Non-Consolidated)

(Thousand t-CO₂)

Industry	Asset Category Breakdown		Total
	Business Financing	Listed Stocks and Bonds	
Agriculture	20	—	20
Paper manufacturing and forestry	124	2	126
Beverage and food	77	2	78
Metals and mining	268	10	278
Chemicals	90	3	93
Oil, gas, and coal	167	2	169
Building materials and capital goods	60	0	60
Automobiles	15	1	16
Power and utilities	684	35	719
Real estate management and development	11	0	11
Land transportation	32	0	32
Marine transportation	350	0	350
Air transportation	24	—	24
Other	300	14	314
Total	2,221	70	2,290

- Industries: Carbon-related assets of the TCFD recommendations (13 industries in 4 sectors) and other assets
- Emissions: Investee emissions*2 x Percentage of Bank investments in investees
- Base date: Outstanding investments and loans as of March 31, 2023
- Latest lender financial data held by the Bank as of March 31, 2023
- Data quality score: 3.69
- Coverage rate: 88.0%

*1 Partnership for Carbon Accounting Financials (PCAF): An international initiative that measures and discloses the greenhouse gas emissions of investment and loan portfolios.

*2 We used emission factors per sales by region and sector taken from the PCAF database for investees in which data was not available (top-down analysis). Published values were used for certain investees that disclose and publish information (bottom-up analysis).

Sustainable Finance

We aim to achieve a cumulative target for new sustainable finance transactions over the 10 years from fiscal 2021 to fiscal 2030, supporting solutions to regional environmental and social challenges.

Indicator	Target (FY2021 - FY2030)	Cumulative Total	Breakdown
Sustainable Finance Cumulative Investment	¥1.5 trillion (including ¥500 billion in the environmental sector)	¥404.7 billion (including ¥158.2 billion in the environmental sector)	FY2021 ¥127.7 billion (including ¥45.5 billion in the environmental sector) FY2022 ¥144.0 billion (including ¥63.8 billion in the environmental sector) FY2023 ¥133.0 billion (including ¥48.9 billion in the environmental sector)

● Definition of Sustainable Finance

Sustainable finance includes financing that conforms to various international principles, government policies, and guidelines, as well as investments and loans that contribute to solving environmental and social issues aligning with examples of eligible projects and uses of funds provided in said principles, policies, and guidelines.

Sector	Business
Environmental	Businesses that contribute to climate change mitigation or climate change adaptation, businesses operating in consideration of the environment Examples: Renewable energy business, energy conservation business, decarbonization or low-carbon businesses, etc.
Social	Businesses that contribute to regional economic revitalization and sustainable communities Examples: Basic infrastructure development, essential services, job creation, etc.

Conserving Biodiversity and Addressing Natural Capital

The Bank Group recognizes biodiversity conservation and natural capital as priorities equal to climate change. Natural capital consists of water, air, soil, oceans, plants, animals, and other elements. The Bank Group, like other financial institutions, not only depends on and impacts natural capital through our own business activities, but also connects with our clients and their supply chain activities through investments and loans. To this end, financial institutions must understand customers' dependencies and impacts on natural capital and manage risks appropriately. Financial institutions can also capture business opportunities through natural capital financial products and services and internal initiatives.

We registered as a TNFD* Adopter in January 2024 in light of this importance, aiming to contribute to achieving sustainable regional societies by actively engaging in biodiversity conservation and natural capital measures. We also joined the TNFD Forum, an organization that supports information sharing and framework development related to TNFD, as part of our efforts.

We are committed to phasing in and disclosing our efforts based on the TNFD Recommendations.

January 2024

Registered as a TNFD Adopter
Joined the TNFD Forum



Taskforce on Nature-related
Financial Disclosures

*Taskforce on Nature-related Financial Disclosures

January 2024

Joined the 30by30
Alliance for Biodiversity



Addressing Social Issues

Support for Improving QOL in the Era of the 100-Year Life

Providing Financial Services Combining Strengths of Banking and Securities

The Bank helps customers build enough assets to live to 100 by combining San-in Godo Bank's extensive network with the specialized expertise and abundant information possessed by Nomura Securities Co., Ltd.

Rich Lineup of Products and Services

Working through our bank, customers can purchase stocks and more than 800 investment trusts among other products and services currently handled by Nomura Securities.

Convenient Service

Customers can conduct transactions however they please: over the counter or via non-direct channels like telephone and Internet.

A Wealth of Information

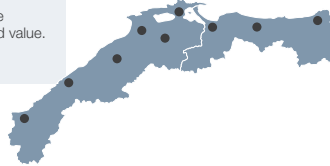
Through Nomura Securities' global network, we are able to rapidly provide our customers with the latest information from Japan and the world.

Higher-Level Consulting

Highly specialized consulting staff provide financial services with even greater added value.

Better Sales Organization

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



Initiatives for Conducting a Customer-Oriented Business

The Bank established its Policy for Conducting a Customer-Oriented Business to ensure that we remain customer-oriented in operations related to customer asset building and management. Under this policy, we strive to provide products and services best suited to meet the needs of each individual customer and help them to prosper.

Policy for Implementing Customer-Oriented Business Operations (Japanese Only)

<https://www.gogin.co.jp/about/policy/customeroriented/>

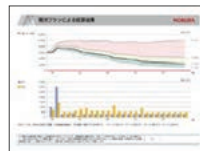
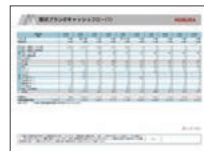


Consulting Based on the All-Assets Approach

- We listen to our customers to learn about their knowledge, experience, financial situation, investment objectives, investment policies, income patterns, occupations, and transaction motivations, as well as their intentions and needs in terms of their family structure, life events, assets, and other considerations. Then, we offer the best products and services using our goal-based approach to help them achieve their dreams.
- We use asset management guidelines and asset design tools to compare with similar products and services while running simulations of customer life plans with them.

Appropriate Sales

- We propose products and services that help build stable assets from the customer's point of view. We do not make proposals based on the amount of fees we will earn for the products and services we handle.
- We meet the sophisticated investment needs of our customers by carrying the extensive product lineup of our partner Nomura Securities, a comprehensive business partner in the financial instruments brokerage services.



* San-in Godo Bank is a financial products broker affiliated with Nomura Securities Co., Ltd. We provide informational materials and advertising created by Nomura Securities.

Providing Financial and Economic Training Increasing Financial Literacy

Expert instructors at our Consulting Plazas provide financial and economic education to students and business partners.

No. of Trainees in Finance and Economics (FY2023)

(2,395 students and 5,721 working adults)

8,116

For Students (Elementary Through University)

We offer students the chance to observe our staff at work and take part in work experience. We also send our employees to schools, colleges, and universities to give talks. These activities enable us to explain the role and structure of finance and banking, asset building, consumer contracts (including loans and credit cards), and financial planning for the future. We also support teachers and other faculty.



Lecture at Shimane Prefectural Hamada Business High School

For Working Adults

We offer a wide range of seminars for client employees, including seminars on basic financial knowledge.



Lecture at the Shimane Plant of OJK Corporation

Seminars on Asset Building in the Workplace

We conduct seminars where bank employees lecture clients, employees, and other participants at each workplace on NISA, iDeCo, and other asset-building schemes.

Case Studies of Companies Implementing Workplace Savings NISA

Sanbe Denki Co., Ltd.

(Matsue, Shimane Prefecture; Facility Construction Business)

Linking Employee Engagement to Corporate Growth Through Workplace Savings NISA

April 2024 President Adachi of Sanbe Denki Speaks at Workplace Savings NISA Seminar for Corporations

Message From President Adachi

We introduced workplace savings NISA to foster an environment that encourages employees in their asset-building efforts, reflecting our commitment to management that strives for employee happiness. Gogin participated in our annual residential training program, providing information on NISA and assisting us in implementing the scheme within our company. Most employees using NISA report being glad they started. We are committed to enhancing employee satisfaction and strengthening our company's appeal.



Toru Adachi
Representative Director
Sanbe Denki Co., Ltd.

Respect for Human Rights

As awareness and the importance of human rights increases in Japan and overseas, companies must go beyond addressing human rights issues related to internal operations, officers, and employees. We must respect the human rights of diverse stakeholders, including those in our supply chains and our business partners. We will enhance mutual understanding and strengthen our commitment to respecting human rights.

Human Rights Policy (Revised June 2023)

- | | | |
|---|--|--|
| 1. Respecting international standards | 4. Establishing a comfortable work environment | 8. Responding to suppliers |
| 2. Eliminating discrimination | 5. Implementing fair recruitment practices | 9. Remedies |
| 3. Fostering a corporate culture that respects human rights | 6. Implementing human rights training | 10. Governance and management structure |
| | 7. Responding to customers | 11. Disclosures and stakeholder engagement |

The Bank Group understands the potential for our business activities to cause or contribute to negative human rights impacts, or to be directly related to such impacts through business relationships. We recognize that we are expected to engage with clients and encourage responsible corporate behavior. We will strive to prevent negative impacts on human rights and address any that occur, based on the nature of our involvement.

Nature of Involvement in Negative Impacts

Cause If we are the direct cause	Our own business activities are a direct cause of negative impacts on human rights
Contribute If we contribute to negative impacts	Our business activities cause substantial human rights violations by third parties and contribute to negative impacts on human rights
Linkage If we are linked directly to negative impact through business relationships	We cause negative impacts on human rights through third parties connected through business relationships

Human rights Due Diligence

Our Human Rights Policy respects the UN Guiding Principles on Business and Human Rights and other international standards, conducting human rights due diligence through the following process.



● Preventing and Mitigating Negative Impacts [Stakeholder Initiatives]

Employees	Create comfortable and harassment-free work environments, ensure employee well-being, and pursue diversity and inclusion
Customers	Pursue customer-oriented information management, personal information protection, compliance, and money laundering; improve services for customers needing special consideration; and enhance universal design
Investors	Encourage responsible investment and loan (Investment and Loan Policy)
Suppliers	Responsible procurement (Purchasing Activity Policy)

● Stakeholder Dialogue and Disclosures

We strive to enhance and improve our efforts to respect human rights and enhance disclosure through dialogues with diverse stakeholders.

● Relief Mechanisms

We established contact points available to employees, customers, and other stakeholders. These contact points address opinions and complaints, including those regarding human rights issues, in an appropriate manner.

Improving Services for Customers With Special Needs

We strive to establish branches accessible to elderly customers and customers with disabilities, offering tailored products and services. We also provide executives and employees with education and training on responding to customer circumstance. These trainings offer practical exercises, allow studies using self-learning materials, and share response examples, ensuring the peace of mind of all customers when using our services.

Branch Maintenance

- Expand the installation of Braille blocks and remove steps in stores
- Install ATMs accessible for individuals with disabilities
- Install voice guidance systems at store entrances

Universal Services

- Label all cash cards issued to individual customers with Braille markings for visually impaired accessibility
- Offer Braille services (passbooks, etc.)
- Reduce over-the-counter transfer fees for visually impaired customers
- Establish communication tools
Speech enhancers (voice assist device), communication board (with multi-language support)
- Provide telephone relay service

Financial Products and Services for Those With Cognitive Decline, Etc.

- Gogin Guardianship Support Deposit (A deposit account designed to prevent unauthorized withdrawals by legal guardians and protect the assets of individuals under guardianship. Funds not intended for daily use are managed separately from everyday accessible money, safeguarding the assets of customers using the adult guardianship system)
- Offer insurance products for long-term care and cognitive decline
- Offer professional consulting to help ensure smooth inheritance

Cooperation With Local Communities and Related Organizations

- Entered into an agreement with Matsue City regarding a network to watch over the elderly (2018)
- Registered as a Tottori City Neighborhood Watchdog Support Group for Elderly People With Dementia, Etc. (2021)
- Joined Tottori Prefecture project to support activities to watch over villages in mid-mountainous areas (2021)
- Joined the Japan Financial Gerontology Institute (2021)

Providing Reasonable Accommodation

We are developing a system to respond appropriately and reasonably to requests from customers needing special consideration.

Examples

- We display acrylic stands and posters in our branches with the ear symbol to indicate areas that support written communication. Deaf or hard-of-hearing individuals can request written or other forms of communication as needed.
- We surveyed the availability of wheelchairs for customers and completed allocating wheelchairs to the necessary branches.
- We revised the manual for assisting customers needing special consideration, detailing examples of prohibited discriminatory treatment and guidelines for providing appropriate accommodations.
- We held training and study sessions for executives and employees to deepen their understanding of providing reasonable accommodation.



Ear symbol

Sustainability Management Practices Contributing to Regional Revitalization

Contributing to Regional Revitalization Through Our Core Business, Offering Solutions to Regional and Customer Issues

Business Support Activities - Enhancing Clients' Added Value -

We create a virtuous cycle in the regional economy through our business activities to help our clients resolve issues, improve added value, and grow their businesses.

Leveraging IT to Support Streamlining Business Efficiency - ICT Consulting -

Key Initiative

Support side-by-side digitalization and digital transformation (DX) throughout the company

We support Kigyokeibihosho (Matsue, Shimane Prefecture; Security services) in updating its enterprise system and utilizing a sales management app.

Issues and Background

- Outdated system not suited to current operations
- Operations are concentrated within certain departments or individuals
- Retrieving sales data at each location requires significant time

Support Areas

- Support from analyzing current situation and selecting systems to exploring optimal systems
- Support to establish a management dashboard to consolidate sales figures

Comments From President Gocho

We pursue digital transformation (DX) in various areas to embrace the new era. However, we felt uncertain about accelerating DX and expanding our company further with only our internal human resources. Gogin employees supported our DX through face-to-face discussions on various matters. I believe this support led to our progress in transforming our enterprise system, sales management, and other areas that impose significant impacts on our business operations.



Tasuku Gocho (Right)
Representative Director, Kigyokeibihosho Co., Ltd.

Atsuko Sasaki (Left)
Deputy General Manager, Honten Corporate Sales Group

Supporting the Establishment of Human Resource Systems That Foster Employee Growth - Human Resources Consulting -

Key Initiative

Support building a human resource system that supports future employee growth and enhances fulfillment and job satisfaction

We support Aioli Engineering Co., Ltd. (Hiroshima, Hiroshima Prefecture; Construction consultant) in establishing a human resource system for further organizational development.

Management Issues

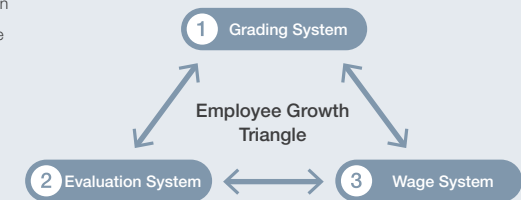
- Fostering human resources for the future of our company
- Clarifying ideal human resources
- Ensuring evaluation transparency
- Enhancing employee motivation

Vision

- Achieve a rewarding workplace that supports individual employee goals
- Offer compensation based on the level of contribution to the company
- Increase credibility as an indispensable construction consultant in Hiroshima

Support Areas

Cooperation with headquarters and external organizations to support the establishment of a human resource system



Comments From President Moriwaki

Human resources are the greatest asset to a construction consultant. We have worked to develop engineers and strived for sustainable, competitive company management. Our current medium-term management plan also aims to establish fulfilling workplaces that support individual employee goals. To this end, we decided to work with the Bank to introduce a personnel evaluation system that aligns with our future vision for company management and employees. I am confident that this collaboration has greatly strengthened our company.



Katsuhiko Moriwaki (Right)
Representative Director, Aioli Engineering Co., Ltd.

Taiki Ishihara (Left)
Hiroshima Nishi Branch

Regional Revitalization

Municipality DX

We pursue digital transformation (DX) within municipal governments and the region by offering our solutions and partnering with outside organizations.

Key Initiative

Support business process re-engineering (BPR) to digitalize services at the Kotoura town hall counters

The town of Kotoura in Tottori Prefecture pursues a DX policy based on the pillars of *leveraging digital solutions to enhance the lives of regional communities and residents, pursuing DX within the administration, and establishing an environment that supports a digital society*. The Bank entered into a partnership agreement with the town in October 2023 to achieve this policy.

We are currently working with outside businesses to digitalize the town hall counters and implement BPR for counter operations, enhancing convenience for residents and operational efficiency for town employees. As part of these efforts, we also hold training sessions for town employees to foster an awareness of DX.



Public-Private Partnerships for Community Development

The Bank cooperates with the national government, local governments, and clients to drive community development initiatives through public-private partnerships. We contribute to sustainable public infrastructure development by providing proactive financial support, leveraging our expertise in public-private partnerships (PPP) and private finance initiatives (PFI).

Key Initiative

Support the development and operation of the new Izumo gymnasium by arranging project financing

The New Izumo Multi-Purpose Sports Center, nicknamed Izumo Dandan Tomato Arena, opened in April 2024 under the Izumo New Gymnasium Operation Project, a PFI implemented by Izumo, Shimane Prefecture. The facility offers a full range of facility functions, including the main and sub-arenas, an indoor running course, a training gym, and conference rooms. The facility also offers a variety of programs, including sports classes and fitness programs, and is expected to become a new, popular public center for sports activities.

We arranged project financing for Izumo Arena Partners (SPC) established by a group led by Kajima Corporation, the organization behind this project. The Bank also provided financial support for regional social infrastructure development.



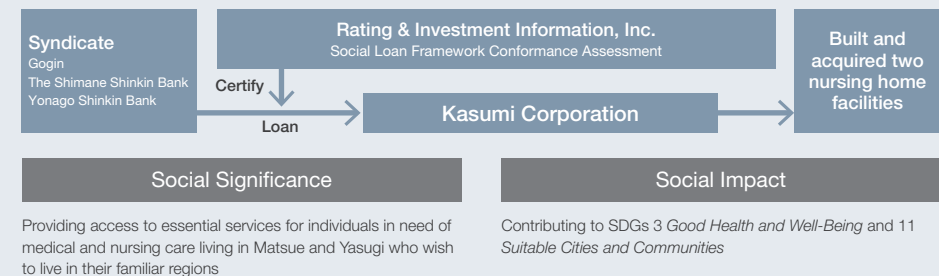
Social Loans

We support initiatives that lead to solutions to social issues in sanitation, welfare, education, and other areas of society, leading to positive social outcomes through finance.

Key Initiative

Unify regional financial institutions to support financing Enter social loan agreement through the syndication method

The Bank supports Kasumi Corporation (Matsue, Shimane Prefecture; Nursing care facility operations) in its efforts to solve social issues. To this end, we organized a syndicate of social loans, with regional financial institutions collaborating to provide financing.



Improving Regional Appeal Utilizing Tourism Resources

Head Office Building Illuminations Started December 2023

We view our Head Office building, located on the shores of Lake Shinji, as a local resource. By illuminating the building, we aim to contribute to improving regional appeal through the creation of a new nightscape. Visitors can enjoy views of Lake Shinji, Mt. Daisen, and the sunset over Lake Shinji from the 14th-floor observatory of the Head Office during the day. At night, we illuminate the building to further enhance our appeal as a Matsue tourist resource. All electricity used for the lighting is derived from renewable energy sources.



Group-Wide Sustainability Management

San-in Godo Bank seeks sustainable growth and new business opportunities for the communities we serve. To this end, we accelerate efforts in new business domains, beginning with solutions to community issues. Group companies are improving the level of service expertise and capabilities to address community issues, while the Group as a whole develops consulting services to solve social issues and create new value for our communities.

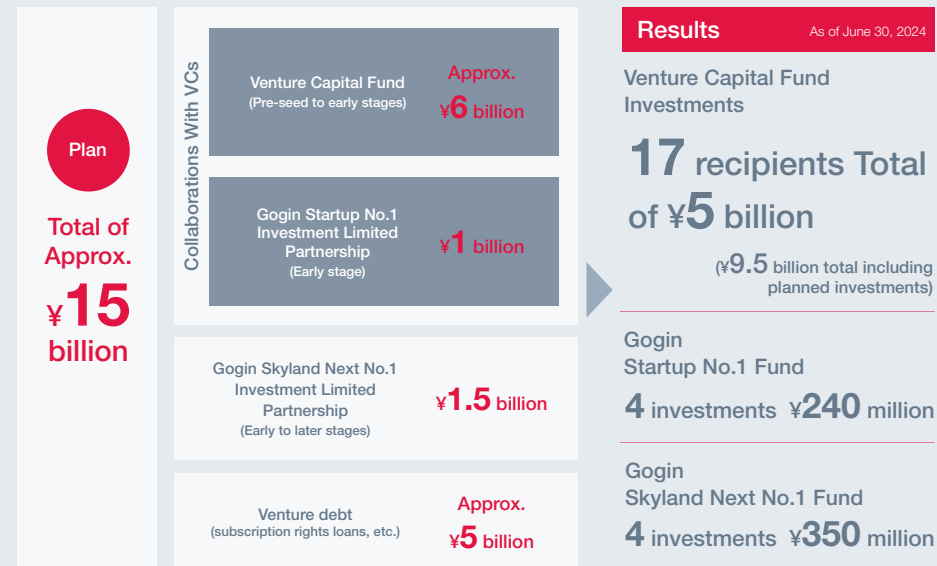
Social Issue

Creating new industries and open innovation in our region

Supporting Startups - Gogin Capital Co., Ltd. -

We partner with Gogin Capital Co., Ltd., striving to foster business startups and new businesses. The Bank and Gogin Capital jointly established the Gogin Skyland Next No.1 Investment Limited Partnership with Skyland Ventures in November 2023. We also established the Gogin Startup No.1 Investment Limited Partnership in January 2024. We build a network with startups through investment activities, serving as a bridge between startups and San-in. In this way, we help create new industries and open innovation in the region.

Offering Extensive Support for Startups Based on Growth Stage and Size



Social Issue

Solving regional human resources shortages

Securing Human Resources to Support Business Growth

- Gogin Career Design Co., Ltd. -

We enhance the sustainability of the region by addressing human resource shortages in rural areas with declining populations. We also provide support for securing human resources, particularly senior management and specialized personnel.

Key Initiative

Introduce human resources who contribute to the corporate business growth and strengthen business management systems

Bandai Namco Shimane Susanoo Magic (Matsue, Shimane Prefecture) is the managing company of the Shimane Susanoo Magic professional basketball team. Bandai Namco Entertainment Inc. has managed the team since 2019, establishing a unique partnership between the professional basketball team and the entertainment company. We supported hiring management personnel to support the business as it expanded, aiming to invigorate the community through entertainment, address local issues, and drive revitalization efforts.

Issues and Background

- No one in charge of formulating and executing business strategies as we expand business
- Plans to strengthen business management system

Support Areas

- Conducting interviews with the company president to identify the ideal human resources the company requires based on issues
- Introducing the most suitable job applicants matching the ideals identified through interviews

Hired Manager

- In their 30s with experience in a wide range of work in general affairs, human resources, and accounting
- Plans and operates numerous events involving the local community

Comments From COO Nakamura

Gogin Career Design recommended we hire Mr. Kushiro in our search for a local person to support our future growth. We need talent who act independently with an understanding of the unique aspects of San-in to respond flexibly to changing values and diversifying customer needs. I have high expectations for Mr. Kushiro, who is committed to community development while maintaining a business mindset.



Ritsu Nakamura (Left)

Representative Director and COO
Bandai Namco Shimane Susanoo Magic

Shuta Kushiro (Right)

Chief (Newly Hired)

Sustainability Management Practices Environmental Protection and Response to Climate Change

Driving Regional Carbon Neutrality, and Co-creating Decarbonization Initiatives With the Local Community

Renewable Energy Generation Business Gogin Energy Co., Ltd.

Gogin Energy Co., Ltd. will develop community-based projects that will drive decarbonization, making the San-in Region a contender to be a leader in carbon neutrality.

No. of PPA contracts

22

(As of March 31, 2024)

Key Initiative

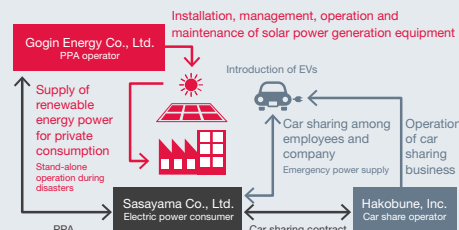
Strengthening management capabilities and reducing environmental impact by supporting EV car-sharing projects and solar PPAs

Electric vehicles (EVs) have been introduced as part of a car sharing business set up for employees at Sasayama Co., Ltd. This is in addition to renewable energy making up a proportion of the power consumed at the company's main factory. This renewable energy is supplied by Gogin Energy Co., Ltd. under a power purchase agreement (PPA). The car-sharing initiative has been adopted under the (Japanese) Ministry of the Environment's Project to Promote Decarbonized Car Sharing and Establish Disaster Prevention Centers With the Simultaneous Introduction of Renewable Energy and Electric Vehicles. Furthermore, clients are being helped pursue SDG management through decarbonization management and the enhancement of employee benefits.

PPA Business Overview

Electric power consumer: Sasayama Co., Ltd.
(Kawahara-cho, Tottori, Japan; designer and manufacturer of precision presses, dies, and related products)
Installation site: Main factory
Solar panel output: 654.87 kW
Estimated average annual consumption at site: 508,947 kWh
(approximately 30% of annual site power consumption)
Start of electricity supply: March 2024

Expected annual CO₂ reduction of
280-300 tons



President Sasayama's comments

Amid issues such as the declining birthrate, an aging population, and global warming, it is becoming an increasingly difficult time for companies to survive—let alone grow—unless they face up to these issues. Last year, our company received Tottori SDGs Corporate Certification. As part of this certification process, we signed a PPA with Gogin Energy Co., Ltd., which led this year to the start of operations of a solar power plant with a total output of approximately 650 kW. We would like to continue pushing forward the use of renewable energy.



