



■ Integrated
Report



■ Mini Disclosure
Magazine



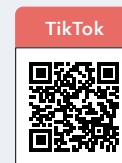
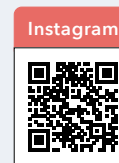
■ Website



■ Sustainability Report



■ SNS Gogin tuu Channel



About the Cover

Our design concept is endless growth. Drawn to symbolize infinity, various employees move along the red line shaped as an infinity mark. This expresses the power of each individual aiming to be what they want to be and their continued positive growth. It is this power that drives us to fulfill the dreams of the region and customers we serve.



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



This report uses paper compliant with the Green Purchasing Law.

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Department



Integrated Report 2023

San-in Godo Bank Integrated Report 2023
Supplemental Disclosure
Original Disclosure Magazine



MISSION

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

Management
Philosophy

Long-Term Vision

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.

Values and Action Guidelines

Sustainability Statement

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

Customer Satisfaction (CS) Declaration

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

VALUES

We exist to fulfill the dreams of the region and customers we serve through the power of finance and consulting.

Our mission is to continue to innovate and evolve to fulfill the dreams of the region and customers we serve.



The main topic of the San-in Godo Bank Integrated Report 2023 is *Human Resources and Human Capital to Support Growth Strategies*.

It is essential for the Bank to grow to be flexible and powerful so that we can achieve our management philosophy, contribute to the community, and continue to be of service to our customers.

Our human resources are our greatest capital and will support the Bank in our efforts. This section introduces how the Bank will chart our growth strategy by developing passionate and highly specialized human resources and drawing out their full potential.

Editorial Policy

This publication is the Integrated Report 2023 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 2022 (April 1, 2022 - March 31, 2023)
Some contents include information for fiscal 2023.

Disclosure System



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Structural Reform in Pursuit of Efficiency

As a regional bank, San-in Godo Bank (“we,” “the Bank;” Gogin”) has a responsibility to provide convenient and quality financial services to the communities we serve. But, we must also achieve the type of growth demanded by capital markets. Achieving both goals simultaneously is challenging, given that our home market is two small prefectures in the San-in region (“San-in”) with small populations and economies. For the 11 years through 2020, San-in Godo Bank recorded losses from customer service operations, an indicator of profitability through front-line sales (loans and fees). Over that time, we covered these losses with income generated through securities management. Results such as these make it difficult to provide stable, high-quality financial services to our communities. Therefore, we have taken a scalpel to our profit model, engaging in structural reforms that include a review of our sales organization. One of these reforms was a review of our branch structure. In March 2018, we operated 150 branches. In the following five years, we eliminated 42 branches while downsizing staff and operations at 22 of the remaining 108 locations*¹.

Top Message

Message From
the President

Ensuring that each employee experiences fulfillment and true personal development will lead to the growth of San-in Godo Bank and the communities we serve.

At the same time, loan balances increased 1.4 times over the past five years from ¥2.8 trillion to ¥4 trillion. Revenue from fees and commissions increased 1.6 times from ¥5.9 billion to ¥9.9 billion*^{2,*3}. Our alliance with Nomura Securities Co., Ltd. in October 2020 increased the balance of assets under management for asset management services from ¥500 billion to ¥700 billion, while we reduced the sales staff of both companies from 400 to 230, or nearly 40%*⁴. We implemented a number of other reforms, working with employees on matters related to major organizational changes. We reduced costs and reassigned staff strategically over a short five-year span.

The results of these structural reforms, together with steady growth in loans, fees, and other banking business services, helped us post record profits for a second consecutive year. In particular, our average annual increase in loan balances continued to be one of the highest among regional banks, while interest on loans and discounts increased for a fifth consecutive year. These strong results owe much to structural reforms that brought

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Profits Through
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July 2023
President and Representative Director

Toru Yamazaki

山崎 徹

significant improvements in efficiency. The management base and profit structure we rebuilt through these reforms will allow us to continue stable profit growth with an expanding top line.

Perfecting Lending-Based Banking and Expanding Our Top Line

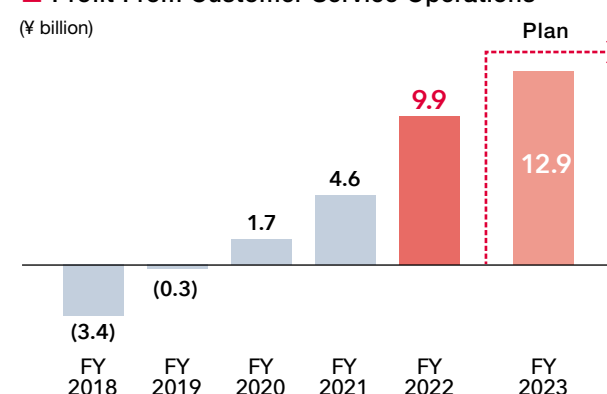
Simply reducing costs and staff levels would create a reduced equilibrium and not result in the type of growth demanded by the capital markets. We must expand our top line. As a regional bank, loan transactions are the primary services demanded by the clients in our communities. We believe that creating deeper relationships of trust with clients through these loan transactions will bring opportunities to extend other services such as consulting. The Bank's capital adequacy ratio of 12.57% is higher than the average for regional banks. We leverage this robust capital as a buffer to pursue risk-taking based on an understanding of the actual state of our clients in our service area, which extends from San-in to the Sanyo and Kansai regions ("Sanyo" and "Kansai"). As a result, loan balances continue to increase at a rate among the highest of any regional bank. Our revenue from fees and commissions also continues to rise in line with this positive trend. And we will continue to expand our base of operations and achieve profit growth, beginning by perfecting our banking services.

Solving Business Challenges Through Every Employee a Consultant

In addition to perfecting banking services in loan transactions, we strive to differentiate from other banks by providing added value to our clients and diversifying our sources of income. One measure to this end is our *Every Employee a Consultant* project. Under this initiative, every person involved in our Corporate Business is responsible for providing a certain level of consulting services. For many years, the Bank has engaged in relationship banking and value-added activities, offering numerous ideas to support our clients and their businesses. The Every Employee a Consultant project aims to deepen the expertise of our activities and create a consulting model unique to regional banks. In this way, we will solve the issues faced by our clients on their front lines with speed and care through a consulting model unique to a regional bank. This fiscal year, we plan to increase the number of business issues we identify and solve for clients by six-fold and ten-fold, respectively. We develop relationships with our clients where they feel comfortable talking to us about their business concerns and issues. Our consulting activities provide new added value to our clients. These activities also help us understand the client and create new profit opportunities for both parties^{*5}.

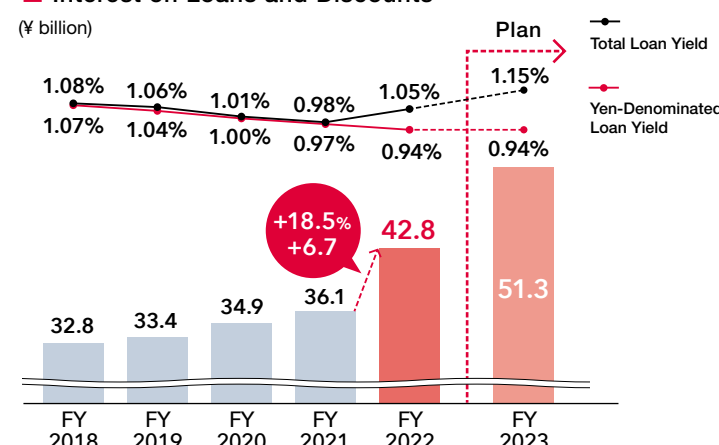
^{*5} Every Employee a Consultant Project Update
P25

Profit From Customer Service Operations



* Profit from customer service operations = Average loan balance x (loan yields - deposit yields) - currency swap expenses + profit from service transactions - expenses - retirement benefit expenses (minus non-recurring expenses)

Interest on Loans and Discounts



Collaborating With Nomura Securities Co., Ltd. to Create the Gogin Model

We began an alliance with Nomura Securities Co., Ltd. in 2020 to create a new business model in the asset management sector. This alliance was the first-ever initiative in Japan to combine branches and staff between a bank and a securities firm. By leveraging the characteristics of banks and securities firms, we are achieving efficient operations and making steady progress in sales performance. The alliance brought the expertise and systems of Nomura Securities Co., Ltd., improving the level of service we provide customers while increasing our balance of assets under management at a pace faster than planned. Together, we pursue an all-assets approach, proposing products suited to the individual customer's asset portfolio and risk tolerance based on information obtained through banking transactions. We will continue to evolve this alliance as a model case for regional bank asset management businesses^{*6}.



^{*6} Alliance-Based All-Assets Approach
P26

Investing Actively in Growth Sectors Leveraging the Results of Structural Reforms

Through a series of structural reforms, we improved our cost structure, achieving an overhead ratio (OHR) in the low 50% range. This OHR translates into efficiency on par with any top regional bank^{*7}. Controlling ordinary expenses while engaging in strategic investments is essential for long-term growth. We continue to invest strategically in digital transformation (DX) to improve our long-term cost competitiveness and service levels. Our approach to DX covers five areas under a bank-wide project to catch up with the top regional banks over the three years leading to the current fiscal year. We are pleased with the progress in improved user interfaces (UI) and user experiences (UX) in our services for customers. At the same time, we are developing the infrastructure to utilize the Bank's vast amount of data for marketing and other purposes. Bank staff receive training in advanced IT skills. Along with building skills, we are building a culture of bottom-up improvement from our front lines^{*8}.

^{*7} Overhead Ratio Update
P34

^{*8} DX Measures by Area
P48

The results of structural reforms are not limited to costs. By streamlining our sales organization and operations, we free staff from administrative and personal business divisions. We intend to reassign staff to corporate business, consulting, and DX divisions where we expect growth. In particular, we will continue to increase the number of staff assigned to corporate business in Sanyo and Kansai, where we see room for growth.

Strategies to Improve ROE

Shareholders are one of our key stakeholders, and they have expressed concern that the price book-value ratios (PBR) of Japanese companies are well below 1.0 times. The Tokyo Stock Exchange has asked banks to present growth strategies and a path toward a PBR of 1.0 times. I am less than pleased to say that our PBR stands at around 0.4 times. To improve, we will first raise return on equity (ROE), which correlates highly to PBR. While we assume that investors expect a cost of capital in the mid-5% range, our immediate ROE target is 6%, which exceeds our cost of capital. As part of our strategy to achieve this goal, we will increase our already-strong loan balances and improve return on risk-weighted assets (RORA).



At the same time, we plan to increase revenue from fees and commissions stemming from consulting, asset management, and other services to improve capital efficiency. We project our loan balances when we achieve ROE of 6% to be somewhere around ¥5.3 trillion. Given the pace of growth over the past five years, we believe we will achieve this level within the period covered under the next medium-term management plan, which begins in the next fiscal year. The ROE target of 6% is a milestone that we will achieve within a few years. And we aim for an even higher level as we continue to grow profits in our loan and fee businesses.

Our strategy to increase loans centers on corporate transaction development in regions of projected significant growth outside San-in. Sanyo and Kansai have been drivers of loan growth for us in recent years. Our proposals, ranging from finance to management consulting, and courteous and agile responsiveness, have been well received by new clients, and loans per corporate client have risen steadily. We intend to perfect this sales style and assign more staff to sales. Revenue from fees and commissions in our foundational consulting services and other services will contribute to profit growth and help ensure returns to our shareholders. We changed our guidance for shareholder returns from a payout ratio of 35% to a total return ratio of 40%. Our dividend policy is now one of progressive dividends, which, in principle, will not be reduced. San-in Godo Bank will achieve our ROE target and improve PBR as quickly as possible by continuing to defend and grow in San-in, our home market, while expanding our market share in Sanyo and Kansai.

Building an Organization for Diverse Human Resources to Shine

Our historical career path has been the same for all employees: deliver results in sales and other front-line positions, work up to branch manager, and possibly senior management. Our traditional recruitment model has been hiring mainly new college graduates, training them initially as generalists. The old culture of the Bank emphasized compliance with rules, which was suitable for solid and stable business operations. However, the emphasis on rules tends to create a homogeneous, hierarchical workforce. The business environment has changed drastically, and unpredictable events increase uncertainties about the future. In these times, the Bank needs employees with various skills and perspectives to respond flexibly to change. Further, every employee must think and act independently while achieving expertise in his or her specialty. We believe we will respond to change at higher levels when staff from diverse backgrounds, including gender, skills, and experience, feel

free to discuss issues. We support each employee in creating his or her own career plan and developing their professional skills. We promote women to higher positions according to their abilities and pursue mid-career hiring of employees with specialized skills.

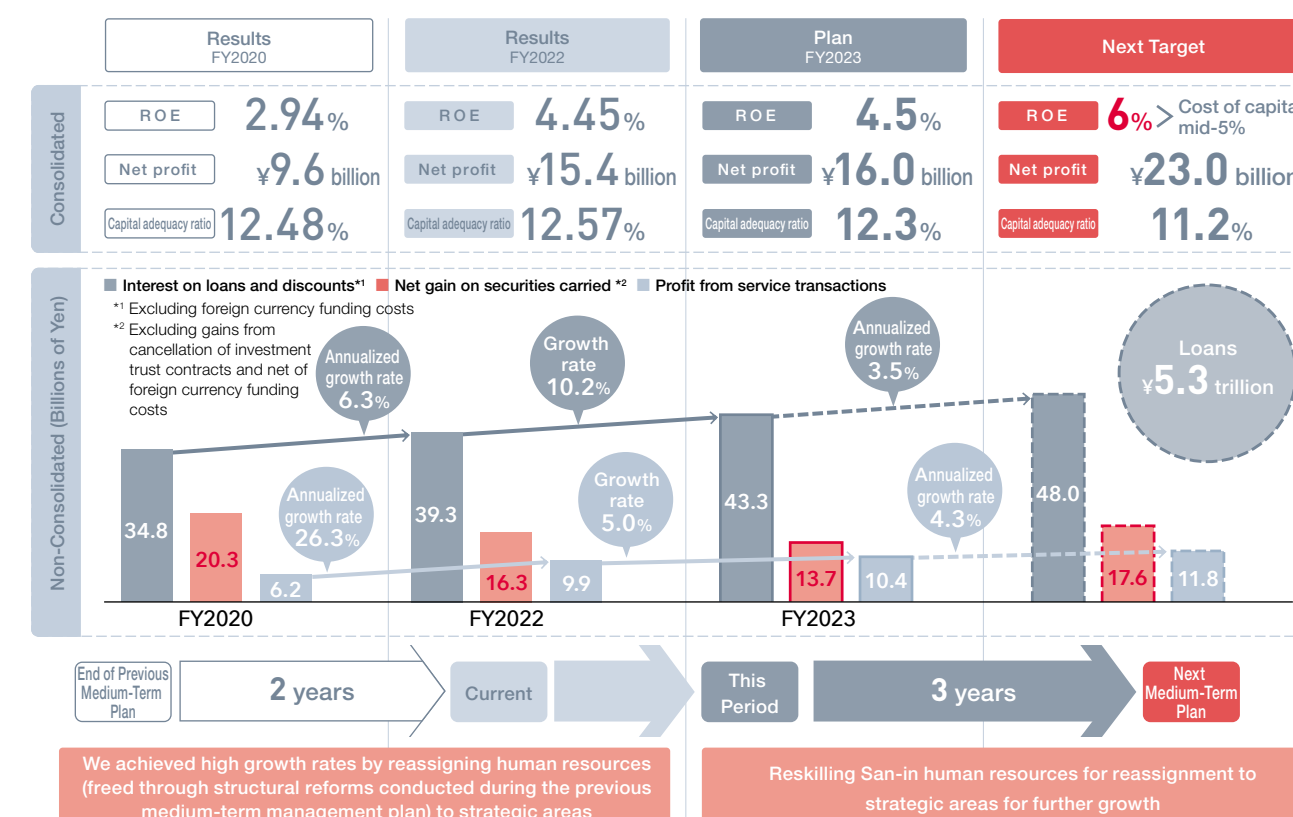
To activate and achieve autonomous change in an organization requires an open environment in which employees feel free to express their opinions on any matter and a bottom-up culture in which each department and individual strives for continuous improvement. To this end, we hold Good Business Practice Meetings to share best practices and improvement initiatives within the Bank. We also established the Women's Empowerment Team. In this and other ways, we are expanding bottom-up planning and improvement activities. I also aim to improve communications with employees through regular opportunities to exchange opinions at front-line office locations to instill this kind of organizational culture. Between October 2020 and March of this year, I participated in opinion exchanges with 158 employees, meeting with groups of five at a time for an hour or so. I am gratified that employees feel comfortable speaking frankly, including their concerns about the future and questions about Bank policies. I try my best to dispel any sense of unease by explaining that this is a time of disruptive change for the Bank, and that our actions as an organization align with our goals and management philosophy. We plan to continue these activities to pursue initiatives for each employee to feel a sense of fulfillment in their work and achieve true personal development, which will lead to the growth of the Bank and our communities.

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



Regular opinion exchanges are held online

Enhancing Corporate Value



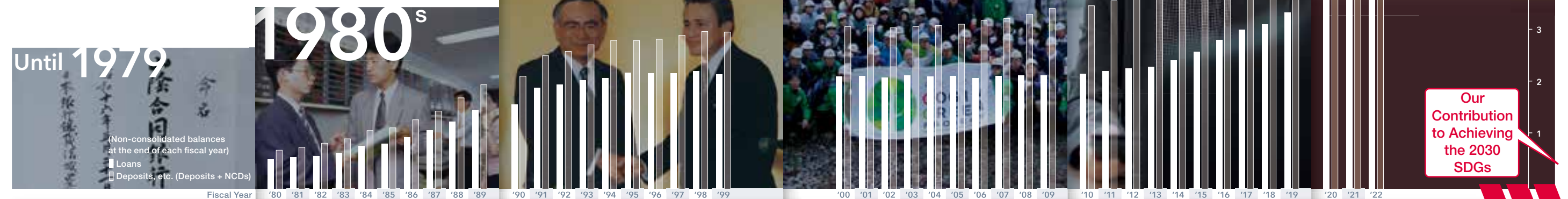
Our History and Future

Continue to Work Together With the Community and Our 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.

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



Value Provided



Solving regional issues through Providing city-level financial

relationship banking and regional contribution activities services as a leading regional bank

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
- Overcame the chaos of the war and post-war period and aimed to strengthen foundations and expand business during the period of economic recovery and rapid economic growth

Expanded the scale of business against a backdrop of financial liberalization, internationalization, and a booming economy

- Aimed to provide comprehensive financial services as a representative regional bank equipped with full banking functions by enhancing our capital volume, earnings capacity, and customer services

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
- Dealt with financial liberalization and spread of IT while dealing with non-performing loans after the collapse of the Japanese bubble economy
- Endeavored in highly transparent management based on our principle of self-responsibility

Deepened relationships with the community and customers to meet their needs

- Aimed to be the bank of choice by providing products and services based on customers actual needs
- Formulated measures to reform a low-cost structure and create new revenue pillars to pioneer a challenging environment
- Developed and spearheaded unique community contribution activities

Transitioned to a business model based on relationship banking

- Reallocated management resources to strategic divisions through fundamental structural reforms
- Further expanded our network of branches in Hyogo and Osaka, and reinforced our structure for corporate business
- Expanded career opportunities for women to take charge in individual and corporate businesses by changing their responsibilities

Transform our business model to focus on consulting and digital technologies

- Prioritize support for business partners with deteriorating business conditions due to the COVID-19 pandemic
- Clarify our stance on local sustainability in response to growing interest in SDGs and sustainability
- 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

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

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*

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
- Established *Gogin Challenged Matsue*, an employment office for individuals with disabilities

2012

- Established new branches in Hyogo and Osaka
- Opened the private school *Shofukan*

2017

- Opened *Gogin Challenged Tottori*, an employment office for individuals with disabilities

2020

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

2022

- Selected for the Prime Market in the Tokyo Stock Exchange

Social and Economic Backdrop

1941

- Outbreak of the 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)

1991

- Collapse of the Japanese bubble economy

1996

- Japanese government announced a financial system reform called the Japanese Financial Big Bang

2005

- Lifting of the ban on deposit insurance

2008

- Collapse of the Lehman Brothers

2016

- Bank of Japan introduced first negative interest rate

2020

- Global spread of COVID-19

2022

- Deterioration of Ukraine Crisis

Our Strengths

Leveraging Our Strengths Built to Date and Passing Them on to the Future



Hardworking human resources committed to the community

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.

Our Current Goals

Every Employee a Consultant

A New Stage of Relationship Banking

Corporate Consulting

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Asset Consulting

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High level of 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)

¥5,658.8 billion

(As of March 31, 2023; non-consolidated)

Balance of Loans

¥4,343.4 billion

(As of March 31, 2023; non-consolidated)

Capital Adequacy Ratio

12.57%

(FY03/2023; 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 **48.9%**
(As of September 30, 2022)

*Banks, credit unions, credit associations, and the Japan Post Bank with branches in San-in (based on our survey)

Loans **50.7%**
(As of September 30, 2022)

*Banks, credit unions, and credit associations with branches in San-in (based on our survey)

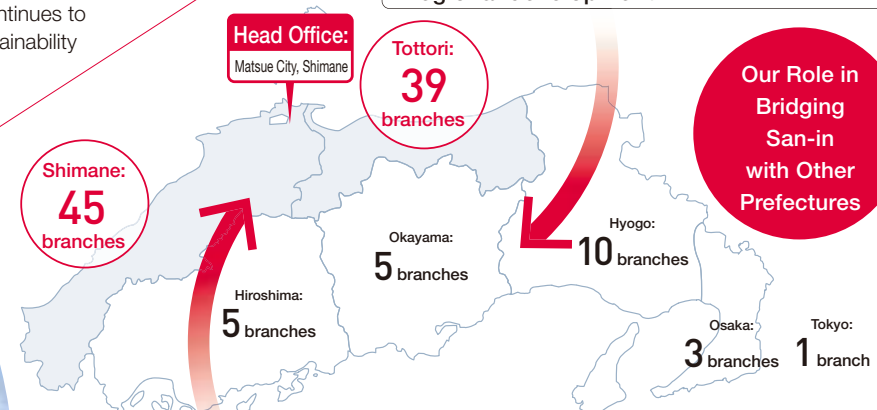
Natural Capital

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

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

- Forming community-based activities and relationships of trust
- Developing activities that contribute to regional development



- Increasing our presence through business developments with the same relationship banking base as San-in
- Capturing growth in San-in by investing our management resources

*The number of branch locations does not include branch-in-branch and direct branch locations.