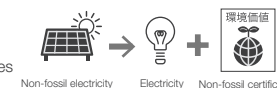
Sasayama Co., Ltd.
Masaru Sasayama,
Representative Director

Expanding Initiatives Supporting Decarbonization

The Bank and Gogin Energy Co., Ltd. collaborate to provide non-fossil certificates indicating a reduction in CO₂ emissions

Non-Fossil Certificates

These certificates represent the environmental value attributed to the non-emission of carbon dioxide (CO₂) derived when electricity is generated from renewable energy sources such as solar and wind power.



Begin Offering Gogin Carbon Offset Support Loans

May 2024

For clients taking out a Gogin Carbon Offset Support Loan, we will bear the cost of purchasing non-fossil fuel certificates in their name and assist with associated external PR. By purchasing a non-fossil fuel certificate, a client demonstrates they are reducing their CO₂ emissions by consuming clean energy generated from non-fossil fuels. For our part, we intend to promote decarbonization by helping our clients reduce their CO₂ emissions.

Gogin Energy Co., Ltd. Launches Non-Fossil Certificate Intermediary Service

May 2024

We will help our clients achieve carbon neutrality with this Non-Fossil Certificate Intermediary Service, which will provide non-fossil certificates on the basis of client requirements.

Supporting Creation of J-Credits

Key Initiative

Creating local-forest-based J-Credits

In April 2024, we concluded a partnership agreement with Okuizumo-cho, Shimane Prefecture and BYWILL Inc. with the aim of achieving carbon neutrality in the region by utilizing J-Credits and other environmental values.

Initiative Details

- Educating Okuizumo-cho employees and local business people on decarbonization
- Holding seminars on using J-Credits
- Supporting implementation of J-Credit creation
- Creating new business models that involve J-Credits and other environmental values

Proposed J-Credit Creation

Area: **570** ha (approx.)

Cumulative amount:
29,000 t-CO₂
(8 years from fall 2025)



Sustainability Management Practices Addressing Social Issues

Unique Contributions to Local Communities Puts Us Ahead of Other Companies Long History of Activities That Enhance Sustainability of Region

Environmental Conservation Activities

Forest Conservation Activities (Since 2006)

San-in Godo Bank joins forces with others across the region in activities designed to responsibly protect forests for future generations based on our philosophies of protecting the natural beauty of our home region and enabling each individual to continue contributing to the best of their ability.



Gogin Kibo no Mori (Forests of Hope)

San-in Godo Bank conducts practical conservation activities with the help of company officers, employees, and their families.

Protect Our Forests! San-in Network Council

This network organization consists mainly of volunteer groups and NPOs from across Shimane and Tottori Prefectures. The Bank serves as secretariat for the council, which works to broaden the scope of forest conservation activities in collaboration with local communities.

Diversity (Independence for People With Disabilities)

Gogin Challenged (Since 2007)

San-in Godo Bank operates two places dedicated to the employment of people with disabilities. Gogin Challenged is not charity work. Instead, it aims to be a model for supporting the economic independence of people with disabilities by offering them continued employment opportunities. We disclose our expertise, welcome observations, proactively communicate information, and work with others throughout our regions to promote the employment of people with disabilities in the community and in turn support their independence.



Gogin Challenged Matsue (Opened September 2007)

People with intellectual disabilities are formally employed at Gogin Challenge Matsue to create paintings, to make novelty items that incorporate these paintings, and to do office work.

Gogin Challenged Tottori (Opened September 2017)

Gogin Challenged Tottori mainly employs individuals with mental and developmental disabilities and is 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 operated by the Gogin Cultural Promotion Foundation. Shofukan aims to respect each student's individuality by placing them in small group classes inspired by old Japanese schools and teaches the history and essence of a wide range of topics through the use of all their senses. Our hope is that participating children will grow to play dynamic roles in society in the future by 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.



Ideal



Social and Cultural Activities

Gogin Hitotsubu no Mugi (One Grain of Wheat) Association (Since 1981)

Cumulative total raised
and received as donations

¥**132.23** million
(As of March 31, 2024)

The executives and employees of the Gogin Group have been raising funds and making donations to this association for 40 years. In fiscal 2023, donations were made to organizations operating children's cafeterias in Shimane, Tottori, Hiroshima, Okayama, and Hyogo, and to sports associations for people with disabilities in Shimane and Tottori.

Gogin Cultural Promotion Foundation (Since 1992)

Cumulative total of grants

¥**353.62** million
(As of March 31, 2024)

This foundation supports and sponsors educational, cultural, arts, and sporting activities taking place in our region.

Chiisana Shinsetsu (Small Kindness) Movement (Since 1997)

San-in Godo Bank runs the administrative office of this movement and works hand in hand with the people of the region to help arrange a variety of activities.

Examples of Activities

- Kamishibai Caravan— Here Come the Voice Actors!
- Operation Clean Japan
- Eco-Cap Collection Drive

Sports Promotion

Gogin Women's Badminton Team (Since 1993)

The Gogin Women's Badminton Team actively interacts with the community in various activities, including coaching elementary and junior high school students and participating in local sporting events. The team itself competes in the Badminton S/J League, Japan's top badminton league, bringing the energy and excitement of top-level badminton to the region.



Rooting for local professional sports teams

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



This season's main sponsor



Sponsored game

Sustainability Management Practices Addressing Social Issues

TOPICS

Donating used clothes and providing polio vaccines through *Furugi de Vaccine*

Reusing Uniforms Collected From Bank Employees



When our uniforms became surplus to requirements after the introduction of business casual dress codes, we sent them to Nippon Reuse System (NRS), the company that operates the Furugi de Vaccine (Old Clothes for Vaccines) program. Our participation in this program also enabled us to contribute to the vaccination against polio of children in developing countries through the Japan Committee, Vaccines for the World's Children (JCV). This is a certified NPO that jointly set up this program with NRS. We sent approximately 5 tons of surplus uniforms, which was enough to provide polio vaccines for 5,000 people. We also were presented with a certificate of appreciation by JCV, who will actually deliver the polio vaccines in Myanmar, Laos, and other countries.



Receiving certificate of appreciation
at presentation ceremony in May 2024

(Left) **Mutsuko Kenmochi**
Chair of Japan Committee,
Vaccines for the World's Children
(Certified NPO)

What is Furugi de Vaccine?

This program, set up and operated by NRS, exports unwanted clothing and other items from Japan mainly to developing countries. In the destination countries, the clothing and other items are sorted and either sold or re-exported all over the world, resulting in the clothing and other items being reused and the creation of local employment. At the same time as part of the program, five-dose polio vaccine kits are donated through JCV to be administered to children in developing countries.

The Power Behind Value Creation

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Corporate Governance

Taking Steps to Strengthen and Ensure Robust Corporate Governance

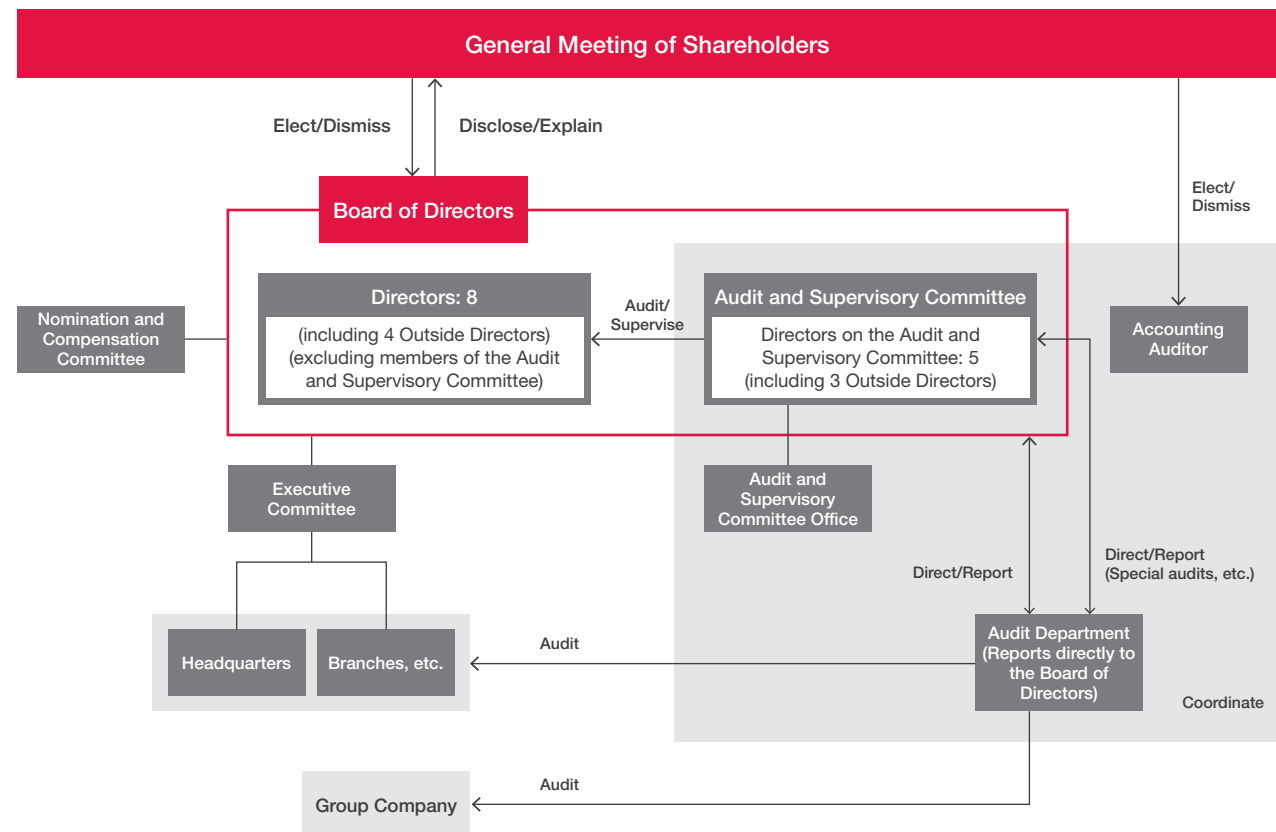
Basic Approach to Corporate Governance

Our management philosophy calls for San-in Godo Bank to become a creative bank that fulfills the dreams of the region and customers we serve. We strive to reinforce and enhance corporate governance in line with the following basic policies to achieve this philosophy, 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 maintains an environment that ensures the proper exercise of those rights. The Bank is also attentive 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. In addition, the Bank collaborates appropriately with these stakeholders.
- 3 The Bank appropriately discloses financial information and non-financial information, such as management strategies, management issues, company risks, and governance. Disclosures are in accordance with relevant laws and regulations. The Bank also strives to provide a wide range of additional information outside of the scope of these legally mandated disclosures to ensure management transparency.
- 4 The Board of Directors and the Audit and Supervisory Committee work to fulfill their duty as trustees of the shareholders to ensure the sustainable growth of the Bank and its medium- to long-term corporate value.
- 5 The Bank holds constructive conversations with shareholders designed to improve our medium- to long-term corporate value.

*More information on governance can be found on P12-P14 of our separate supplemental disclosure (Japanese only).

Corporate Governance System (As of July 1, 2024)



Corporate Governance Reforms

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

2008

Revision of the compensation system for directors and officers

- Adopted fixed amount compensation ■ Adopted performance-based compensation
- Adopted stock options as stock-based compensation

2011

Separation of functions through the introduction of the executive officer system

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

Reduction of the number of directors to enable accurate and prompt decision-making

- Reduced the maximum number of directors (excluding Audit and Supervisory Committee members) from 20 to 10, as stipulated in the Articles of Incorporation
- Directors engage in discussions for accurate and agile decision-making

2016

Launch of effectiveness evaluation for Board of Directors

Since 2021

- Evaluated Board effectiveness via questionnaire
- Formulated action plans to address issues and pursued improvement measures
- Disclosed detailed evaluation results in corporate governance report
- Conducted effectiveness evaluation through an external organization

2018

Voluntary establishment of the Nomination and Compensation Committee

- Involved the Board of Directors in our highly transparent and objective director selection process
- Established a compensation system for directors and executive officers that provides incentives for corporate value improvement

2019

Transition into a Company with an Audit and Supervisory Committee

Since 2016

- Strengthened audit and supervisory functions
- Accelerated decision-making
- Placed the Audit Department under the direct control of the Board of Directors
- Established dual reporting lines

Since 2024

Revision of Director Composition

- First female representative director/senior managing executive director, first non-Japanese director

Independent Outside Directors

53.8%

(currently 7 out of 13)

Female Directors

30.7%

(currently 4 out of 13)

Non-Japanese Directors

7.6%

(currently 1 of 13)

(as of June 20, 2024)

Composition of the Board of Directors and Reasons for Appointment

The Board of Directors consists of 13 directors with deep insight into San-in Godo Bank business operations and a high level of expertise in digital transformation, IT, finance and accounting, legal affairs, and other areas. These directors engage in lively discussions aimed at enhancing our corporate value. Four directors are women, and one is a non-Japanese national male, making for a diverse composition.

Outside directors make up a majority of the Board of Directors. These directors hail from Shimane and Tottori prefectures, meaning they are well-positioned to understand the realities and characteristics of the region and able to offer various suggestions to help us play a more sustainable role in our regions.

Skills Matrix for Directors

Name		Business Management Skills					Business Operations Skills		
		Management Strategy	Sustainability	Regional Society and Economy	Risk Management	Human Resources Management and Diversity	Sales and Consulting	Financial Markets & Asset Management	Digital Transformation/IT
Toru Yamasaki	■	●	●	●	●				●
Hiroshi Yoshikawa	■	●	●	●			●	●	
Sawako Yoshioka	■	●		●		●	●		
Hirohisa Ikuta	■	●		●	●			●	●
Shinji Ito	■			●	●		●		
Mamiko Nakamura	■			●	●	●			

Skills Matrix for Outside Directors

Name		Management Supervision Skills				Management Advisory Skills			
		Management Strategy	Sustainability	Finance and Accounting	Legal	Global Business	Human Resources Development and Diversity	Banking and Finance	Digital Transformation/IT
Yasuyuki Kuratsu	■	●	●			●		●	
Yasuhiro Goto	■	●	●			●	●		
Chie Motoi	■	●	●				●		●
Graeme David Knowd	■	●	●			●	●	●	
Shoichi Imaoka	■			●				●	
Tamaki Adachi	■		●		●				
Tomoaki Seko	■			●	●				

Reasons for Selected Skills

The Bank selects internal and outside directors based on skills we consider particularly important in light of our management philosophy, long-term vision, materiality as defined in the medium-term management plan, and management strategy.

Summary of Selected Skills

Directors

	Skills	Expertise and Experience	Related Materiality	Reasons for Selection
Business Management Skills	Management Strategy	Expertise in management strategy planning and implementation	Enhance corporate value and strengthen corporate governance	We believe that knowledge, ability, and experience in formulating and implementing management strategies are necessary for the Bank to fulfill our management philosophy, pursue sustainable growth, and achieve enhanced corporate value.
	Sustainability	Expertise and experience in ESG	Contribution to environmental protection, response to climate change, respect for human rights, and regional revitalization	We view regional sustainability and the sustainable growth of the Bank as one and the same, both of which demand knowledge of solutions to regional issues in light of global trends.
	Regional Society and Economy	Problem-solving skills and experience related to the region and clients	Contribution to regional revitalization	As a regional bank, we require a deep understanding of the region and regional economy, as well as appropriate solutions for regional revitalization.
	Risk Management	Expertise and experience in risk management and compliance	Strengthen corporate governance	We require knowledge and experience in risk control to allow for risk-taking. In addition, we require the ability and qualifications to lead a compliance-oriented corporate culture.
	Human Resources Management and Diversity	Expertise and experience in human resources management, human resources development, and the promotion of diversity	Work-style reform and promotion of diversity and inclusion	We require knowledge and experience to strengthen human capital, which is the driving force behind corporate value enhancement. In addition, we require diversity in human resources for sustainable growth and increased corporate value.
Business Operations Skills	Sales and Consulting	Experience in overseeing sales departments, expertise and experience in consulting services	Contribute to regional revitalization, enhance corporate value, and support QOL* in the age of 100-year life	We require a deep understanding of the regions and clients in the regions where we operate, as well as the knowledge and experience to provide appropriate solutions to achieve sustainable growth through answers to client issues.
	Financial Markets & Asset Management	Expertise and experience in market operations and financial asset management services	Enhance corporate value and support improved QOL* in the era of the 100-year life	We require knowledge and experience in making appropriate judgments about market trends and risk/return related to securities management. In addition, we require knowledge and experience for client-oriented business operations based on market trends related to asset consulting services.
	Digital Transformation/IT	DX and IT/digital expertise and experience	Promotion of DX and provision of quality financial services	Improving productivity and adding value for customers through technology-based structural reform will be necessary for sustainable growth and corporate value enhancement.

*Quality of life.

Outside Directors

	Skills	Expertise and Experience	Materiality	Reasons for Selection
Management Supervision Skills	Management Strategy	Expertise in management strategy planning and implementation, as well as organizational management	Enhance corporate value and strengthen corporate governance	We require knowledge and experience in the appropriate monitoring and supervision of the direction and implementation of strategies and measures to fulfill our management philosophy, achieve sustainable growth, and enhance corporate value.
	Sustainability	ESG expertise and experience	Contribution to environmental conservation, response to climate change, respect for human rights, and regional revitalization	We require knowledge and experience in the supervision on implementation of sustainability management in light of our view that regional sustainability and the sustainable growth of the Bank as one and the same, both of which demand knowledge of solutions to regional issues in light of global trends.
	Finance and Accounting	Expertise in finance and accounting	Strengthen corporate governance	We require knowledge and experience to supervise accurate financial reporting and the establishment of a sound and stable financial base for the San-in Godo Bank Group.
	Legal	Expertise in legal affairs	Strengthen corporate governance	We require legal knowledge and experience related to appropriate risk management and compliance to maintain corporate value.
Management Advisory Skills	Global Business	Knowledge and experience from a global perspective	Improving Corporate Value	We expect outstanding supervision and advice from our outside directors on management strategy in light of global trends and developments.
	Human Resources Development and Diversity	Expertise and experience in human resources development and diversity promotion	Work-style reform and promotion of diversity and inclusion	We require knowledge and experience to strengthen human capital, which is the driving force behind corporate value enhancement. We expect outstanding advice and knowledge from our outside directors in the new area of corporate client consulting, a Bank priority measure. In addition, we require diversity among our executive personnel to achieve sustainable growth and enhance corporate value.
	Banking and Finance	Expertise and experience in financial markets and the financial industry	Improving Corporate Value	We require expert knowledge and an appropriate understanding of financial markets and regulatory trends based on experience in global financial markets, as well as supervision and advice related to Bank management and securities management.
	Digital Transformation/IT	DX and IT/digital expertise and experience	Promotion of DX and provision of quality financial services	Improving productivity and adding value for customers through technology-based structural reform will be necessary for sustainable growth and corporate value enhancement. In particular, we expect advice based on expertise in structural reform through DX and IT, a Bank priority measure.

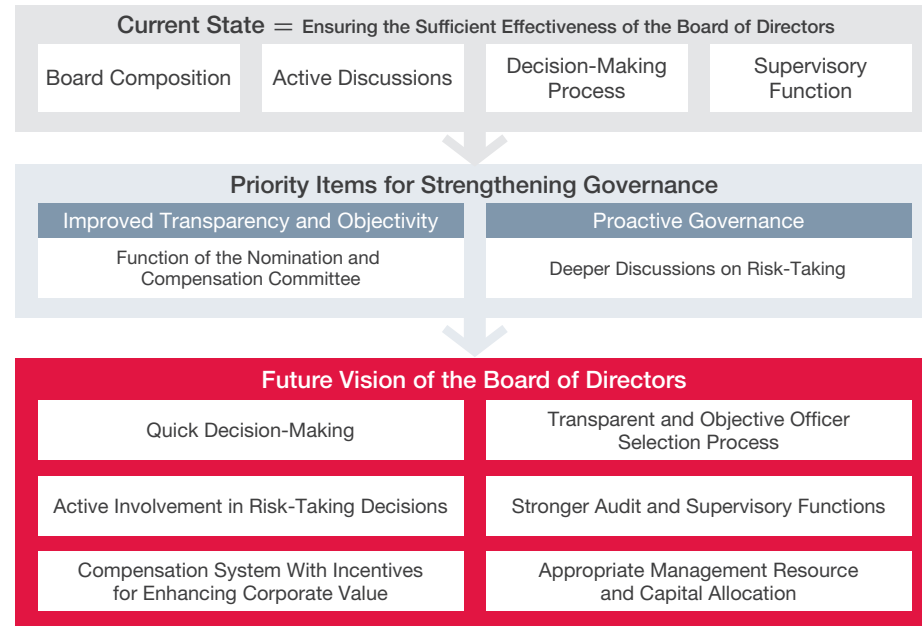
Information Provided to Directors

To ensure internal and outside directors have up-to-date information necessary to fulfill their respective roles and responsibilities, the Bank provides opportunities to receive explanations from executive officers or relevant departments.

- Business reports by the executive officer in charge of a region, headquarters division manager, or head of administration
- Business reports by representatives of affiliated companies
- Legal and compliance training for directors
- Study sessions for new outside directors

Strengthening Our Corporate Governance System

We continue to strengthen our corporate governance system to meet the expectations of stakeholders and achieve the sustainable enhancement of corporate value.



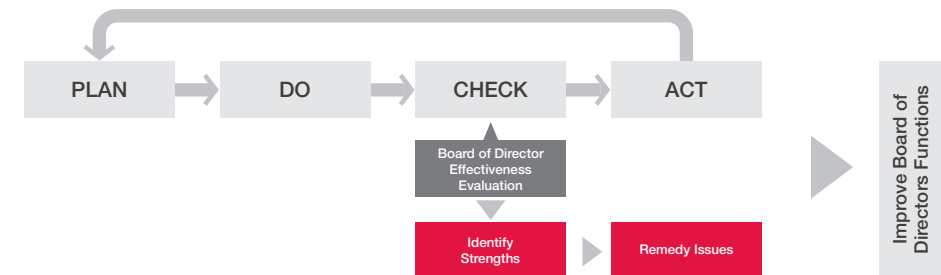
Board of Director Considerations (FY2023)

Business Planning	■ Medium-term management plan formulation ■ Comprehensive budget formulation ■ Business plan performance reporting and planning ■ ESG business plan formulation
Risk Management	■ Compliance program formulation ■ Cyber security management structure ■ Money laundering prevention structure
Medium- to Long-Term Growth Strategy	■ Second brand policy discussions ■ Startup-related measures
Consulting	■ Direction toward the next medium-term plan ■ Report on roadmap for corporate consultant development
Human Capital	■ Management philosophy revision ■ Human resources development policy and internal environment improvement policy ■ Report on engagement survey results ■ Development of recruitment plan
DX Strategy	■ DX strategy execution report ■ Regional platform business plan
Regional Contribution	■ Gogin Energy progress report ■ Regional Trading Company TOTTORI transition to an advanced banking services company
ALM strategy	■ Achieving management that is conscious of the cost of capital and share price ■ Plans to reduce cross-shareholdings

Summary of the Board of Directors Effectiveness Analysis and Evaluation Results

We conduct a questionnaire survey of directors and analyze and evaluate the effectiveness of the Board of Directors based on their responses. This evaluation looks at whether the Board of Directors contributes to the enhancement of corporate value, functions properly, and achieves results. Based on the analysis and evaluation results, we work to improve the functions of the Board of Directors by implementing the PDCA cycle and making efforts to remedy issues.

PDCA Cycle of the Board of Directors



Evaluation Methods	■ Conducted the Board of Directors effectiveness questionnaire with directors (December 2023) ■ Analyzed and evaluated the effectiveness of the Board of Directors and discussed policies for addressing issues based on the responses (at Board of Directors meetings in February 2024)
Evaluation Items	■ Composition and operation of the Board of Directors ■ Management evaluation and compensation ■ Management issues and business strategies ■ Conversations with shareholders and others ■ Business ethics and risk management
Summary of Analysis and Evaluation Results	■ We confirmed that our Board of Directors established an appropriate structure and implemented appropriate initiatives with respect to each of the evaluation items, sufficiently ensuring its effectiveness. ■ 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. ■ On the other hand, we recognize the need to take steps to further invigorate discussion between the director on management issues and growth strategies to further enhance the effectiveness of the Board.
Efforts to Address Issues From the Previous Fiscal Year	■ The evaluation conducted in the previous year identified the need to revitalize discussions on management issues and growth strategies. In response, we implemented measures to address agenda items as needed, including the following: Medium- to long-term growth strategy; strengthening consulting; human capital; DX strategy; regional contribution; ALM strategy. ■ Current evaluations confirmed improvements were successfully made through our efforts to address the above issues.
Addressing Future Issues to Improve Effectiveness	■ We will continue to establish agendas on major management issues and growth strategies on an irregular basis at Board of Directors meetings based on the results of the above analysis and evaluation. In doing so, we will further invigorate discussions on management issues and growth strategies. ■ Major agenda items will include growth strategy; DX strategy; human resources strategy; regional contributions; consulting strategy; brand strategy; enhanced securities management; ROE; and other topics to enhance discussion.