Markets Utilizing our Wide-Ranging Network of Branches

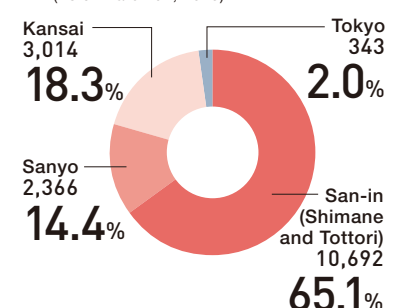
Even with both prefectures combined, the San-in economic base accounts for less than 1% of Japan's total gross prefectural product. However, the combination of the gross prefectural product for San-in, Sanyo (Okayama and Hiroshima), and Hyogo is the second largest in the nation, indicating the large size of their 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.

Share in GDP

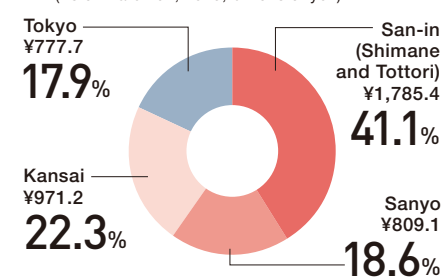
Rank	Prefecture	Actual Amount (¥ billions)	Share
1	Tokyo	115,682.4	19.92%
2	Osaka	41,188.3	7.09%
3	Aichi	40,910.7	7.04%
6	Hyogo	22,195.1	3.82%
12	Hiroshima	11,969	2.06%
22	Okayama	7,842.4	1.35%
45	Shimane	2,689.2	0.46%
47	Tottori	1,893.3	0.33%
(33)	San-in (Shimane and Tottori)	4,582.6	0.79%
(2)	Total of San-in, Sanyo, and Hyogo	46,589.4	8.02%
—	Total of all prefectures	580,846.8	100.00%

* From the Cabinet Office Prefectural Accounts (FY2019). Rankings in parentheses are national rankings when totaled for each prefecture.

No. and Composition of Corporate Clients by Region (As of March 31, 2023)



Loan Composition by Region (As of March 31, 2023, billions of yen)



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 sustainability initiatives are 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.

Deliver Growth for Our Communities, Customers, and the Bank

Pathway to Sustainability Management

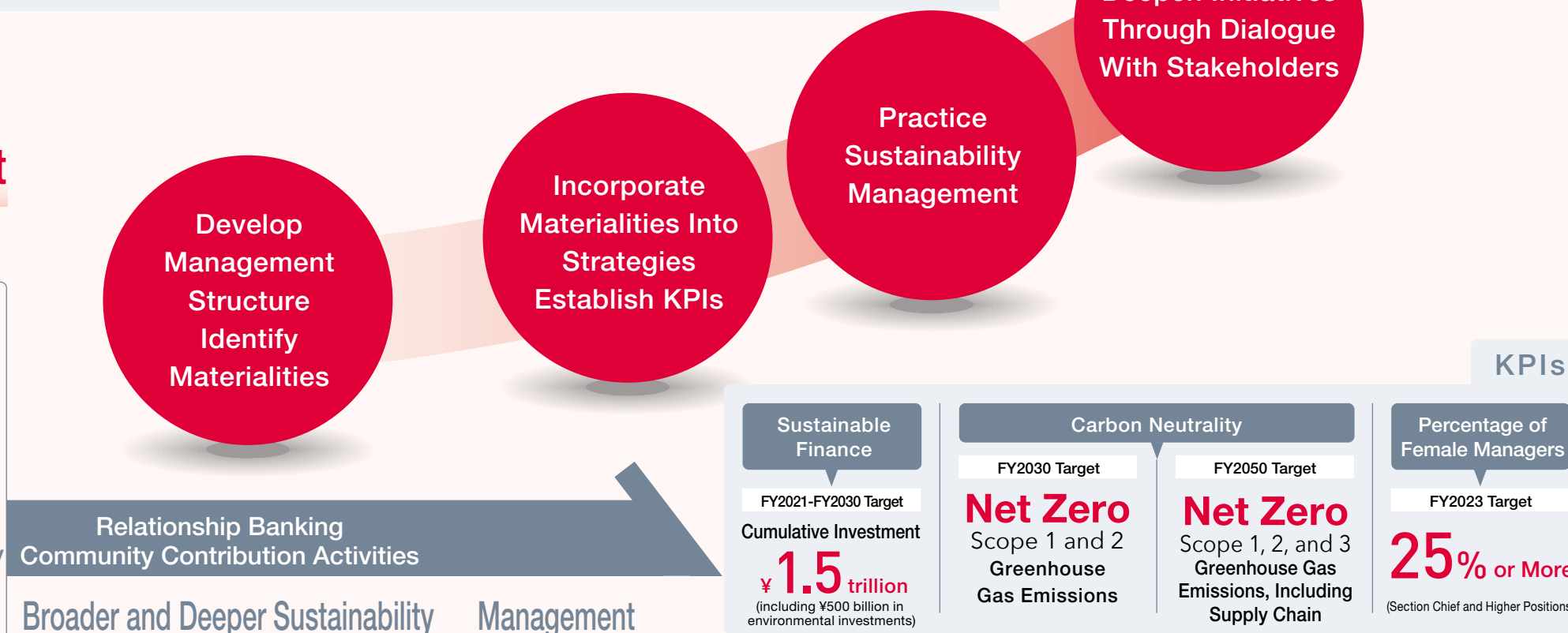
Gogin Sustainability

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. P18

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. P38



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 Declaration

<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 Office 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 cross-organizational initiatives. The Group Company Sustainability Liaison Committee holds meetings to communicate related policies and initiatives.



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

In formulating the current medium-term management plan (FY2021-FY2023), we identified key issues (materialities) to be addressed. We took account of sustainability issues laid out in international guidelines (UN Global Compact, GRI Standards, etc.) and changes in the external environment and structure of society. We identified risks and opportunities and sought to strike a balance between social and economic rationality in regions where sustainability issues have begun to develop. We have formulated policies and strategies to address the 10 materialities we identified and are acting on them. Materialities are revised as appropriate following discussions by the Sustainability Committee and Board of Directors in light of the rapidly changing external environment.



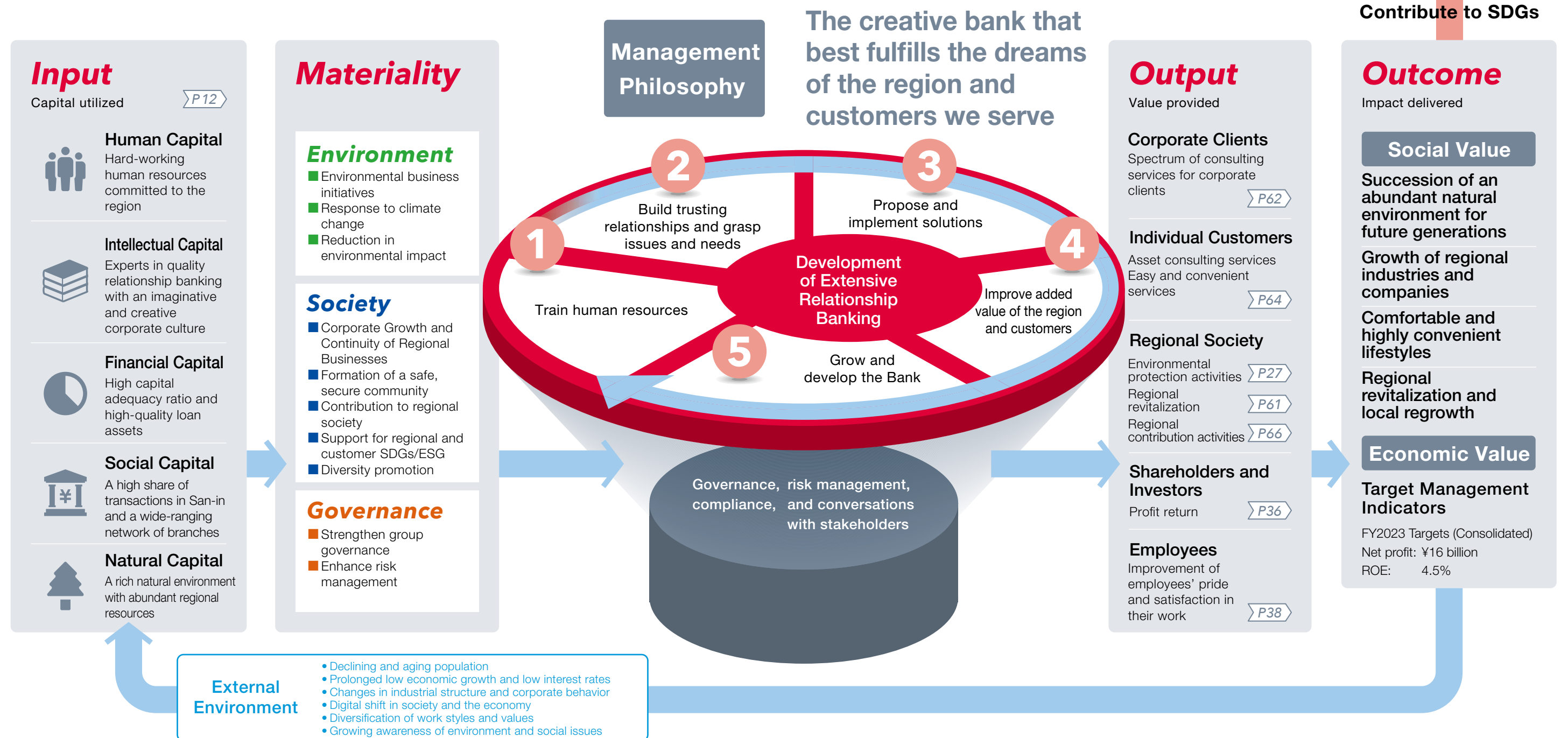
	Materiality	Reason for Identifying the Materiality	Risks and Issues	Opportunities	Vision and Targets	Major Recent Initiatives
Environment 	Environmental Business Initiatives	Climate change poses serious threats to society, including the growing intensity of natural disasters because of global warming. To ensure a better future, climate change is an important issue that needs to be addressed promptly, not only by the Bank but by the whole region.	<ul style="list-style-type: none"> Policy changes reflecting the transition to a decarbonized society Damage caused by more intense natural disasters 	<ul style="list-style-type: none"> Support for adapting to decarbonization and other social demands Greater competitiveness Better corporate image 	<ul style="list-style-type: none"> Our target amount of cumulative sustainable finance by FY2030: ¥1.5 trillion (including ¥500 billion in environmental fields) Supply renewable electric power in the region in cooperation with local governments and clients 	<ul style="list-style-type: none"> Amount invested in sustainable finance (cumulative): ¥271.7 billion (including ¥109.3 billion in environmental fields) (cumulative FY2021-FY2022) • Established Gogin Energy Co., Ltd. and entered renewable energy power generation business. • J-Credit sales supported by Bank (cumulative): 299 projects/9,560 t-CO₂ (cumulative from commencement in FY2011 through FY2022)
	Response to Climate Change				<ul style="list-style-type: none"> Expand the scope of climate change risk analysis and upgrade impact calculation methods Measure and disclose greenhouse gas emissions of investees 	<ul style="list-style-type: none"> Disclosure of scenario analysis based on TCFD recommendations Joined Partnership for Carbon Accounting Financials (PCAF) Joined Japan Climate Initiative (JCI)
	Reduction in Environmental Impact				<ul style="list-style-type: none"> Achieve carbon neutrality FY2030: Net zero in Scope 1, 2 FY2050: Net zero in Scope 1, 2, 3 Greenhouse gas emissions target FY2023: 50% reduction (compared to FY2013) Achieve ZEB (Net Zero Energy Building) status at newly built branches Energy conservation through facility upgrades and increased use of renewable energy 	<ul style="list-style-type: none"> Greenhouse gas reduction rate (consolidated): 38.8% in FY2022 (compared to FY2013) Joined Keidanren's Initiative based on the Declaration of Biodiversity Introduced electricity from renewable energy in Head Office building and Tottori Headquarters building Built new branches with ZEB and ZEB Ready status
Society 	Corporate Growth and Continuity of Regional Businesses	San-in region has a weak economic base and has long faced diverse regional issues. The Bank aims to solve regional issues with a local approach and contribute to the revitalization of the region through relationship banking.	<ul style="list-style-type: none"> Responding to changes in the business environment Lack of successors Insufficient labor force Declining number of business sites 	<ul style="list-style-type: none"> Business support • Support for business succession, M&A Rollout of recruitment consultancy service • Support for continuous business creation • Creation of related population and exchange population • Support for administrative and financial reform 	<ul style="list-style-type: none"> Expand solutions menu Establish Every Employee a Consultant Structure in which all staff thoroughly analyze customers' issues and offer side-by-side support for their growth strategies 	<ul style="list-style-type: none"> Expand and enhance solutions menu Provide side-by-side consulting Strengthen structure for corporate business Expand recruitment consultancy service with start of operations at Gogin Career Design Co., Ltd.
	Formation of a Safe, Secure Community	We provide stable financial infrastructure and quality services to local customers in an aging and digitalized society.	<ul style="list-style-type: none"> Formation of prosperous lifestyles Declining population Aging society 	<ul style="list-style-type: none"> Asset formation assistance Lifecycle financial support Increasing shopping convenience Simplification of procedures through digital technology 	<ul style="list-style-type: none"> Provide advanced consulting services in partnership with Nomura Securities Co., Ltd. Improve customer convenience by enhancing non-face-to-face transactions Revitalize region with the spread of cashless transactions 	<ul style="list-style-type: none"> Support asset formation through partnership with Nomura Securities Co., Ltd. Expand non-direct contact channels
	Contribution to Regional Society	In our desire to serve our community and customers, we have worked to fulfill our responsibilities to the local community and have contributed to the community in unique ways for many years.	<ul style="list-style-type: none"> Declining dynamism in local communities Declining corporate image 	<ul style="list-style-type: none"> Environmental protection Fostering human resources for the future • Participation by diverse personnel 	<ul style="list-style-type: none"> Continue forest conservation initiatives Continue operation of Shofukan 	<ul style="list-style-type: none"> Ongoing forest conservation activities since 2006 Operate Shofukan private school for developing future regional leaders Expand financial and economic education
	Support for Regional and Customer SDGs/ESG	We recognize that addressing climate change and other SDGs and ESG is important for the sustainability of the region. As a leading regional bank, we support our clients' initiatives with our wealth of knowledge.	<ul style="list-style-type: none"> Stronger regulation in future Alienation from supply chain Declining corporate image 	<ul style="list-style-type: none"> Support for adapting to decarbonization and other social demands Greater competitiveness Better corporate image 	<ul style="list-style-type: none"> Build awareness and support initiatives by providing Gogin SDGs Management Support Service Expand support system to help clients reduce greenhouse gas emissions 	<ul style="list-style-type: none"> Offer support and propose solutions through Gogin SDGs Management Support Service Support our clients' efforts to reduce greenhouse gas emissions
	Diversity Promotion	To continue supporting the community in challenging times, we develop personnel who can act to solve regional issues. We respect our employees' diverse personalities and values and are working to be an organization where every employee can play an active role.	<ul style="list-style-type: none"> Development of personnel who can provide quality financial services 	<ul style="list-style-type: none"> Use of diverse personnel Revitalization of organizations 	<ul style="list-style-type: none"> Develop professional personnel Expand support to encourage autonomous career development Percentage of female managers target for March 31, 2023: 25% or higher 	<ul style="list-style-type: none"> Reform human resources and career development systems Establish personnel development policy and internal environmental improvement policy • Conduct engagement survey • Participate in Human Capital Management Consortium Start Women's Activity Promotion Team Percentage of female managers (consolidated) of rank division chief and up 20.7%; rank section chief and up 26.5% (March 31, 2023) • Sign onto Women's Empowerment Principles (WEPS) • Support independence of persons with disabilities (Gogin Challenged) • Employment rate of individuals with disabilities (consolidated) 2.7% (March 31, 2023)
Governance 	Strengthen Group Governance	Led by the Bank, we seek to maximize Group synergies to meet stakeholder expectations and sustainably increase corporate value.	<ul style="list-style-type: none"> Business continuity risk due to dysfunctional governance and internal controls 	<ul style="list-style-type: none"> Increase transparency of decision-making Establish foundation for stable growth 	<ul style="list-style-type: none"> Continually ensure diversity in Board of Directors 	<ul style="list-style-type: none"> Three female directors (25.0%) (As of June 2023) Six independent outside directors (50.0%) (As of June 2023)
	Enhance Risk Management	We recognize that risk management is the most important issue for maintaining stability and soundness of management.	<ul style="list-style-type: none"> Damage to corporate value 		<ul style="list-style-type: none"> Maintain safety and soundness of management 	<ul style="list-style-type: none"> Enhance integrated risk management system

Value Creation Process

San-in Godo Bank views relationship banking as our universal business model and aims to achieve sustainable regional growth together with our regions. To do so, we will utilize the capital we built to date to proactively solve social issues.

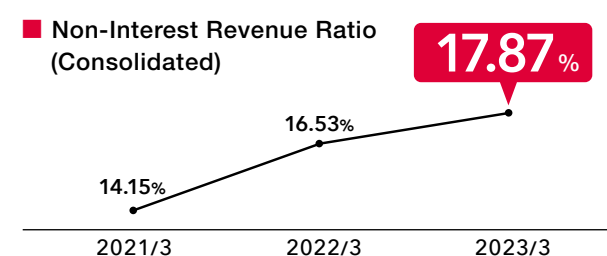
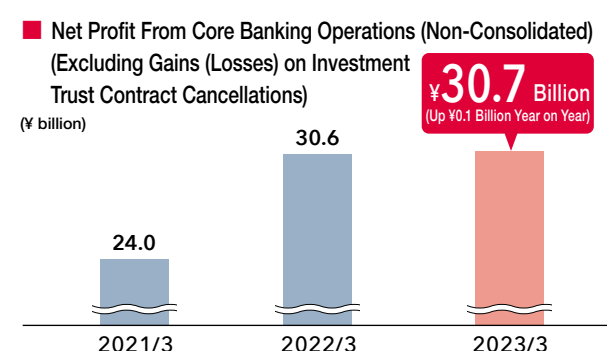
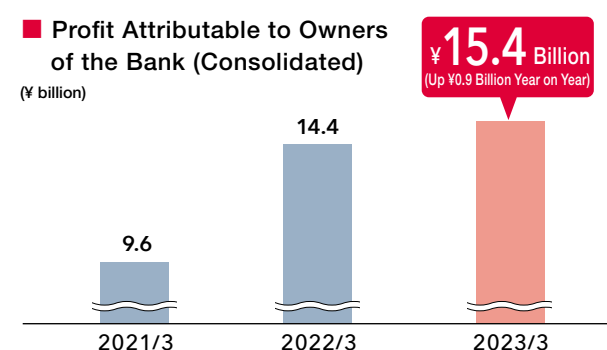
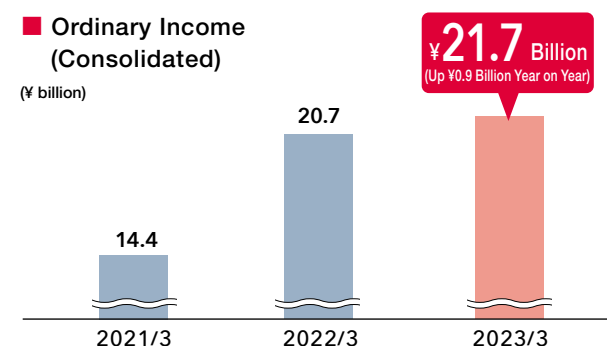
The Bank steadily supports our regions and customers by establishing deeper-than-ever ties with both through extensive relationship banking anchored in consulting and digitalization.

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



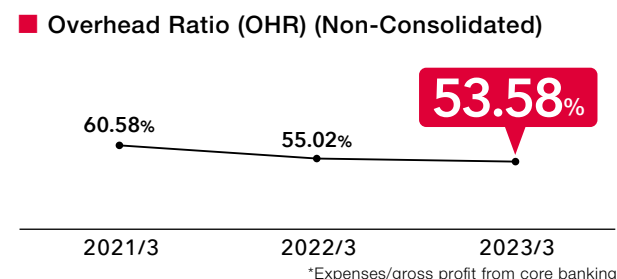
Financial Highlights

Profitability

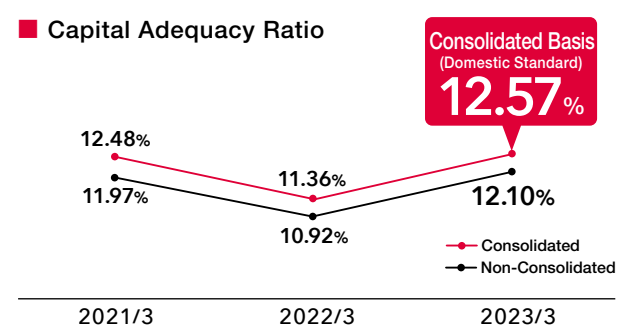


* (Profit from service transactions + profit from other operations (excluding gains (losses) related to bond transactions, gains on cancellations of asset swaps, and currency swap expenses)) / consolidated gross profit from core banking operations.
As of FY2021, gains on cancellations of asset swaps and currency swap expenses are both deducted from the numerator (profit from other operations) during calculation.