Executive Compensation System

Basic Policy

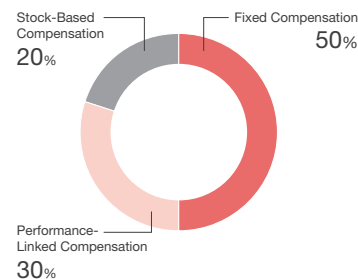
The Bank intends to improve the transparency and fairness of our executive compensation system, adopting a performance-linked compensation and stock-based compensation system using the Bank's shares to motivate executives to improve performance and raise awareness of the need to enhance corporate value over the medium to long term.

Compensation Composition and Details

Directors (Excluding Outside Directors and Directors on the Audit and Supervisory Committee)

Compensation Composition

Compensation consists of fixed compensation, performance-linked compensation, and stock-based compensation. Amounts for fixed and performance-linked compensation are determined as a standard amount by position. Amounts for stock-based compensation are determined according to points awarded by position. Each compensation package should consist of 50% fixed compensation, 30% performance-linked compensation, and 20% stock-based compensation.



Compensation Details

Fixed Compensation	Each director is paid a fixed amount in line with his or her classification determined within the Bank, in accordance with Director Compensation Regulations.
Performance-Linked Compensation	- To motivate directors to improve their performance, performance-linked compensation consists of an annual cash payment based on profit attributable to owners of the Bank (consolidated), which is an indicator of Bank earning capacity and growth potential. - We calculate performance-linked compensation for directors by multiplying the base amount for each position (established by resolution of the Board of Directors) by a payment multiplier from the performance-linked table.
Stock-Based Compensation	- The stock-based compensation system was introduced to clarify the relationship between the compensation of directors and the value of shares of the Bank. This system aims to improve medium- to long-term performance, increase corporate value, and raise awareness of governance by sharing the benefits and risks of changes in the share price with shareholders. - The Bank grants points (1 point = 1 share of Bank stock) to eligible directors, etc., each fiscal year through a trust in accordance with the Bank's share transfer rules. Upon retirement, directors, etc., receive an amount of Bank stock corresponding to the accumulated points and a monetary amount equivalent to the market value of the Bank's stock as of the date of retirement.

Performance-Linked Tables

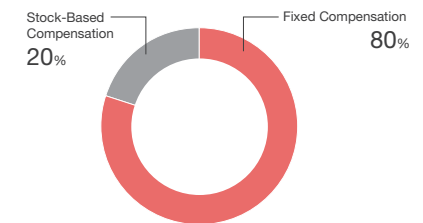
Profit Attributable to Owners of the Bank	Performance-Linked Compensation Multiplier
¥23 billion or more	1.35
¥22 billion to ¥23 billion	1.30
¥21 billion to ¥22 billion	1.25
¥20 billion to ¥21 billion	1.20
¥19 billion to ¥20 billion	1.15
¥18 billion to ¥19 billion	1.10
¥17 billion to ¥18 billion	1.05
¥16 billion to ¥17 billion	1.00

Profit Attributable to Owners of the Bank	Performance-Linked Compensation Multiplier
¥15 billion to ¥16 billion	0.95
¥14 billion to ¥15 billion	0.90
¥13 billion to ¥14 billion	0.85
¥12 billion to ¥13 billion	0.80
¥11 billion to ¥12 billion	0.75
¥10 billion to ¥11 billion	0.70
Less than ¥10 billion	0.00

Outside Directors (Excluding Directors on the Audit and Supervisory Committee)

Compensation Composition

Compensation consists of fixed compensation and stock-based compensation. Fixed compensation and standard stock-based compensation are determined for each position, and the ratio will be 80% fixed to 20% stock-based.



Compensation Details

Fixed Compensation	Compensation is determined by the Bank in accordance with the Director Compensation Regulations.
Stock-Based Compensation	- The stock-based compensation system was introduced to clarify the relationship between the compensation of directors and the value of shares of the Bank. This system aims to improve medium- to long-term performance, increase corporate value, and raise awareness of governance by sharing the benefits and risks of changes in the share price with shareholders. - The Bank grants points to eligible directors, etc., each fiscal year in accordance with the Bank's share transfer rules. Upon retirement, directors, etc., receive an amount of Bank stock corresponding to the accumulated points and a monetary amount equivalent to the market value of the Bank's stock as of the date of retirement.

Members of the Audit and Supervisory Committee

Compensation Composition

Fixed compensation only.

Details of Fixed Compensation

A fixed amount is paid in line with classification as full- or non-full time in accordance with the Audit and Supervisory Committee Member Compensation Regulations.

Active Involvement of Outside Directors

Outside directors proactively leverage their expertise to offer various opinions and advice on management as well as to engage in active interaction with investors, clients, and employees.

Active Discussions with Management

Board of Directors discussions

The Board of Directors engages in active discussions on key points and issues in management strategy throughout the year.

Outside Director Advice

Acceptance of global talents (April 2023)
Director Goto on the need for a global perspective

Elimination of gender gap (May 2023)
Director Motoi on efforts to eliminate gender differences in engagement scores

Reduction of cross-shareholdings (March 2024)
Director Kuratsu on plans to reduce cross-shareholdings

Contributions to Medium-Term Management Planning

The Board met three times to discuss the medium-term management plan that began in April 2024, making decisions based on various opinions from outside directors.

Enhanced Discussions Outside of Board Meetings

Discussions with the president

Topics

- Every Employee a Consultant (October 2022)
- Human resources development (February 2023)
- Asset consulting (October 2023)
- New management structure (April 2024)



Luncheon for Outside Directors Only

The lead outside director serves as a coordinator, leading discussions on topics ranging from the exchange of information among outside directors to the exchange of opinions with the president.

Active Interaction With Clients and Institutional Investors

Financial Result Presentations for Institutional Investors

Outside directors have participated in six consecutive presentations since the December 2021 meeting.

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Company Information Sessions for Our Local Business Partners

In fiscal 2023, outside directors participated in corporate briefings for clients in Tottori, Kurayoshi, Yonago, Matsue, Izumo, Hiroshima, Okayama, Kobe, and Osaka to deepen communication with local companies.

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Seminars and Lectures for Employees

The Bank holds seminars and lectures that leverage the expertise of our outside directors.

Director Kuratsu

- Seminar on the U.S. economy
- Opinion exchange on interest rate trends with market sector representatives

Director Goto

- Seminar on business in China
- News release writing study session

Director Motoi

- Lecture on consulting
- Lecture at a women's corporate business information meeting



Lecture by Director Motoi at an Information Sharing Meeting for Female Corporate Business Employees

Director Motoi gave a lecture at the Women's Corporate Business Information Sharing Meeting held in December 2023. She offered detailed advice based on her experiences in response to questions received in advance. Many participants commented on the helpful nature of the lecture.

Main Questions

- Personal successes, failures, and challenges
- How to uncover the needs of customers
- Tips on prioritizing work
- How to stay motivated
- The essential points of the job

Participant Comments

- I was impressed that Director Motoi is willing to take on new challenges as a woman with no formal background in financial institutions. I want to share this self-affirming training with my team.
- I want to put Director Motoi's experiences into practice right away. The lecture was so helpful that it seemed a shame it was for women only.
- It was very encouraging to hear different perspectives. I plan to take time each day to understand myself better and think about how I choose to live.

Major Items Implemented at the Suggestion of Outside Directors

Sustainability Report Publication

In fiscal 2021, the Bank began publishing our Sustainability Report to summarize our sustainability initiatives.



Individual Meetings With Institutional Investors

The Bank began holding individual meetings between the president and institutional investors in January 2022.

Q&A With Outside Directors at Financial Results Presentations for Institutional Investors (Tokyo IR)

Three outside directors have continuously attended financial results presentations for institutional investors in Tokyo since the December 2021 meeting. This discussion provides an opportunity for investors to learn more about the Bank by speaking directly with outside directors. The following are questions and answers from the December 2023 and June 2024 meetings.

Do you have any messages to add as an outside director?

Kuratsu I have said what I wanted to say at Board of Directors meetings, and I believe that the Board has responded sincerely. If I were to add something, I would say that the Bank must secure human capital. Employees are everything in a bank, so securing high-quality new graduates and recent graduates with work experience is important. So, too, is utilizing the knowledge and experience of senior staff. I would also place a request for the training of director candidates.

Goto I want to add that as a human resources issue, it is concerning that the Bank has zero non-Japanese employees. I think the Bank has gone a long way in promoting women to higher positions. Still, the challenge for the future will be to incorporate non-Japanese employees into the organization and leverage them as a source of growth. The number of non-native Japanese is increasing in San-in. In addition, local companies must also increase business volume with countries overseas.

Motoi I think the Bank has solidified its foundation for consulting under the current medium-term management plan. This consulting

approach will blossom under the next plan. I hope the consulting business visualizes both sales and profitability under the next plan, while also visualizing return on investment (profit and efficiency) related to DX.

While the TSE requires management to be conscious of share price and the cost of capital, regional banks face certain challenges in improving profitability unilaterally. As outside directors, how do you propose the Bank improve its share price?

Kuratsu When I first began serving, I proposed communicating a more effective message and conducting share buybacks. But breakthroughs are difficult due to how people view the regional bank sector. In the end, we came to the conclusion that delivering results is what is most important in gaining recognition, and we discussed drawing a growth story, forming a strategy for outside the prefecture to achieve a profit of ¥23 billion, and growing the numbers.

Goto This is not a recommendation I made at a Board meeting, but I talk about the importance of supporting and fostering companies in San-in for the long term, now that inward direct investment is increasing and inbound tourism is recovering. I have said that growth outside the prefecture will not continue forever, so it is important to nurture companies in San-in to make up that ground.

Motoi San-in Godo Bank must be seen as an individual institution, rather than as part of a regional bank sector. The role of the outside directors is to offer advice to this end.

(December 2023)

The president explained that the outside directors have raised some tough but pertinent issues.

I think the executive side is taking these issues seriously, and I appreciate the Board's high level of transparency and action. If there is anything you have told the executive side regarding issues, would you please share now?

Kuratsu The three of us have pointed out the issues from our respective perspectives at Board meetings, and I feel that the response from the executive side has been sincere and prompt. Of course, not everything is as we expect, but I believe that the Bank has responded rationally to discussions regarding the medium-term management plan. One issue remaining is that of the stock; other than that, the issues are in terms of human resources. One difficult part of doing business in San-in is recruiting young people and mid-career professionals who can act quickly in a new era.

Goto The Bank is moving firmly in the direction of growing its corporate consulting business, but I think they still need to work out the specifics. To do so, the Bank must train human resources and motivate them in the process. The Bank also needs to step up its human resources systems. Another issue is the second brand. Based in the San-in region, San-in Godo Bank provides loans in Sanyo, Kansai, and Tokyo, but there is no guarantee that the Bank will maintain its current pace. To overcome this issue, I think the Bank must leverage DX and a second brand to the fullest, pursuing a decisive strategy. I look forward to a further evolution.

Motoi After approval by the general meeting of shareholders, the Bank now has one non-Japanese outside director and one female representative director/senior managing executive officer. This progress was the result of repeated discussions in Board meetings. When the story broke, the national press picked it up as surprising news, which made us realize that the Bank was still behind the curve after all. So, I hope the Bank will continue to embrace the spirit of creating something from San-in, from Shimane, and from Gogin, not only in diversity, but also in other areas such as DX, forging its own path rather than copying what other banks have done. For our part, the outside directors will offer this perspective in Board meetings.

(June 2024)



Financial results presentation held in December 2023

Directors and Officers

(As of June 20, 2024)

Directors (Excluding Directors on the Audit and Supervisory Committee)



Toru Yamasaki
President and
Representative Director

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)



Hiroshi Yoshikawa
Director
(Representative Director)

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
Apr. 2023 Director and Senior Managing Executive Officer
(current)



Sawako Yoshioka
Director
(Representative Director)

Apr. 1987 Joined San-in Godo Bank
Apr. 2013 Assistant Manager, Customer Service Dept.
Jun. 2013 General Manager, Fukuie Sub-branch
Jun. 2015 General Manager, Koshibara Branch
Aug. 2018 General Manager, Yonago-nishi Branch
Jun. 2020 General Manager, Yonago Branch
Jun. 2022 Executive Officer, Chief, Yonago Headquarters
Apr. 2024 Senior Managing Executive Officer, Chief, Tottori
Headquarters
Jun. 2024 Director and Senior Managing Executive Officer,
Chief, Tottori Headquarters (current)



Hirohisa Ikuta
Director

Apr. 1989 Joined San-in Godo Bank
Jul. 2011 Deputy Chief, Tottori
Jun. 2013 General Manager, Matsue Ekimae Branch
Jun. 2015 General Manager, Kakogawa Branch
Jun. 2017 General Manager, Kobe Branch
Jun. 2019 Executive Officer, General Manager, Kobe Branch
Jun. 2020 Executive Officer, General Manager, Risk
Management Dept.
Oct. 2021 Executive Officer, General Manager, Digital
Transformation Promotion Headquarters
Jun. 2022 Managing Executive Officer, General Manager,
Digital Transformation Promotion Headquarters
Apr. 2024 Senior Managing Executive Officer, General
Manager, Digital Transformation Promotion
Headquarters
Jun. 2024 Director and Senior Managing Executive Officer,
General Manager, Digital Transformation
Promotion Headquarters (current)



Yasuyuki Kuratsu
Director
(Outside, Independent)

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 Corporate 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)
Nov. 2022 Outside Director, Esponsor Co., Ltd.



Yasuhiro Goto
Director
(Outside, Independent)

Apr. 1984 Joined Nikkei Inc.
Sep. 1988 Assigned to Bahrain Bureau, Nikkei Inc.
Jan. 1990 Assigned to Editorial Headquarters for Europe
(London), Nikkei Inc.
Sep. 1992 Industrial Dept., Tokyo Head Office, Nikkei Inc.
Sep. 1997 Assigned to Editorial Headquarters for China
(Beijing), Nikkei Inc.
Sep. 2000 Editorial Board Member, Industrial Dept., Tokyo
Head Office, Nikkei Inc.
Mar. 2002 Editorial Writer, Nikkei Inc.; Newscaster, Nikkei
CNBC
Dec. 2004 Business Evaluation Committee Member, Japan
Organization for Metals and Energy Security
(JOGMEC) (current)
Apr. 2005 Part-Time Director, National Petroleum
Association (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 Corporate 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)



Chie Motoi
Director (Outside, Independent)

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



Graeme David Knowd
Director (Outside, Independent)

Sep. 1997 Analyst, Bank of England
Jun. 1998 Analyst, Financial Conduct Authority (UK)
Mar. 1999 Associate, Standard & Poor's
Nov. 2000 Director, UBS Securities
Sep. 2005 Manager, Bank for International Settlements (BIS)
Jul. 2006 Vice President, CLSA Securities
Jun. 2008 Executive Director, Morgan Stanley Securities
Jun. 2012 Managing Director, Moody's Japan K.K.
Sep. 2018 Managing Director, Moody's Investors Service (currently Moody's Ratings) Singapore
Jun. 2023 President and Representative Director, Knowd Advisory k.k. (current)
Jun. 2024 Director, San-in Godo Bank (current)

Directors on the Audit and Supervisory Committee



Shinji Ito
Full-time Audit and Supervisory Committee Member

Apr. 1990 Joined San-in Godo Bank
Apr. 2008 Assistant Manager, Business Planning Dept.
Jul. 2008 General Manager, Daito Branch
Jul. 2011 Group Manager, Management Planning Dept. (Secretary)
Jun. 2015 General Manager, Matsue Ekimae Branch
Jul. 2017 General Manager, Izumo Branch
Jun. 2020 Executive Officer, Chief, Iwami Headquarters
Jun. 2023 Full-time Audit and Supervisory Committee Member (current)



Mamiko Nakamura
Full-time Audit and Supervisory Committee Member

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)



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

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)
Sep. 2004 Registered as certified tax accountant; President of Imaoka Shoichi Certified Tax Accountant Office (current)
Aug. 2007 Outside Corporate Auditor, Daikokuten Bussan Company (current)
Oct. 2007 Partner, AC Earnest & Co. (current)
Jun. 2015 Auditor, San-in Godo Bank
Jun. 2019 Audit and Supervisory Committee Member, San-in Godo Bank (current)



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

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)



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

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

Executive Officers

Toru Yamasaki
President and Chief Executive Officer

Hiroshi Yoshikawa
Senior Managing Executive Officer

Sawako Yoshioka
Senior Managing Executive Officer (Chief, Tottori Headquarters)

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

Hidetoshi Kageyama
Managing Executive Officer (in charge of Tokyo Region; Chief, N-Alliance Headquarters)

Eiji Kikkawa
Managing Executive Officer (Chief, Kansai Headquarters)

Yuzuru Yasuda
Managing Executive Officer

Noboru Nariai
Managing Executive Officer (Chief, Sanyo Headquarters)

Yoshikazu Tanaka
Managing Executive Officer

Jun Ishibashi
Executive Officer (General Manager, Tottori Business Dept.; Chief, Tottori Corporate Sales Group)

Hidehiro Yamauchi
Executive Officer (General Manager, Head Office; Chief Corporate Sales Group)

Kazunari Takahashi
Executive Officer (Chief, Yonago Headquarters)

Tomoyuki Fukuda
Executive Officer (General Manager, Hiroshima Branch)

Kouki Tomoda
Executive Officer (General Manager, Asset Consulting Dept.)

Jun Mishima
Executive Officer (Chief, Iwami Headquarters)

Akemi Hayashi
Executive Officer (General Manager, Direct Channel Dept.)

Hiroshi Agawa
Executive Officer (General Manager, Kobe Branch)

Tsuyoshi Takahashi
Executive Officer (General Manager, Management Planning Dept.)

(Notes) 1. Director Yasuyuki Kuratsu, Director Yasuhiro Goto, Director Chie Motoi, and Director Graeme David Knowd are outside directors pursuant to Article 2 (15) of Japan's Companies Act. Further, all four of the aforementioned directors have been registered as independent directors, pursuant to the rules of the Tokyo Stock Exchange.

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. Further, all three of the aforementioned directors have been registered as independent directors, pursuant to the rules of the Tokyo Stock Exchange.

Creating Communication Opportunities With Stakeholders

Communicating With Stakeholders to Improve Corporate Value

By engaging with our stakeholders, we will provide better value for them, enhance the Bank's corporate value, and achieve sustainable development in the community.



Overview of Communications With Stakeholders

Customers

- Reaching out to customers via business divisions
- Disseminating information via websites, e-mail, and SNS
- Holding seminars of various types
- Conducting customer satisfaction surveys

Employees

- Conducting compliance awareness surveys
- Disclosing information in internal newsletters and on our intranet
- Providing internal whistleblower systems and consultation services
- Conducting interviews
- Conducting employee engagement surveys

Business Partners

- Sharing information and building trust with external partners and suppliers

Regional Society

- Supporting and participating in community activities
- Participating in initiatives contributing to local communities
- Collaborating with government agencies

Shareholders and Investors

- Holding General Meeting of Shareholders
- Disclosing information on our IR website
- Holding financial results presentations for institutional investors
- Conducting individual meetings with institutional investors
- Publishing a shareholder newsletter (Mini-Disclosure Magazine)

Dialogue With Customers

We place relationship banking at the core of our business model, and we are committed to solving our customers' problems and adding value by providing sophisticated consulting services that rely on excellent customer dialogue. Complaints and requests received at our call center and branches are collated and sent to the Customer Service Improvement Committee. We conduct questionnaires on matters that need to be addressed, with the results being used to develop products and services that meet our customers' needs.

Company Information Sessions for Our Local Business Partners

Outside directors also participate in these events to improve exchanges with our business partners.

Company Information Sessions
(FY2023)
Held 13 times in total
(8 in San-in region;
5 in Sanyo and Kansai regions)



Dialogue With Local Communities

We are members of the local community ourselves, so we are fully committed to fulfilling our community responsibilities. We firmly believe that local problems are always best solved locally, and we have been contributing for many years to local communities both through our core business as well as with in-community activities that enhance local sustainability. We are also committed to actively disclosing our responses to climate change.

Dialogue With Business Partners

To provide our customers with the very best solutions, we collaborate with a number of outside experts and organizations. We are also deepening the trust between ourselves and our business partners. This obviously involves conducting transactions with appropriate compensation to create win-win situations for all concerned.

Dialogue With Employees

We strive to strengthen two-way communication between management and employees so that our people are enthusiastic and our Bank has vitality.

Briefing Employees on Financial Results and Exchanging Opinions

The Bank holds semi-annual meetings in which directors explain financial results and opinions are exchanged. These meetings facilitate broad information sharing and two-way communication between directors and employees.



Dialogue With Shareholders and Investors

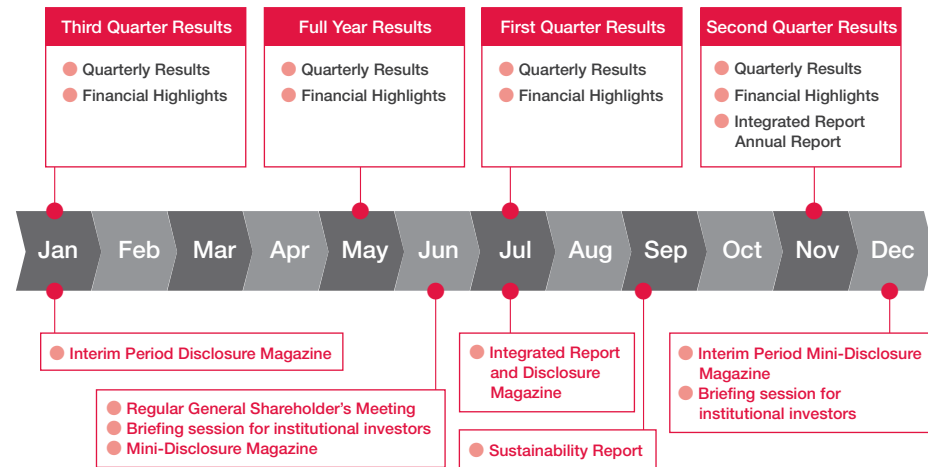
Basic Policy on Constructive Dialogue With Shareholders and Other Parties

We have established a Basic Policy on Constructive Dialogue with Shareholders and Other Parties so that our shareholders and investors have a greater understanding of our Bank.

*The full text of the policy is available on the Bank's website: <https://www.gogin.co.jp/ir/stocks/policy/> (Japanese only)



Systems and Initiatives to Promote Dialogue With Shareholders



Dialogue With Shareholders

We have conversations with our shareholders and investors, taking on board their opinions and suggestions so that we can increase our corporate value.

Target Audience	FY2023 Results
General Shareholders	Annual General Shareholder's Meeting: 87 in-person attendees, 133 virtual attendees
Institutional Investors, Analysts, and Other Financial Industry Professionals	Large Meetings: Held twice (Addressed by president, with 3 outside directors also in attendance) Individual Meetings: 28 meetings (including 2 meetings for overseas investors) Presented by Bank president 4 times and IR staff 24 times Audience of fund managers, investment advisory firms, analysts, and other financial industry professionals Shareholder Relations Meetings: 10 meetings
Individual Investors	Online exhibit at IR fair for individual investors

Measures to improve the effectiveness of dialogue with shareholders

Topics and Matters of Concern	Subjects covered include performance of securities investments, impact of rising interest rates, shareholder returns and dividends, ROE benchmarks, details of the medium-term management plan, content of the integrated report, and sustainability initiatives.
Feedback to Management and the Board of Directors	Reports are made to the Board of Directors after large and individual meetings. Reports made to management as needed.
Other Matters	Changes to shareholder return/dividend policy: FY2024: Change of profit return target from the existing total payout ratio of 40% to a dividend payout ratio of 40% May 2024: Decision made to carry out share repurchase worth up to ¥2.0 billion 10-year ROE target set to minimum value of 8% in medium-term management plan Increase in the percentage of female directors with the appointment of a female representative director

TOPICS

SR Meeting

We held our first shareholder relations (SR) meeting to build on the trust between ourselves and our institutional investors and to gather information on matters that should be considered by management. We have incorporated the insights we received into the formulation of our medium term management plan.

Online Exhibit at Nomura IR Asset Management Fair 2024

January 2024

During the COVID-19 pandemic, we canceled the briefing sessions for individual investors, but we did exhibit online at the Nomura IR Asset Management Fair, an online event for individual investors. This was a new way for us to communicate with our individual investors. In addition, our President and Mariko Mabuchi, an economic analyst and IR Ambassador at the fair, discussed the Bank's growth strategy in an easy-to-understand fashion.



Medium-Term Management Plan Briefing Session

April 2024

Our current medium-term management plan, initiated in fiscal 2024, was presented in our first ever online briefing session to institutional investors.

Research Report on Bank Released by Shared Research, Inc.



Strengthening PR and IR to Enhance Corporate Value

We are strengthening our PR and IR to enhance our corporate value, and to that end, we established a Corporate Communications and IR Group in April 2024. The timing is absolutely right for a regionally based bank like ours to take advantage of the opportunities for increased visibility offered by online activities enabled by digital transformation. Furthermore, we will be completely transparent in our information disclosure, hold dialogue with stakeholders, and at the time, actively incorporate stakeholders' suggestions. This will ensure there is a deeper understanding of our sustainability management and various other initiatives, leading to enhanced corporate value.



Hitoshi Taniguchi

Corporate Communications and IR Group Manager, Management Planning Dept.

Risk Management

Maintaining sound management and enhancing profitability

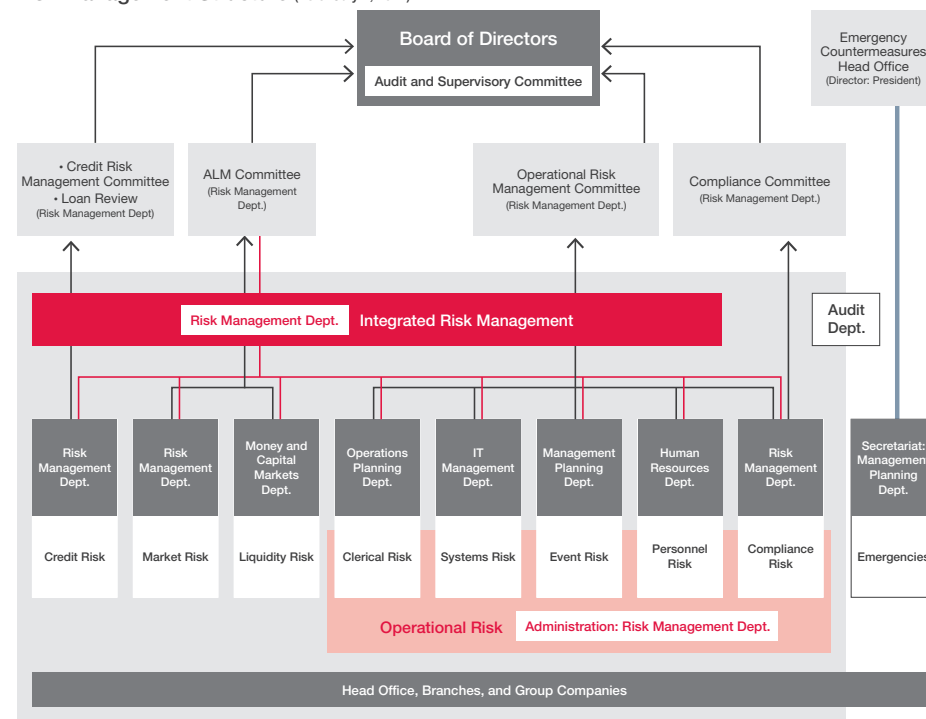
Yuzuru Yasuda
Managing Executive Officer



Basic Approach

San-in Godo Bank views risk management as the most important issue in maintaining the stability and soundness of management. We established a risk management structure placing our Board of Directors at the top. We classify risks as credit risk, market risk, liquidity risk, and operational risk, assigning specific departments to be responsible for each type of risk.

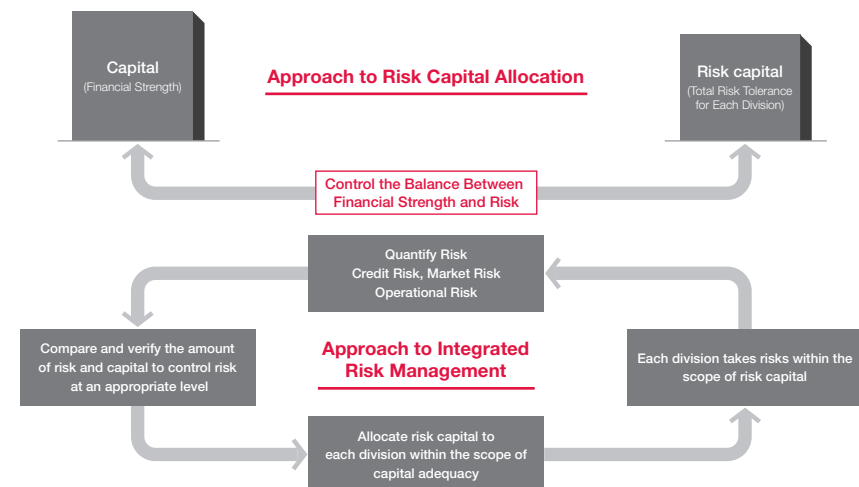
Risk Management Structure (As of July 1, 2024)



- 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 guidance in case of emergency

Integrated Risk Management

Integrated risk management refers to risk management under which we seek to maintain management soundness by examining risks holistically across each category of risk confronting San-in Godo Bank directly. We then compare these risks with our financial strength (capital). Every six months, San-in Godo Bank allocates risk capital (risk tolerance) within the limits of capital to each division dealing with risk. Each division then engages in proactive risk-taking within the limits established. Our objective here is to maintain sound management while boosting profitability and taking advantage of efficient management resources. San-in Godo Bank continues to raise the sophistication of our integrated risk management approach.



*For more on risk management, see P20-P24 in the separate supplemental disclosure (Japanese only).

Cybersecurity

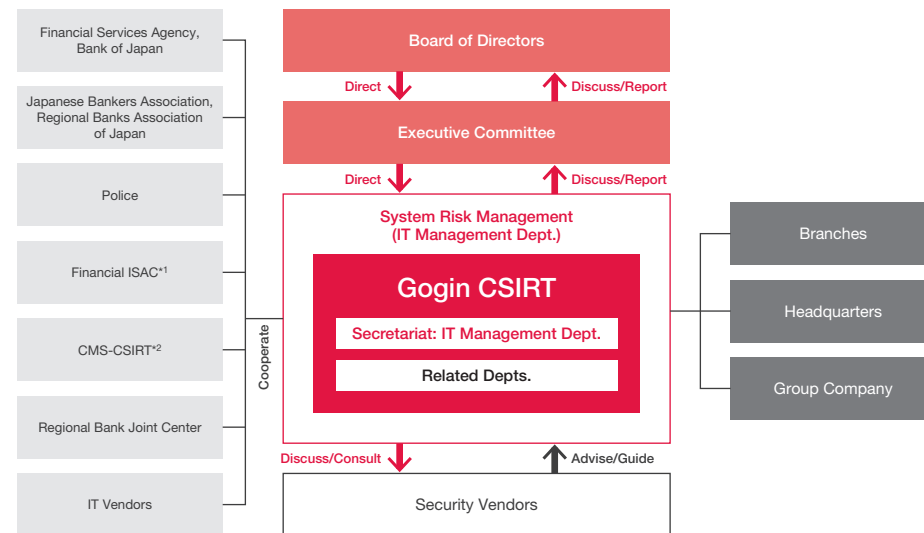
In light of the increasing sophistication and subtlety of cyberattacks, San-in Godo Bank and the San-in Godo Bank Group consider cybersecurity a material issue. To this end, we implement measures to prevent cyberattacks and ensure quick recovery should such attacks occur.

Cybersecurity Management

We established the Gogin Computer Security Incident Response Team (CSIRT) in response to various cyber-attack threats faced by the Bank and our group companies. This team consists of relevant departments that develop and strengthen our cyber-security management.

Our cyber security management is self-evaluated, referencing best practices and the development of other financial institutions. We also discuss results and improvement measures, reporting items back to management. Gogin CSIRT establishes a response structure based on the Cyber Attack Response Manual in the event of a cyber incident. Together, we conduct regular drills and exercises to enhance the effectiveness of this system, ensuring our prompt response to conduct impact surveys, identify damage, prevent its spread, respond to customers, and address external communication.

Organization



*1 Financial Information Sharing and Analysis Center (ISAC): An organization that shares intelligence with financial institutions regarding cybersecurity.

*2 CMS-CSIRT: An organization to strengthen cybersecurity, established by participating banks of the Regional Bank Joint Center (a consortium for banking systems) and MEJAF, as well as NTT DATA Corporation.

Gogin CSIRT Activities

- Establish cybersecurity rules and manuals
- Plan, draft, and implement technical measures for cyber security
- Assess cyber risks and request remediation for Internet systems and cloud services
- Gather information on the latest attack methods and vulnerabilities and take preventive measures
- Check and verify the operation and monitoring of cyber-attack countermeasures
- Plan, draft, and implement education on cyber-attack responses

Activities and Objectives

CSIRT meetings	four times a year
Security review	at least once a year
Cyber-attack response exercises	at least twice a year
Targeted attack e-mail training	at least twice a year
Security training	at least twice a year

System Risk (Cyber Risk) Assessment

The Bank conducts system risk assessments when adopting a new system. These assessments verify security measure implementation status, identify any remaining significant risks to be addressed, and request additional measures as necessary.

We continue to conduct periodic system risk assessments even after systems are operational to monitor security measure implementation.

System Risk Assessment Flow Chart

1	Formulate required security measure levels	Formulate security measure levels based on system importance
2	Determine system importance	Determine system importance based on the information handled by the system in question, the impact of system failure, and other factors
3	Confirm cybersecurity measures details	Confirm security measure implementation status with IT vendors using the System Risk Assessment Sheet, the Internet System Survey, etc.
4	Verify security measure reasonableness	Verify the reasonableness of security measures, and if there is a deviation from the required level, request action (improvements) as necessary
5	Conduct security assessment (vulnerability assessment)	Conduct security assessments through outside professional firms as necessary before operation to ensure that no system vulnerabilities remain
6	Implement periodic monitoring	Monitor the effective maintenance of security measures at a predetermined frequency based on system importance

Response to Emergency Situations

To better react when unforeseen emergencies arise, we defined a set of basic regulations related to crisis management for the Bank and Group companies. More specifically, we created codes of conduct as a response measure for the head office, branches, directors, executive officers, and employees. These measures place the highest priority on customer safety in the event of storms and flooding, fires, earthquakes or other natural disasters, human-made disasters (theft, armed attacks or accidents, etc.), and other emergency situations. We strive to ensure operating continuity and social contribution by minimizing damages and injury. We also conduct drills to prepare for emergencies.

Crisis response according to crisis level

Conditions may change over time during a crisis event, requiring a response by an appropriate responder according to the situation. For this reason, we established crisis level classifications I-III and intend to establish an appropriate crisis response system (escalation) in accordance with each crisis level as quickly as possible.

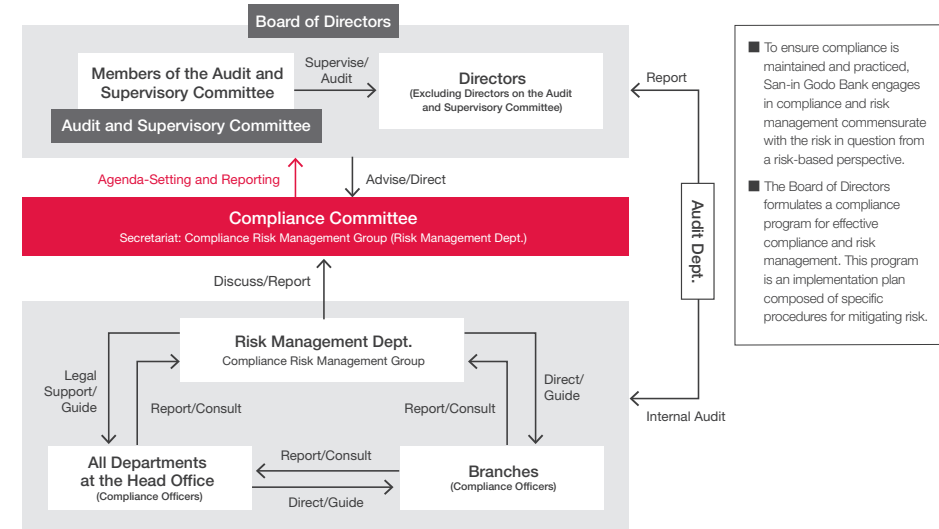
Crisis Level	Responder	Crisis Event
Level I	Person identifying risk* and/or branch (workplace disaster prevention team)	Definition An event in which the damage or escalation of impact can be contained by the response of the person identifying the risk/Branch or the workplace disaster prevention team [Examples] Small fires, illnesses, torrential rain, traffic accidents, etc.
Level II	Incident response department (department in charge at the head office)	Definition (1) An event in which the damage or scope of impact can be contained through the initiative of the incident response department (department in charge at the head office) in cooperation with branches, etc. (2) An event requiring a response by the incident response department (department in charge at the head office) [Examples] Earthquakes (intensity 5 or lower), fires, typhoons, new strains of influenza (low pathogenic), prolonged power outages, equipment damage, reputational risks (deposit insurance 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 warrants the particular judgment of and guidance from management (3) An event that warrants a particularly coordinated response among divisions at the 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 (deposit insurance response), etc.

* Person identifying risk is the entity who identifies risks and crisis events and implements initial responses on-site.

Basic Approach to Compliance

San-in Godo Bank regards compliance as one of our most important management issues. We take aggressive steps to strengthen our compliance structure to foster a corporate culture of compliance. The Compliance Committee confirms compliance status, improvements, and operation of compliance and risk management structures. Based on these activities, the committee proposes appropriate measures and solves problems as needed. Inspection-related matters are put on the agenda or reported to the Board of Directors.

Compliance Structure (As of July 1, 2024)



Group Compliance and Risk Management

The Gogin Group 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 a 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, we clarified the Gogin Group's position on compliance and risk management.

Basic Approach to Compliance

<https://www.gogin.co.jp/about/policy/compliance/> (Japanese Only)



Proper Internal Whistleblower System Operation

San-in Godo Bank introduced internal and external whistleblower systems to strengthen compliance management. These systems allow employees to seek advice or report legal violations and other compliance-related problems directly, facilitating the rapid discovery and correction of issues.

Initiatives for Eliminating Antisocial Forces

To maintain public trust in financial transactions and ensure both the appropriateness and soundness of operations, San-in Godo Bank put internal systems in place to eliminate any relationships with antisocial forces. These systems operate not only within the Bank, but also throughout the entire Group, which unites in efforts to disassociate from antisocial forces. In eliminating transactions or dealing with unjust claims from antisocial forces, our highest priority is the safety of our directors, executive officers, and employees.

Efforts to Prevent Bribery and Other Forms of Corruption

The Bank Group works to take appropriate measures to prevent bribery, in response to strengthened anti-bribery efforts in Japan and overseas.

We not only support and respect the United Nations Global Compact and other international norms, but we also established the Rules for Business Entertainment and Gifts within our Code of Conduct for directors, executive officers, and employees. We ensure that all directors, executive officers, and employees comply with these rules. Our rules prohibit the provision of entertainment, gifts, or favors to public officials, whether direct or indirect. We also aim to maintain and develop sound corporate activities by maintaining moderate relationships with shareholders, business partners, local communities, and other stakeholders, as well as by practicing honest and fair behavior.

Initiatives to Safeguard Clients

We continue to improve policies from the viewpoint of protecting and improving convenience for the customers who use San-in Godo Bank:

- Appropriate and sufficient explanations
- Appropriate response to questions and complaints
- Appropriate management of customer information
- Accuracy and appropriate response to client data used internally and with outside parties
- Appropriate management of conflicts of interest

Our aim is to establish and maintain a management structure that continues to strengthen safeguards for customers. Additionally, we make sure that directors, executive officers, and employees know the importance of safeguarding clients through regular trainings and seminars on compliance. We are committed to protecting customers and improving convenience.

Extensive Safeguarding of Customers and Improved Customer Convenience

Inspect and improve operations from the customer's perspective

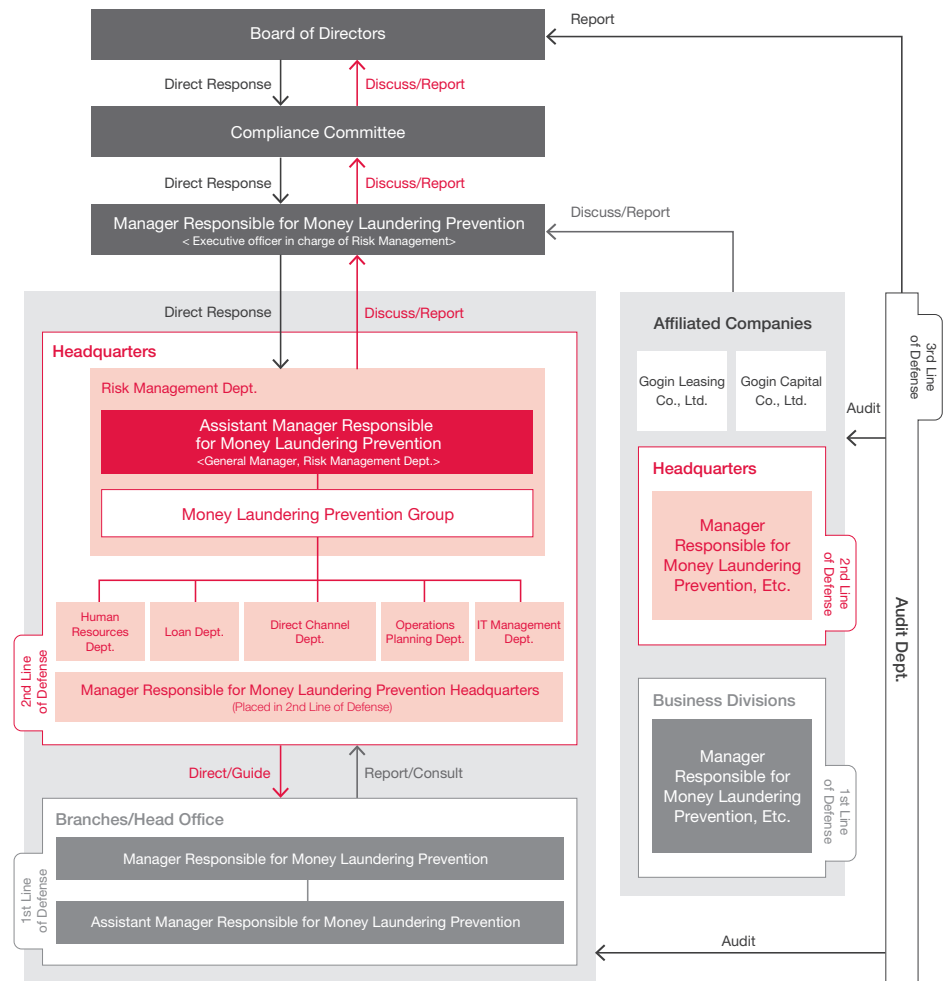
Management Approach to Customer Protection

- Appropriate and sufficient explanations to customers
- Appropriate response to questions and complaints
- Appropriate management of customer information
- Accuracy and appropriate response to client data used internally and with outside parties
- Appropriate management of conflicts of interest

Initiatives to Prevent Money Laundering

The Bank recognizes that the international community requires financial institutions to take measures against money laundering and the financing of terrorism ("money laundering, etc."). To this end, we consider the establishment of an anti-money laundering, etc. system as a material management issue. The Bank is committed to preventing customers, directors, executive officers, employees, and other parties from engaging in or being involved in money laundering, etc., as well as to contributing to the maintenance and development of a sound financial system.

Money Laundering Prevention Framework (As of July 1, 2024)



Key Indicators

Financial Data

(Unit: ¥ million)

		FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	
Consolidated	Ordinary income	87,244	90,733	91,476	93,746	95,806	97,833	90,352	89,178	95,111	112,683	120,176	
	Ordinary profit	19,981	23,126	22,486	20,562	19,867	19,294	16,256	14,439	20,791	21,722	24,727	
	Profit attributable to owners of the Bank	11,175	12,161	12,911	13,399	13,692	13,205	10,467	9,679	14,485	15,463	16,800	
	Non -interest revenue ratio(gross core banking profit basis) (%) ^{*1}	15.92	16.52	15.95	14.50	16.93	15.54	14.47	14.15	16.53	17.87	19.35	
	ROE (shareholders' equity basis) (%)	4.27	4.51	4.64	4.61	4.51	4.21	3.25	2.94	4.29	4.45	4.70	
	Capital adequacy ratio (domestic standard) (%) ^{*2}	17.26	15.71	15.68	14.85	14.06	13.79	12.95	12.48	11.36	12.57	11.76	
Non-Consolidated	Summary of business performance												
	Ordinary income	72,976	76,453	77,124	77,898	79,039	81,512	73,350	72,540	78,367	96,343	101,821	
	Interest income	54,036	53,964	54,506	54,382	53,146	53,144	54,062	54,857	58,349	61,807	70,977	
	Interest on loans	35,142	34,472	33,774	32,849	32,494	32,861	33,482	34,952	36,165	42,891	51,879	
	Interest and dividends on securities	22,564	23,109	24,972	26,923	26,547	23,734	22,270	20,669	21,890	19,954	22,069	
	Revenue from service transactions	5,928	6,585	6,550	5,553	5,935	6,201	5,977	6,218	8,077	9,966	11,685	
	Bond-related income (loss)	657	576	926	(5,041)	(4,440)	(3,502)	(748)	(2,623)	(9,397)	(13,247)	(10,480)	
	Expenses	38,353	37,222	37,068	36,931	36,835	36,978	37,900	37,129	37,504	37,060	38,223	
	Net profit from core banking operations	22,119	23,716	24,296	23,325	22,816	22,543	22,402	24,153	30,654	32,100	37,088	
	Stock-related income (loss)	131	1,705	644	2,021	2,753	4,086	1,265	840	1,180	4,142	3,219	
	Disposal of non-performing loans	3,867	(20)	2,827	155	686	3,390	5,042	4,853	3,316	2,124	5,455	
	Ordinary profit	18,507	21,373	21,927	19,450	19,262	19,259	15,906	13,891	20,346	21,017	22,955	
	Net income	10,977	11,753	13,260	13,385	13,357	13,495	10,478	8,325	14,222	14,517	15,975	
	Credit expenses	3,915	4,193	3,447	(260)	628	3,969	5,234	7,246	1,890	2,015	7,575	
	Major accounts (year-end balance)												
	Total assets	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	6,850,754	7,333,169	
	Loans	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	4,343,479	4,768,310	
	San-in (Shimane and Tottori)	1,351,755	1,412,469	1,468,396	1,564,996	1,641,607	1,677,738	1,709,041	1,759,279	1,794,153	1,785,440	1,788,744	
	Sanyo (Hiroshima and Okayama)	303,335	304,517	328,604	376,488	429,318	475,575	529,573	595,281	708,924	809,115	942,138	
	Kansai (Hyogo and Osaka)	330,556	379,313	422,697	494,752	559,839	584,183	654,467	707,648	802,637	971,200	1,131,390	
	Tokyo	332,842	346,319	386,031	386,254	385,779	383,553	459,973	521,785	627,825	777,723	906,037	
	Securities	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	1,559,753	1,558,229	
	Deposits, etc. (deposits + negotiable certificates of deposit)	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	5,658,895	6,242,367	
	Key figures and indicators												
	Yield on loans (domestic) (%)	1.56	1.48	1.38	1.22	1.12	1.07	1.04	1.00	0.97	0.94	0.93	
	Yield on securities (domestic) (%)	1.32	1.27	1.25	1.26	1.24	1.26	1.42	1.07	0.92	1.04	1.30	
	Non-performing loans	79,879	67,412	66,551	58,437	53,678	56,999	59,817	61,568	66,995	61,002	65,205	
	Non-performing loan ratio (%)	3.37	2.70	2.49	2.02	1.73	1.77	1.72	1.66	1.65	1.36	1.33	
	OHF (gross core banking profit basis) (%)	63.42	61.08	60.40	61.29	61.75	62.12	62.85	60.58	55.02	53.58	50.75	
	Capital adequacy ratio (domestic standard) (%) ^{*2}	16.24	14.68	14.82	14.30	13.48	13.32	12.52	11.97	10.92	12.10	11.33	
	Per share data												
	Net assets per share (¥)	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	1,922.80	2,000.77	
	Annual dividend per share (¥)	11.00	13.00	15.00	15.00	26.00	26.00	20.00	18.00	32.00	34.00	39.00	
	Earnings per share (¥)	67.98	73.45	83.27	85.18	85.61	86.44	67.15	53.45	91.20	93.20	103.92	
	Earnings per share, diluted (¥)	67.64	73.00	82.84	84.82	85.33	86.21	66.98	53.35	91.09	93.11	103.87	

^{*1} Gains on asset swap cancellations and currency swap expenses deducted in FY2021 ^{*2} Basel III finalization applied in FY2022

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Non-Consolidated	Other indicators										
	Dividend payout ratio (%)	16.18	17.69	18.01	17.60	30.37	30.07	29.78	33.67	35.08	36.48
	Stock price (year-end closing price) (¥)	698	991	696	892	942	794	547	561	627	739
	No. of branches (including former sub-branches, branch-in-branch locations, and one direct branch)	171	170	167	161	152	150	149	149	149	151
	No. of employees	1,983	1,987	1,978	1,995	2,003	2,018	1,992	1,961	1,923	1,850
Market Data (Year-End)	Nikkei-225 Stock Average (¥)	14,827	19,206	16,758	18,909	21,454	21,205	18,917	29,178	27,821	28,041
	10-year government bond yields (%)	0.640	0.400	(0.050)	0.065	0.045	(0.095)	0.005	0.120	0.210	0.320
	Exchange rate (\$=¥: TTM at the end of period) (¥)	102.92	120.17	112.68	112.19	106.24	110.99	108.83	110.71	122.39	133.53