Efficiency

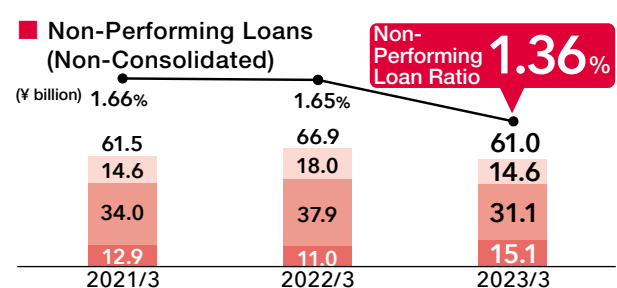
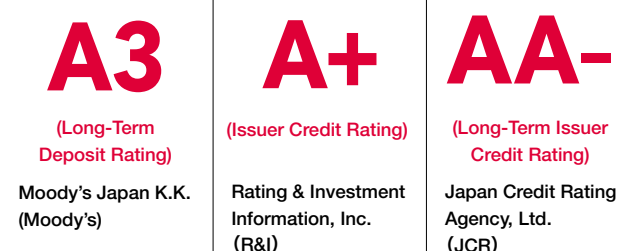


Safety and Soundness



*Finalized Basel III was applied from March, 2023

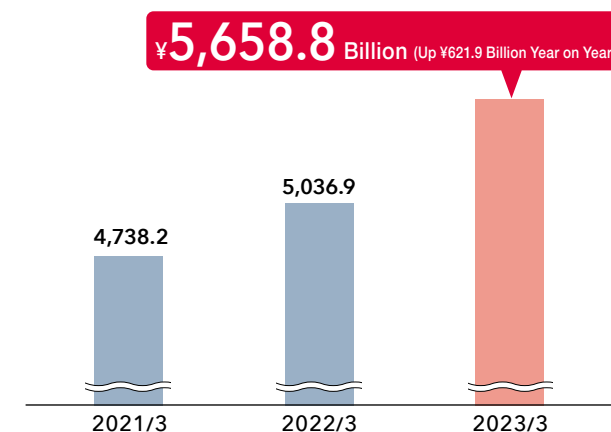
Ratings (Non-Consolidated)



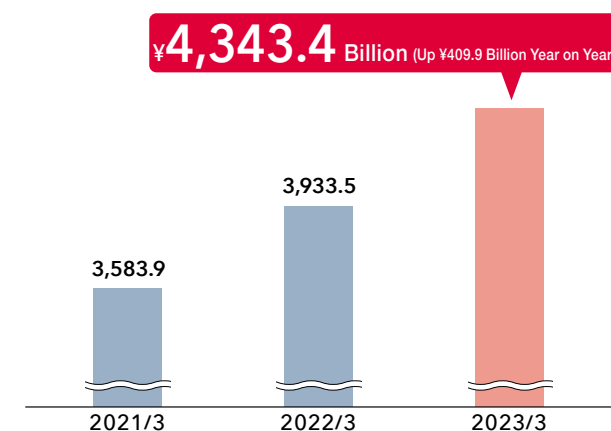
*Disclosed assets pursuant to the Financial Reconstruction Act

Main Accounts (Non-Consolidated)

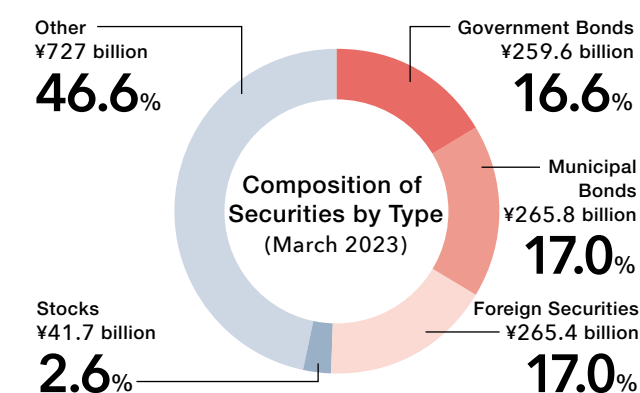
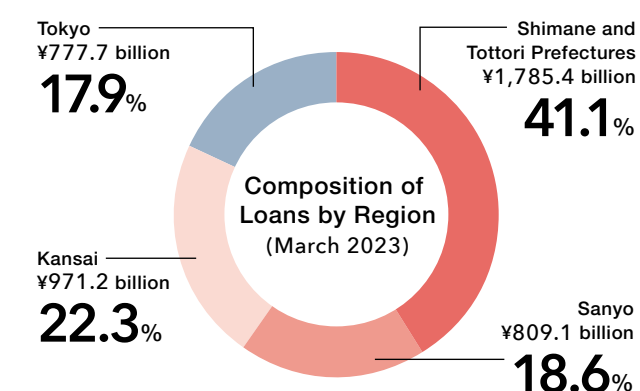
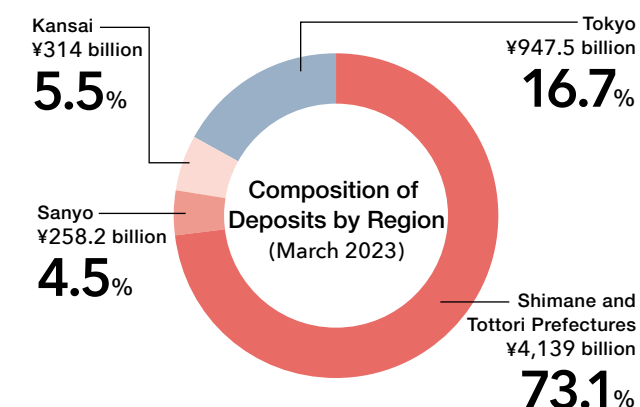
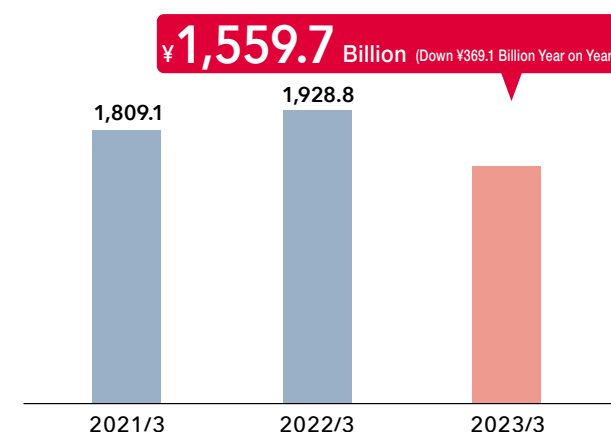
Deposits* (Year-End Balance) *Deposits and Certificates of Deposit



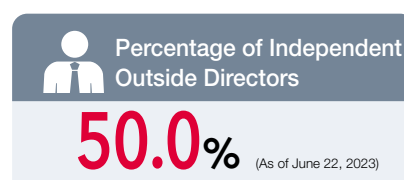
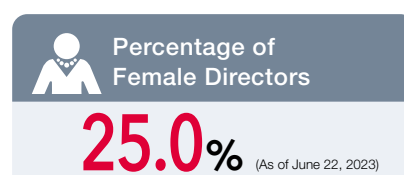
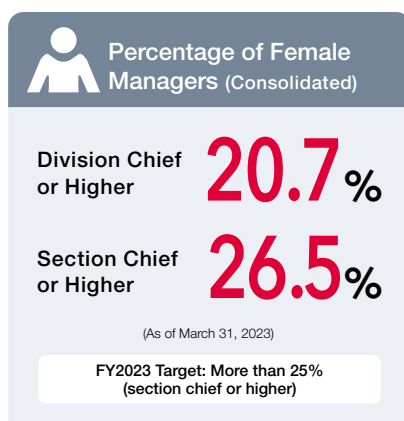
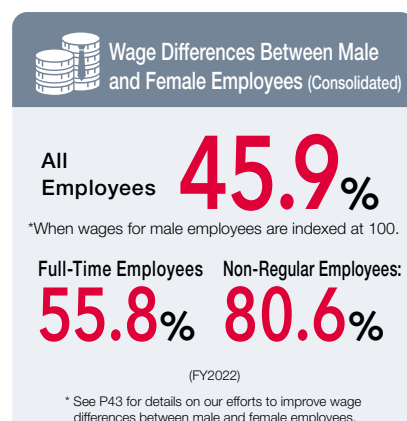
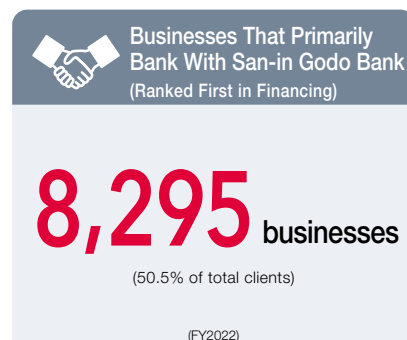
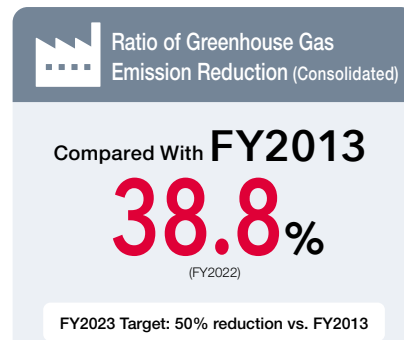
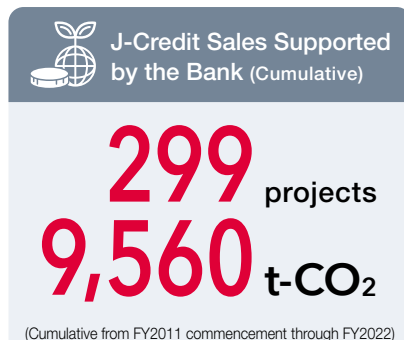
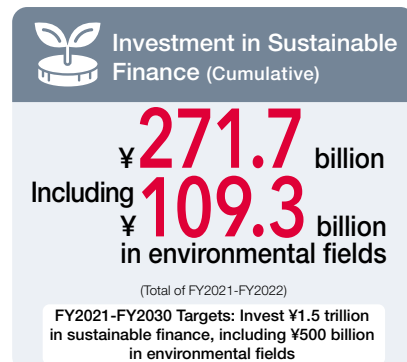
Loans (Year-End Balance)



Securities (Year-End Balance)



Non-Financial Highlights



External Evaluations



Endorsement for Initiatives



TOPICS

San-in Godo Bank was recognized for its sustainability initiatives

Regional Finance Award, the 8th Sustainable Finance Awards*

Initiatives as the First Financial Institution in Japan to Establish a Company for the Advancement of Other Banking Services

- Entry into renewable energy power generation projects through an advanced banking service company for local decarbonization and carbon neutrality

* Sponsored by the Research Institute for Environmental Finance (RIEF) Recognizes companies and other organizations that provide financial products, services, and initiatives for the environment in the Japanese financial markets

P29 Gogin Energy Co., Ltd.

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



Our Ongoing Forest Conservation Activities Since 2006

- Gogin Kibo no Mori (Forests of Hope) initiatives where Bank officers and employees volunteer to plant trees and cut undergrowth
- Protect Our Forests! San-in Network Council to exchange information and promote exchanges with local organizations
- Restoration of satoyama rural landscapes through Gogin Kibo no Mori (Forests of Hope)

P27 Forest Conservation Activities

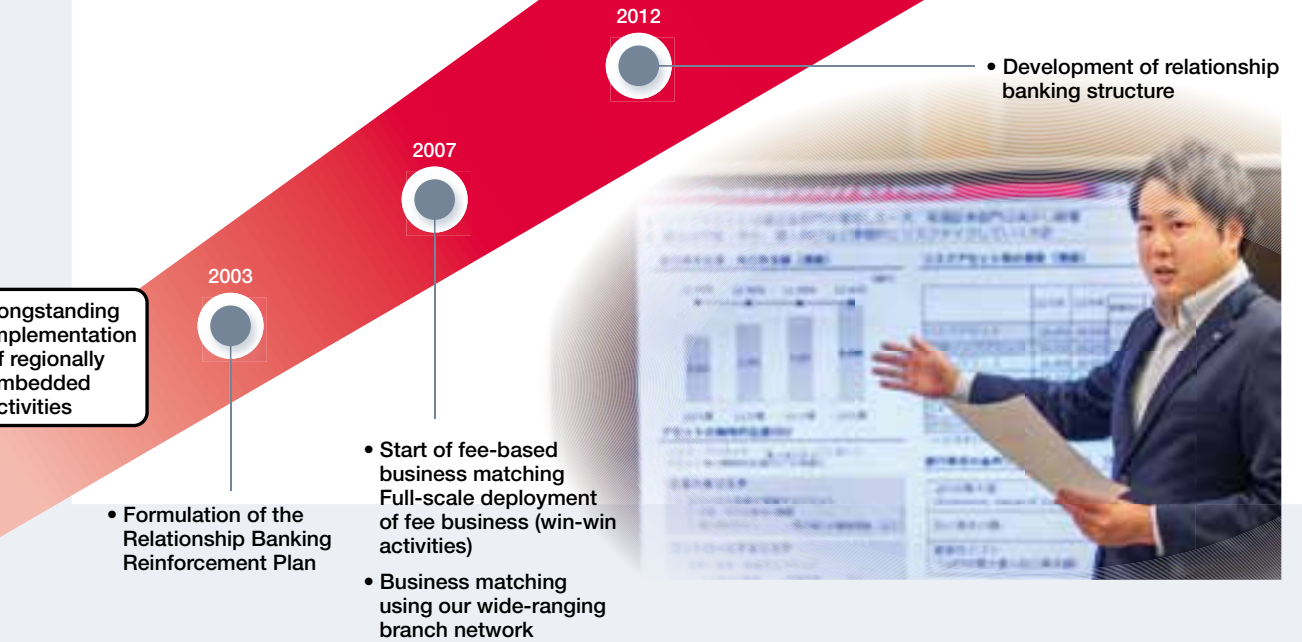
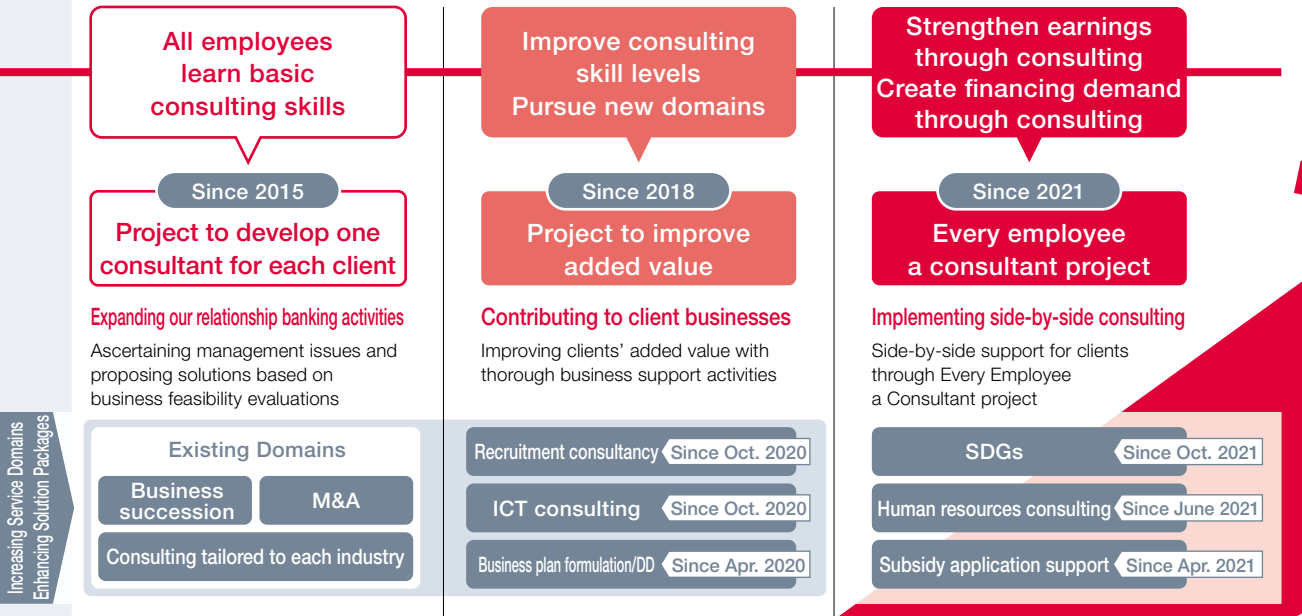


Rolling Out a New Business Consulting Model

Continuing to Deepen Our Uniqueness, Developing More Competitive Relationship Banking

Side-by-Side Support for Clients with Advanced Organization-Wide Consulting

The Bank has always had a strong sense of mission to act for the community. As such, we are constantly working to revitalize regional economies and develop the community. We have long focused particularly on business support initiatives with the idea that by energizing our local small- and medium-sized clients, we can create a cycle of employment and capital that will make the entire region more vibrant. Since we first announced it in our Relationship Banking Reinforcement Plan of 2003, the Bank has embraced relationship banking as a universal business model. We have continued to deepen relationship banking in our unique way, culminating in the current Every Employee a Consultant project. In addition to the consulting services provided by our specialists at headquarters, the Bank's sales staff also provide high-level consulting services, through which we are developing more competitive relationship banking and creating a virtuous cycle for our regional economies.



Every Employee a Consultant Project Corporate Consulting

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

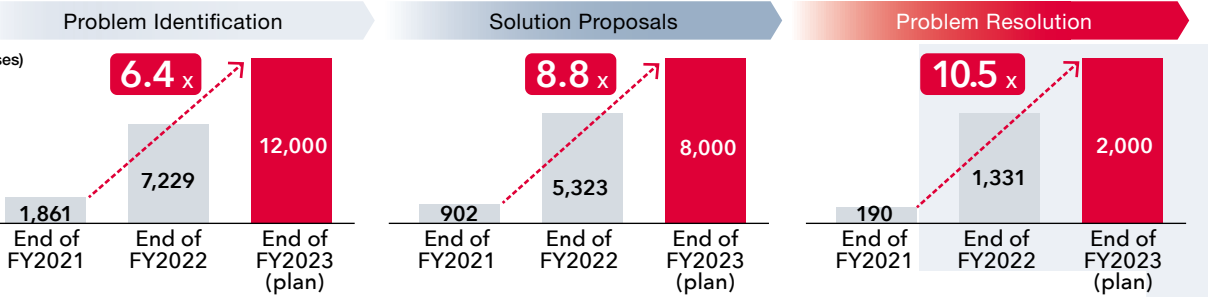
Vision: Every Employee a Consultant Structure

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

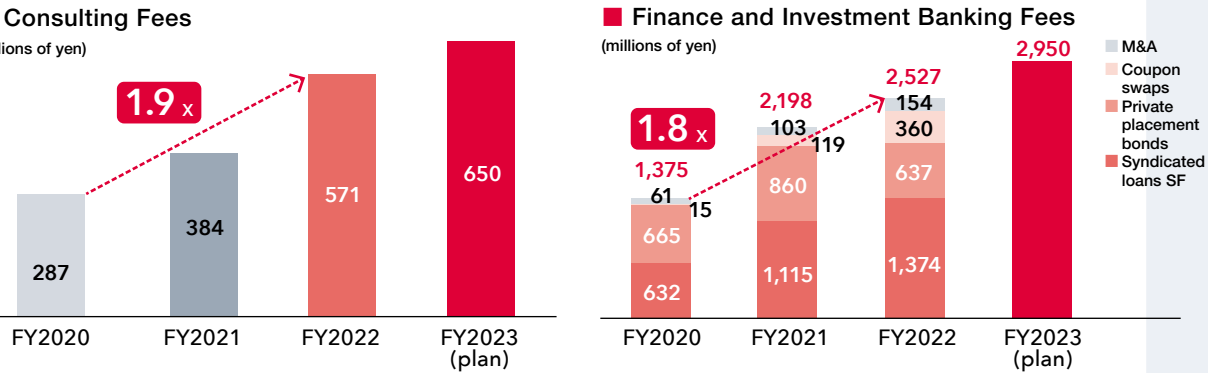


Establishment of Every Employee a Consultant Structure

Initiatives Every Employee a Consultant Project
We are working to raise the level of our consultants by having them repeatedly practice a series of processes from problem identification to resolution.



Increased Revenue With Every Employee a Consultant Project
Profitability is steadily improving as we gain know-how and experience and strengthen our expertise.



Synergy With Traditional Banking Business (Finance)

Consulting and business support activities have helped us to expand and deepen our business transactions and corporate loans have increased significantly in each region.

P44 Corporate Sales Strategy

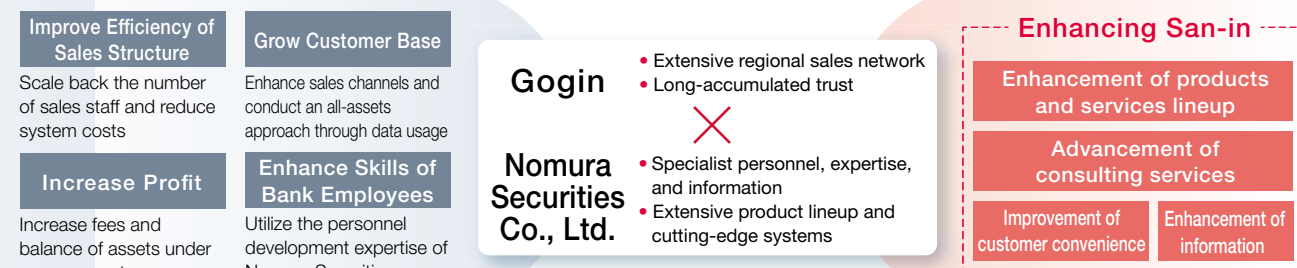
Establishing a Sustainable Securities Business Model in Our Regions



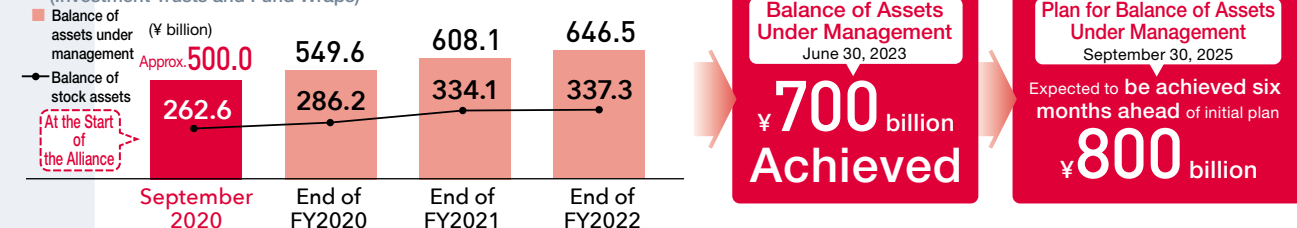
Our Alliance With Nomura Securities

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

In October 2020, San-in Godo Bank Co., Ltd., Gogin Securities Co., Ltd., and Nomura Securities Co., Ltd. joined to integrate their lines of business to provide the nation's leading one-stop services to San-in. The Bank strengthened collaboration between Consulting Plaza offices and our branches in addition to welcoming approximately 90 loan employees from Nomura Securities. We will work to enrich the lives of our customers through consulting services that leverage our mutual strengths.