Non-Financial Data

	FY2021		FY2022		FY2023	
	Non-Consolidated	Consolidated	Non-Consolidated	Consolidated	Non-Consolidated	Consolidated
Environment						
Greenhouse gas emissions (t-CO ₂)						
Scope 1 (t-CO ₂)	—	1,483	—	1,396	—	1,303
Scope 2 (t-CO ₂)	—	6,623	—	6,224	—	4,093
Total (Scope 1 + Scope 2) (t-CO ₂)	—	8,106	—	7,620	—	5,396
Society						
Human capital						
Number of employees	1,858	—	1,785	1,955	1,714	1,885
Number of female employees	858	—	836	946	810	918
Percentage of female employees (%)	46.2	—	46.8	48.4	47.3	48.7
Percentage of female management positions (managers or higher) (%)	14.7	—	20.5	20.7	22.3	21.9
Percentage of female management positions (assistant managers or higher) (%)	23.3	—	25.4	26.5	28.9	30.0
Percentage of experienced professional hires (%)	—	—	—	25.0	—	27.1
Turnover rate (under 30) (%)	—	—	—	7.8	—	6.3
Employment rate of individuals with disabilities (%)	2.57	—	2.73	2.74	3.0	3.0
Percentage of male employees taking childcare leave and leave for childcare purposes (%)	89.7	—	100.0	100.0	97.1	97.1
Social contribution activities						
Number of participants in forest conservation activities	356	—	506	—	723	—
Monetary value of donated goods to the Gogin Hitotsubu no Mugi no Kai (One Grain of Wheat) (thousand yen)	2,700	—	2,500	—	2,100	—
Number of financial and economic educators	—	—	236	—	8,116	—
Governance						
Number of directors	12	—	12	—	12	—
Percentage of female directors	16.6	—	25.0	—	25.0	—
Percentage of outside directors	50.0	—	50.0	—	50.0	—

External Evaluations



Endorsement for Initiatives



Corporate Data

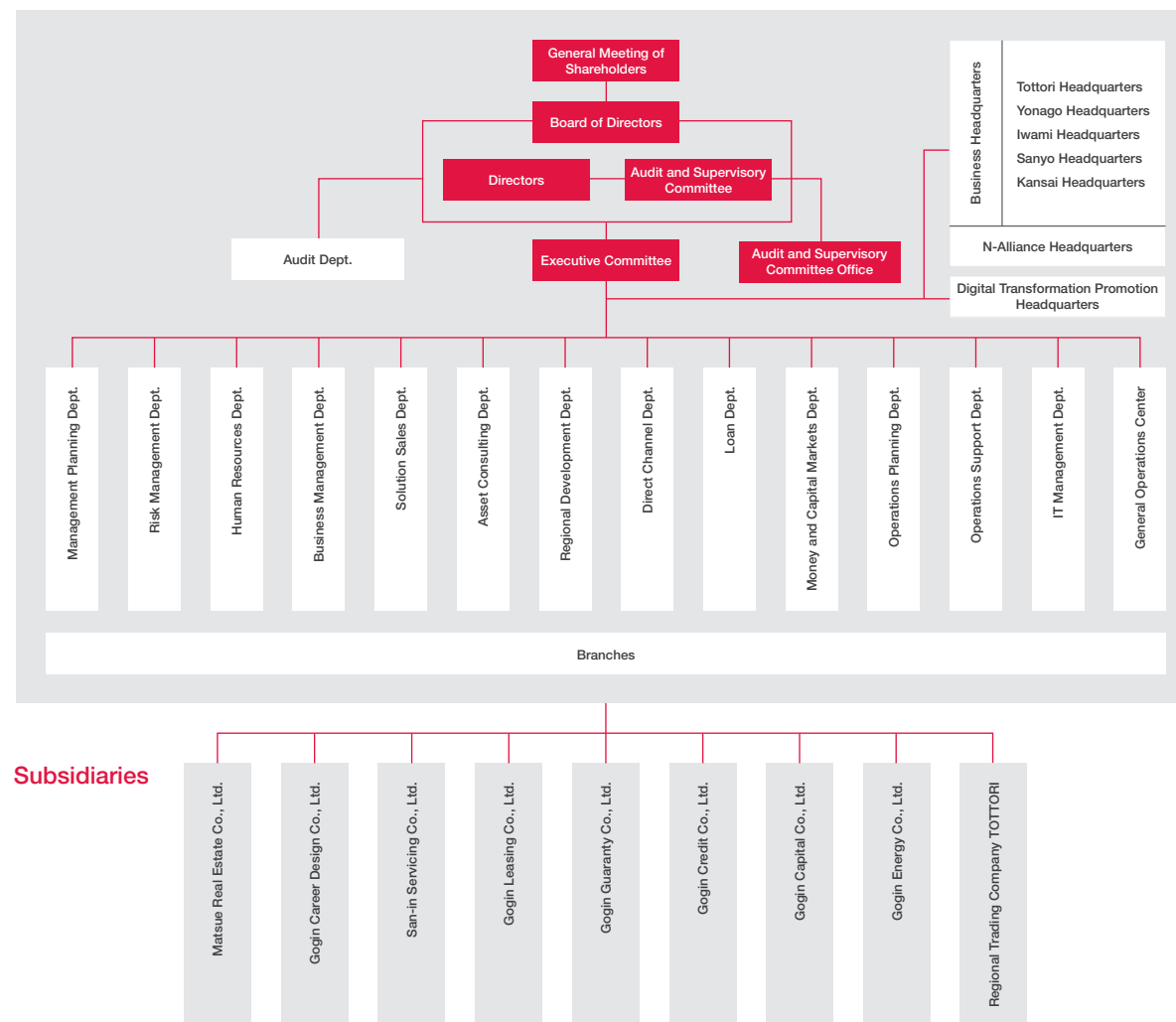
San-in Godo Bank Overview

(Non-Consolidated) (As of March 31, 2024)

Founded	December 1, 1878
Date of establishment	July 1, 1941
Head office	10 Uomachi, Matsue, Shimane 690-0062, Japan
Common stock	¥20.7 billion
Number of employees	1,780
Number of locations	Offices: 64 domestic branches (including head office) Sub-branches: 44 (excluding 42 branch-in-branch locations and 1 direct branch) Representative offices in Japan: 1 (Tokyo) Overseas representative offices: 2 (Shanghai, Bangkok)
Major accounts	Total Assets: ¥7,333.1 billion Deposits, etc. (deposits + NCD): ¥6,242.3 billion Loans: ¥4,768.3 billion Securities: ¥1,558.2 billion
Capital adequacy ratio	11.33%
Ratings	A+ (Rating & Investment Information, Inc.) AA- (Japan Credit Rating Agency, Ltd.)

Gogin Group Organizational Structure (As of July 1, 2024)

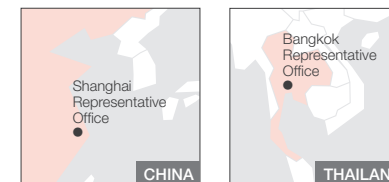
San-in Godo Bank



The Wide-Ranging Gogin Branch Network

We endeavor to provide high-quality financial services, mainly covering San-in, where we have a network of branches and ATMs that span a geographical area covering some 300 kilometers. We are also building a robust branch network in Sanyo and Kansai.

Overseas



The Wide-Ranging Gogin Branch Network

(As of July 1, 2024)

	Head office and branches	Sub-branches	Total
Shimane Pref.	25	20	45
Tottori Pref.	15	24	39
Hiroshima Pref.	5	0	5
Okayama Pref.	5	0	5
Hyogo Pref.	10	0	10
Osaka Pref.	3	0	3
Tokyo Pref.	1	0	1
Total	64	44	108

Two overseas representative offices (Shanghai, Bangkok)
 *Excludes 42 branch-in-branch locations and 1 direct branch

ATMs Installed

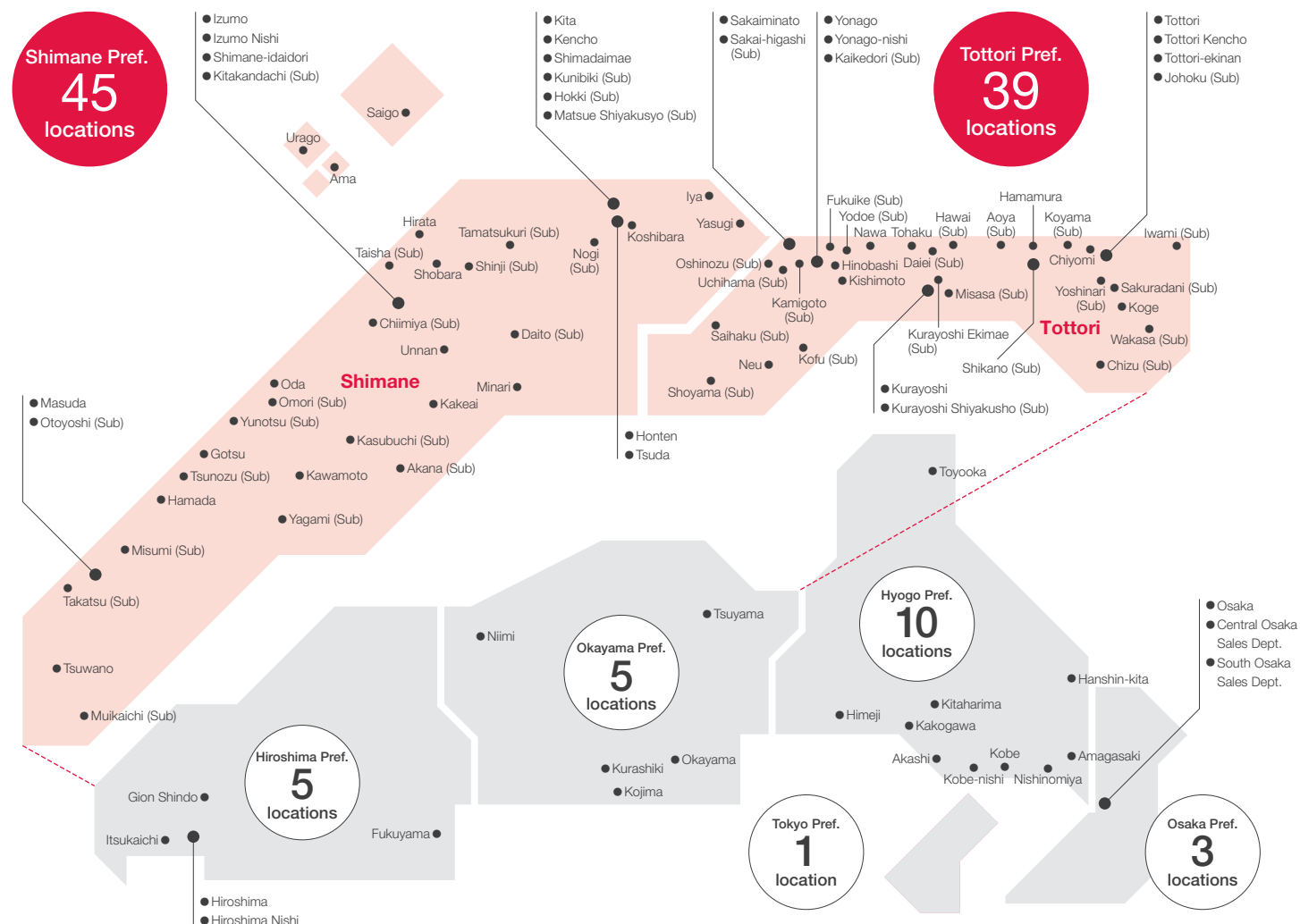
(As of June 30, 2024) (units)

	Total	Inside Branches	Outside Branches
Tottori Pref.	161	89	72
Shimane Pref.	256	111	145
Hiroshima Pref.	3	3	0
Okayama Pref.	5	5	0
Hyogo Pref.	2	2	0
Osaka Pref.	0	0	0
Tokyo Pref.	0	0	0
Total	427	210	217

ATMs Installed in Convenience Stores

(As of June 30, 2024) (units)

Number of Convenience Stores With ATMs	E-net
Nationwide	11,924
Shimane Pref.	58
Tottori Pref.	63



*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, 2023 and 2024	Millions of Yen		Thousands of U.S. Dollars
	2023	2024	2024
Assets:			
Cash and due from banks	¥ 820,839	¥ 886,423	\$ 5,854,454
Call loans and bills purchased	3,271	4,012	26,497
Debt purchased	13,159	13,889	91,731
Money held in trust	4,988	4,993	32,976
Securities	1,562,511	1,558,741	10,294,835
Loans and bills discounted	4,322,918	4,744,248	31,333,782
Foreign exchange	4,768	2,485	16,412
Lease receivables and investments in lease assets	28,179	28,155	185,952
Other assets	66,333	67,907	448,497
Tangible fixed assets:	34,701	34,326	226,708
Buildings	11,263	10,807	71,375
Land	20,028	19,910	131,497
Construction in process	–	11	72
Others	3,409	3,596	23,750
Intangible fixed assets:	3,854	3,320	21,927
Software	3,593	2,974	19,642
Goodwill	–	85	561
Others	261	260	1,717
Net defined benefit assets	4,150	8,411	55,551
Deferred tax assets	35,521	34,614	228,611
Customers' liabilities for acceptances and guarantees	13,334	12,779	84,399
Reserve for possible loan losses	(40,886)	(43,612)	(288,039)
Reserve for devaluation of securities	(156)	(134)	(885)
Total assets	¥ 6,877,489	¥ 7,360,564	\$ 48,613,460
Liabilities:			
Deposits	¥ 5,508,349	¥ 5,923,978	\$ 39,125,407
Negotiable certificates of deposit	138,957	306,743	2,025,909
Call money and bills sold	98,812	44,665	294,993
Cash collateral received under securities lending	106,426	92,129	608,473
Borrowed money	586,637	563,602	3,722,356
Foreign exchange	7	41	270
Other liabilities	97,394	78,393	517,753
Reserve for bonuses to employees	957	948	6,261
Net defined benefit liability	9,147	8,706	57,499
Reserve for stock benefits	414	418	2,760
Reserve for director and corporate auditor retirement benefits	58	77	508
Reserve for reimbursement of deposits	252	168	1,109
Reserve for contingencies	804	785	5,184
Deferred tax liabilities	674	20	132
Deferred tax liabilities for land revaluation excess	2,050	2,015	13,308
Acceptances and guarantees	13,334	12,779	84,399
Total liabilities	¥ 6,564,281	¥ 7,035,474	\$ 46,466,376

As of March 31, 2023 and 2024	Millions of Yen		Thousands of U.S. Dollars
	2023	2024	2024
Net assets:			
Common stock:			
Authorized – 495,021,000 shares in 2023 and 2024			
Issued and outstanding – 156,977,472 shares in 2023 and 2024	¥ 20,705	¥ 20,705	\$ 136,747
Capital surplus	22,058	22,058	145,683
Retained earnings	310,618	322,070	2,127,138
Treasury stock, at cost – 2,502,655 shares in 2023 and 3,489,463 shares in 2024	(1,847)	(2,679)	(17,693)
Total shareholders' equity	351,535	362,155	2,391,882
Net unrealized gain on other securities	(36,842)	(42,381)	(279,908)
Net deferred gain (loss) on hedging instruments	(3,020)	1,434	9,470
Land revaluation excess	2,331	2,251	14,866
Remeasurements of defined benefit plans	(1,354)	1,125	7,430
Total accumulated other comprehensive income	(38,886)	(37,570)	(248,134)
Subscription rights to shares	103	30	198
Non-controlling interests	455	475	3,137
Total net assets	313,208	325,089	2,147,077
Total liabilities and net assets	¥ 6,877,489	¥ 7,360,564	\$ 48,613,460

Consolidated Statements of Income

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

Years ended March 31, 2023 and 2024	Millions of Yen		Thousands of U.S. Dollars
	2023	2024	2024
Income:			
Interest income:	¥ 66,644	¥ 76,086	\$ 502,516
Interest on loans and discounts	42,826	51,819	342,242
Interest and dividends on securities	19,918	20,757	137,091
Other interest income	3,899	3,507	23,162
Fees and commissions	15,073	17,262	114,008
Other operating income	24,641	19,238	127,058
Other income	7,216	7,840	51,779
Total income	113,576	120,427	795,370
Interest expenses:	4,978	6,517	43,042
Interest on deposits and NCDs	857	1,232	8,136
Interest on call money and bills sold	2,637	2,759	18,222
Interest on securities lending with cash collateral	1,132	1,550	10,237
Interest on borrowed money	41	37	244
Other interest expenses	309	936	6,181
Fees and commissions	4,372	4,663	30,797
Other operating expenses	38,855	35,374	233,630
General and administrative expenses	39,576	40,573	267,967
Provision for reserve for possible loan losses	1,856	5,337	35,248
Other expenses	2,048	3,290	21,729
Total expenses	91,688	95,757	632,435
Profit before income taxes	21,888	24,669	162,928
Income taxes:	6,450	7,857	51,892
Current	5,342	8,149	53,820
Deferred	1,108	(291)	(1,921)
Profit	15,437	16,812	111,036
Profit (loss) attributable to non-controlling interests	(25)	11	72
Profit attributable to owners of the Bank	¥ 15,463	¥ 16,800	\$ 110,957

Consolidated Statements of Comprehensive Income

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

Years ended March 31, 2023 and 2024	Millions of Yen		Thousands of U.S. Dollars
	2023	2024	2024
Profit	¥ 15,437	¥ 16,812	\$ 111,036
Other comprehensive income:			
Net unrealized gain on other securities	(43,988)	(5,528)	(36,510)
Net deferred gain (loss) on hedging instruments	(5,708)	4,454	29,416
Remeasurements of defined benefit plans	1,460	2,479	16,372
Total other comprehensive income	(48,236)	1,405	9,279
Comprehensive income	¥ (32,798)	¥ 18,217	\$ 120,315
Comprehensive income attributable to owners of the Bank	¥ (32,764)	¥ 18,196	\$ 120,177
Comprehensive income attributable to non-controlling interests	(34)	21	138

Consolidated Statements of Changes in Net Assets

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

Years ended March 31, 2023 and 2024	Millions of Yen				
	Shareholders' equity				Total shareholders' equity
	Common stock	surplus Capital	Retained earnings	Treasury stock	
Net assets as of April 1, 2022	¥ 20,705	¥ 22,058	¥ 301,096	¥ (643)	¥ 343,217
Dividends			(5,958)		(5,958)
Profit attributable to owners of the Bank			15,463		15,463
Purchases of treasury stock				(1,302)	(1,302)
Sales of treasury stock			(0)	98	97
Transfer from land revaluation excess			16		16
Net changes of items other than shareholders' equity					
Total changes during the year	–	–	9,522	(1,203)	8,318
Net assets as of April 1, 2023	20,705	22,058	310,618	(1,847)	351,535
Dividends			(5,422)		(5,422)
Profit attributable to owners of the Bank			16,800		16,800
Purchases of treasury stock				(1,001)	(1,001)
Sales of treasury stock			(6)	169	162
Transfer from land revaluation excess			80		80
Net changes of items other than shareholders' equity					
Total changes during the year	–	–	11,451	(831)	10,619
Balance as of March 31, 2024	¥ 20,705	¥ 22,058	¥ 322,070	¥ (2,679)	¥ 362,155

Years ended March 31, 2023 and 2024	Millions of Yen							
	Accumulated other comprehensive income							Total net assets
	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	
Net assets as of April 1, 2022	¥ 7,137	¥ 2,688	¥ 2,348	¥ (2,814)	¥ 9,358	¥ 123	¥ 491	¥ 353,191
Dividends								(5,958)
Profit attributable to owners of the Bank								15,463
Purchases of treasury stock								(1,302)
Sales of treasury stock								97
Transfer from land revaluation excess								16
Net changes of items other than shareholders' equity	(43,980)	(5,708)	(16)	1,460	(48,244)	(19)	(36)	(48,300)
Total changes during the year	(43,980)	(5,708)	(16)	1,460	(48,244)	(19)	(36)	(39,982)
Net assets as of April 1, 2023	(36,842)	(3,020)	2,331	(1,354)	(38,886)	103	455	313,208
Dividends								(5,422)
Profit attributable to owners of the Bank								16,800
Purchases of treasury stock								(1,001)
Sales of treasury stock								162
Transfer from land revaluation excess								80
Net changes of items other than shareholders' equity	(5,538)	4,454	(80)	2,479	1,315	(73)	19	1,261
Total changes during the year	(5,538)	4,454	(80)	2,479	1,315	(73)	19	11,881
Balance as of March 31, 2024	¥ (42,381)	¥ 1,434	¥ 2,251	¥ 1,125	¥ (37,570)	¥ 30	¥ 475	¥ 325,089

Consolidated Statements of Changes in Net Assets

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

Year ended March 31, 2024	Thousands of U.S. Dollars				
	Shareholders' equity				Total shareholders' equity
	Common stock	surplus Capital	Retained earnings	Treasury stock	
Net assets as of April 1, 2023	\$ 136,747	\$ 145,683	\$ 2,051,502	\$ (12,198)	\$ 2,321,742
Dividends			(35,810)		(35,810)
Profit attributable to owners of the Bank			110,957		110,957
Purchases of treasury stock				(6,611)	(6,611)
Sales of treasury stock			(39)	1,116	1,069
Transfer from land revaluation excess			528		528
Net changes of items other than shareholders' equity					
Total changes during the year	–	–	75,629	(5,488)	70,134
Balance as of March 31, 2024	\$ 136,747	\$ 145,683	\$ 2,127,138	\$ (17,693)	\$ 2,391,882

Year ended March 31, 2024	Thousands of U.S. Dollars							
	Accumulated other comprehensive income							Total net assets
	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	
Net assets as of April 1, 2023	\$ (243,326)	\$ (19,945)	\$ 15,395	\$ (8,942)	\$ (256,825)	\$ 680	\$ 3,005	\$ 2,068,608
Dividends								(35,810)
Profit attributable to owners of the Bank								110,957
Purchases of treasury stock								(6,611)
Sales of treasury stock								1,069
Transfer from land revaluation excess								528
Net changes of items other than shareholders' equity	(36,576)	29,416	(528)	16,372	8,685	(482)	125	8,328
Total changes during the year	(36,576)	29,416	(528)	16,372	8,685	(482)	125	78,469
Balance as of March 31, 2024	\$ (279,908)	\$ 9,470	\$ 14,866	\$ 7,430	\$ (248,134)	\$ 198	\$ 3,137	\$ 2,147,077

Consolidated Statements of Cash Flows

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

Years ended March 31, 2023 and 2024	Millions of Yen		Thousands of U.S. Dollars
	2023	2024	2024
Cash flows from operating activities:			
Profit before income taxes	¥ 21,888	¥ 24,669	\$ 162,928
Depreciation	3,053	3,085	20,375
Loss on impairment of fixed assets	606	233	1,538
Gain on negative goodwill	(746)	–	–
(Gain) loss on step acquisitions	(8)	(19)	(125)
Net change in reserve for possible loan losses	(1,685)	2,725	17,997
Net change in reserve for devaluation of securities	(25)	(22)	(145)
Net change in reserve for bonuses to employees	7	(9)	(59)
Net change in net defined benefit asset	(2,561)	(4,261)	(28,142)
Net change in net defined benefit liability	(355)	(441)	(2,912)
Net change in reserve for stock benefits	(5)	3	19
Net change in reserve for directors' and corporate auditors' retirement benefits	1	18	118
Net change in reserve for reimbursement of deposits	(27)	(83)	(548)
Net change in reserve for contingencies	(7)	(19)	(125)
Interest and dividend income	(66,644)	(76,086)	(502,516)
Interest expenses	4,978	6,517	43,042
Net (gain) loss on securities transactions	9,119	4,817	31,814
Net (gain) loss on money held in trust	11	5	33
Net foreign exchange (gain) loss	(95)	(155)	(1,023)
Net (gain) loss on disposals of fixed assets	(16)	(157)	(1,036)
Net change in loans and bills discounted	(413,481)	(421,329)	(2,782,702)
Net change in deposits	636,306	415,628	2,745,049
Net change in negotiable certificates of deposit	(12,487)	167,786	1,108,156
Net change in borrowed money	(116,680)	(23,035)	(152,136)
Net change in due from banks (exclusive of the Bank of Japan)	395	(233)	(1,538)
Net change in call loans	(4,731)	(1,471)	(9,715)
Net change in call money	(22,083)	(54,146)	(357,611)
Net change in cash collateral received under securities lending	(322,702)	(14,297)	(94,425)
Net change in foreign exchange assets	5,252	2,282	15,071
Net change in foreign exchange liabilities	(43)	34	224
Interest and dividends received	65,682	71,870	474,671
Interest paid	(4,761)	(6,538)	(43,180)
Others	(30,247)	(27,481)	(181,500)
Subtotal	(252,095)	69,891	461,600
Income taxes paid	(4,452)	(6,418)	(42,388)
Net cash provided by (used in) operating activities	(256,547)	63,473	419,212

	Millions of Yen		Thousands of U.S. Dollars
	2023	2024	2024
Cash flows from investing activities:			
Purchases of securities	¥ (337,587)	¥ (385,516)	\$ (2,546,172)
Proceeds from sales of securities	426,988	250,036	1,651,383
Proceeds from redemption of securities	223,082	145,758	962,670
Increase in money held in trust	(1)	(11)	(72)
Purchases of tangible fixed assets	(2,521)	(1,396)	(9,219)
Purchases of intangible fixed assets	(874)	(975)	(6,439)
Proceeds from sales of tangible fixed assets	569	407	2,688
Net cash provided by (used in) investing activities	309,655	8,302	54,831
Cash flows from financing activities:			
Purchases of treasury stock	(1,000)	(1,001)	(6,611)
Proceeds from sales of treasury stock	0	0	0
Dividends paid	(5,958)	(5,422)	(35,810)
Dividends paid to non-controlling shareholders	(2)	(2)	(13)
Net cash provided by (used in) financing activities	(6,960)	(6,425)	(42,434)
Net increase (decrease) in cash and cash equivalents	46,147	65,350	431,609
Cash and cash equivalents at the beginning of the year	773,499	819,646	5,413,420
Cash and cash equivalents at the end of the year	819,646	884,996	5,845,030

Notes to 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 ¥151.41 to U.S. \$1, prevailing at the end of March 2024, 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, 2023 and 2024 was 9 and 9, respectively.

(ii) Un-consolidated subsidiaries

The number of unconsolidated subsidiaries due to less materiality as of March 31, 2023 and 2024 was 10 and 12. 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 consolidated subsidiaries is March 31.

(b) Valuation Standards and Methods for Securities

(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. Unrealized gains or losses for other securities are included, net of applicable taxes, directly in net assets.

(ii) 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) above.

(c) Valuation Standards and Methods for Derivatives

Derivative financial instruments are stated at fair value. The Bank calculates fair value for specific market or credit risks 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 Fixed Assets

(i) Depreciation of tangible fixed assets (excluding leased 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

Other 5 to 15 years

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

(e) Depreciation of Intangible Fixed Assets

Intangible fixed assets are depreciated by the straight-line method. The 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 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 using the predetermined residual values described in the relevant lease contracts.

(g) Reserves

(i) Reserve for possible loans losses

The Bank records reserves for possible loan losses in line with amortization and reserve standards established in advance 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* (JICPA Bank Auditing Special Committee Report No. 4, issued on April 14, 2022), issued by the Japanese Institute of Certified Public Accountants (“JICPA”), are recorded based on forecasts of expected losses in the following one year. These reserves are classified prior to calculation into the following two categories: reserves for borrowers who credit amounts, net of protection from collateral, etc., above a certain amount, and other borrowers. 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 experiencing imminent bankruptcies. 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 carrying 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.

Furthermore, for a borrower of loans for whom certain loans, etc., involve lending terms that have been relaxed due to concerns of bankruptcy or who require special attention, and who are large borrowers with a balance of credit as a stand-alone borrowers or group from whom a certain amount remains collectible after deducting amounts secured by collateral, etc., the difference between the amount obtained by discounting the relevant cash flow at the contracted interest rate before the relaxation of lending terms and the book value of the claim is recorded as an allowance for bad debts (cash flow estimation method) with respect to claims for which the cash flow related to the collection of the principal of the claim and the receipt of interest can be reasonably estimated.

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 consolidated subsidiaries, the amounts deemed necessary are provided for based on actual past default ratios. In cases where there is greater concern about the failure of the obligor, amounts deemed uncollectible are provided for in the reserve.

(ii) Reserve for devaluation of securities

A reserve for devaluation of securities is recorded 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 said securities.

(iii) Reserve for bonuses for employees

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

(iv) Reserve for stock benefits

A reserve for stock benefits is recorded based on the related rules for 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 director and corporate auditor retirement benefits

A reserve for director and corporate auditor retirement benefits is recorded as an estimated amount of future retirement payments to directors and corporate auditors of Bank consolidated subsidiaries.

(vi) Reserve for reimbursement of deposits

A reserve for reimbursement of deposits is recorded as an estimated amount of future claims for payments of deposits not accounted for as liabilities.

(vii) Reserve for contingencies

A reserve for contingencies is recorded as an estimated amount of future loss arising from contingencies other than events described above.

(h) Employee 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

The Bank assets and liabilities denominated in foreign currencies are translated into Japanese yen using primarily the applicable rate of exchange effective as of the balance sheet date.

Consolidated subsidiary assets and liabilities denominated in foreign currencies are translated into Japanese yen using the applicable rates of exchange effective as of the respective balance sheet dates.

(j) Revenue Recognition

The Bank applies the *Accounting Standard for Revenue Recognition* (ASBJ Statement No. 29, March 31, 2020) and other standards, recognizing 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) Interest rate risk hedges

The Bank accounts for interest rate risks arising from financial assets and liabilities as a deferred hedge according to *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 evaluates the effectiveness of hedges to offset market fluctuations by grouping hedged items, such as deposits and loans, and hedging instruments, such as interest rate swaps, according to certain (remaining) periods. For hedges that fix cash flows, the Bank evaluates the effectiveness of the hedges by verifying the correlation between the hedged items and the interest rate components of the hedging instruments.

(ii) Foreign exchange risk hedges

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) Amortization of Goodwill and Amortization Period

Goodwill is amortized for a period of up to 20 years on a straight-line basis over the period in which the benefit is expected to be realized.

(m) Cash and Cash Equivalents

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

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

Interim dividends (including gain on cancellation or redemption) from investment trusts held by the Bank included in *Securities* in the consolidated balance sheets are recorded as interest and dividends on securities. Loss on cancellations or redemptions is recorded under 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.

(1) Reserve for Possible Loan Losses

The Bank considers estimating the reserve for possible loans losses related to credit risk to be 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 ¥43,612 million (\$288,039 thousand)

(b) Calculation Method and Major Assumptions

The calculation method for reserve for possible loan losses is described under 2. *Summary of Significant Accounting Policies (g) Reserves (i) Reserve for possible loan losses.*

The major assumptions used in this calculation are the future business outlook of borrowers used in determining the classification of obligors and additional statistical revisions to loan loss ratios and the probability of bankruptcy when calculating predicted losses.

The future business outlook of borrowers used in determining the classification of obligors is established individually after assessing each obligor's earnings ability, the nature of their finances, business improvement plans, etc.

Additional statistical revisions to loan loss ratio and probability of bankruptcy when calculating predicted losses are used to more accurately reflect credit risk in the reserve as of the end of the fiscal year.

(c) Effects on the Consolidated Financial Statements for the Next Fiscal Year

If the assumptions such as the credit status of the borrower, appraisal value of the collateral in question, amount to be collected from guarantees, and other assumptions used for the calculation (e.g. expected loan losses, loan loss ratios and probability of bankruptcy), deviate from the actual results, such deviation could have a significant impact on Group consolidated financial statements in the form of an increase or decrease in reserve for possible loan losses.

4. Additional Information

Transaction to Provide Shares of the Bank to Executives Through a Trust

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

(a) Overview of the Transaction

The Bank distributes certain points to eligible 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 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 BBT. The Bank's shares and money in the trust are managed separately.

(b) The Bank's Shares in the BBT

The Bank's shares in the BBT are recognized as treasury stock under net assets at the carrying amount of the trust. The amounts of treasury stock in the trust were ¥710 million and ¥620 million (\$4,094 thousand), representing 1,019 thousand and 891 thousand shares as of March 31, 2023 and 2024, respectively.

5. 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 under *Securities* in the consolidated balance sheet (limited to bonds for which the redemption of principal and payment of interest are guaranteed in whole or in part, and the issuance of such bonds is related to private placement securities (Article 2, Paragraph 3 of the Financial Instruments and Exchange Act), loans and bills discounted, foreign exchange, accrued interest and suspense payments under *Other assets*, customers' liabilities for acceptances and guarantees, and securities lent (limited to those under loan for use or lease contract).

	Millions of Yen		Thousands of U.S. Dollars
	2023	2024	2024
Bankrupt and quasi-bankrupt loans	¥ 15,741	¥ 17,784	\$ 117,455
Doubtful loans	31,150	30,543	201,723
Loans past due for three months or more	92	46	303
Restructured loans	14,577	17,630	116,438
Total	¥ 61,562	¥ 66,005	\$ 435,935

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

Doubtful loans are claims with respect to borrowers not yet in bankruptcy, but whose financial condition and operating performance have deteriorated and it is highly probable that the loan principal cannot be collected nor interest cannot be received under the agreement, excluding bankrupt and quasi-bankrupt loans.

Loans past due for three months or more are loans on which principal and/or interest payments have been 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. Examples include 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 the deduction of a reserve for possible loan losses.

6. Assets Pledged

	Millions of Yen		Thousands of U.S. Dollars
	2023	2024	2024
Assets pledged as collateral:			
Securities	¥ 571,285	¥ 517,292	\$ 3,416,498
Loans and bills discounted	255,712	260,886	1,723,043
Lease receivables and investments in lease assets	12,268	9,268	61,211
Other assets	3,902	3,662	241,185
Liabilities secured by the above assets:			
Deposits	177,879	176,505	1,165,742
Cash collateral received under securities lending	106,426	92,129	608,473
Borrowed money	582,547	560,027	3,698,745
Other liabilities	4,126	5,582	36,866

Other than the items presented above, other assets of ¥30,008 million and ¥ 30,008 million (\$198,190 thousand) as of March 31, 2023 and 2024, respectively, were held as collateral for transactions of exchange settlement etc.

Other assets included guarantee deposits of ¥671 million and ¥634 million (\$4,187 thousand) as of March 31, 2023 and 2024, respectively.

7. Overdraft Agreements and Loan Commitments

Overdraft agreements and loan commitments are agreements under which the Group is obliged to extend loans up to a prearranged limit, provided there is no violation of conditions in the contracts.

The loan commitments not yet drawn down as of March 31, 2023 and 2024 totaled ¥988,665 million and ¥966,332 million (\$6,382,220 thousand), respectively, of which 861,328 million and ¥850,813 million (\$5,619,265 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 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 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 loan commitment agreements when necessary.

8. Land Revaluation Excess

The Bank revalued 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* under 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, 2023 and 2024 resulted in unrealized losses of 7,812 million and ¥7,738 million (\$51,106 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 above-mentioned ordinance.

9. Accumulated Depreciation and Deferred Revenue on Tangible Fixed Assets

The amounts of accumulated depreciation of tangible fixed assets were ¥48,357 million and ¥47,909 million (\$316,418 thousand) as of March 31, 2023 and 2024, respectively. The amounts of deferred revenue of tangible fixed assets were 1,122 million and ¥1,122 million (\$7,410 thousand) as of March 31, 2023 and 2024, respectively. Deferred revenue on tangible fixed assets for the year ended March 31, 2023 amounted to ¥30 million. There was no deferred revenue on tangible fixed assets incurred for the year ended March 31, 2024.

10. Other Expenses Include the Following

For the year ended March 31, 2023, other expenses included loss on impairment of fixed assets of ¥606 million, loss on write-offs of loans of ¥31 million, loss on write-offs of stocks of ¥320 million, and loss on sales of loans of ¥137 million.

For the year ended March 31, 2024, other expenses included loss on impairment of fixed assets of ¥233 million (\$1,538 thousand), loss on write-offs of loans of ¥1,355 million (\$8,949 thousand), loss on write-offs of stocks of ¥43 million (\$283 thousand), and loss on sales of loans of ¥983 million (\$6,492 thousand).

11. Other Comprehensive Income

Reclassification adjustments and tax effects related to other comprehensive income for the years ended March 31, 2023 and 2024 are as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2023	2024	2024	
Net unrealized gain (loss) on other securities:				
Amount incurred during the year	¥ (70,125)	¥ (8,909)	\$ (58,840)	
Reclassification adjustment	6,903	853	5,633	
Amount before tax effect	(63,222)	(8,055)	(53,199)	
Tax effect	19,233	2,526	16,683	
Net unrealized gain on other securities	(43,988)	(5,528)	(36,510)	
Net deferred gain (loss) on hedging instruments:				
Amount incurred during the year	(5,140)	9,044	59,731	
Reclassification adjustment	(3,067)	(2,639)	(17,429)	
Amount before tax effect	(8,207)	6,404	42,295	
Tax effect	2,499	(1,950)	(12,878)	
Net deferred gain (loss) on hedging instruments:	(5,708)	4,454	29,416	
Remeasurements of defined benefit plans:				
Amount incurred during the year	1,047	2,919	19,278	
Reclassification adjustment	1,052	646	4,266	
Amount before tax effect	2,099	3,565	23,545	
Tax effect	(639)	(1,085)	(7,165)	
Net remeasurements of defined benefit plans	1,460	2,479	16,372	
Total other comprehensive income	¥ (48,236)	¥ 1,405	\$ 9,279	

12. Shares Issued

The numbers of shares issued and changes during the years ended March 31, 2023 and 2024 are summarized as follows:

Year ended March 31, 2023	Thousands of shares	
	Treasury stock	Common stock issued
Beginning of the year	(*1) 989	156,977
Increase during the year	(*2) 1,665	–
Decrease during the year	(*2) 152	–
End of the year	(*1) 2,502	156,977

- (*1) Bank's stock held by Board Benefit Trust (BBT) of 794 thousand shares and 1,019 thousand shares were included in treasury stock at the beginning and end of the year, respectively.
- (*2) The increase in treasury stock is due to purchase resolved by the board of directors on November 10, 2022 of 1,312 thousand shares, purchase executed by Board Benefit Trust (BBT) of 352 thousand shares, and purchase of odd-lot shares of 0 thousand shares. The decrease in treasury stock is due to execution of stock options of 25 thousand shares, stock benefits paid by Board Benefit Trust (BBT) of 127 thousand shares and sales of odd-lot shares of 0 thousand shares.

Year ended March 31, 2024	Thousands of shares	
	Treasury stock	Common stock issued
Beginning of the year	(*1) 2,502	156,977
Increase during the year	(*2) 1,218	–
Decrease during the year	(*2) 231	–
End of the year	(*1) 3,489	156,977

- (*1) Bank stock held by Board Benefit Trust (BBT) of 1,019 thousand shares and 891 thousand shares were included in treasury stock at the beginning and end of the year, respectively.
- (*2) The increase in treasury stock is due to purchase resolved by the board of directors on May 12, 2023 of 1,217 thousand shares and purchase of odd-lot shares of 1 thousand shares. The decrease in treasury stock is due to execution of stock options of 103 thousand shares, stock benefits paid by Board Benefit Trust (BBT) of 127 thousand shares and sales of odd-lot shares of 0 thousand shares.

13. Dividends

Year ended March 31, 2023

Dividends paid during the year are summarized as follows:

Resolution	Total dividends	Dividend per share	Base date	Effective date
General Shareholders' Meeting on June 22, 2022	¥ 3,292 million	¥ 21.0	March 31, 2022	June 23, 2022
Board of Directors Meeting on November 10, 2022	¥ 2,665 million	¥ 17.0	September 30, 2022	December 9, 2022

(*) Total dividends resolved by the general shareholders' meeting on June 22, 2022 and the board of directors on November 10, 2022 include ¥16 million and ¥11 million of dividends to the shares held by Board Benefit Trust (BBT), respectively.

Of the dividends whose record date is within the current consolidated fiscal year, the dividends whose effective date falls in the following consolidated fiscal year;

Resolution	Total dividends	Dividend per share	Base date	Effective date
General Shareholders' Meeting on June 22, 2023	¥ 2,643 million	¥ 17.0	March 31, 2023	June 23, 2023

(*) Total dividend resolved by the general shareholders' meeting on June 22, 2023 includes ¥17 million of dividend to the shares held by Board Benefit Trust (BBT).

Year ended March 31, 2024

Dividends paid during the year are summarized as follows:

Resolution	Total dividends	Dividend per share	Base date	Effective date
General Shareholders' Meeting on June 22, 2023	¥ 2,643 million	¥ 17	March 31, 2023	June 23, 2023
	\$ 17,455 thousand	\$ 0.11		
Board of Directors Meeting on November 10, 2023	¥ 2,778 million	¥ 18	September 30, 2023	December 8, 2023
	\$ 18,347 thousand	\$ 0.11		

(*) Total dividends resolved by the general shareholders' meeting on June 22, 2023 and the board of directors on November 10, 2023 include ¥17 million and ¥16 million of dividends to the shares held by Board Benefit Trust (BBT), respectively.

Of the dividends whose record date is within the current consolidated fiscal year, the dividends whose effective date falls in the following consolidated fiscal year;

Resolution	Total dividends	Dividend per share	Base date	Effective date
General Shareholders' Meeting on June 20, 2024	¥ 3,241 million	¥ 21	March 31, 2024	June 21, 2024
	\$ 21,405 thousand	\$ 0.13		

(*) Total dividend resolved by the general shareholders' meeting on June 20, 2024 includes ¥18 million of dividend to the shares held by Board Benefit Trust (BBT).

14. Reconciliation of Cash and Cash Equivalents

Reconciliation between cash and due from banks in the consolidated balance sheets as of March 31, 2023 and 2024 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
	2023	2024	2024
Cash and due from banks	¥ 820,839	¥ 886,423	\$ 5,854,454
Deposits to banks excluding the Bank of Japan	(1,192)	(1,426)	(9,418)
Cash and cash equivalents	¥ 819,646	¥ 884,996	\$ 5,845,030

15. 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, 2023 and 2024 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2024	2024
Gross lease receivables	¥ 27,350	¥ 27,048	\$ 178,640
Expected residual values	2,370	2,566	16,947
Unearned interest income	(1,542)	(1,535)	(10,138)
Investments in lease assets	¥ 28,179	¥ 28,079	\$ 185,450

Maturities of gross lease receivables for finance leases as of March 31, 2024 are as follows:

Year ended March 31	Millions of Yen	Thousands of U.S. Dollars
2025	¥ 8,887	\$ 58,694
2026	6,904	45,598
2027	5,113	33,769
2028	3,368	22,244
2029	1,737	11,472
2030 and thereafter	1,036	6,842
Total	¥ 27,048	\$ 178,640

16. Financial Instruments and Related Disclosures

Disclosure of Financial Instruments

(1) Policy on financial instruments

The Group provides financial services including banking services such as deposit-taking, lending services, and others. Accordingly, the Group is exposed to the risk of fluctuation of values and earnings of financial assets and liabilities resulting from changes in interest rates (interest rate risk) and the risk that the Group may suffer losses on collection of principal and interest on loans due to bankruptcy or deterioration of performances of counterparties (credit risk).

In addition, the Group is exposed to price fluctuation risk associated with equity securities in addition to interest rate risk and credit risk for securities investment operations. The Group conducts comprehensive asset and liability management (ALM) for 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 consist principally 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 consisting principally 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. These securities are exposed to the credit risk of issuers, interest rate risk and price fluctuation risk. Financial liabilities held by the Group consist principally of deposits accepted from domestic customers, which are exposed to interest rate risk. Borrowed money is exposed to liquidity risk in that the Group may not be able to settle on the maturity date if the Group is not able to utilize the market under certain environments.

With respect to derivative transactions, currency-related transactions include forward exchange contracts, currency swaps, and currency options. Interest rate-related transactions include interest rate swaps and interest rate futures. Of these types of transactions, derivatives for hedging purposes, such as interest rate swaps and forward foreign exchange contracts, that qualify for hedge accounting and meet internal policy for 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 reviews and controls on individual transactions (micro-based credit risk management), portfolio management and appropriate administration through credit risk quantification (macro-based credit risk management), and strict self-assessment and appropriate write-offs and provisions 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 engages in monitoring 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 VaR for internal management purposes. The Bank allocates capital to the market risk exposure and engages in monitoring to balance the volume of risk within the extent of the capacity (capital).

In addition to daily monitoring and controls of VaR, the ALM Committee meets monthly to discuss and determine the means of appropriate risk control.

(b) Quantitative information on market risk management

(i) Risk related to securities

In principle, the Bank utilizes the historical simulation method in calculating the VaR of securities held. The volume of risk associated with products for which market value is not readily available (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 larger of a holding period of 60 days (120 days for strategic shareholdings), confidence level of 99%, observation period of one year or three years.

As of March 31, 2024, VaR was ¥61,899 million (\$408,817 thousand).

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 levels that are statistically calculated based on historical market changes. Therefore, the VaR model may not capture risks under extremely unusual situations where market environments change dramatically.

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

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

VaR is calculated on a monthly basis using a holding period of 60 days, confidence level of 99%, and a time horizon of one year. As of March 31, 2024, the volume of VaR was ¥(34,914) (\$230,592 thousand). For the risk calculation of financial instruments other than securities, an increase in subject interest rates as of the fiscal year end would result in an increase of overall value; therefore, the volume of risk is calculated as negative value for internal management purposes.

However, VaR calculates the volume of market risk with certain probability levels that are statistically calculated based on historical market changes. Therefore, the VaR model may not capture risks under extremely unusual situations where market environments change dramatically.

Liquidity risk management related to funding

The Bank controls liquidity risk using daily funds gap limits. The Bank prepares forecasts and results of cash management on a monthly basis and verifies variances against the plan. Furthermore, the Bank prepares a contingency plan which contains organization plans and response measures for emergencies. The Bank holds sufficient highly liquid debt securities such as government bonds and other highly liquid assets, establishing an 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 amounts recorded on the consolidated balance sheet, fair values, and the difference between these values are as follows. Moreover, items for which consolidated balance sheet amounts are insignificant, or shares and investments in partnerships for which there is no market price, are not included in the following table (see Note 1).

	Millions of Yen		
	Carrying amount	Fair value	Difference
As of March 31, 2023			
Cash and due from banks	¥ 820,839	¥ 820,839	¥ -
Securities:			
Held-to-maturity debt securities	95,306	94,566	(739)
Other securities (*1)	1,442,207	1,442,207	-
Loans and bills discounted	4,322,918		
Reserve for possible loan losses (*2)	(39,766)		
	4,283,151	4,259,748	(23,403)
Total assets	6,641,505	6,617,362	(24,142)
Deposits	5,508,349	5,508,874	525
Negotiable certificates of deposit	138,957	138,957	-
Call money and bills sold	98,812	98,812	-
Cash collateral received under securities lending	106,426	106,426	-
Borrowed money	586,637	579,614	(7,023)
Total liabilities	6,439,183	6,432,685	(6,497)
Derivative transactions (*3)			
To which hedge accounting is not applied	(1,386)	(1,386)	-
To which hedge accounting is applied (*4)	(2,990)	(2,990)	-
Total derivative transactions	¥ (4,376)	¥ (4,376)	¥ -
As of March 31, 2024			
Cash and due from banks	¥ 886,423	¥ 886,423	¥ -
Securities:			
Held-to-maturity debt securities	105,089	104,165	(924)
Other securities (*1)	1,426,207	1,426,207	-
Loans and bills discounted	4,744,248		
Reserve for possible loan losses (*2)	(42,407)		
	4,701,840	4,641,973	(59,867)
Total assets	7,119,561	7,058,769	(60,791)
Deposits	5,923,978	5,924,296	317
Negotiable certificates of deposit	306,743	306,743	-
Cash collateral received under securities lending	92,129	92,129	-
Borrowed money	563,602	553,705	(9,896)
Total liabilities	6,886,454	6,876,875	(9,578)
Derivative transactions (*3)			
To which hedge accounting is not applied	(3,677)	(3,677)	-
To which hedge accounting is applied (*4)	2,592	2,592	-
Total derivative transactions	¥ (1,085)	¥ (1,085)	¥ -

As of March 31, 2024	Thousands of U.S. Dollars		
	Carrying amount	Fair value	Difference
Cash and due from banks	\$ 5,854,454	\$ 5,854,454	\$ -
Securities:			
Debt securities to be held to maturity	694,069	687,966	(6,102)
Other securities (*1)	9,419,503	9,419,503	-
Loans and bills discounted	31,333,782		
Reserve for possible loan losses (*2)	(280,080)		
	31,053,695	30,658,298	(395,396)
Total assets	47,021,735	46,620,229	(401,499)
Deposits	39,125,407	39,127,508	2,093
Negotiable certificates of deposit	2,025,909	2,025,909	-
Cash collateral received under securities lending	608,473	608,473	-
Borrowed money	3,722,356	3,656,990	(65,358)
Total liabilities	45,482,161	45,418,895	(63,258)
Derivative transactions (*3)			
To which hedge accounting is not applied	(24,285)	(24,285)	-
To which hedge accounting is applied (*4)	17,119	17,119	-
Total derivatives	\$ (7,165)	\$ (7,165)	\$ -

(*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 *Revised Implementation Guidance on Accounting Standard for Fair Value Measurement*. The fair value of these items recorded on the consolidated balance sheet as of March 31, 2023 and 2024 were ¥9,573 million and ¥9,844 million (\$65,015 thousand), respectively.

(*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) 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 Bank applies *Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR* (ASBJ PITF No. 40).

(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
	2023	2024	2024
Unlisted equity securities (*1) (*2)	¥ 2,091	¥ 2,410	\$ 15,917
Investment in partnerships (*3)	22,905	25,033	165,332
Others	0	0	0
Total	¥ 24,997	¥ 27,444	\$ 181,256

(*1) In line with Paragraph 5 of *Guidance on Disclosures about Fair Value of Financial Instruments* (ASBJ Guidance No. 19, March 31, 2020), the Bank does not disclose the fair value of unlisted equity securities.

(*2) The Group recognized impairment losses on unlisted equity securities in an amount of ¥8 million and ¥43 million (\$283 thousand) for the years ended March 31, 2023 and 2024, respectively.

(*3) In line with Article 24, Paragraph 16 of the *Revised Implementation Guidance on Accounting Standard for Fair Value Measurement*, the Bank does not disclose the fair value of investments in partnerships.