Securing Stable Profits Through Growth in Stock Businesses (Investment Trusts and Fund Wraps)



Alliance-Based All-Assets Approach

Our strength in understanding customer assets and risk orientation combined with the strength of product and proposal capabilities of Nomura Securities has enabled us to make proposals that further meet customer needs.

Investment Trust Holdings by Customer Risk (As of March 31, 2023)*1

Risk	Low	Medium	High
San-in Godo Bank*2	24.2%	17.5%	58.3%
Industry-Wide	11.4%	12.8%	75.8%

*1 Created by Nomura Asset Management Co., Ltd.

*2 Includes discretionary investment contracts

Future Developments

Going forward, we will develop our alliances in corporate consulting, such as in business successions and M&A, as well as in the digital field.

All-Employee Consulting Structure Asset Consulting

Human Resource Development With Nomura Securities

Five Consulting Plaza employees were transferred to the Nomura Securities Tokyo Contact Center (August 2022 - February 2023)

The Nomura Securities Tokyo Contact Center is one of seven customer centers located throughout Japan. This center is responsible for a wide range of operations, including making calls for online transactions, responding to e-mails, and monitoring to control the quality of customer service. Employees of the Bank transferred to the center for approximately seven months to learn advanced skills to provide products and services by remotely interviewing asset profiles and customer needs. Employees return to their respective Consulting Plaza after they complete the training and apply these remote consulting skills to improve the consulting level of the Bank as a whole.



Unique Regional Contribution Activities

Unique Activities Ahead of Other Companies

Our History of Community Contribution Activities that Enhance the Sustainability of the 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.

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



Diversity (Independence Support for People With Disabilities)

Gogin Challenged (Since 2007)



San-in Godo Bank operates a business site 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 our regions to promote the employment of people with disabilities throughout our regions and in turn support their independence.

Gogin Challenged Matsue (Opened in September 2007)

Specializing in the employment of individuals with intellectual disabilities, Gogin Challenged Matsue works in paintings, novelty items utilizing the paintings, and related clerical work.

Gogin Challenged Tottori (Opened in 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.

The Ideal Person



Integrated Sustainability Management

Creating New Value Through Comprehensive Community Services

New Business Domain Initiatives From Solutions to Community Issues

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: Solving Regional Human Resources Shortages

Gogin Career Design Co., Ltd. Expanding Recruitment and Placement Services

One-Stop Talent Matching to Support Corporate Growth and Career Development for Professionals Who Wish to Work in Our Communities

In response to the growing labor shortages in the region, we transferred our placement and recruitment services to wholly owned subsidiary Gogin Career Design Co., Ltd. in May 2023 (formerly San-In Office Services Co., Ltd.). Human resources are a company's most important management resource. Through our recruitment and placement services we contribute to the growth and development of business while supporting the career development of professionals who wish to play an active role in their communities.



FOCUS Nurturing Community Professionals Gogin Alumni Active in Our Communities



Choraku Growth Co., Ltd. President
Tomoyuki Sekiya

1991 Joined San-in Godo Bank
2017 General Manager, Tamatsukuri Branch
2020 General Manager, Matsue Ekimae Branch
2022 Retired from San-in Godo Bank
In 2022, Mr. Sekiya founded Choraku Growth Co., Ltd., offering management consulting services and business support related to regional tourism (sightseeing and lodging). Every day, Mr. Sekiya works for the prosperity of Tamatsukuri Onsen and the surrounding town toward sustainable tourism that enriches the community.

Bank-Trained Professionals Contribute to Client Growth and Community Revitalization

Many Gogin alumni are active in the community and among our clients, combining the expertise and experience gained at the Bank with a passion for their communities.

■ **How did you start your business?** Tourism and lodging is one of the major industries in Shimane Prefecture, and the revitalization of the industry is essential due to its far-reaching nature. I wondered if there was anything I could do to help in this area, any way the community could benefit from my efforts. So, I resigned from San-in Godo Bank after a 32-year career and launched a venture in Tamatsukuri Onsen, thinking my experiences as a branch manager in Tamatsukuri could contribute to the potential of this 1,300-year-old hot springs resort. I also felt that if I was going to offer true business support, I had to get out from behind the desk and go to the front lines, looking at things from the same perspective as the client.

■ **What did you learn from your experiences at Gogin?** Having worked at branches and then being seconded to the Shimane Prefectural Government and Gogin Capital Co., Ltd., I developed a much broader perspective in listening actively to client needs and developing business support and solutions in my own style. I also learned to consider the big picture, what it means to serve the community as a regional bank professional, and how principle-based actions form the foundation of corporate management and regional development.

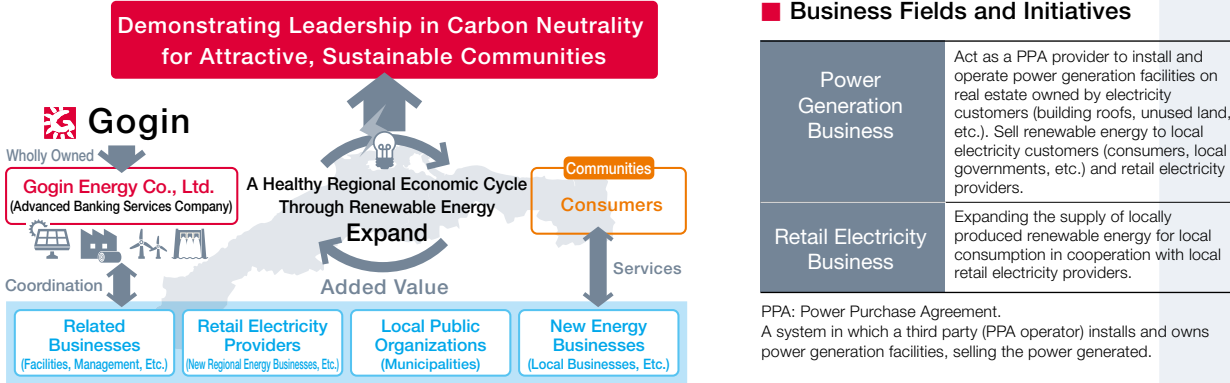
■ **Do you have a message for the younger generation?** You have to have a firm grasp of the characteristics and issues to help businesses and communities grow sustainably. Face-to-face relationships come before business support activities. In addition to financial knowledge, a professional must have negotiation skills, general communications skills, and the ability to act as an intermediary. It starts with breaking a sweat out on the front lines, even if it's less efficient. You have to become a person of trust among business owners and the community. I encourage the younger generation to embrace a spirit of selflessness and altruism, joining together to support the dreams of our communities.

Social Issue: Carbon Neutrality

Gogin Energy Co., Ltd. Entering the Renewable Energy Generation Business

Competitive Advantage in San-in Region Through Leadership in Carbon Neutrality

Gogin Energy Co., Ltd. develops community-based businesses that drive local decarbonization and increase renewable energy availability, supporting local production for local consumption. The company links rapid advancements in community decarbonization, carbon neutrality, and the expanded use of renewable energy to corporate competitiveness and other strategies for community and client growth.



FOCUS Expanding Renewable Energy in Our Communities

Gogin Energy was established to make San-in region a leader in regional decarbonization, expand the use of renewable energy, encourage local production for local consumption, and create sustainable communities. Our current sales activities focus on proposing on-site PPA to clients. We were selected recently to participate as a co-proposer in three of the four projects in San-in region under a Ministry of Environment initiative to pioneer the creation of decarbonized communities, and we are moving forward with plans for future commercialization. Gogin Energy leverages the knowledge gained through sales activities to design client-oriented proposals that lead to decarbonized communities.



Gogin Energy Co., Ltd.
Tadasuke Yoshimoto
Manager, Sales Strategy Department

Social Issue: Corporate Growth and Continuity

Gogin Leasing Co., Ltd. Strengthening Coordination Between Banking and Leasing

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.

FOCUS Group-Wide Human Resources Development Personnel Exchange Between the Bank and Leasing Companies

■ **Bank Employee Training by Leasing Staff**
Bank employees learn about leases and leasing approaches.

■ **Joint Sales Calls**

Bank employees and leasing staff visit clients together to listen and offer comprehensive, tailored proposals.

■ **Bank Employee Training at Leasing Companies**
Bank employees gain in-depth knowledge of leasing and build experience through secondments.



Trainee Experience
Kanako Ishihara,
Corporate Sales Group, Matsue Ekimae

As part of the training program, I spent six months acquiring specialized knowledge in the leasing business. Since returning to the Bank, I now take a more comprehensive approach to know whether a loan or a lease would be better for the client. I hope to learn even more and share my knowledge and experience with my colleagues.

Medium-Term Management Plan

Management Issues and Solutions

Main Management Issues From Previous Years:
Weak economic base of San-in region
Pressing need to transform profit structure and business model

Transform management issues into growth opportunities

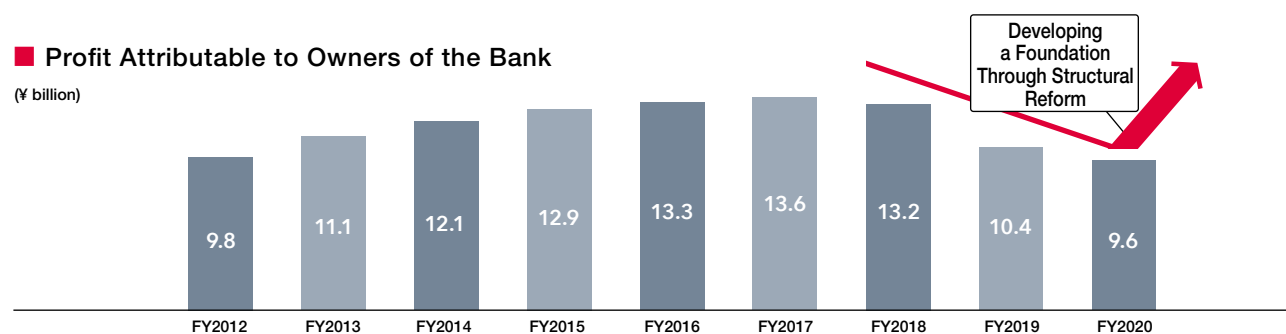
Improve level of service in existing markets and continue investments in strategic fields

Overview of Previous Medium-Term Management Plans

	FY2012-FY2014	FY2015-FY2017	FY2018-FY2020
	Develop New Growth Strategies	Create Sustainable Business Models	Implement Fundamental Business Model Reform
Concept	Engage in consistent, comprehensive relationship banking	Transition to a business model based on relationship banking	Create models for sustainable community and customer growth
Priority Measures	<ul style="list-style-type: none"> Improve front-line capabilities to achieve growth Strengthen management base Contribute to local communities 	<ul style="list-style-type: none"> Improve earnings through relationship banking Engage in regional revitalization initiatives Bolster securities management Strengthen management base Implement CSR activities 	<ul style="list-style-type: none"> Create added value alongside customers Pursue structural reform through digitalization Manage human resources to re-energize our organizations
Achievements	Enhanced business base and improved earnings through focusing investment on management resources in priority fields	Increased loans and fees through business support activities	Streamlined and enhanced operational efficiencies through structural reform, reassigned personnel to strategic areas Reinforced relationships with customers
Unresolved Issues	<ul style="list-style-type: none"> Continued decrease in interest income Necessity to build deposit and loan balances 	<ul style="list-style-type: none"> Human resources development Earnings model based on relationship banking Creation of a low-cost structure through improved productivity 	<ul style="list-style-type: none"> Earnings from business support activities Progress of new securities business model
Indicators (Net Income)	FY2014 target (non-consolidated): ¥10.5 billion Actual: ¥11.7 billion	FY2017 target (non-consolidated): ¥15 billion Actual: ¥13.3 billion Despite achieving record profits, we did not reach our target due to the impact of policies instituting negative interest rates	FY2020 target (consolidated): More than ¥13.8 billion Actual: ¥9.6 billion We did not reach our target due to impact of the COVID-19 pandemic

Profit Attributable to Owners of the Bank

(¥ billion)

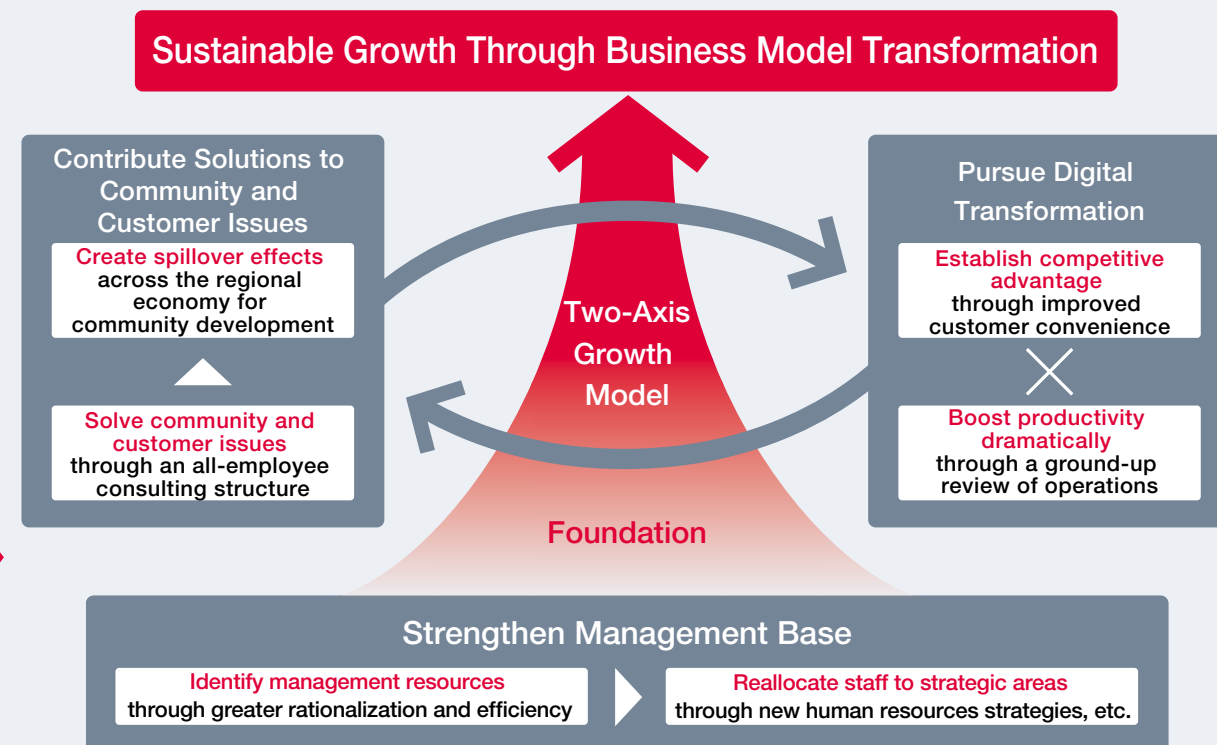


Medium-Term Management Plan (FY2021-FY2023)

Provide Extensive Support of Industry and Business as the Region's Leading Bank

Medium-Term Management Plan Overview

We strive to transform our business model through the two strategic approaches: Consulting (solutions to community and customer issues) and Digital (DX). We continue to strengthen our management foundation to pursue these two strategic areas, aiming to become a resilient bank capable of sustainable growth.



Medium-Term Management Plan Progress

In fiscal 2022, we posted record-high profits (consolidated and non-consolidated) for a second-consecutive year. In terms of medium-term management plan progress, we achieved four target indicators (net profit, non-interest revenue ratio, ROE, and capital adequacy ratio) in fiscal 2022, ahead of schedule.

Target Management Indicators

			Final-Year Targets	FY2021 Results	FY2022 Results	Anticipated Year of Achievement
Profitability	Consolidated	Profit Attributable to Owners of the Bank	¥15 billion	¥14.4 billion	¥15.4 billion	○
		Non-Interest Revenue Ratio*1	15.8%	17.22%	17.87%	○
Capital Efficiency		ROE *2	4.4%	4.29%	4.45%	○
Cost Efficiency	Non-Consolidated	OHR *1	53% or less	55.02%	53.58%	△
Soundness	Consolidated	Capital Adequacy Ratio	12%	11.36%	12.57%	○

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

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

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 resources strategy. I work with our president to manage human resources and strengthen human capital initiatives, recognizing that human capital is the pillar supporting the Bank's growth strategy.

Shuichi Ida Director and Senior Managing Executive Officer



Finance Management

Basic Approach

The Bank's fiscal 2022 capital adequacy ratio remained high at 12.57%, partly due to the early adoption of the finalized Basel III reforms. For our part, San-in Godo Bank will continue to maintain our capital adequacy ratio at an appropriate level. Along with setting targets in conjunction with budgets, we will pursue risk-return conscious initiatives and engage in PDCA cycles for monitoring performance.

Fiscal 2022 Results

During fiscal 2022, the second year of our medium-term management plan, we saw a gradual recovery in consumption with the gradual easing of COVID-19 restrictions on economic activity. However, the business environment remained uncertain due to the risks posed by the situation in Ukraine, high prices due to surging resource costs, fluctuations in interest rates and exchange rates, and the failure of overseas financial institutions at the end of the fiscal year. Amid this environment, the Gogin Group endeavored to fulfill our social mission as a regional financial institution, focusing on sustainable regional growth in terms of both financial and business support.

On a non-consolidated basis, we posted losses on sales of bonds due to a review of our foreign securities and other holdings in our securities portfolio in response to rising interest rates in the U.S. and Europe. Despite these losses, we secured net profit from core banking operations (excluding effects from investment trust cancellations) on

Summary of Business Results

(¥ billion)				
Consolidated	FY 2021	FY 2022	YoY Change	YoY Change (%)
Ordinary income	95.1	112.6	17.5	18.4%
Profit attributable to owners of the Bank	14.4	15.4	0.9	6.7%

Non-Consolidated	FY 2021	FY 2022	YoY Change	YoY Change (%)
Gross banking profit	58.7	55.9	(2.8)	(4.8)%
Interest income	58.3	61.8	3.4	5.9%
Interest on loans and discounts	36.1	42.8	6.7	18.5%
Interest and dividends on securities	21.8	19.9	(1.9)	(8.8)%
Profit from service transactions	8.0	9.9	1.8	23.3%
Bond-related income (loss)	(9.3)	(13.2)	(3.8)	—
Expenses	37.5	37.0	(0.4)	(1.1)%
Net profit from banking operations	21.2	18.8	(2.4)	(11.3)%
Net profit from core banking operations (excluding gains (losses) on cancellation of investment trust contracts)	30.6	30.7	0.1	0.4%
Ordinary profit	20.3	21.0	0.6	3.2%
Net income	14.2	14.5	0.2	2.0%
Profit from customer service operations	4.6	9.9	5.3	115.1%
Credit expenses	1.8	2.0	0.1	6.6%

par with the previous fiscal year. This result was due factors including the contributions of increased interest income supported by substantial loans and other core operations and income from stronger corporate and personal consulting.

Credit expenses remained low, with no major bankruptcies as a result of detailed efforts in financing and funding cycles during the COVID-19 pandemic and

business support activities. As a result, net profit rose ¥200 million year on year to a record high for a second consecutive fiscal year. We posted record-high consolidated revenues and profits for a second consecutive fiscal year, driven by the same positive factors behind our non-consolidated results, as well as the addition of income from group companies.

Medium-Term Management Plan Progress

The Bank's medium-term management plan, launched in fiscal 2021, defines a business model consisting of three priority measures in the pursuit to provide extensive support of regional industry and business as the region's leading bank: (1) Contribute solutions to regional and customer issues, (2) Pursue digital transformation, (3) Strengthen our management foundation. More specifically, we intend to raise our capabilities to solve issues as an integrated group through our Every Employee a Consultant structure, stepping up our corporate and personal banking consulting activities, increasing loans, and expanding consulting-related revenues. At the same time, we are engaged in activities that include leveraging DX to increase top-line revenues, reducing costs through greater productivity, improving the ability of our individual human resources to deliver solutions, and reassigning human resources to strategic areas after structural reform

and reskilling. We completed the second year under our medium-term management plan, achieving results generally in line with financial targets. As we enter the final year of the plan, we aim to achieve results even higher than our initial financial targets. We expect to underperform our overhead ratio target slightly due to active investments in DX-related projects to raise our IT levels to the top of regional banks. We also expect an increase in personnel expenses stemming from higher employee compensation. However, we will continue to conduct efficient business operations and control expenses as we move forward.

We recognize that ROE is low compared to our cost of capital, and we aim for an intermediate ROE target of 6%, which exceeds cost of capital. Our pursuit of higher ROE will reflect an awareness of the cost of capital and price-earnings ratio.

Fiscal 2023 Forecast

Overseas interest rates remain uncertain in fiscal 2023, while the Bank of Japan is mulling a change in interest rate policy. Therefore, we plan to continue reducing our interest rate risk as part of securities management. We intend to sell bonds with weakening profits in a concentrated manner early in the first half of the year, considering reinvestments in the second half, mainly in yen-denominated securities, as we keep an eye on interest rates. In fiscal 2023, we expect net gain on securities carried to reach a bottom of 13.7 billion (down 2.6 billion year on year). This result will represent a further decrease from fiscal 2022, when net gain on securities carried declined 5.0 billion from the previous fiscal year. However, solid performance in interest on loans and discounts and profit from service transactions should make up for declines. We are considering reinvestments in securities in fiscal 2023, as we expect securities-related revenues to pick up beginning in fiscal 2024 onward.

As a result of these factors, we anticipate ¥23.3 billion in consolidated ordinary profit, an increase of ¥1.5 billion year on year, and ¥16.0 billion in consolidated profit attributable to owners of the Bank, an increase of ¥500 million. On a non-consolidated basis, we expect

¥30.7 billion in net profit from core banking operations, level with the previous year, and ¥15.5 billion in net income, an increase of ¥900 million. We expect to post a third consecutive year of record profits on a non-consolidated and consolidated basis. We project consolidated profit to grow from the ¥15 billion range targeted for the final year of our medium-term management plan to the ¥16 billion range.

FY2023 Forecast

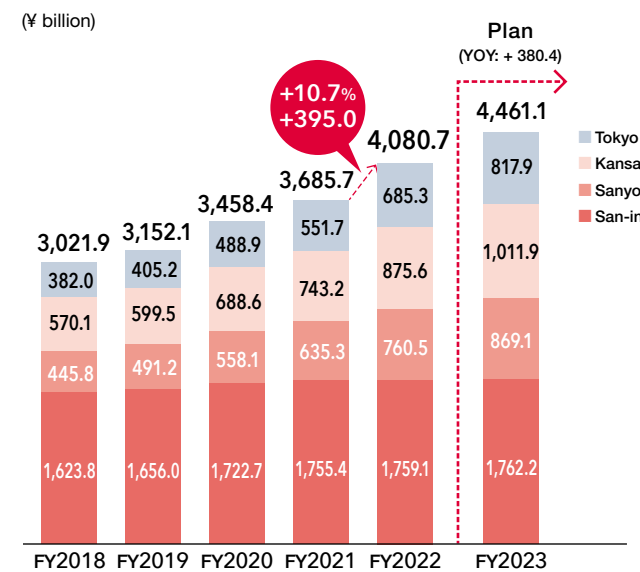
(¥ billion)				
Consolidated	FY 2022	FY2023 Plan	YoY Change	FY2023 Medium-Term Targets
Ordinary income	112.6	111.1	(1.5)	—
Ordinary profit	21.7	23.3	1.5	—
Profit attributable to owners of the Bank	15.4	16.0	0.5	¥15.0 billion

Non-Consolidated	FY 2022	FY2023 Plan	YoY Change	FY2023 Medium-Term Targets
Net profit from core banking operations (excluding gains (losses) on cancellation of investment trust contracts)	30.7	30.7	0	—
Net income	14.5	15.5	0.9	—
Credit expenses	2.0	4.0	1.9	7.0
Profit from customer service operations	9.9	12.9	2.9	10.2

► Growth Strategy Leveraging Human Capital

We established an Every Employee a Consultant project as one measure under our medium-term management plan to enhance profitability. Under this program, every employee will build greater skills to solve problems and customer issues, increasing loans and improving fee income from consulting services. In fiscal 2022, we increased loans in all regions with ¥125.2 billion in average loans in Sanyo (19.7% increase year on year) and ¥132.4 billion (17.8% increase) in Kansai, demonstrating significant growth in the high-potential areas outside San-in. As a result, interest on loans and discounts increased ¥6.7 billion

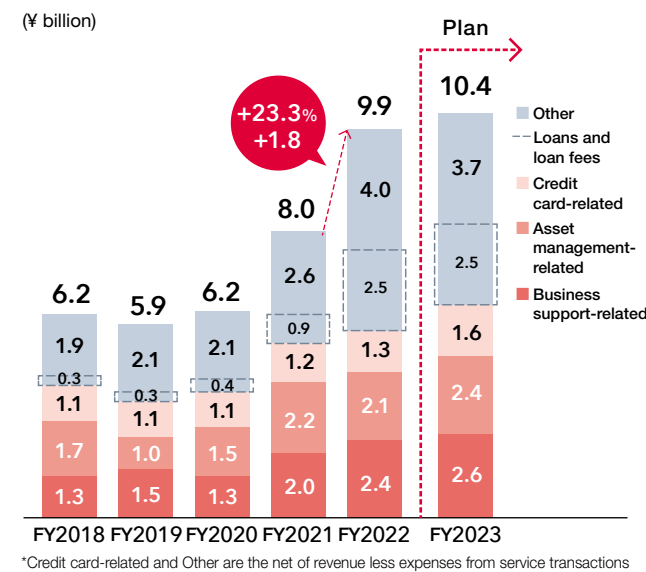
■ Loans by Region (Avg. Balance)



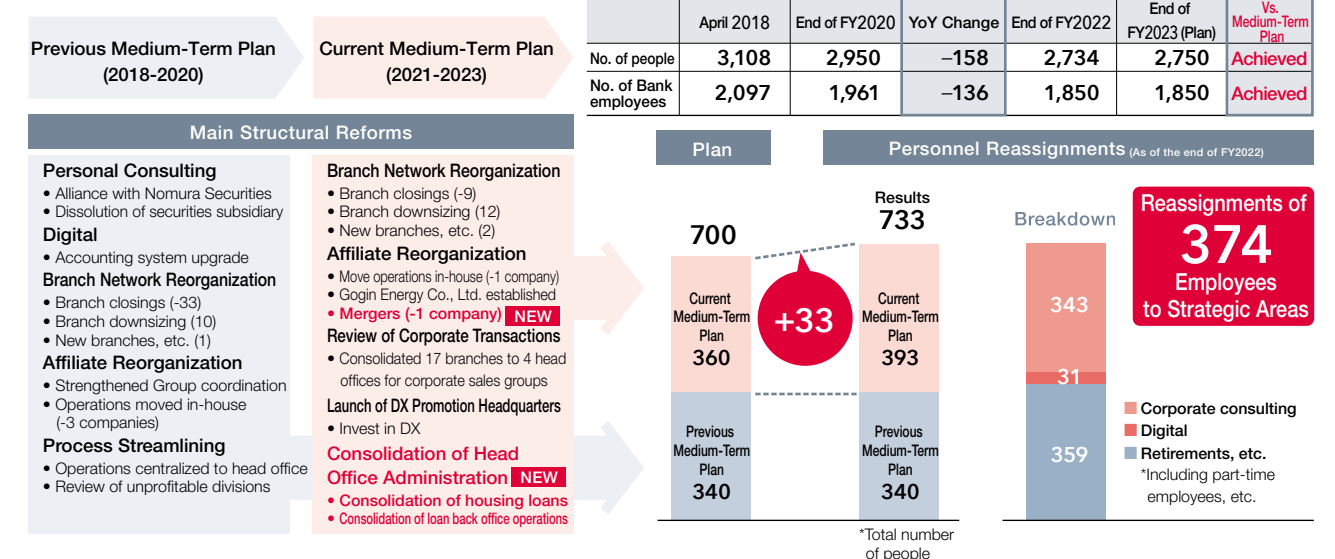
(18.5% annual growth rate) to ¥42.8 billion, marking a fifth consecutive year of growth and the first time we have exceeded the ¥40 billion level.

Profit from service transactions increased ¥1.8 billion (23.3% annual growth rate) to ¥9.9 billion. This result was due in part to an increase in fees stemming from an increase in housing loans, in addition to consulting revenues, which is an area of focus for the Bank. 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.

■ Profit From Service Transactions



■ Structural Reform Update



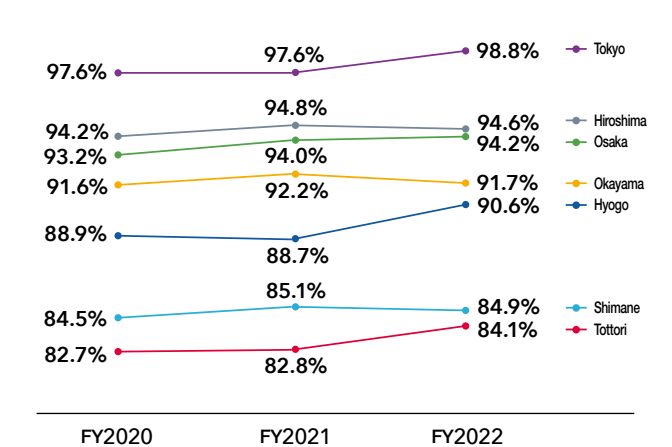
► Loan Asset Soundness

San-in is our home market, but we have expanded into the growing Sanyo and Kansai markets, increasing our loan balances significantly at one of the fastest rates among regional banks. Amid this growth, the Bank held disclosed assets pursuant to the Financial Reconstruction Act (risk-monitored loans) of ¥61.0 billion, maintaining a low 1.36% non-performing loan ratio.

Our capital strategy is to balance soundness and capital efficiency through the use of a risk appetite framework (RAF) and other measures. As a result, the ratio of normal assets to total loans was 88.6%. The ratio of normal assets to total loans in the Hiroshima, Okayama, Hyogo, Osaka, and Tokyo regions, where loan growth has been particularly robust recently, was more than 90%, indicating a high level of soundness.

The Bank intends to continue to maintain a high level of soundness through the use of the RAF.

■ Ratio of Normal Assets to Total Loans (by Region)

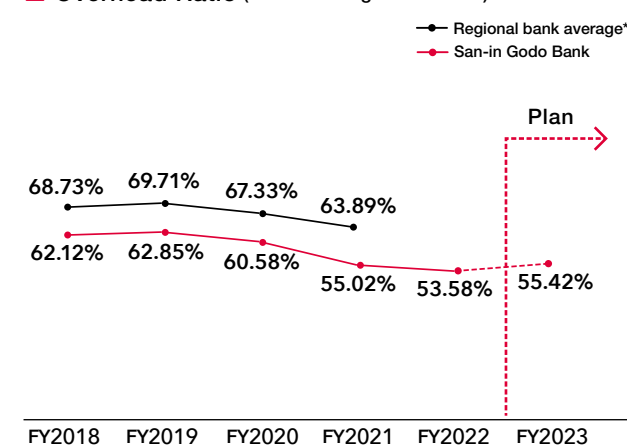


► Reassigning Personnel and Cost Controls Through Structural Reform

San-in Godo Bank has been pursuing bold structural reforms since our previous medium-term management plan, focusing resources on strategic areas of our business. Examples include our alliance with Nomura Securities Co., Ltd., a major review of our branch network and reorganization of affiliates, a review of our corporate transaction structure, and streamlined operations. We reduced our workforce by 374 compared with the beginning of the previous medium-term management plan, from 3,108 to 2,734 at the end of fiscal 2022. Cost improvements through detailed structural reforms resulted in a non-consolidated overhead ratio of 53.58%, an indicator of management efficiency among the highest for regional banks.

We intend to continue improving productivity through DX, reviewing our branch network, improving operational efficiencies, and controlling performance appropriately in balance with profits.

■ Overhead Ratio (Core Banking Profit Basis)

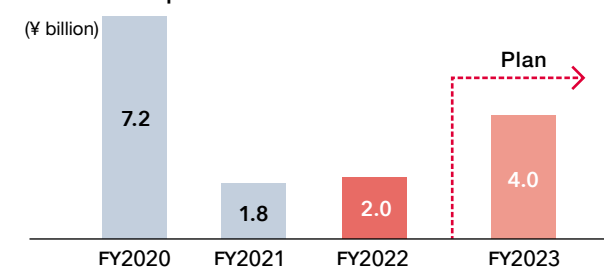


► Credit Expenses (Non-Consolidated)

We planned for fiscal 2022 credit expenses of ¥3.5 billion in consideration of the impact of COVID-19 and higher prices due to surging resource costs. Actual credit expenses came in below plan at ¥2.0 billion. In light of uncertain economic trends, we plan for ¥4.0 billion in credit expenses for fiscal 2023.

San-in Godo Bank maintains a higher level of average allowance ratios compared to the average for regional banks, and we have increased our loan portfolio significantly, particularly outside San-in, to achieve profit

■ Credit Expenses



■ Allowances at Regional Banks

	FY2022 Results	Average for 62 Regional Banks*
Loan balances	¥4,343.4 billion	¥3,924.9 billion
Reserve for possible loan losses	¥40.3 billion	¥26.6 billion
Allowance ratio (Reserve for possible loan losses/Loan balance)	0.92%	0.67%

*Prepared by San-in Godo Bank based on September 2022 earnings announcements of 62 regional banks.

Capital Management

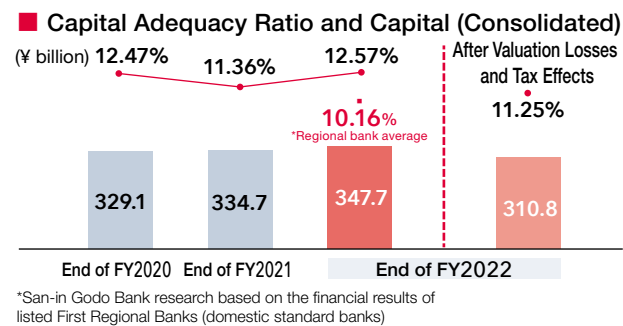
Basic Approach

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

► Management of Capital Adequacy Ratio

The Bank utilizes RAF to ensure appropriate earnings relative to risk-weighted assets (RWA) and to manage the Bank with an awareness of the balance between the RAF and the capital adequacy ratio. Our policy in the current medium-term management plan is to maintain a consolidated capital adequacy ratio of 12% or above. While loan balances increased significantly in fiscal 2022, securities decreased. Against this backdrop, the Bank's consolidated capital adequacy ratio, after taking into account variable factors, increased 1.21 points year on year to 12.57%. This result was mainly due to the early adoption of the finalized Basel III reforms as of the end of March 2023. The Bank holds a loss on valuation of securities, resulting in a consolidated capital adequacy ratio of 11.25% when taking this valuation loss into

account (after tax effect). However, our capital adequacy ratio remains high, even after deducting said losses. We will continue to improve capital efficiency while maintaining a sound financial position and balancing shareholder returns.



► Improving ROE

In March 2023, the Tokyo Stock Exchange raised an issue with publicly listed companies having a P/B ratio under 1.0 times. We recognize that this is a significant management issue for the Bank. We believe the approach to this problem is to improve ROE above the cost of capital. At present, the Bank's cost of capital is in the mid-5% range. Reaching a P/B ratio of 1.0 times will require higher ROE. The Bank already achieved our 4.4% ROE target

under the current medium-term management plan. At this stage, however, we recognize that there remains a gap with the level demanded by the market, and our immediate ROE target is 6%, which exceeds our cost of capital. Profit growth, expense control, and RWA control are the pillars of ROE improvement, and we aim to achieve profit growth and increase ROE while controlling capital.

► RWA Control

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 RWA appropriately. In line with the RAF concept, the Bank applies return-on-risk-weighted 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.

► Enhancing Shareholder Returns

Enhancing shareholder returns is an important management issue for the Bank.

Historically, we pay dividends linked to financial results for each fiscal period based on a performance-linked dividend standard and a target payout ratio of 35%.

In November 2022, we raised the target payout ratio

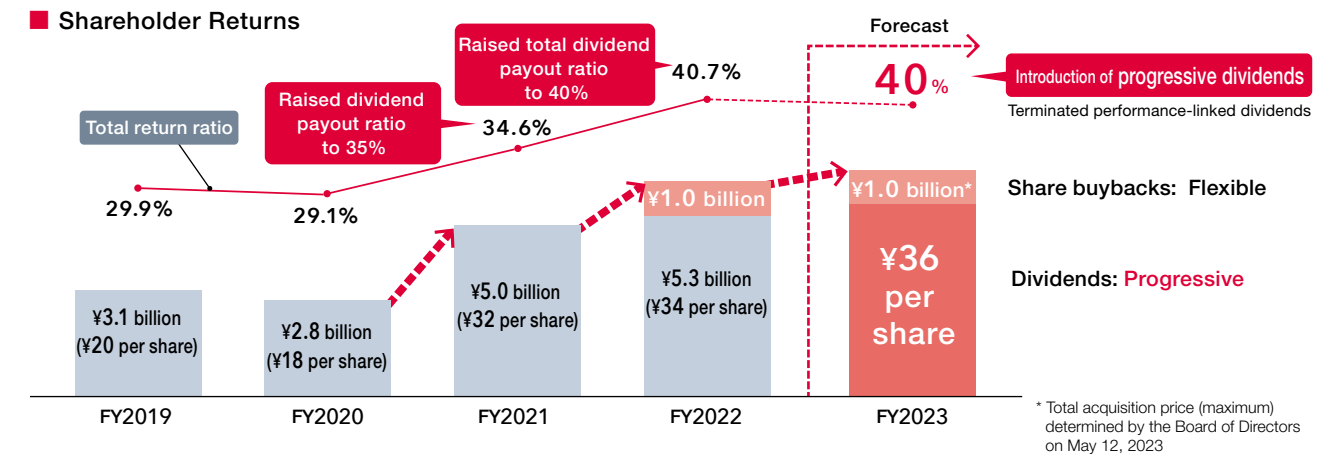
from 35% to 40%, including share buybacks. In May 2023, we terminated the performance-linked dividend standard and introduced a progressive dividend to assure our shareholders that they can, in principle, hold our shares without worrying about dividend reductions. In line with this policy, in fiscal 2022, we increased dividends per share by ¥2 over the previous year to ¥34.

We also conducted ¥1 billion in share buybacks over the second half of the year.

Our dividend forecast for fiscal 2023 is ¥36 per share, representing an increase of ¥2 per share and our policy to offer a progressive increase through profit growth.

In addition, we made the decision to conduct ¥1 billion in share buybacks.

We will continue striving to increase shareholder value through rising shareholder returns in the form of dividends and share buybacks.

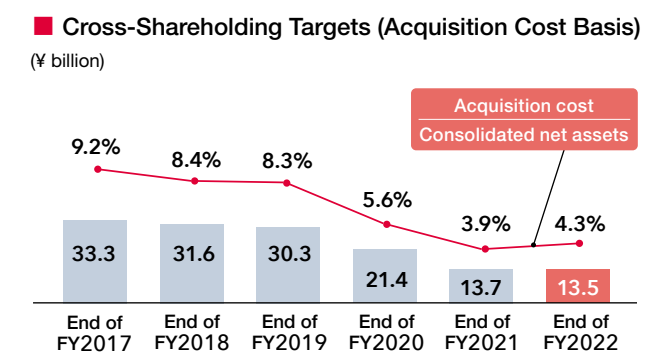
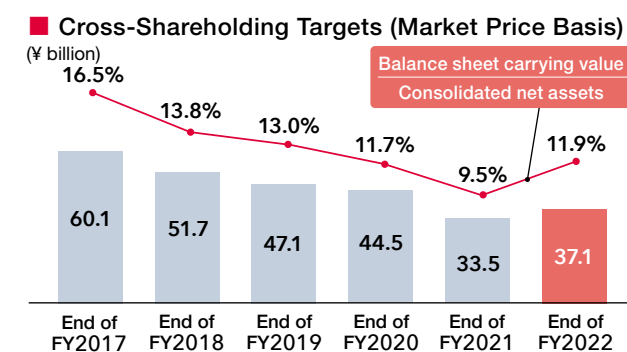


► Reducing Cross-Shareholdings

The Bank has reduced cross-shareholdings systematically since fiscal 2018 under a basic reduction policy. As of the end of fiscal 2021, we reduced cross-shareholdings by ¥17.8 billion, or 56%, compared with fiscal 2018 on an acquisition cost basis, and by ¥18.1 billion, or 35%, on a market value basis.

In fiscal 2022, we reduced holdings by ¥200 million on an acquisition cost basis. However, due to rising share prices and a decrease in consolidated net assets, the ratio

of cross-shareholdings to consolidated net assets on the balance sheet grew from 9.5% in fiscal 2021 to 11.9% in fiscal 2022 (from 3.9% to 4.3% in acquisition cost to consolidated net assets). In fiscal 2023 and beyond, we will conduct a thorough examination of the significance and economic rationality of the shares we own. If holding said shares is deemed inappropriate, we will sell the shares subject to an assessment and clear understanding of the company in question.



► Dialogue With Stakeholders

The Bank recognizes that engagement with our shareholders and investors is extremely important for communicating our growth strategy and the attractiveness of the Bank.

In recent years, focus has shifted beyond growth strategies and capital policies to include climate change, sustainability initiatives, and dialogue with outside directors.

In fiscal 2022, we held two large meetings with the participation of three outside directors. Interest in the Bank appeared to be high based on the many questions related to our growth strategies and initiatives taken by outside directors.

We also hold small meetings with management and

individual meetings for direct dialogue with investors. In these meetings, we communicate our stance while receiving a wide range of advice from stakeholders, including ways to improve IR, advanced approaches to management, and sustainability management practices.

These dialogues with shareholders, investors, and rating agencies are a valuable opportunity for us to gain significant insights, and we will continue to expand IR activities.

We look forward to more feedback in the future, which we will share with the Board of Directors and use as a reference in our business and banking operations.



Human Resources Strategy

Developing Professionals Who Find Solutions to the Challenges Facing Our Regions and Customers

We create organizations that respond flexibly to change, developing personnel to support these organizations.

Jun Mishima General Manager, Human Resources Dept.

Human Resources and Career Development Systems at the Foundation of Human Resources 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

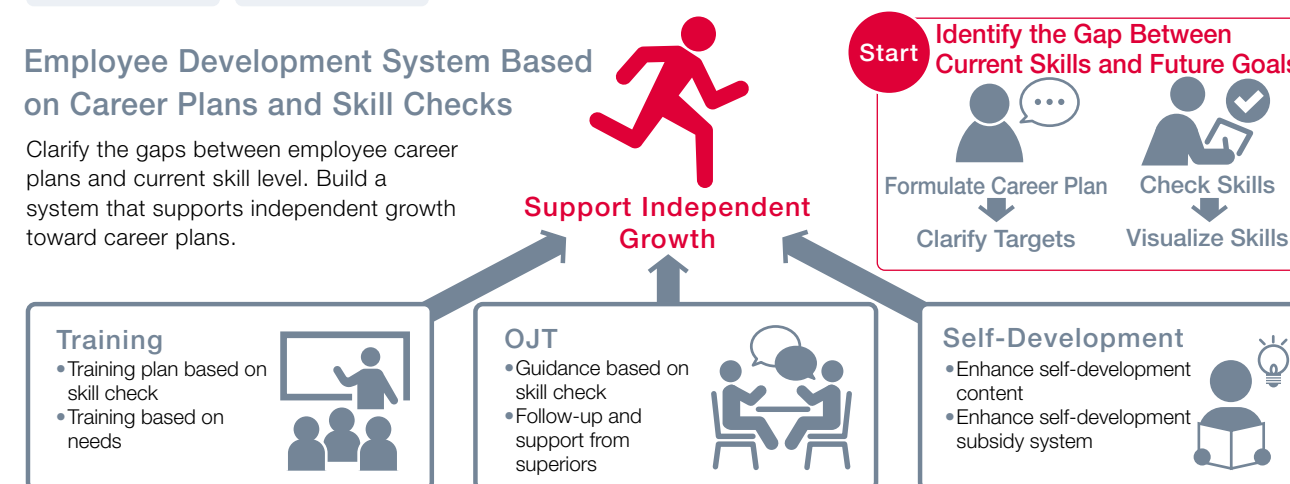
Career Development System

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.