(Note 2) Repayment schedule of monetary receivables and securities with contractual maturities as of March 31, 2023 and 2024

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, 2023						
Due from banks	¥ 772,351	¥ –	¥ –	¥ –	¥ –	¥ –
Securities:	75,542	112,322	120,363	135,696	128,720	404,455
Held-to-maturity debt securities:	20,235	37,194	32,795	4,980	–	100
Government bonds	–	–	–	–	–	100
Corporate bonds	20,235	37,194	32,795	4,880	–	–
Other securities with maturity:	55,307	75,128	87,568	130,716	128,720	404,355
Government bonds	5,000	–	–	–	–	254,000
Municipal bonds	22,356	51,579	55,118	70,060	68,839	–
Corporate bonds	4,879	6,016	10,166	2,600	10,000	27,812
Loans and bills discounted	941,297	808,789	605,424	449,194	452,584	1,065,627
Total	¥ 1,789,191	¥ 921,112	¥ 725,787	¥ 584,891	¥ 581,305	¥ 1,470,082
As of March 31, 2024						
Due from banks	¥ 839,644	¥ –	¥ –	¥ –	¥ –	¥ –
Securities:	56,938	111,051	133,314	89,871	93,998	455,105
Held-to-maturity debt securities:	19,062	43,296	37,780	4,850	–	100
Government bonds	–	–	–	–	–	100
Corporate bonds	19,062	43,296	37,780	4,750	–	–
Other securities with maturity:	37,876	67,755	95,534	85,021	93,998	455,005
Government bonds	–	–	–	–	–	252,000
Municipal bonds	26,215	52,356	60,866	74,632	50,933	–
Corporate bonds	3,440	4,017	11,047	1,500	19,500	25,750
Loans and bills discounted	1,098,416	901,258	629,925	503,743	446,166	1,164,737
Total	¥ 1,995,000	¥ 1,012,310	¥ 763,240	¥ 593,615	¥ 540,165	¥ 1,619,842

Thousands of U.S. Dollars						
	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
As of March 31, 2024						
Due from banks	\$ 5,545,498	\$ –	\$ –	\$ –	\$ –	\$ –
Securities:	376,051	733,445	880,483	593,560	620,817	3,005,779
Held-to-maturity debt securities:	125,896	285,952	249,521	32,032	–	660
Government bonds	–	–	–	–	–	660
Corporate bonds	125,896	285,952	249,521	31,371	–	–
Other securities with maturity:	250,155	447,493	630,962	561,528	620,817	3,005,118
Government bonds	–	–	–	–	–	1,664,355
Municipal bonds	173,139	345,789	401,994	492,913	336,391	–
Corporate bonds	22,719	26,530	72,960	9,906	128,789	170,068
Loans and bills discounted	7,254,580	5,952,433	4,160,392	3,327,012	2,946,740	7,692,602
Total	\$ 13,176,144	\$ 6,685,886	\$ 5,040,882	\$ 3,920,579	\$ 3,567,564	\$ 10,698,381

(Note 3) Repayment schedule of borrowed money and other interest bearing liabilities as of March 31, 2023 and 2024

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, 2023						
Deposits (*1)	¥ 5,014,158	¥ 387,514	¥ 93,771	¥ –	¥ 12,904	¥ –
Negotiable certificates of deposit	138,957	–	–	–	–	–
Call money and bills sold	98,812	–	–	–	–	–
Cash collateral received under securities lending	106,426	–	–	–	–	–
Borrowed money	26,810	49,680	510,147	–	–	–
Total	¥ 5,385,164	¥ 437,194	¥ 603,919	¥ –	¥ 12,904	¥ –
As of March 31, 2024						
Deposits (*1)	¥ 5,435,333	¥ 444,448	¥ 32,915	¥ –	¥ 11,280	¥ –
Negotiable certificates of deposit	306,743	–	–	–	–	–
Cash collateral received under securities lending	92,129	–	–	–	–	–
Borrowed money	36,405	63,302	463,895	–	–	–
Total	¥ 5,870,611	¥ 507,750	¥ 496,810	¥ –	¥ 11,280	¥ –

Thousands of U.S. Dollars						
	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
As of March 31, 2024						
Deposits (*1)	\$ 35,898,111	\$ 2,935,393	\$ 217,389	\$ –	\$ 74,499	\$ –
Negotiable certificates of deposit	2,025,909	–	–	–	–	–
Cash collateral received under securities lending	608,473	–	–	–	–	–
Borrowed money	240,439	418,083	3,063,833	–	–	–
Total	\$ 38,772,941	\$ 3,353,477	\$ 3,281,223	\$ –	\$ 74,499	\$ –

(*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

March 31, 2024	Fair Value (Millions of Yen)			
	Level 1	Level 2	Level 3	Total
Securities				
Other securities				
Government bonds	¥ 227,905	¥ –	¥ –	¥ 227,905
Municipal bonds	–	261,653	–	261,653
Short-term corporate bonds	–	–	–	–
Corporate bonds	–	64,248	–	64,248
Stocks	45,379	–	–	45,379
Others (*1)	57,989	759,186	–	817,175
Total assets	¥ 331,274	¥ 1,085,088	¥ –	¥ 1,416,363
Derivative transactions (*2)				
Interest-rate-related	¥ –	¥ 2,962	¥ –	¥ 2,962
Currency-related	–	(4,048)	–	(4,048)
Stock-related	–	–	–	–
Bond-related	–	–	–	–
Commodity-related	–	–	–	–
Credit derivatives	–	–	–	–
Total derivatives	¥ –	¥ (1,085)	¥ –	¥ (1,085)

March 31, 2024	Fair Value (Thousands of U.S. Dollars)			
	Level 1	Level 2	Level 3	Total
Securities				
Other securities				
Government bonds	\$ 1,505,217	\$ –	\$ –	\$ 1,505,217
Municipal bonds	–	1,728,109	–	1,728,109
Short-term corporate bonds	–	–	–	–
Corporate bonds	–	424,331	–	424,331
Stocks	299,709	–	–	299,709
Others (*1)	382,993	5,014,107	–	5,397,100
Total assets	\$ 2,187,926	\$ 7,166,554	\$ –	\$ 9,354,487
Derivative transactions (*2)				
Interest-rate-related	\$ –	\$ 19,562	\$ –	\$ 19,562
Currency-related	–	(26,735)	–	(26,735)
Stock-related	–	–	–	–
Bond-related	–	–	–	–
Commodity-related	–	–	–	–
Credit derivatives	–	–	–	–
Total derivatives	\$ –	\$ (7,165)	\$ –	\$ (7,165)

(*1) Investment trusts where the investment trust asset is real estate, and to which Article 24, Paragraph 9 of the *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 ¥9,844 million (\$65,015 thousand).

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

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

March 31, 2024	Fair Value (Millions of Yen)			
	Level 1	Level 2	Level 3	Total
Cash and due from banks	¥ –	¥ 886,423	¥ –	¥ 886,423
Securities				
Debt securities to be held to maturity				
Government bonds	90	–	–	90
Municipal bonds	–	–	–	–
Corporate bonds	–	199	103,783	103,983
Other	–	91	–	91
Loans and bills discounted	–	–	4,641,973	4,641,973
Total assets	¥ 90	¥ 886,714	¥ 4,745,756	¥ 5,632,562
Deposits	¥ –	¥ 5,924,296	¥ –	¥ 5,924,296
Negotiable certificates of deposit	–	306,743	–	306,743
Cash collateral received under securities lending	–	92,129	–	92,129
Borrowed money	–	553,705	–	553,705
Total liabilities	¥ –	¥ 6,876,875	¥ –	¥ 6,876,875

March 31, 2024	Fair Value (Thousands of U.S. Dollars)			
	Level 1	Level 2	Level 3	Total
Cash and due from banks	\$ –	\$ 5,854,454	\$ –	\$ 5,854,454
Securities				
Debt securities to be held to maturity				
Government bonds	594	–	–	594
Municipal bonds	–	–	–	–
Corporate bonds	–	1,314	685,443	686,764
Other	–	601	–	601
Loans and bills discounted	–	–	30,658,298	30,658,298
Total assets	\$ 594	\$ 5,856,376	\$ 31,343,742	\$ 37,200,726
Deposits	–	39,127,508	–	39,127,508
Negotiable certificates of deposit	–	2,025,909	–	2,025,909
Cash collateral received under securities lending	–	608,473	–	608,473
Borrowed money	–	3,656,990	–	3,656,990
Total liabilities	\$ –	\$ 45,418,895	\$ –	\$ 45,418,895

(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.

For investment trusts for which no trading price in the market, the Bank uses net asset value as fair value when there are no material restrictions requiring compensation for risk from the market participants with respect to cancellation or repurchase requests. These items are classified as Level 2.

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 and specified bonds 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. Except when listed, the fair value of subscription rights to shares is calculated using valuation techniques such as option valuation models. The inputs mainly used are stock price, volatility, and interest rate. If significant unobservable inputs are used in the valuation, the fair value is classified as Level 3.

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 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, the carrying amount of those items, net of related loan loss provisions, is presented as the fair value. The fair value of these items 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 deposits 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. The fair value of these items 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). The fair value of this item 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). The fair value of this item 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). The fair value of this item 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 was made. For borrowed money with a short contractual term (less than one year), the carrying amount is presented as the fair value since the fair value approximates the carrying amount. The fair value of this item 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 category mainly covers trading in bond futures and interest rate futures.

However, when the majority of derivative transactions are over-the-counter transactions, 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 the 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.

17. Fair Value of Securities

(1) Trading securities

Fiscal year ended March 31, 2023

No significant information to disclose.

Fiscal year ended March 31, 2024

No significant information to disclose.

(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, 2023 and 2024 are as follows:

	Millions of Yen		
	Carrying value	Fair value	Difference
As of March 31, 2023			
Fair value exceeding amount on consolidated balance sheet:			
Corporate bonds	¥ 10,540	¥ 10,573	¥ 33
Fair value below amount on consolidated balance sheet:			
Government bonds	100	96	(4)
Corporate bonds	84,565	83,809	(756)
Others	100	87	(12)
Subtotal	84,766	83,993	(773)
Total	¥ 95,306	¥ 94,566	¥ (739)
As of March 31, 2024			
Fair value exceeding amount on consolidated balance sheet:			
Corporate bonds	¥ 6,130	¥ 6,145	¥ 15
Fair value below amount on consolidated balance sheet:			
Government bonds	100	90	(9)
Corporate bonds	98,758	97,837	(921)
Others	100	91	(8)
Subtotal	98,959	98,019	(939)
Total	¥ 105,089	¥ 104,165	¥ (924)
	Thousands of U.S. Dollars		
	Carrying value	Fair value	Difference
As of March 31, 2024			
Fair value exceeding amount on consolidated balance sheet:			
Corporate bonds	\$ 40,486	\$ 40,585	\$ 99
Fair value below amount on consolidated balance sheet:			
Government bonds	660	594	(59)
Corporate bonds	652,255	646,172	(6,082)
Others	660	601	(52)
Subtotal	653,582	647,374	(6,201)
Total	\$ 694,069	\$ 687,966	\$ (6,102)

(3) Other securities

The carrying value and acquisition cost of other securities as of March 31, 2023 and 2024 are summarized as follows:

	Millions of Yen		
	Carrying value	Acquisition cost	Difference
As of March 31, 2023			
Equity securities	¥ 40,354	¥ 11,044	¥ 29,309
Debt securities:	235,320	225,604	9,715
Government bonds	165,841	157,134	8,707
Municipal bonds	47,623	47,062	560
Corporate bonds	21,854	21,407	447
Others	161,255	151,775	9,479
Subtotal	436,929	388,424	48,504
Amount on consolidated balance sheet below acquisition cost:			
Equity securities	1,460	1,756	(295)
Debt securities:	351,153	361,890	(10,737)
Government bonds	93,769	100,916	(7,146)
Municipal bonds	218,239	220,886	(2,646)
Corporate bonds	39,144	40,088	(944)
Others	654,653	744,969	(90,316)
Subtotal	1,007,267	1,108,617	(101,349)
Total	¥ 1,444,197	¥ 1,497,041	¥ (52,844)
As of March 31, 2024			
Amount on consolidated balance sheet exceeding acquisition cost:			
Equity securities	¥ 44,582	¥ 10,961	¥ 33,620
Debt securities:	64,163	63,535	628
Government bonds	4,784	4,775	8
Municipal bonds	42,391	42,039	352
Corporate bonds	16,988	16,720	267
Others	216,839	201,462	15,376
Subtotal	325,584	275,959	49,625
Amount on consolidated balance sheet below acquisition cost:			
Equity securities	797	1,043	(245)
Debt securities:	489,644	511,291	(21,646)
Government bonds	223,121	239,768	(16,647)
Municipal bonds	219,262	222,961	(3,699)
Corporate bonds	47,260	48,560	(1,300)
Others	610,860	699,493	(88,633)
Subtotal	1,101,302	1,211,828	(110,525)
Total	¥ 1,426,887	¥ 1,487,787	¥ (60,900)

As of March 31, 2024	Thousands of U.S. Dollars		
	Carrying value	Acquisition cost	Difference
Amount on consolidated balance sheet exceeding acquisition cost:			
Equity securities	\$ 294,445	\$ 72,392	\$ 222,046
Debt securities:	423,769	419,622	4,147
Government bonds	31,596	31,536	52
Municipal bonds	279,974	277,650	2,324
Corporate bonds	112,198	110,428	1,763
Others	1,432,131	1,330,572	101,552
Subtotal	2,150,346	1,822,594	327,752
Amount on consolidated balance sheet below acquisition cost:			
Equity securities	5,263	6,888	(1,618)
Debt securities:	3,233,894	3,376,864	(142,962)
Government bonds	1,473,621	1,583,567	(109,946)
Municipal bonds	1,448,134	1,472,564	(24,430)
Corporate bonds	312,132	320,718	(8,585)
Others	4,034,475	4,619,859	(585,384)
Subtotal	7,273,641	8,003,619	(729,971)
Total	\$ 9,423,994	\$ 9,826,213	\$ (402,219)

18. Held-to-Maturity and Other Securities Sold

Held-to-maturity securities sold during the years ended March 31, 2023 and 2024 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2024	2024
Cost of sales	¥ 150	¥ 705	\$ 4,656
Proceeds from sales	150	704	4,649
Gain on sales	0	(0)	(0)

For the years ended March 31, 2023 and 2024, the securities were sold due to redemption by the issuer.

Other securities sold during the years ended March 31, 2023 and 2024 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2024	2024
Proceeds from sales	¥ 436,581	¥ 250,148	\$ 1,652,123
Gain on sales	13,776	8,575	56,634
Loss on sales	21,923	12,398	81,883

Impairment loss on securities

Securities held for other than trading purposes (excluding stocks with no market price, etc., and investments in partnerships) are recognized as impaired when the fair value of the security in question decreases materially below the acquisition cost and the fair value is not expected to recover to the acquisition cost. The fair value of said security is recognized on the consolidated balance sheet and the difference is treated as a loss for the relevant consolidated fiscal year ("impairment loss," below).

For the consolidated fiscal year ended March 31, 2023, the Bank recorded an impairment loss (all shares) of ¥311 million.

For the consolidated fiscal year ended March 31, 2024, the Bank recorded an impairment loss of ¥– million (\$0 thousand).

In addition, the Bank determines that fair value has declined materially in the case of (1) or any of a. through c. under (2), below.

- (1) When the decline in fair value is 50% or more of the acquisition cost or amortized cost as of the base date.
- (2) When the decline in fair value is 30% or more of the acquisition cost or amortized cost as of the base date.
 - a. For equity securities or investment trusts (including items other than bonds held for investment purposes) whose fair value has never exceeded 70% of the acquisition cost for a period of one year from the base date. However, the Bank will conduct an individual investigation of the factors related to newly acquired issues whose fair values have declined by 30% or more within one year of the base date to determine recoverability.
 - b. For equity securities whose issuer has reported negative net assets or has recorded a net loss for the past two consecutive years.
 - c. For debt securities or investment trusts (bonds held only for investment purposes) whose decline in fair value is attributable to an increase in credit risk, rather than an increase in interest rates.

19. Money Held in Trust

The carrying value of money held in trust for the purpose of securities trading as of March 31, 2023 and 2024 and the related net holding gain (loss) for the years then ended are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2024	2024
Carrying value	¥ 4,988	¥ 4,993	\$ 32,976
Net holding gain (loss)	–	–	–

20. Net Unrealized Gain (Loss) on Other Securities

The components of net unrealized gain (loss) on other securities as recorded in the consolidated balance sheet are summarized as follows:

	Millions of Yen
As of March 31, 2023	
Gross valuation difference	¥(52,844)
Other securities	(52,844)
Other Money held in trust	–
(-) Deferred tax assets	(16,981)
(-) Deferred tax liabilities	970
Net unrealized gain (loss) on other securities before adjustment for non-controlling interests	(36,833)
(-) Non-controlling interests	9
(+) Portion of parent interest in net unrealized gain (loss) on other securities held by equity-method affiliates	–
Net unrealized gain (loss) on other securities	(36,842)

	Millions of Yen
As of March 31, 2024	
Gross valuation difference	¥(60,900)
Other securities	(60,900)
Other monetary trusts	–
(-) Deferred tax assets	(18,767)
(-) Deferred tax liabilities	229
Net unrealized gain (loss) on other securities before adjustment for non-controlling interests	(42,362)
(-) Non-controlling interests	19
(+) Portion of parent interest in net unrealized gain (loss) on other securities held by equity-method affiliates	–
Net unrealized gain (loss) on other securities	(42,381)

	Thousands of U.S. Dollars
As of March 31, 2024	
Gross valuation difference	\$ (402,219)
Other securities	(402,219)
Other monetary trusts	–
(-) Deferred tax assets	(123,948)
(-) Deferred tax liabilities	1,512
Net unrealized gain (loss) on other securities before adjustment for non-controlling interests	(279,783)
(-) Non-controlling interests	125
(+) Portion of parent interest in net unrealized gain (loss) on other securities held by equity-method affiliates	–
Net unrealized gain (loss) on other securities	(279,908)

21. 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		Fair value	Gains (losses)
		Total	Over one year		
As of March 31, 2023					
Over-the-counter					
Interest-rate swaps					
Receive fixed/pay floating	¥	27,731	¥ 26,837	¥ (340)	¥ (340)
Receive floating/pay fixed		27,731	26,837	1,194	1,194
Total		–	–	¥ 854	¥ 854
As of March 31, 2024					
Over-the-counter					
Interest-rate swaps					
Receive fixed/pay floating	¥	34,532	¥ 31,929	¥ (603)	¥ (603)
Receive floating/pay fixed		34,532	31,929	1,488	1,488
Total		–	–	¥ 884	¥ 884

		Thousands of U.S. Dollars			
		Contract amount		Fair value	Gains (losses)
		Total	Over one year		
As of March 31, 2024					
Over-the-counter					
Interest-rate swaps					
Receive fixed/pay floating	\$	228,069	\$ 210,877	\$ (3,982)	\$ (3,982)
Receive floating/pay fixed		228,069	210,877	9,827	9,827
Total		–	–	\$ 5,838	\$ 5,838

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		Fair value	Gains (losses)
		Total	Over one year		
As of March 31, 2023					
Over-the-counter					
Currency swaps	¥	167,594	¥ 26,088	¥ (1,964)	¥ (1,964)
Forward foreign exchange contracts:					
Sold		25,795	6,829	(488)	(488)
Bought		11,099	6,829	216	216
Currency options:					
Sold		4,323	–	(84)	17
Bought		4,323	–	84	(21)
Total		–	–	¥ (2,236)	¥ (2,241)
As of March 31, 2024					
Over-the-counter					
Currency swaps	¥	289,731	¥ 85,029	¥ (5,127)	¥ (5,127)
Forward foreign exchange contracts:					
Sold		41,416	18,559	(776)	(776)
Bought		19,223	18,559	1,342	1,342
Currency options:					
Sold		–	–	–	–
Bought		–	–	–	–
Total		–	–	¥ (4,562)	¥ (4,562)

	Thousands of U.S. Dollars			
	Contract amount		Fair value	Gains (losses)
	Total	Over one year		
As of March 31, 2024				
Over-the-counter				
Currency swaps	\$ 1,913,552	\$ 561,581	\$ (33,861)	\$ (33,861)
Forward foreign exchange contracts:				
Sold	273,535	122,574	(5,125)	(5,125)
Bought	126,959	122,574	8,863	8,863
Currency options:				
Sold	–	–	–	–
Bought	–	–	–	–
Total	–	–	\$ (30,130)	\$ (30,130)

Note: The transactions above 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

Hedge accounting method	Type of derivatives	Major hedged items	Millions of Yen			
			Contract amount		Fair value	
			Total	Over one year		
As of March 31, 2023						
Normal method	Interest rate swaps: Receive-floating/ Pay-fixed	Securities	¥ 85,000	¥ 85,000	¥ (4,335)	
Special treatment for interest rate swaps	Interest rate swaps: Receive-floating/ Pay-fixed	Loans	¥ 5,724	¥ 4,487	(Note 2)	
Total					¥ (4,335)	
As of March 31, 2024						
Normal method	Interest rate swaps: Receive-floating/ Pay-fixed	Securities	¥ 107,852	¥ 107,852	¥ 2,078	
Special treatment for interest rate swaps	Interest rate swaps: Receive-floating/ Pay-fixed	Loans	¥ 4,487	¥ 3,240	¥ (Note 2)	
Total					¥ 2,078	

Hedge accounting method	Type of derivatives	Major hedged items	Thousands of U.S. Dollars			
			Contract amount		Fair value	
			Total	Over one year		
As of March 31, 2024						
Normal method	Interest rate swaps: Receive-floating/ Pay-fixed	Securities	\$ 712,317	\$ 712,317	\$ 13,724	
Special treatment for interest rate swaps	Interest rate swaps: Receive-floating/ Pay-fixed	Loans	\$ 29,634	\$ 21,398	(Note 2)	
Total					\$ 13,724	

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

Hedge accounting method	Type of derivatives	Major hedged items	Millions of Yen			
			Contract amount		Fair value	
			Total	Over one year		
As of March 31, 2023						
Normal method	Forward foreign exchange contracts	Call money	¥ 111,575	–	¥ 1,345	
Total					¥ 1,345	
As of March 31, 2024						
Normal method	Forward foreign exchange contracts	Call money	¥ 30,386	–	¥ 513	
Total					¥ 513	

Hedge accounting method	Type of derivatives	Major hedged items	Thousands of U.S. Dollars			
			Contract amount		Fair value	
			Total	Over one year		
As of March 31, 2024						
Normal method	Forward foreign exchange contracts	Call money	\$ 200,686	–	\$ 3,388	
Total					\$ 3,388	

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

22. Employee 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 the 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, 2023 and 2024

	Millions of Yen		Thousands of U.S. Dollars	
	2023	2024	2023	2024
Projected benefit obligations at the beginning of the year	¥ 38,159	¥ 35,364	\$ 233,564	
Service cost	851	769	5,078	
Interest cost	300	441	2,912	
Actuarial gains or losses incurred	(1,635)	(877)	(5,792)	
Benefits paid	(2,311)	(2,507)	(16,557)	
Prior service cost incurred	—	—	—	
Other	—	—	—	
Projected benefit obligations at the end of the year	¥ 35,364	¥ 33,190	\$ 219,206	

(b) Reconciliation of plan assets from beginning to ending balances for the years ended March 31, 2023 and 2024

	Millions of Yen		Thousands of U.S. Dollars	
	2023	2024	2023	2024
Plan assets at the beginning of the year	¥ 30,245	¥ 30,366	\$ 200,554	
Expected return on plan assets	483	273	1,803	
Actuarial gains or losses incurred	(588)	2,041	13,479	
Contribution from the Bank	1,758	1,740	11,491	
Benefits paid	(1,536)	(1,530)	(10,105)	
Other	3	3	19	
Plan assets at the end of the year	30,366	32,895	217,257	

(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, 2023 and 2024

	Millions of Yen		Thousands of U.S. Dollars	
	2023	2024	2023	2024
Projected benefit obligations of funded plans	¥ 26,216	¥ 24,483	\$ 161,700	
Plan assets	(30,366)	(32,895)	(217,257)	
	(4,150)	(8,411)	(55,551)	
Projected benefit obligations of unfunded plans	9,147	8,706	57,499	
Net amount of liability and assets	¥ 4,997	¥ 294	\$ 1,941	

	Millions of Yen		Thousands of U.S. Dollars	
	2023	2024	2023	2024
Net defined benefit liability	¥ 9,147	¥ 8,706	\$ 57,499	
Net defined benefit asset	(4,150)	(8,411)	(55,551)	
Net amount of liability and assets	¥ 4,997	¥ 294	\$ 1,941	

(d) Components of net retirement benefit expense for the years ended March 31, 2023 and 2024

	Millions of Yen		Thousands of U.S. Dollars	
	2023	2024	2023	2024
Service cost	¥ 851	¥ 769	\$ 5,078	
Interest cost	300	441	2,912	
Expected return on plan assets	(483)	(273)	(1,803)	
Amortization of actuarial gains or losses	1,087	626	4,134	
Amortization of prior service cost	(35)	19	125	
Other	(3)	(3)	(19)	
Net retirement benefit expense	¥ 1,716	¥ 1,580	\$ 10,435	

(e) Components of remeasurements of defined benefit plans (before income taxes) for the years ended March 31, 2023 and 2024

	Millions of Yen		Thousands of U.S. Dollars	
	2023	2024	2023	2024
Prior service cost	¥ (35)	¥ 19	\$ 125	
Actuarial gains or losses	2,135	3,545	23,413	
Total	¥ 2,099	¥ 3,565	\$ 23,545	

(f) Accumulated other comprehensive income for remeasurements of defined benefit plans (before income taxes) as of March 31, 2023 and 2024

	Millions of Yen		Thousands of U.S. Dollars	
	2023	2024	2023	2024
Unrecognized prior service cost	¥ (79)	¥ (59)	\$ (389)	
Unrecognized actuarial gains or losses	(1,867)	1,678	11,082	
Total	¥ (1,947)	¥ 1,618	\$ 10,686	

(g) Component ratio of plan assets as of March 31, 2023 and 2024

	2023	2024
Bonds	48.91%	44.46%
Stocks	20.19%	23.61%
Cash and deposits	0.48%	0.43%
Other	30.40%	31.47%
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, 2023 and 2024

	2023	2024
Discount rate	0.78%	1.25%
Long-term expected rate of return on plan assets	1.60%	0.90%
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, 2023 and 2024 were ¥161 million and ¥157 million (\$1,036 thousand), respectively.