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 Management Strategy and Human Resources Strategy: Maximizing Human Capital

Human Resources Strategy

An organization that attracts and nurtures professional human resources with outstanding problem-solving skills, encouraging employees to maximize their talents



TOPICS

Changes Based on System Revisions (FY2022)

- Improve the ratio of female managers**
Performed promotions to supervisor, etc., based on ability, regardless of gender, raising the ratio of female managers (division chief equivalent or above) to 20.7% (FY2022, consolidated)
- Accelerate the promotion of young employees**
Accelerate promotions to section chief and division chief by 2 and 4 years, respectively
- Increase the awareness of career independence**
Increased the number of applicants for open positions within the Bank (14 in FY2021 to 27 in FY2022)
- Expand opportunities for growth**
Expanded opportunities for acquiring practical skills through training programs tailored to individual needs

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

We view human resources 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

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

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

Achieve high engagement	Build relationships with employees that contribute to individual and Bank growth, increasing job satisfaction and achieving high levels of engagement.
Foster mental and physical health	Provide physical and mental health support for employees to work with peace of mind.
Pursue diversity and inclusion	Respect the values and aptitudes of each employee, regardless of gender, age, disability, etc., and create flexible, comfortable work environments.

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.



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.

Hiring Experienced Professionals

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



Full-Time Employment

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



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. For details, see P34 and P35.

Developing Highly Specialized Human Resources

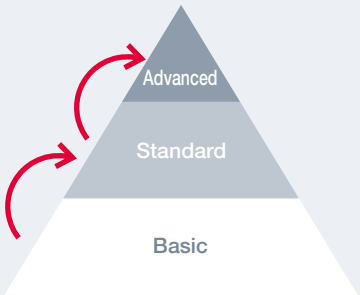
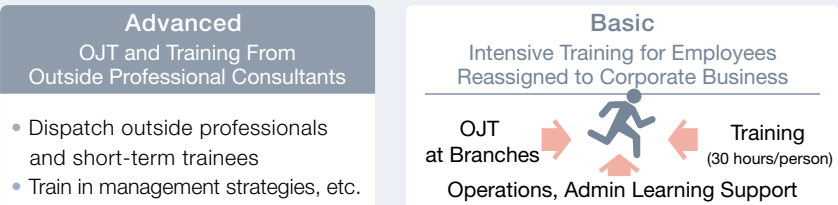
Systematic Training Curriculum

We improve employee expertise through systematic training and in-house certifications based on skill assessments that visualize employee skills and needs.

		Ideal	Development Plan (Medium-Term Plan)	Development Method	Certifications (Persons)
Corporate Consultants	Advanced	Side-by-side consulting (fee-based business plan consulting)	Professional 50 people	Guidance by professional consultants; head office consulting projects	13
	Standard	Coordinator (intermediary for specialist)	100 people	Gain experience in the field; increase consulting service products	40
	Basic	Understanding based on business feasibility assessment	Basic 200 people	Reskilling, expanded training, and development led by advanced personnel	226
Asset Consultants	Advanced	Comprehensive services to high-net-worth clients, corporations, and business owners	Industry Leaders	Leverage the expertise of Nomura Securities	3
	Standard	Life-stage asset management consulting (retirees, etc.)		Sales activities with Nomura	68
	Basic	Asset formation based on needs (working generation, etc.)	Basic	Sales activities with Nomura; training	127
Digital Personnel	DX Specialists	Digital specialists with advanced expertise	IT 26 people	External collaborations, hire outside professionals, outside training	7
	Advanced	Digital project planning; data analysis and data-based efficiencies	Head Office 350 people	Plan and implement digital projects, improve in-house training	1
	Standard				41
	Basic				87
IT Passport		Certain level of digital literacy	Branches 400 people	Self-development	257

Corporate Consultant Development

We train employees according to their individual skills and needs.



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. We are seeing a growing awareness of career independence, as evidenced by an increase in the number of applicants for open positions within the Bank.

Interactions With Diverse Specialists

Specialized Department Trainees		No. of Participants (FY2022)
	Corporate Business Trainees (Outside San-in)	4
	Credit Screening Trainees	16
	Consulting Plaza Trainees	70
	Outbound Trainees	28
Trainee Secondments	Nomura Securities Contact Center Training	5
	Secondments to Consulting Firms, Etc.	6

Opportunities for Independent Learning

We continue to add content for self-development and host seminars for employees on their days off. Many employees utilize these programs actively for self-growth.

In fiscal 2022, we made Udemy and VBA courses available to all employees.

	No. of Participants (FY2022)
Udemy	500
VBA Course	219
Shimane University Data Science Course	326

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.

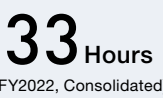
Information Sharing Among Female Corporate Business Employees

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.

Investment in Human Resources*



Training per Person



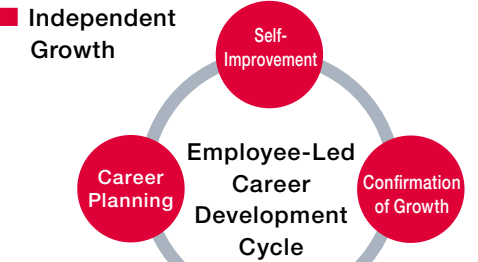
* Training expenses, personnel expenses for internal lecturers and participants, etc.

Capturing a New Wind in the Sails Personnel Interchange With Nomura Securities Co., Ltd.

We actively communicate with employees seconded from Nomura Securities to enhance the motivation of Bank employees.

We collect candid opinions and views from the unique perspective of seconded employees, including thoughts on differences between the Bank and Nomura Securities, incorporating feedback into Bank policies.

This exchange of personnel with Nomura Securities has brought new stimulation and fresh ideas to the Bank as a whole, which we intend to reflect in policies and measures.



Corporate Culture Development

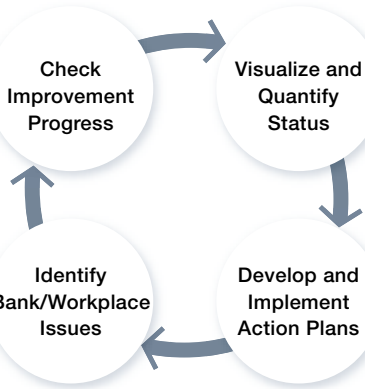
Support for career development	Self-development and off-the-job training	Enhanced feedback
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Achieving High Engagement

Improving Engagement

Since fiscal 2022, San-in Godo Bank has conducted 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.

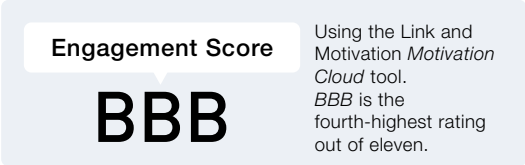


Bank Group Trends

Strengths	<ul style="list-style-type: none">Many employees share goals and feel a sense of unity in the workplaceEmployees are motivated to change and feel they are engaged in change activities
Issues	<ul style="list-style-type: none">Relatively speaking, job satisfaction, sense of fulfillment, and satisfaction with opportunities to express one's talents is somewhat low among younger Bank Group employees and non-permanent employeesLow-scoring departments tend to be ones with low involvement between supervisors and subordinates
Important Issues	<ul style="list-style-type: none">Job satisfaction, sense of fulfillment, and opportunities to express one's talentsCommunication and resonance with management philosophy

Measures to Improve Engagement

- Improve management training
- Encourage the participation of employees 55 years and older; diversify work styles
- Encourage the participation of women; offer enhanced benefits
- Support improvement activities in each workplace



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. Highly rated by participants, these discussions allow the president to share his ideas on our management philosophy and medium-term management plan. The president also offers frank thoughts and advice in response to questions from employees.



Sharing the Bank's Management Philosophy

The Bank strives to further the understanding of our management philosophy by taking every opportunity to communicate with employees and explain the significance of our operations and activities. We also provide opportunities for organization-wide discussions on our management philosophy every year on the day we celebrate our founding anniversary. We help each employee interpret the philosophy in their own way and encourage employees to embody the philosophy in their regular duties. In so doing, we aim to strengthen the sense of unity throughout our organization.

Explanations of Financial Results and Employee Discussions

The Bank holds semi-annual meetings in which directors explain financial results and have discussions to facilitate broader information sharing and two-way communication with employees.

Fostering 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 5th Consecutive Year

In March 2023, San-in Godo Bank was recognized 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). Six 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

- Incentive payments
- Dividend reinvestment in proportion to shares owned (twice a year)
- Increased membership drives from once to twice a year to encourage participation

Financial and Economic Workshops for Employees

- Lecture from executive in charge of asset consulting Topic: New NISA Program (Session 1); iDeCo (Session 2)

Pursuing Diversity and Inclusion

Increasing Opportunities for Diverse Personnel to Play Active Roles

Encouraging the Participation of Women in the Workplace

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 director promoted internally (director on the Audit and Supervisory Committee)	
FY2022	First female outside director (director not on the Audit and Supervisory Committee) First female executive officer promoted internally	
Number of Female Executives (As of July 1, 2023)	Directors	3 (incl. outside directors)
	Executive Officers	1
	General Managers (Head Office)	1
	Group Managers (Head Office)	3
	Branch Managers	32

Percentage of Female Managers /



Women's Empowerment Team

We launched the Women's Empowerment Team in November 2022 as an employee-led initiative in our aim to encourage the activity of women in the Bank. A group of 32 people will identify issues and formulate systems, making recommendations to management.

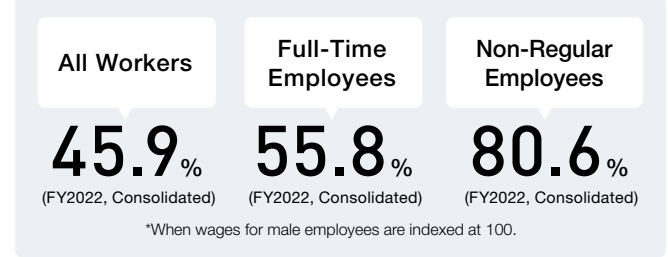


Women's Career Development Seminar led by Outside Director Motoi

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 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. Through activities driven by the Women's Empowerment Team, we aim to close the wage gap and create workplace environments in which employees express their talents over long careers.

Wage Gap Between Men and Women /



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



Participation in The Valuable 500—A Global Initiative for the Employment of Individuals With Disabilities

Recognizing that inclusive businesses create inclusive societies, the Valuable 500 is an initiative supporting actions by companies across the world that encourage persons with disabilities to showcase their talents and provide value in business, society, and the economy.



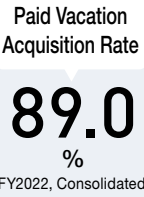
The Valuable 500 seeks endorsements from 500 companies worldwide, and more than 50 companies from Japan are participating.

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.



Work-Style Reform

Flextime System	Telework System
Continued Employment System (to Age 70)	
Business Casual Dress Code	Side Job System



Corporate Business Strategy

Developing Side-by-Side Consulting on Matters From Business Succession to the Implementation of Growth Measures

San-in Godo Bank accelerates its development of side-by-side consulting designed to resolve client issues starting with business feasibility evaluations.

Hiroshi Yoshikawa
Director and Senior Managing Executive Officer

Priority Measures

Strategies by Region

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

Common Strategies

- Create fund demand through consulting activities
- Offer extensive support through accurate supply of funds for clients' growth strategies
- Identify business succession and M&A needs
- Introduce online lending for small and medium-sized enterprises

Shimane and Tottori

- Strengthen relationships with chambers of commerce, credit guarantee associations, and others to support start-ups and business creation

Sanyo and Kansai

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

Tokyo

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

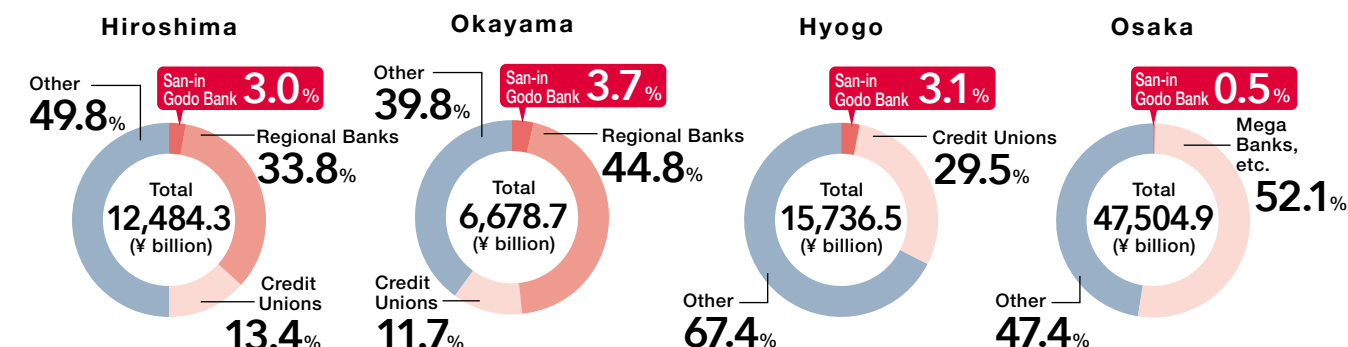
We proactively establish thorough relationship banking activities to ensure we become our clients' main bank in every region. In San-in, we have more than 10,000 client companies and build close-knit relationships with each one. Our number of clients in outside prefectures is also steadily increasing.

Our share of loans in the Sanyo and Kansai regions is limited, so we expect further growth in both of these major markets.

■ Corporate Clients (By Region)

	End of FY2020	End of FY2021	End of FY2022	
				The Bank as Main Bank
Shimane and Tottori	10,751	10,787	10,692	6,985
Sanyo	2,215	2,288	2,366	666
Kansai	2,750	2,845	3,014	629
Tokyo	274	301	343	15
Total	15,990	16,221	16,415	8,295

■ Share of Loans in Outside Prefectures (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, 2022, calculated by the Bank based on materials from the Bank of Japan, the Shinkin Central Bank Research Institute, and the Osaka Bankers Association)

Basic Approach

San-in Godo Bank remains consistently dedicated to actions that position relationship banking centered on long-term relationships of trust as its universal business model.

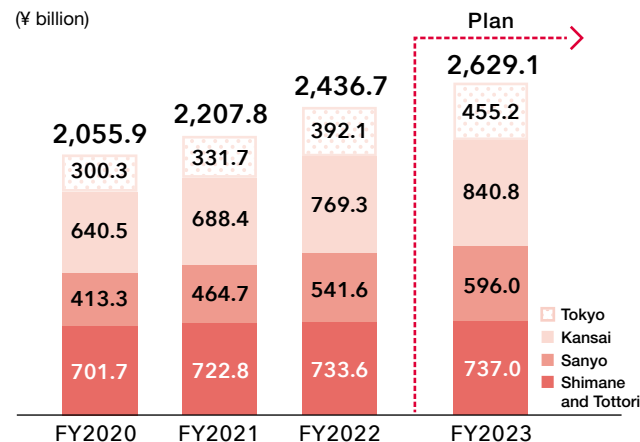
From business feasibility evaluations to the development and provision of sophisticated, high-demand consulting services, we aim to become a consulting group that works side-by-side with clients and is capable of solving the issues that they face.

FY2022 Results and FY2023 Forecast

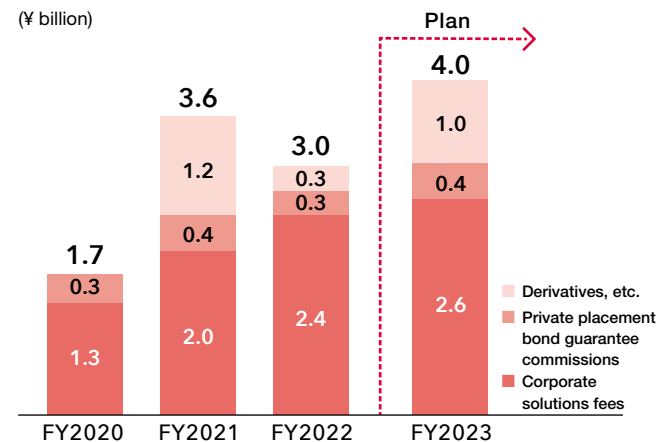
In fiscal 2022, the average balance of corporate loans increased significantly in each region due to the expansion of transactions through consulting and business support activities, with one of the highest growth rates among regional banks. We plan to steadily increase this number from fiscal 2023.

While we saw a drop in derivatives for corporate solutions revenues, corporate solutions fees increased steadily through successful consulting activities. We will continue to strengthen our consulting structure and plan for ¥4 billion in corporate solutions revenues in fiscal 2023.

■ Corporate Loans by Region (Avg. Balance)



■ Corporate Solutions Revenue



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

TOPICS

[San-in] Renewal of Corporate Business Structure

Establishment of Corporate Sales Group Head Office in Core Regional Branches December 2022

In the four San-in regions (Matsue, Izumo, Tottori, and Yonago), we concentrated our corporate business activity bases in core regional branches and centralized human resources, information, and expertise. We will further improve our level of consulting and drive growth in these regions through supporting our clients.

Advanced Consulting Provision of Higher Quality Services

- Improved Expertise
- Acceleration of Human Resource Development
- Operational Efficiency





Retail Strategy

Offering a Variety of Support Services for Life Plans

We combine the high-added value and sense of security of face-to-face channels with the convenience and ease of non-direct channels.

(Left) **Hidetoshi Kageyama**
Managing Executive Officer,
Chief of N-Alliance Headquarters
(Asset Management)

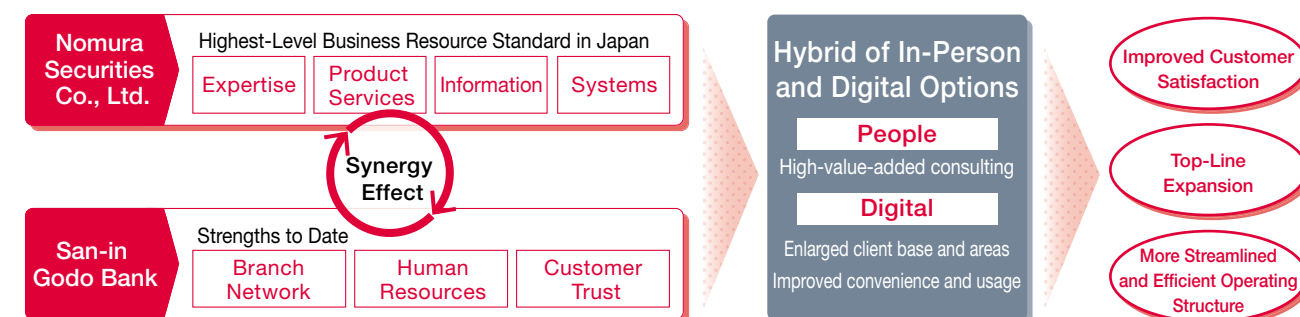
(Right) **Tsuyoshi Takahashi**
General Manager,
Business Management Dept.
(Loans, Cashless Operations)

Priority Measures

Asset Management Operations

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


San-in Godo Bank now offers top-level services in Japan from a wide-ranging lineup in San-in through collaborations with Nomura Securities. Looking ahead, we intend to take even greater steps to propose optimal plans that respond to customers' attributes and life stages.



Personal Loans

Expanding the Service Scope of Personal Loans Based on Consulting Functions and Customer Convenience

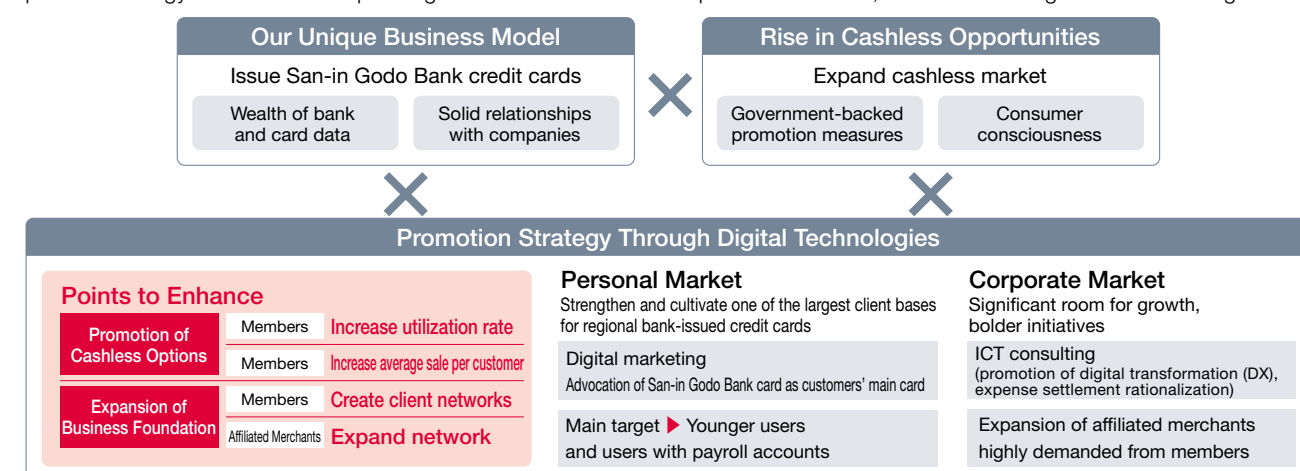
Improving our consulting functions and customers' convenience will allow the Bank to better identify customers' needs. The Bank works to strengthen our approaches taken over the years. In face-to-face channels, we are further promoting housing loans in Sanyo and Hyogo areas as new markets. In non-direct channels, we are pursuing initiatives such as greater convenience through improvements in web-based loan completion schemes. We are also improving productivity thanks to a thorough review of clerical work through digitization.

Channels	Face-to-Face	Stronger consulting functions	Life plan-tailored proposals	More robust points of contact in client business fields
	 Hybrid	Development of customer-attracting mechanisms	New market development (Hyogo area)	Stronger partnerships with home builders
		Accurate understanding of customer needs	More robust digital marketing	Expanded non-direct approach
		Non-Direct	Improved satisfaction	Better 1-on-1 communication
	Internal Systems	Improved productivity	Promotion of efficiency through operational integration	Business process re-engineering (BPR) promotion through digitalization

Cashless Operations

Leveraging the Advantages of Our Unique Business Model to Expand Cashless Business Scales

The strengths of our unique business model include a wealth of data from banking and card transactions coupled with solid relationships with affiliated merchants and companies. We work to expand the scale of business by combining these strengths with the rise in opportunities to go cashless. For individual customers, we establish a full range of non-direct transactions while we put more energy than ever into expanding card transactions with corporate customers, where there is significant room for growth.



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.

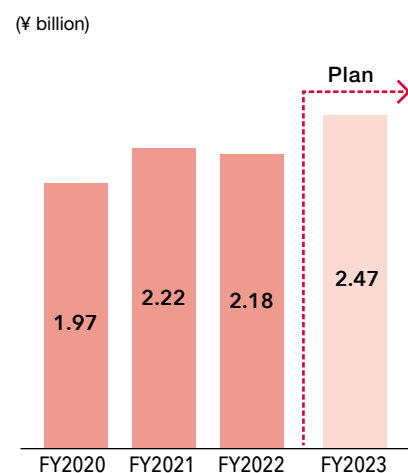
FY2022 Results and FY2023 Outlook

Our asset management operations are accumulating favorable results thanks to sales activities that leverage the mutual strengths borne from our alliance with Nomura Securities Co., Ltd. Our all-asset approach, which includes deposits, steadily increased our stock assets balance in addition to other asset balances under management. Asset management fees and commissions remained flat, although affected by the market downturn. We plan to generate ¥2.4 billion in fiscal 2023 by further strengthening cooperation between consulting plazas and sales branches as well as developing our consulting business throughout San-in.

The Bank took in a large number of projects outside of Shimane and Tottori, reduced the administrative burden on customers, and strengthened non-interest rate competitiveness through careful and prompt face-to-face consultations. These initiatives lead to an increase in housing loans and thus a significant increase in personal loans.

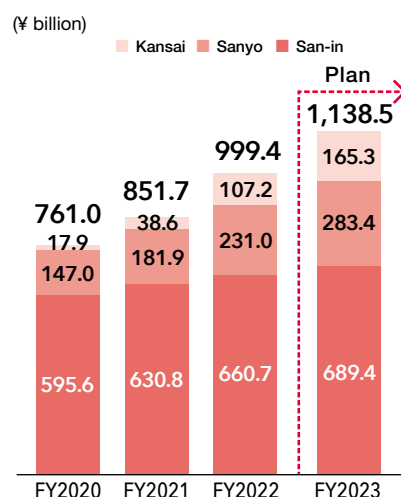
With cashless transactions on the rise, we will continue to work to expand transactions and augment cashless operations.

Asset Management Fees and Commissions

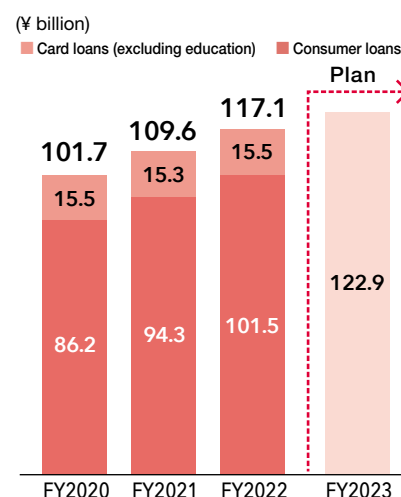


*Figures up to FY2020 include Gogin Securities Co., Ltd. results

Housing Loan Balance



Consumer Loan Balance





Digital Transformation Strategy

Enhancing the Whole Bank and Creating Competitive Advantage With IT

We are leveraging digital technologies to accelerate structural reforms across all areas of management and enhance user interfaces and the user experience (UI & UX).

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

Basic Approach

In addition to the areas of business (sales) and operations (clerical work), we will promote digital transformation in other areas such as IT, data, and organizations/personnel. In doing so, we aim to be one of the leading digital regional banks by the final year of our medium-term management plan. By promoting digital transformation (DX), we will achieve both top-line growth and cost reductions that will contribute to profitability.

Initiatives to Promote Digital Transformation

We have entered the DX measures implementation phase in each of five areas and are generally making good progress on our plans.

We will accelerate our DX efforts by adding measures such as omni-channel and regional platforms, while incorporating employee input.



* A Ministry of Economy, Trade and Industry program to certify companies that have prepared for digital transformation

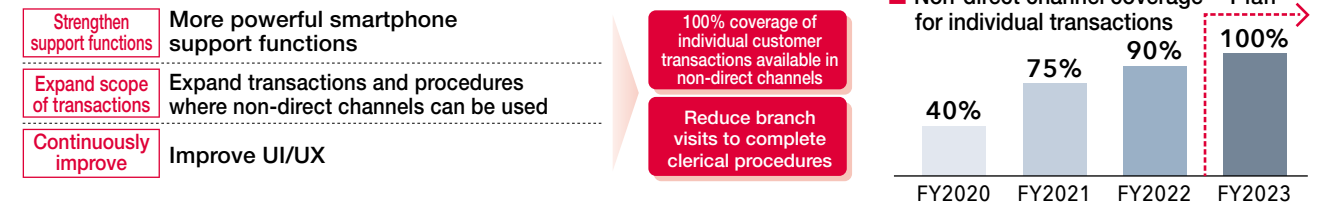
DX Measures by Area

		Progress Through FY2022	Plan by End of FY2023
Business	<ul style="list-style-type: none"> Create a support system for our Every Employee a Consultant structure Improve customer experience through enhanced digital marketing Implement strategies for non-direct and face-to-face channels 	<ul style="list-style-type: none"> Implemented corporate consulting support function Added app functions and improved UX 	<ul style="list-style-type: none"> App store rating 4.5 (iOS) Complete digital marketing (full-time automation) and achieve timely and appropriate 1-on-1 communication
Operations	<ul style="list-style-type: none"> Implement Bank-wide and clerical reforms through DX measures and initiatives at each department at headquarters 	<ul style="list-style-type: none"> Worked on 80 DX projects at Headquarters 	<ul style="list-style-type: none"> Reduced workforce by 25 persons Work on 113 projects, raise productivity, use AI
IT	<ul style="list-style-type: none"> Build and begin full-scale use of a cloud platform Optimize networks Develop IT architecture Firmly establish IT management processes 	<ul style="list-style-type: none"> Built a cloud platform Built an IT management system 	<ul style="list-style-type: none"> Cloud platform and data analysis platform in operation (June 2023) Build an optimized work environment and raise productivity
Data	<ul style="list-style-type: none"> Enhance operations through use of data Create data analysis platform 	<ul style="list-style-type: none"> Built a data analysis platform Implemented BI tools 	<ul style="list-style-type: none"> Spread data sharing, visualization, and utilization through the organization
Organizations/Personnel	<ul style="list-style-type: none"> Develop and secure digital specialists Achieve change management 	<ul style="list-style-type: none"> Started digital specialists development system 	<ul style="list-style-type: none"> 129 persons certified, 257 with IT Passports 350 persons certified, 400 with IT Passports (branches)
	<ul style="list-style-type: none"> DX Business Idea Contest DX Junior Board 	<ul style="list-style-type: none"> Promote omni-channel (and improve UI/UX) Establish a regional platform and make business profitable 	<ul style="list-style-type: none"> Integrate and coordinate channels, improve CX, and maximize revenue For individual customers Super app For corporate customers Corporate portal

Business

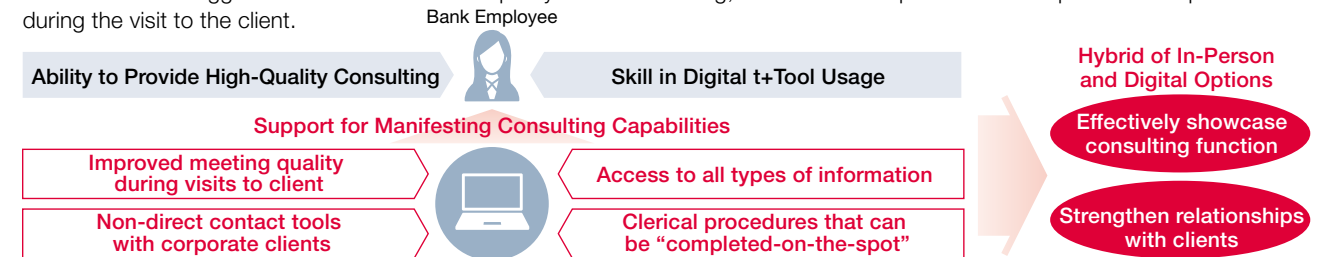
[Non-Direct Channels] Making A Bank Branch in the Palm of Your Hand a Reality

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



[Face-to-Face Channels] Increasing Added Value of Outbound Client Visits

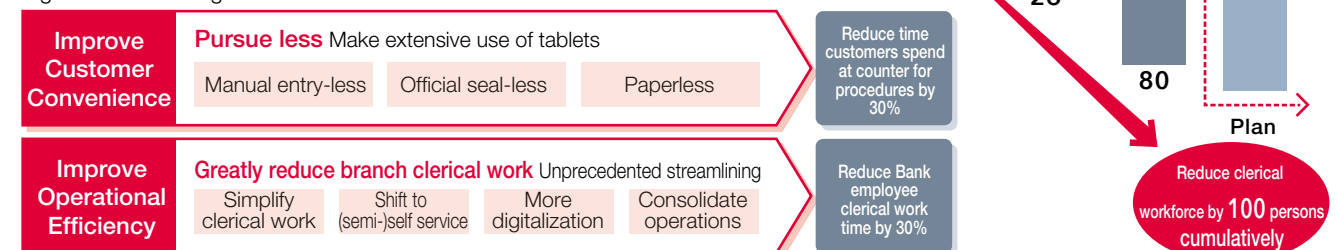
San-in Godo Bank is increasing the added value and convenience of our outbound visits to clients. For example, we provide information and suggestion tools that raise the quality of our consulting, and we make it possible to complete clerical procedures during the visit to the client.



Operations

Reforming Branch Operations Through Extensive Streamlining

The Bank uses tablet computers to streamline operations and reform branch clerical work. Meanwhile, the push to consolidate back office work and promote digitization is leading to dramatic reductions in clerical work at branches.



IT

Development and Use of an IT Platform

Based on our policy of optimization for the medium to long term, we will work to use cloud services and build network security platforms to support such use. We are also planning to establish operations environments that can be used anywhere and develop a network architecture for the future.

Data

DX Alliance With Nomura Securities

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

Organizations/Personnel

Development of Digital Specialists

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

		Development Plan (persons)	Number of Certified Individuals
IT Depts.	Develop specialists to continue DX measures	26	7
Headquarters	Plan DX measures and use data for each department at HQ	350	129
Branches	Support customer DX (hold IT Passports)	400	257

Implement and Establish IT Management

By implementing a PDCA cycle that includes practicing IT investment, cost management, and project management processes, we aim to firmly establish various management processes and make them more advanced.

Creation of Platforms for Data Usage

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



Securities Strategy

Be Mindful of Risk and Return and Maintain Stable Earnings

We are developing a portfolio that can respond flexibly to changes in economic conditions and financial policies.

Ken Kajitani
General Manager, Money and Capital Markets Dept.



Group Strategy

Maximize Group Synergies With a Bank-Led Management Strategy

We work as a Group to provide consulting functions to solve regional and customer issues.

Yoshikazu Tanaka
Executive Officer, General Manager, Management Planning Dept.

Basic Approach

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 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.

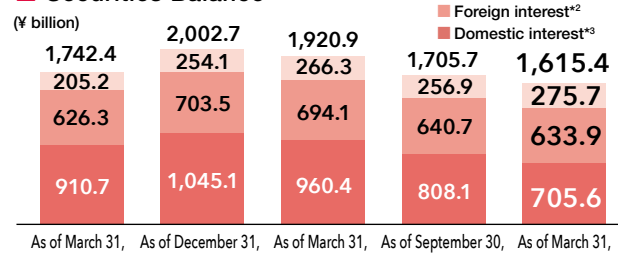
FY2022 Results and FY2023 Outlook

In response to the global rise in interest rates since the start of 2022, we lowered our interest rate risk in fiscal 2022 by selling off Japanese, U.S., and European government bonds, etc. This lowered our securities balance by ¥300 billion.

Earnings (net basis, excluding gains from cancellation of investment trust contracts) fell ¥5.0 billion year on year to ¥16.3 billion due to the decrease in the securities balance and an increase in foreign currency funding costs, while there was a net loss of ¥9.1 billion on securities transactions, mainly due to losses on the sale of bonds and other assets.

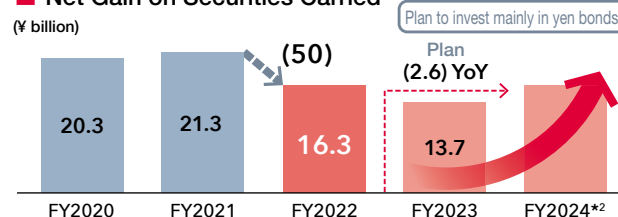
Earnings for fiscal 2023 are expected to be ¥13.7 billion, a decrease of ¥2.6 billion year on year. The Bank's policy is to restructure its portfolio by focusing on investments in Japanese government bonds, etc., while setting a goal of reducing foreign bonds that have become less profitable as we aim to return to growth in earnings in fiscal 2024. Although there was a valuation loss of ¥55.6 billion at the end of fiscal 2022, the portfolio as a whole kept unrealized losses under control by selling off bonds and other assets and using interest rate short funds, which yield capital gains when interest rates rise. We forecast valuation gain (loss) to improve as the economy enters a recessionary phase and interest rates decline in the U.S. and Europe, which have been aggressively tightening monetary policy.

Securities Balance



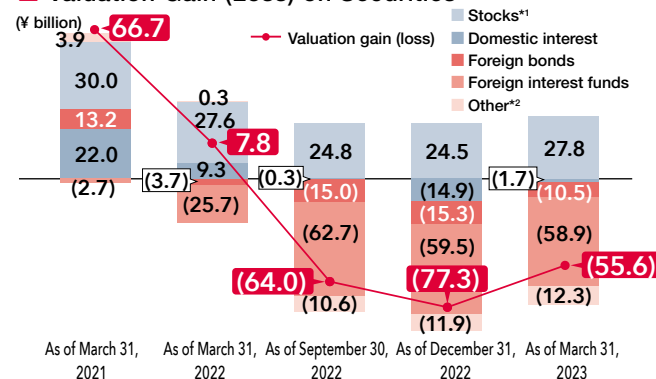
*1 Includes balanced funds, shares, etc. *2 Foreign bonds and foreign interest funds
*3: Includes government bonds from asset swaps

Net Gain on Securities Carried*



*1 Excluding gains from cancellation of investment trust contracts and foreign currency funding costs, etc.
*2 Assumptions for FY2024 estimates: FY2023 investment plan will be carried out, no investment in FY2024

Valuation Gain (Loss) on Securities



*1 Including stock funds *2 Including balanced funds and REITs

Net (Gain) Loss on Securities Transactions

	FY2020	FY2021	FY2022
Net (gain) loss on securities transactions	(1.7)	(8.2)	(9.1)
Gains on sales of shares	3.1	2.5	5.0
Gains on sales of bonds/Gains from redemption on bonds	0.7	0.3	8.7
Losses on sales of bonds/Losses from redemption on bonds	(3.3)	(9.7)	(21.9)
Losses on sales of shares/Amortization	(2.2)	(1.3)	(0.9)

Basic Approach

We aim to solve regional and customer issues by making Group-wide efforts to streamline and improve efficiency, reallocating personnel to strategic divisions, and maximizing Group synergies.

FY2022 Results

In July 2022, we established Gogin Energy Co., Ltd., a wholly owned subsidiary of the Bank, as a community-based renewable energy generation company. We are actively developing decarbonization and carbon neutrality initiatives in cooperation with local governments and companies. In February 2023, moreover, we changed the name of San-in Office Services Co., Ltd. to Gogin Career Design Co., Ltd. In May 2023, this company took over the Bank's placement and recruiting business, further strengthening the services offered. Additionally, Fuso Kogyo Co., Ltd. became a wholly-owned subsidiary of the Bank in January 2023 and was merged into the Bank's wholly-owned subsidiary Matsue Real Estate Co., Ltd. in April 2023.

The Gogin Group will continue to enhance our comprehensive financial services by further strengthening cooperation.

Overview of Group Companies

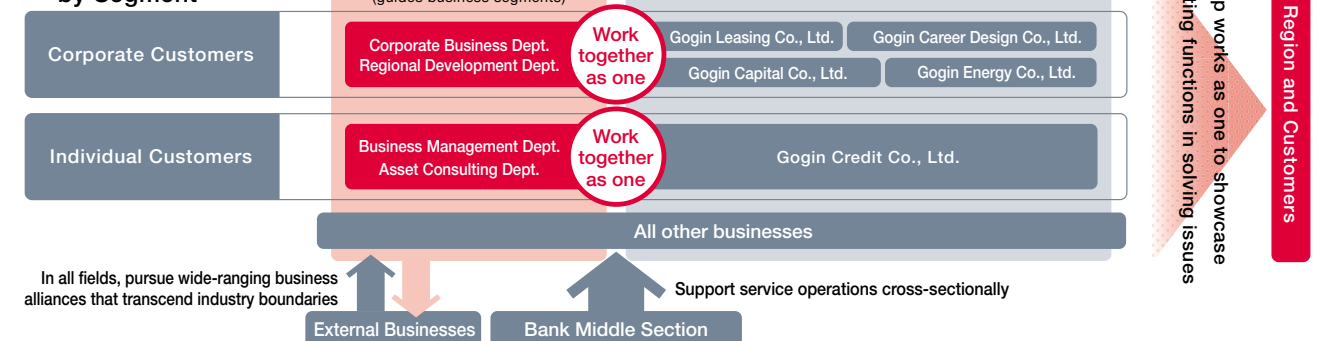
Company Name	Nature of Business	Company Name	Nature of Business
Matsue Real Estate Co., Ltd.	Real estate leasing services	Gogin Guaranty Co., Ltd.	Credit guarantee services
Gogin Career Design Co., Ltd.	Placement and recruiting services, general affairs contracting services, calculation services	Gogin Credit Co., Ltd.	Credit card services, credit guarantee services
San-in Servicing Co., Ltd.	Claim collection services	Gogin Capital Co., Ltd.	Venture capital
Gogin Leasing Co., Ltd.	Leasing services	Gogin Energy Co., Ltd.	Renewable energy related businesses

(As of July 1, 2023)

Priority Measures

We manage business performance and profits for each business segment, including Group companies, and develop new businesses. We pursue business efficiently by optimally allocating management resources and we expand the means for resolving issues faced by the region and our customers.

Operating Structure by Segment



In all fields, pursue wide-ranging business alliances that transcend industry boundaries

Support service operations cross-sectionally

Special Feature: Employees Taking on New Challenges

We strive for cultural reform, aiming to become an open and dynamic organization where employees support management, act autonomously, and take on new challenges. We foster a corporate culture in which employees feel comfortable expressing their ideas and opinions. We reflect these ideas and opinions collected from the front lines of our businesses into management, encouraging a spirit to take on new challenges, employee growth, and organization revitalization.

FOCUS Adapting Employee Ideas Into New Businesses

DX Business Idea Contest: Internal Contest for DX-Related Business Ideas

We recently invited all employees to submit ideas for new businesses based on digital technologies. The Bank received ideas from numerous employees representing all positions throughout the Group for businesses related and unrelated to current assignments. Directors heard presentations for 15 of the ideas that passed the document screening process.

Contest Objectives

- Opportunities to commercialize one's ideas, developed into new products and services
- Linking employee ideas to DX advancements, customer convenience, and service improvements

No. of Ideas Submitted

617

Grand Prix

An idea for a new service for persons in the child-rearing generation from the perspective of a mother, based on the employee's own experiences

Interview With Yu Iwata, Grand Prix Winner



Business Management Dept.
Yu Iwata

At the time of the Grand Prix (October 2022)
Associate, Corporate Business Dept.
December 1, 2022
Business Management Dept.
April 1, 2023
Hired as Full-Time Bank Employee

I submitted the idea because it sounded interesting. Putting the idea together was a lot of work, but it was a very exciting and fun experience.

Prior to the contest, I worked in the Corporate Business Dept. in business support for branches. After winning the Grand Prix, I transferred to the Business Management Dept., which plans products and services. I work there currently as the main person in charge of commercializing this idea. We held roundtable discussions with mother's groups and conducted nationwide online surveys to get more feedback from parents to learn about trends related to bank accounts opened for children. We also used prefectural statistics to understand how much market share we have to date related to children's accounts in San-in and how large the market may be in the future. Based on the information and data collected, we are creating special pages on our website and simplifying the process for making in-branch appointments.

My environment has changed in exciting ways since submitting my idea. And I am grateful for the opportunity to have so many brand-new experiences. The process of gradually giving shape to my idea is an enormous challenge, and I feel the need to grow more in order to turn it into a business, but the process is very rewarding. I am receiving the support of many people individually, as well as the support and encouragement from other departments and branches, which has really taught me the advantages of Gogin as an organization. I will continue to do my best to create a service that will please our customers.