23. Stock Options

(1) Details, amounts, and activity related to stock options

Stock Option

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) Stock option amounts and activity

(i) Number of stock options (shares)

Year ended March 31, 2024	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:								
Outstanding as of March 31, 2023	6,800	9,600	12,600	16,900	29,500	21,200	25,900	21,400
Granted	-	-	-	-	-	-	-	-
Forfeited	-	-	-	-	-	-	-	-
Vested	6,800	9,600	12,600	16,900	18,500	13,100	14,500	11,900
Outstanding as of March 31, 2024	-	-	-	-	11,000	8,100	11,400	9,500
Vested:								
Outstanding as of March 31, 2023	-	-	-	-	-	-	-	-
Vested	6,800	9,600	12,600	16,900	18,500	13,100	14,500	11,900
Exercised	6,800	9,600	12,600	16,900	18,500	13,100	14,500	11,900
Forfeited	-	-	-	-	-	-	-	-
Outstanding as of March 31, 2024	-	-	-	-	-	-	-	-

(ii) Unit price information

Year ended March 31, 2024	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	799	799	799	799	799	799	799	799
Fair value at the date of grant	¥ 878	¥ 804	¥ 609	¥ 569	¥ 500	¥ 710	¥ 677	¥ 1,182

Year ended March 31, 2024	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	5.27	5.27	5.27	5.27	5.27	5.27	5.27	5.27
Fair value at the date of grant	5.79	5.31	4.02	3.75	3.30	4.68	4.47	7.80

(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.

24. 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, 2023 and 2024 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2024	2024
Deferred tax assets:			
Reserve for possible loan losses	¥ 11,898	¥ 12,551	\$ 82,894
Depreciation	442	300	1,981
Impairment loss on fixed assets	2,423	2,443	16,134
Write-offs of securities	313	280	1,849
Net defined benefit liability	2,791	2,660	17,568
Tax loss carry-forwards	295	334	2,205
Net unrealized gain on other securities	16,997	18,767	123,948
Net deferred loss on hedging instruments	1,322	-	-
Others	3,045	3,128	20,659
Subtotal	39,530	40,468	267,274
Valuation allowances	(2,317)	(2,314)	(15,283)
Total deferred tax assets	37,213	38,153	251,984
Deferred tax liabilities:			
Reserve for deferred revenue of tangible fixed assets	(88)	(85)	(561)
Net unrealized gain on other securities	(970)	(229)	(1,512)
Net deferred gain on hedging instruments	-	(627)	(4,141)
Others	(1,308)	(2,615)	(17,270)
Total deferred tax liabilities	(2,366)	(3,558)	(23,499)
Net deferred tax assets (liabilities)	¥ 34,846	¥ 34,594	\$ 228,478

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

Note: Since the difference between the statutory tax rate and actual effective tax rate for the year ended March 31, 2023 and 2024 were less than 5%, details are omitted.

25. Business Combinations

April 1, 2023 to March 31, 2024

(Transactions Under Common Control)

Matsue Real Estate Co., Ltd. (a consolidated subsidiary of the Bank) entered into an absorption-type merger with Fuso Kogyo Co., Ltd. (a consolidated subsidiary of the Bank) with an effective date of April 1, 2023.

1 Transaction Overview

(1) Names and business lines of parties to the business combination

Name	Business Lines
Matsue Real Estate Co., Ltd.	Real estate leasing
Fuso Kogyo Co., Ltd.	Real estate leasing

(2) Date of the business combination

April 1, 2023

(3) Legal form of the business combination

Absorption-type merger with Matsue Real Estate Co., Ltd. as the surviving company and Fuso Kogyo Co., Ltd. as the absorbed company

(4) Name of the company after the business combination

Matsue Real Estate Co., Ltd. (no change)

(5) Other matters

Business combination for the purpose of improving the efficiency of group management

2 Accounting Treatment Overview

The business combination was accounted for as a transaction under common control in accordance with ASBJ Statement No. 21, January 16, 2019, *Accounting Standard for Business Combinations*, and ASBJ Guidance No. 10, January 16, 2019, *Guidance on Accounting Standards for Business Combinations and Business Divestitures*.

(Business Combination Through Acquisition)

The Bank acquired all shares of Regional Trading Company TOTTORI, making said company a consolidated subsidiary.

1 Business Combination Overview

(1) Name, business lines of acquired business

Name: Regional Trading Company TOTTORI

Business lines: Regional trading business

(2) Main reasons for the business combination

To encourage local production for external consumption in San-in and revitalize the regional economy

(3) Date of business combination

March 27, 2024 (stock acquisition)

March 31, 2024 (deemed acquisition date)

(4) Legal form of business combination

Acquisition of stock in exchange for cash

(5) Name of the company after the business combination

No change in name after the business combination.

(6) Percentage of voting rights acquired

Percentage of voting rights held immediately before the business combination date: 5%

Percentage of voting rights acquired additionally on the business combination date: 95%

Percentage of voting rights after acquisition: 100%

(7) Main reasons for selecting the acquired company

The Bank acquired shares for cash consideration.

2 Period of the acquired company's financial results included in the consolidated financial statements

As the deemed acquisition date is March 31, 2024, the results for the current consolidated fiscal year are not included

3 Acquisition cost calculation

(1) Acquisition cost of the acquired company and consideration by type

Fair value of common stock held before the business combination ¥2 million (\$13 thousand)

Fair value of preferred stock held before the business combination ¥25 million (\$165 thousand)

Consideration for additional common stock (cash) ¥47 million (\$310 thousand)

Consideration for additional preferred stock (cash) ¥22 million (\$145 thousand)

Acquisition cost ¥98 million (\$647 thousand)

(2) Difference between acquisition cost and total acquisition cost for each transaction resulting in the acquisition

Gain on step acquisitions ¥19 million (\$125 thousand)

4 Goodwill generated, reason for goodwill recognition, amortization method, and amortization period

(1) Goodwill generated

85 million yen (\$561 thousand)

(2) Reason for goodwill recognition

The Bank recorded goodwill as the difference between the fair value of net assets on the date of the business combination and the acquisition cost.

(3) Amortization method and period

Straight-line amortization over eight years

5 Amounts of assets and liabilities acquired on the day of the business combination

Assets

Current 45 million yen (\$297 thousand)

Non-current 16 million yen (\$105 thousand)

Total assets 62 million yen (\$409 thousand)

Liabilities

Current 49 million yen (\$323 thousand)

Non-current - million yen (\$- thousand)

Total liabilities 49 million yen (\$323 thousand)

6 Comparative profit and loss information

Omitted, as the impact on the consolidated statements of income for the fiscal year ended March 31, 2024 is immaterial, when assuming the business combination was completed as of April 1, 2023.

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, 2023 and 2024 are as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2023	2024	2023	2024
Balance at the beginning of the year	¥ 480	¥ 432	\$ 2,853	
Increase due to acquisition of tangible fixed assets	–	5	33	
Changes due to the passage of time	5	5	33	
Increase due to a change in estimate	15	23	151	
Decrease due to fulfillment of asset retirement obligations	68	–	–	
Decrease due to transfer of tangible fixed assets	–	15	99	
Balance at the end of the year	432	451	2,978	

27. Revenue Recognition

(1) Revenue analysis

Category	Millions of Yen		Thousands of U.S. Dollars	
	2023	2024	2023	2024
Fees and commissions income	¥ 17,262	¥ 114,008	\$ 114,008	
Deposits and loans	6,234	41,172	41,172	
Remittances and transfers	2,385	15,751	15,751	
Securities	2,939	19,410	19,410	
Agency work	1,125	7,430	7,430	
Guarantees	496	3,275	3,275	
Other	4,080	26,946	26,946	

Note: The portion of fees and commissions represented by deposits and loans and remittances and transfers arise from the Banking segment, while securities, agency work, guarantees, and other arise 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 services related to 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 on 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 the 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*. Inter-segment income is based on arm's length price.

Ordinary income, profit or loss, assets and liabilities, etc. by segment for the years ended March 31, 2023 and 2024 are as follows:

Year ended March 31, 2023	Millions of Yen						
	Reportable segments			Others (Note 2)	Total	Adjustments	Consolidated
	Banking	Leasing	Total				
Ordinary income (Note 1):							
Customers	¥ 96,112	¥ 15,552	¥ 111,664	¥ 1,030	¥ 112,695	¥ (11)	¥ 112,683
Inter-segment	230	191	422	484	906	(906)	–
Total	96,343	15,744	112,087	1,514	113,601	(918)	112,683
Segment profit	21,017	646	21,663	146	21,809	(87)	21,722
Segment assets	6,849,541	42,780	6,892,321	18,316	6,910,638	(33,149)	6,877,489
Segment liabilities	6,553,767	36,113	6,589,880	6,746	6,596,627	(32,346)	6,564,281
Other items:							
Depreciation	2,695	274	2,969	83	3,053	–	3,053
Interest income	66,745	5	66,750	20	66,770	(125)	66,644
Interest expense	4,938	99	5,037	9	5,046	(67)	4,978
Extraordinary gains:	99	–	99	38	137	756	893
Gain on disposals of fixed assets	99	–	99	38	137	0	138
Gain on negative goodwill	–	–	–	–	–	746	746
Gain on step acquisitions	–	–	–	–	–	8	8
Extraordinary losses:	325	–	325	402	727	(0)	727
Loss on disposals of fixed assets	116	–	116	4	121	–	121
Impairment loss	209	–	209	397	606	(0)	606
Tax expense	¥ 6,273	¥ 228	¥ 6,502	¥ (45)	¥ 6,456	¥ (5)	¥ 6,450

Year ended March 31, 2024	Millions of Yen						
	Reportable segments			Others (Note 2)	Total	Adjustments (Note 3)	Consolidated
	Banking	Leasing	Total				
Ordinary income (Note 1):							
Customers	¥ 100,301	¥ 16,188	¥ 116,490	¥ 3,686	¥ 120,176	¥ –	¥ 120,176
Inter-segment	1,520	159	1,680	606	2,287	(2,287)	–
Total	101,821	16,348	118,170	4,293	122,463	(2,287)	120,176
Segment profit	22,955	635	23,591	2,509	26,100	(1,373)	24,727
Segment assets	7,334,374	44,874	7,379,248	17,991	7,397,239	(36,675)	7,360,564
Segment liabilities	7,026,122	37,797	7,063,920	7,430	7,071,350	(35,876)	7,035,474
Other items:							
Depreciation	2,749	256	3,006	79	3,085	–	3,085
Interest income	77,457	7	77,464	32	77,497	(1,411)	76,086
Interest expense	6,481	93	6,574	4	6,579	(62)	6,517
Extraordinary gains:	26	–	26	206	232	19	251
Gain on disposals of fixed assets	26	–	26	206	232	–	232
Gain on step acquisitions	–	–	–	–	–	19	19
Extraordinary losses:	273	–	273	35	308	–	308
Loss on disposals of fixed assets	41	–	41	33	75	–	75
Impairment loss	231	–	231	1	233	–	233
Tax expense	¥ 6,733	¥ 220	¥ 6,953	¥ 910	¥ 7,863	¥ (6)	¥ 7,857

Year ended March 31, 2024	Thousands of U.S. Dollars						
	Reportable segments			Others (Note 2)	Total	Adjustments (Note 3)	Consolidated
	Banking	Leasing	Total				
Ordinary income (Note 1):							
Customers	\$ 662,446	\$ 106,914	\$ 769,367	\$ 24,344	\$ 793,712	\$ –	\$ 793,712
Inter-segment	10,038	1,050	11,095	4,002	15,104	(15,104)	–
Total	672,485	107,971	780,463	28,353	808,817	(15,104)	793,712
Segment profit	151,608	4,193	155,808	16,570	172,379	(9,068)	163,311
Segment assets	48,440,486	296,374	48,736,860	118,823	48,855,683	(242,223)	48,613,460
Segment liabilities	46,404,609	249,633	46,654,250	49,072	46,703,322	(236,946)	46,466,376
Other items:							
Depreciation	18,156	1,690	19,853	521	20,375	–	20,375
Interest income	511,571	46	511,617	211	511,835	(9,319)	502,516
Interest expense	42,804	614	43,418	26	43,451	(409)	43,042
Extraordinary gains:	171	–	171	1,360	1,532	125	1,657
Gain on disposals of fixed assets	171	–	171	1,360	1,532	–	1,532
Gain on step acquisitions	–	–	–	–	–	125	125
Extraordinary losses:	1,803	–	1,803	231	2,034	–	2,034
Loss on disposals of fixed assets	270	–	270	217	495	–	495
Impairment loss	1,525	–	1,525	6	1,538	–	1,538
Tax expense	\$ 44,468	\$ 1,453	\$ 45,921	\$ 6,010	\$ 51,931	\$ (39)	\$ 51,892

Notes: 1. Ordinary income is presented instead of net sales as used by general companies. Adjustments detail the difference between ordinary income by reportable segment and the amount of ordinary income recorded on the consolidated statements of income.

2. *Others* include business segments other than reportable segments such as credit guarantee business.

3. Adjustments include the following:

- (1) Adjustments for segment profit of ¥(1,373) million (\$9,068) thousand for the year ended March 31, 2024 represent elimination of inter-segment transactions.
- (2) Adjustments for segment assets of ¥(36,675) million (\$242,223) thousand as of March 31, 2024 represent the elimination of inter-segment balances.
- (3) Adjustments for segment liabilities of ¥(35,876) million (\$236,946) thousand as of March 31, 2024 represent the elimination of inter-segment balances.
- (4) Adjustments for interest income of ¥(1,411) million (\$9,319) thousand for the year ended March 31, 2024 represent the elimination of inter-segment transactions.
- (5) Adjustments for interest expense of ¥(62) million (\$409) thousand for the year ended March 31, 2024 represent the elimination of inter-segment transactions.
- (6) Gain in step acquisitions of ¥19 million (\$125 thousand) for the year ended March 31, 2024 represents the transaction related to making Regional Trading Company TOTTORI a consolidated subsidiary (classified in the *Other* segment). This gain on step acquisitions is not related to a specific segment; therefore, the Bank recognized the amount as a company-wide profit (*Adjustments*).
- (7) Adjustments for tax expenses of ¥(6) million (\$39) thousand for the year ended March 31, 2024 represent income taxes deferred in connection with the elimination of intersegment transactions.

4. Segment profit is adjusted with ordinary income on the consolidated statements of income.

Related Information

(1) Information by service

	Millions of Yen					
	Loans	Securities investment	Leasing	Other	Total	
Income from customers						
Year ended March 31, 2023	¥ 46,744	¥ 34,037	¥ 15,552	¥ 16,348	¥ 112,683	
Year ended March 31, 2024	¥ 56,285	¥ 29,872	¥ 16,188	¥ 17,830	¥ 120,176	

	Thousands of U.S. Dollars					
	Loans	Securities investment	Leasing	Other	Total	
Income from customers						
Year ended March 31, 2024	\$ 371,738	\$ 197,292	\$ 106,914	\$ 117,759	\$ 793,712	

(2) Information by region

(a) Ordinary income

As the Group's ordinary income from customers in Japan accounts for over 90% of ordinary income, disclosure by location is omitted.

(b) Tangible fixed assets

As the Group's tangible fixed assets located in Japan account for over 90% of tangible fixed assets presented in the consolidated balance sheets, disclosure by location is omitted.

(3) Information by major customers

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

Information on Impairment Loss on Fixed Assets by Reportable Segment

Impairment loss	Millions of Yen					
	Reportable segments			Others	Corporate and eliminations	Total
	Banking	Leasing	Total			
Year ended March 31, 2023	¥ 209	¥ –	¥ 209	¥ 397	¥ (0)	¥ 606
Year ended March 31, 2024	¥ 231	¥ –	¥ 231	¥ 1	¥ –	¥ 233

Impairment loss	Thousands of U.S. Dollars					
	Reportable segments			Others	Corporate and eliminations	Total
	Banking	Leasing	Total			
Year ended March 31, 2024	\$ 1,525	\$ –	\$ 1,525	\$ 6	\$ –	\$ 1,538

Goodwill per Reportable Segment and Amortization Balances

April 1, 2022 to March 31, 2023

Not applicable.

April 1, 2023 to March 31, 2024

Amortization of goodwill not allocated to any reportable segment for the consolidated fiscal year ended March 31, 2024 was ¥– million and the unamortized balance as of March 31, 2024 amounted to ¥85 million (\$561 thousand). These amounts are attributable to the addition of Regional Trading Company TOTTORI as a consolidated subsidiary.

Gain on Negative Goodwill per Reportable Segment

April 1, 2022 to March 31, 2023

Gain on negative goodwill of ¥746 million represents amounts arising in connection with making Fuso Kogyo Co., Ltd. a consolidated subsidiary during the year ended March 31, 2023.

April 1, 2023 to March 31, 2024

Not applicable.

Related Party Transactions

1 Related Party Transactions

(1) Transactions between the Bank and related parties

(a.) Transactions between the parent of the Bank and major shareholders (corporations)

April 1, 2022 to March 31, 2023

Not applicable.

April 1, 2023 to March 31, 2024

Not applicable.

(b.) Transactions between non-consolidated subsidiaries and affiliated companies of the Bank

April 1, 2022 to March 31, 2023

Not applicable.

April 1, 2023 to March 31, 2024

Not applicable.

(c.) Transactions between companies with the same parent as the Bank or between subsidiaries of other affiliated companies of the Bank

April 1, 2022 to March 31, 2023

Not applicable.

April 1, 2023 to March 31, 2024

Not applicable.

(d.) Transactions between directors, major shareholders(limited to individuals) and others.

Transactions with the Bank's directors, corporate auditors, executive officers and their relatives include loan receivables. These transactions totaled ¥0 million and ¥10 million (\$66 thousand) for the years ended March 31, 2023 and 2024, respectively. The balances of loan receivables from these parties totaled ¥0 million and ¥62 million (\$409 thousand) as of March 31, 2023 and 2024, respectively. The terms of these transactions were determined on an arm's-length basis. During the fiscal year ended March 31, 2024, we made loans of ¥10 million (\$66 thousand) to Gensui Sake Brewing Co., Ltd. in Kurayoshi, Tottori Prefecture, a company in which 100% of voting rights are owned by Director Yasuyuki Kuratsu and close relatives. The balance as of March 31, 2024 was ¥22 million (\$145 thousand). We made loans to Taiyo Denki Co., Ltd. in Matsue, Shimane Prefecture, a company for which Koji Miyauchi, who stepped down as a director of the Bank on June 22, 2023, and close relatives own the majority of voting rights. Transaction amounts with relevant companies are included until said date, and the balance as of March 31, 2024, was included as of said date in the amount of ¥40 million (\$264 thousand).

(2) Transactions between consolidated subsidiaries of the Bank and related parties

April 1, 2022 to March 31, 2023

Not applicable.

April 1, 2023 to March 31, 2024

Not applicable.

2 Notes related to the parent company and major affiliated companies

Not applicable.

29. Amounts per Share

	Yen		U.S. Dollars	
	2023	2024	2023	2024
Net assets per share	¥ 2,023.95	¥ 2,114.72	\$	13.96
Profit per share:				
Basic	¥ 99.28	¥ 109.28	\$	0.72
Diluted	99.18	109.24		0.72

Note: 1. The basis for the calculation of net assets per share as of March 31, 2023 and 2024 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2024	2024
Net assets	¥ 313,208	¥ 325,089	\$ 2,147,077
Deductions:	559	505	3,335
Subscription rights to shares	103	30	198
Non-controlling interests	455	475	3,137
Net assets attributable to shares of common stock	¥ 312,649	¥ 324,584	\$ 2,143,742
Number of shares of common stock outstanding	154,474 thousand	153,488 thousand	

Regarding the calculation of net assets per share, shares of the Bank owned by the Board Benefit Trust (BBT) and recognized as treasury stock (1,019 thousand shares and 891 thousand shares as of March 31, 2023 and 2024, respectively) are deducted from the number of shares of common stock outstanding.

The basis for the calculation of profit per share and diluted earnings per share for the years ended March 31, 2023 and 2024 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2024	2024
Profit per share			
Profit attributable to owners of the Bank	¥ 15,463	¥ 16,800	\$ 110,957
Amount not attributable to common shareholders	–	–	–
Profit attributable to common shareholders	15,463	16,800	110,957
Average number of shares of common stock outstanding	155,758 thousand	153,727 thousand	
Diluted earnings per share			
Profit attributable to owners of the Bank	–	–	–
Increase in the number of common shares	150 thousand	63 thousand	
Subscription rights to shares	150 thousand	63 thousand	
Overview of dilutive shares not included in the calculation of profit per share after adjustment since no dilutive shares exist	–	–	–

Regarding the calculation of profit per share and diluted earnings per share, shares of the Bank owned by Board Benefit Trust (BBT) and recognized as treasury stock (average of 735 thousand shares and 931 thousand shares for the years ended March 31, 2023 and 2024, respectively) are deducted from the average number of shares of common stock outstanding.

30. Significant Subsequent Events

(Share Buybacks)

At a meeting held May 13, 2024, the Bank's Board of Directors resolved to conduct share buybacks pursuant to Article 156 of the Companies Act as applied pursuant to Article 165, Paragraph 3 of the same act.

1 Reason for the share buybacks

To enhance the Bank's corporate value further by increasing returns to shareholders and improving capital efficiency.

2 Details of the share buybacks

- (1) Type of shares to be purchased: Common stock
- (2) Total number of shares to be purchased: 2,700,000 shares (maximum)
- (3) Total amount of purchase: ¥2,000 million (maximum)
- (4) Period of share buybacks: May 14, 2024 to August 30, 2024
- (5) Method of purchase: Market purchase on the Tokyo Stock Exchange

Consolidated Supplementary Schedules

Schedule of bonds payable

No significant information to disclose.

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	¥ 586,637	¥ 563,602	0.00	–
Rediscounted bills	–	–	–	–
Loans payable	586,637	563,602	0.00	June 2024 - March 2028
Leases obligations with repayment due in one year or less	172	180	–	–
Leases obligations (excl. obligations due in one year or less)	240	220	–	April 2024 - December 2030

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	\$ 3,874,493	\$ 3,722,356	0.00	–
Rediscounted bills	–	–	–	–
Loans payable	3,874,493	3,722,356	0.00	June 2024 - March 2028
Leases obligations with repayment due in one year or less	1,135	1,188	–	–
Leases obligations (excl. obligations due in one year or less)	1,585	1,453	–	April 2024 - December 2030

Notes: 1. *Average interest rate* represents weighted average interest rate based on the interest rates at the end of the fiscal year as of the balance sheet date.

Lease obligations are recorded on the consolidated balance sheet at amounts prior to the exclusion of interest-equivalent amounts, including certain lease fees. Therefore, average the interest rate is not provided.

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)	¥ 36,405	¥ 3,075	¥ 60,227	¥ 463,895	–
Lease obligations (millions of yen)	180	87	46	35	25

	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)	\$ 240,439	\$ 20,309	\$ 397,774	\$ 3,063,833	–
Lease obligations (thousands of U.S. dollars)	1,188	574	303	231	165

In the normal course of business, the Banking business receives deposits and procures and effectively manages capital from call money and commercial paper markets. Therefore, schedules of loans payable show a breakdown of *borrowed money* included under *liabilities* and *lease obligations* included in *other liabilities* on the consolidate balance sheet.

Schedule of asset retirement obligations

Omitted, as the balance of asset retirement obligations at the beginning and end of the current consolidated fiscal year is less than 1% of total liabilities and net assets.

Other

Quarterly consolidated financial information in the fiscal year ended March 31, 2024 is as follows:

	(Millions of Yen)			
Cumulative Period	Q1	Q2	Q3	FY ended March 31, 2024
Ordinary income	¥ 29,536	¥ 57,588	¥ 88,593	¥ 120,176
Net profit before income taxes	3,552	9,793	15,320	24,669
Profit attributable to owners of the Bank	2,311	6,627	10,420	16,800
Net profit per share (yen)	14.98	43.04	67.33	109.28

	(Thousands of U.S. Dollars)			
Cumulative Period	Q1	Q2	Q3	FY ended March 31, 2024
Ordinary income	\$ 195,072	\$ 380,344	\$ 585,119	\$ 793,712
Net profit before income taxes (thousands of U.S. dollars)	23,459	64,678	101,182	162,928
Profit attributable to owners of the Bank (thousands of U.S. dollars)	15,263	43,768	68,819	110,957
Net profit per share (U.S. dollars)	0.09	0.28	0.44	0.72

(*) Ordinary income is presented instead of net sales as used by general companies.

Accounting Period	Q1	Q2	Q3	Q4
Quarterly net profit per share (yen)	¥ 14.98	¥ 28.09	¥ 24.26	¥ 42.35

Accounting Period	Q1	Q2	Q3	Q4
Quarterly net profit per share (U.S. dollars)	\$ 0.09	\$ 0.18	\$ 0.16	\$ 0.27



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

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