Activities

Market Research on Features Required by Customers

Refining service proposals offering convenience and added-value for the child-rearing generation from the perspective of the customer

Survey 1: Roundtable meetings to exchange opinions with mothers raising children; direct interviews with mothers regarding their needs

Survey 2: Online surveys to identify a wide range of customer needs




Roundtable discussion with mothers of young children

Planning a Special Page on the Bank's Website for the Child-Rearing Generation

Researching content and features that meet customer needs

July 2023 Launch of Baby Step, Child-Rearing Generation Support Service

https://www.gogin.co.jp/lp/babystep_account/ (Japanese only)



FOCUS Mirai Initiative: The Future of San-in Godo Bank

We provide opportunities for employees to discuss the future vision (*mirai*) of San-in Godo Bank and the ideal future of the Bank. Many employees participate in and deepen their understanding of the Bank through these discussions.

Objectives

- Provide opportunities to think about and take personal responsibility for the Bank's growth on the front lines of our businesses
- Involve more employees in discussions to encourage diverse ideas and raise awareness throughout the Bank

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 November 2022, the first participants reported the results of their discussions to management. The second round of participants is currently working on recommendations.

No. of Participants (Open Invitation)

1st Session: 38 2nd Session: 20



*Junior Board: A pseudo board meeting attended by young and mid-career employees

How Was Your Experience Participating in the Junior Board?/



Yonago Corporate Sales Group
Momoka Wakahara
(Joined San-in Godo Bank in 2022)

It was a great learning experience for me to take a break from my daily banking duties and get together as a team with people of different ages and departments that I would not normally encounter in my daily work, not to mention gaining exposure to various opinions and new ideas. I think the board was a special time to deepen my understanding of the organization I work for and to think about the future of Gogin. I feel a real sense of responsibility and a sense of belonging as a member of the Gogin Group. The board is a platform accepting any comments, and I encourage young people to participate.

Unless every employee feels the need for DX and takes an interest in working together using technology, they won't feel personal responsibility, and the technology will become more form rather than substance. My participation in the Junior Board has helped me be more aware of the need to speak up and be involved on a daily basis.

The Junior Board was an opportunity to have direct discussions with the president and other senior management. It was very stimulating to hear management's opinions on the plans that Junior Board members produced. It was a particularly valuable experience to receive opinions that were customer-oriented and multifaceted, based on considerations of Bank growth. I became more motivated to grow and emulate that attitude.

Branch employees must become more technology-literate if we are to introduce new systems and achieve digital transformation. At the same time, we must share the reasons for systems adoption and the impact expected with the head office and branches. I was happy that my participation in the Junior Board led to a greater interest in DX among senior employees in my branch. I have begun to collect my own thoughts on DX initiatives and am looking for ways to improve efficiency in my daily work.



Yonago Corporate Sales Group
Yui Miyamoto
(Joined San-in Godo Bank in 2022)

Meeting to Consider the Future (*Mirai*) of San-in Godo Bank (1st Meeting): Overnight Discussions by Senior Management

In April 2023, we held the first Meeting to Consider the Future (*Mirai*), an overnight management discussion dedicated to the future of the Bank. Participants included sales managers from each block, with executives and general managers from the head office acting as observers. Discussions took the form of small groups to discuss the Bank's growth strategy, including ways to achieve an ROE of 6% or higher. Participants expressed a variety of opinions on the meeting, including that the event provided an opportunity to revisit previous experiences, that the discussions were very informative, and that the Bank should provide opportunities to share frank opinions, such as with the short reception party held during the event. The event helped participants refocus on Bank growth and on one's own contribution at the front lines of our businesses. We will continue to improve this program based on participant opinions.



We asked two of the few female officers with their careers in the regional banking industry to speak on our efforts to revitalize our organization.

San-in Godo Bank Initiatives to Encourage Women's Participation and Diversity

Mamiko Nakamura: People often say that women have historically been inactive in the workplace and that there were no role models for women, but there were many active women even when I was young. When I joined the Bank, there were two women in charge of training. I remember really enjoying their training and thought about what wonderful women we had in the Bank.

Sawako Yoshioka: Yes, we did indeed have women in leadership positions at our branches.

Nakamura: When I gave birth, I only had the option of maternity leave, but I was influenced by women who worked while raising children after birth. I told my family and friends that I wanted to work after childbirth. I'm where I am today because I chose a work style that does not involve relocation and that fits with my lifestyle. To balance both work and life, I had to pay attention to time management and consider how to allocate my time each day. The Bank has been working since relatively early on to enhance various systems. Thanks to these initiatives, we now have various systems such as childcare leave, shortened working hours, flexible working hours, and hourly units of time off. I hope that our female employees take advantage of these to the fullest. The next step in promoting women's participation is to continue to create a corporate culture in which using these systems is a given. To this end, we must encourage the use of these systems to those who do not take advantage of them and motivate them to do so without hesitation. I think there are many different work styles available, so it is my hope that our female employees will think about and find their own way of working.

Yoshioka: The Bank supports working styles that prioritize childcare. I think it is important for female employees to not hesitate to utilize the system and work with peace of mind throughout their child-rearing period. When these women return to work, they can fully participate and demonstrate

their abilities by creating an environment that enables them to freely choose how they work and live. Although the Bank achieved its target of 25% female managers in section chief positions or higher, this is just one milestone. I believe that women in management positions can contribute to the Bank and the community by energetically working with a sense of fulfillment, demonstrating their abilities, and making customers happy. Promoting women's participation is a cycle that encourages younger employees to look up to these women and grow up doing their best, wanting to be like them.

Working Toward a Diverse Organization as the Leading Regional Bank

Yoshioka: Including female employees in management that have spent their entire careers at the Bank is a challenge for our bank, but will symbolize an open-minded corporate culture. The strength of San-in Godo Bank is that we involve women with different backgrounds and positions in various decision-making processes. If we do our part properly, women from various backgrounds will have opportunities to participate in management decision-making. I believe that the willingness of the Bank to incorporate opinions from many people is well-balanced and truly diverse.

Nakamura: I believe that management has historically planned ahead and made systematic efforts. I became the first female general branch manager in 2013. I persisted in my career at the Bank, and ten years later, I became a board member. In this sense, the Bank has pioneered many things. Our next step is to raise talented people regardless of age or gender. The number of women in sales field positions and general managers has been increasing for several years. Recently, women have been appointed as group managers and general managers at headquarters. Our organization has a wide range of operations, including IT, operations planning, and human resources. We are able to draw out the potential of our employees, enabling them to be the right person for the right job, in the right place, where they want to work.

Yoshioka: Careers are comprised of various experiences, so I think it is important to give employees a chance to learn and experience various things regardless of age or gender. When given this chance, I hope employees give it a try, regardless of their gender, even if they are a little unsure of themselves. When I was in my 20s, I was transferred from a sales branch to headquarters, where I was involved in product development. At the time, financial deregulation was

Director,
Audit and Supervisory
Committee Member

Mamiko Nakamura

1986 Joined San-in Godo Bank

2013 General Manager, Naoe Branch

2016 General Manager, Shimane-idaidori Branch

2018 General Manager, Customer Service Dept.

2019 General Manager, Human Resources Dept.

2021 Director, Audit and Supervisory Committee Member (current)

Finding Your Own Way

Taking Advantage of Opportunities and Challenges

underway. We needed to develop products that incorporated women's perspectives to become the bank of choice, so we brought young women onto the team and asked for their input. I thought the Bank was innovative even back then. In addition, there was a time when I continued to raise my hand to be in charge of advertising and I became the first woman chosen to be in charge. The Bank gave me a chance. I hope young employees will constantly look ahead and imagine how they would take on the job one rank higher than theirs if they were promoted. Thinking about your next steps will help you prepare yourself. I believe the Bank will also support them in this and allow them to take on new challenges.

Nakamura: They must imagine what they want to be, and how to get closer to that image. I hope young employees will work hard to improve their skills and grow by relying on their seniors. I hope that these San-in Godo Bank initiatives will spread to the community and become a community-wide effort.

As a Pioneer Female Officer

Nakamura: I always try to have fun. Naturally, there are tough times, but I hope that by bringing the good, fun times to the forefront, young employees will come to think that someday they themselves would like to also work in this way.

Yoshioka: As women's participation becomes more commonplace, we will see various changes with the times. Our leaders must have more than just strong leadership. They must also be coordinative, connect those with knowledge, gather expertise, and bring everyone together to work toward a common goal. It is important to be open to asking and learning what you do not understand.

Nakamura: I believe that becoming a female officer who started their career in San-in Godo Bank shows that there is a way to build trusting relationships with customers. I also believe that it will help pioneer a part of the way women will participate, in a way that only a woman can, and be a pioneering step in the future of women's participation. I hope that the women who follow



Executive Officer
Chief,
Yonago Headquarters

Sawako Yoshioka

1987 Joined San-in Godo Bank

2015 General Manager, Koshibara Branch

2018 General Manager, Yonago-nishi Branch

2020 General Manager, Yonago Branch

2022 Executive Officer, Chief,
Yonago Headquarters (current)

in my footsteps will also build trust with customers in their own way.

Becoming a More Dynamic Organization

Nakamura: The current management of the Bank actively communicates with employees, asking what young people think to determine if there are gaps in their thinking. The Bank also listens to the voices of employees to enhance a sense of unity, and employees are eager to please and assist customers. I believe these efforts will create a good tradition for the Bank.

Yoshioka: I believe that the strength of the Bank lies in its organization. It is, of course, important to respect individuals and diversity. However, it is also important to keep each individual moving forward as one in the same direction with the management philosophy in mind. I believe that individuals must come together and work towards our goals, while respecting individuality, for the growth of the Bank and the revitalization of the community. This will encourage employees to lead fulfilling lives. We are in a period of change at the Bank. We are ready to take on new challenges as long as we have the willingness to do so. I believe that the Bank will continue to further evolve as the thoughts and awareness of each employee changes to be more future-oriented.

Increasing Momentum for Women's Participation in Our Region Through Information Dissemination

Female officers respond to media interviews and speak at lectures held in the community, passionately sharing their own experiences, thoughts on work, and ideal workplaces that enable women to play active roles. These efforts help increase momentum to encourage women's participation throughout the community.



Response to Climate Change

Responding More Robustly to Climate Change While Moving for More Sophisticated Information Disclosure

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 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 Office 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.

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.

■ Participation in the Renewable Energy Power 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.

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	<ul style="list-style-type: none"> Increased damage due to extreme weather events (typhoons, floods, etc.)
Chronic	<ul style="list-style-type: none"> Changes in precipitation patterns and extremes in weather patterns Average increase in 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	<ul style="list-style-type: none"> Increase in the cost of greenhouse gas emissions (carbon tax) Regulations affecting existing products and services Lawsuits
Technology	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Changes in customer behavior Rise in raw materials prices
Reputation	<ul style="list-style-type: none"> 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 2023, we added the following risk events to the analyses conducted in the previous year. In terms of physical risk, we analyze the risk of financial deterioration due to suspension of business (decrease in sales) among borrowers, etc. In terms of transition risk, we identify electric power, oil, and gas as high-risk sectors and analyze the impact of stranded asset risk of carbon-related assets and changes in prices and demand for fossil fuels, non-fossil fuels, etc. Our fiscal 2023 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) with offices in San-in
Scenario	IPCC (Intergovernmental Panel on Climate Change) <ul style="list-style-type: none"> 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 ¥4.8 billion

■ Transition Risk

Risks	(1) Deterioration in the financial condition of borrowers due to asset damage, sales declines, cost increases, etc., associated with the transition to a decarbonized society (2) Deterioration in the financial condition of borrowers due to the introduction of carbon taxes
Analysis	(1) Specific clients in the electricity, oil, and gas sectors (2) Borrowers in Japan (corporations)
Scenario	NGFS (Network of Central Banks and Supervisors for Greening the Financial System) <ul style="list-style-type: none"> Net Zero 2050 Below 2°C Current Policies
Period Analyzed	Through 2050
Risk Indicators	Estimated increase in credit costs
Risk Level	Maximum of ¥7.0 billion

■ Carbon-Related Assets (Loan Balances)

The percentage of carbon-related assets to Bank loan balances as of March 31, 2023, is shown on the right.

Carbon-Related Sectors	Energy	Transportation	Materials and Buildings	Agriculture, Food, and Forestry Products
Ratio	2.4%	8.4%	14.7%	4.8%

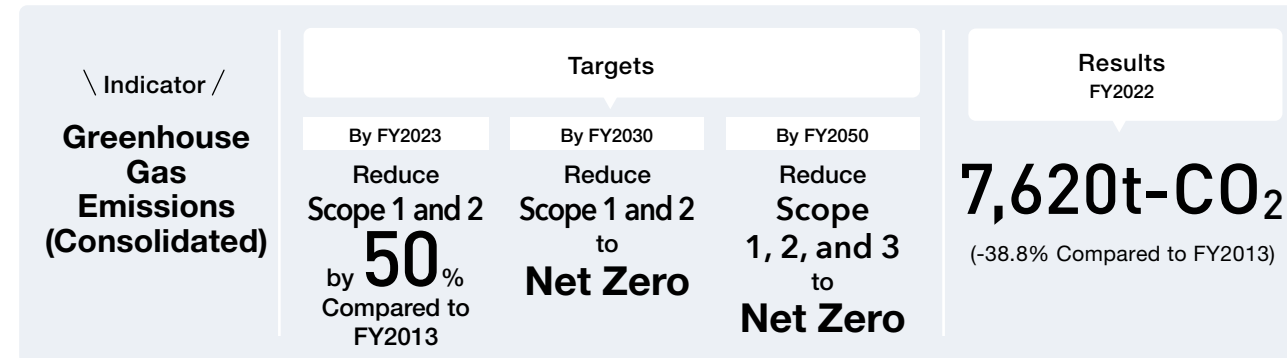
Risk Management

- 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

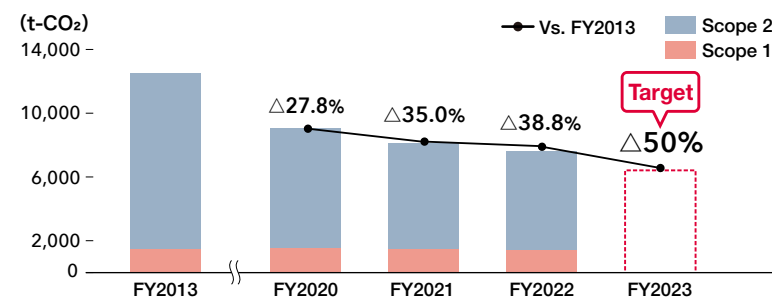


Greenhouse Gas Emissions, Energy, and Electricity Usage (Consolidated)

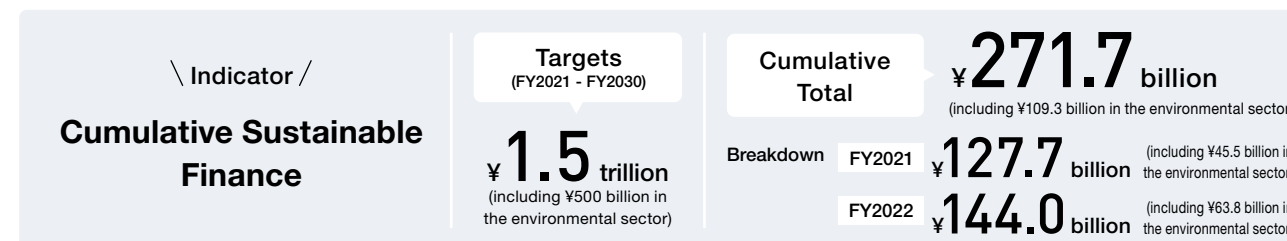
Measurement Categories			Unit	FY2020	FY2021	FY2022
Greenhouse gas emissions	Scope 1 (direct emissions)	Heavy oil, kerosene, light diesel oil, gasoline, city gas, propane gas, etc.	t-CO ₂	1,512	1,483	1,396
	Scope 2 (direct emissions)	Electricity	t-CO ₂	7,480	6,623	6,224
	Total		t-CO ₂	8,992	8,106	7,620
Total energy usage (crude oil equivalent)			kL	3,959	3,838	3,595
Total energy usage (heat value)			GJ	153,423	148,752	139,383
Electricity usage			1,000 kWh	12,917	12,511	11,683

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

San-in Godo Bank set a 50% reduction in greenhouse gas emissions (vs. fiscal 2013) as a FY2023 target. We are engaged in initiatives to meet this goal ahead of the Japanese government's target for fiscal 2030 of a 46% reduction (vs. fiscal 2013) as part of the Bank's contribution to national efforts to achieve carbon neutrality as quickly as possible. In fiscal 2022, we reduced emissions volumes by 38.8% compared with fiscal 2013 levels.



Sustainable Finance



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.

Initiatives for Reducing Environmental Impact

Striving to Reduce the Environmental Impact of Our Business Activities

Promoting Resource and Energy Conservation and Recycling

Raising energy conservation awareness

By requiring our employees to conserve energy, we are raising their awareness of this critical need.

Adoption of energy-saving, eco-friendly products

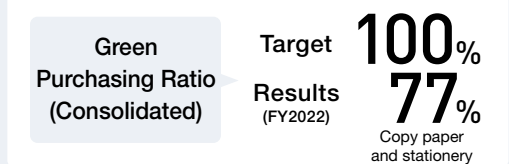
When implementing equipment, the Bank chooses energy-efficient, eco-friendly products, such as air conditioners, LED lighting, solar energy equipment, and electric vehicles.

Going paperless and recycling

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

Green Purchasing

When purchasing products and services, we carefully consider whether they are necessary, and if so, we select those that have the least environmental impact. We have established a KPI for the green purchasing of paper and stationery, and in principle, we purchase products labeled with the Eco Mark and other such marks.



TOPICS

Building Eco-Friendly Branches

Branches With ZEB Status for Decarbonization

Two branches newly built and relocated in fiscal 2022 earned the ZEB and ZEB Ready status, indicating that they were designed for decarbonization.

*ZEB: Net Zero Energy Building

Branch With ZEB Status

Yasugi Branch (newly built and relocated in October 2022)

Through a combination of energy efficiency and energy creation, the building allows the branch to reduce its net energy consumption by 100%, and sometimes creates more energy than is consumed.



Yasugi Branch



Branch With ZEB Ready Status

Hamada Branch (newly built and relocated in March 2023)

Thanks to energy efficiency, the building allows the branch to reduce its net energy consumption by 50% or more.



Hamada Branch



Introduction of Electricity From Renewable Energy

On April 1, 2023, we switched to renewable energy to supply all the electricity needs of two sites: our Head Office building and the Tottori Headquarters building.

CO₂ Emissions Reduction

Per year About **1,700 tons**

Equivalent to about 20% of the Group's total CO₂ emissions

* Calculation based on actual FY2021 total electricity consumption of buildings in which renewable energy was adopted.

Benefiting the Environment Through Financial Products and Services

Contributing to Decarbonization and Conservation of the Local Environment Through Our Core Business of Offering Financial Products and Services

Renewable Energy Initiatives

The Bank helps enterprises get into the business of renewable energy that reduces environmental impact and uses natural, renewable sources of energy. We also arrange syndicated project financing for large-scale renewable energy proposals.

Sustainable Finance

With sustainable finance, we support the region and our clients in their SDGs and ESG efforts.

Gogin sustainability-linked loans

These loans come with targets consistent with the ESG strategy of the client and offers incentives including a lower interest rate based on how well those targets are achieved.

Gogin green loans and social loans

Funds from these loans can only be used for projects aiming to make environmental or social improvements.

Key Initiative

Entered Gogin Green Loan Agreement With Automobile Dealer

Deal supports client's decarbonization efforts with sustainable finance

SDGs initiatives are a core part of management at Netz Toyota Kobe Co., Ltd. (Amagasaki City, Hyogo Prefecture). The Bank conducted a series of interviews about the company's decarbonization efforts and proposed sustainable finance to fund its environment-related equipment.

How the Funds Will Be Used

- Purchase hybrid, plug-in hybrid, electric, and fuel cell vehicles
- Cover costs associated with the installation of quick chargers for electric vehicles
- Cover costs associated with building hydrogen stations

President Shinomiya's Comments

We had received proposals for green financing from other banks, but decided to sign a contract with Gogin because their proposal was the quickest and most courteous. They really understand our CSR policy of trying to protect the environment through our business activities. We expect they will continue to work vigorously to help achieve carbon neutrality.

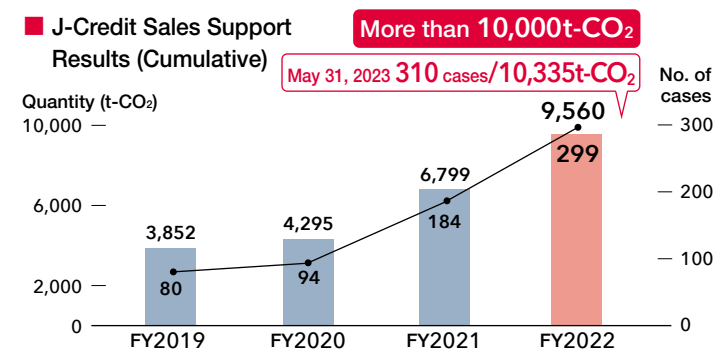


Kojiro Shinomiya,
Representative Director
and President, Netz Toyota
Kobe Co., Ltd.

Hiroki Sawada,
Deputy Branch Manager,
Amagasaki Branch
(currently Deputy Branch
Manager, Kobe Branch)

Supporting Use of J-Credits

We help our clients implement environmental management and increase their corporate value through carbon offsetting initiatives with public-private partnerships using J-Credits originating in San-in.



Complete Support for Local Communities with Relationship Banking

Revitalizing Local Communities Through Our Core Business as a Regional Financial Institution, Offering Solutions to Regional and Customer Issues

Regional Revitalization Building Vibrant Local Communities

We contribute to regional development by bringing all our management resources to bear to solve regional issues (growing local industries and creating jobs) and by working to create vibrant communities.

Strengthening Public-Private Partnerships

Corporate version of hometown tax donations

Aiming to solve regional issues, we collaborate with local businesses and even newspapers to promote the use of the corporate version of hometown tax contributions. We propose municipal projects to businesses and assist our clients in planning municipal projects based on their donation-making requirements and regional issues. We brokered 15 donations in fiscal 2022.

Taking on a variety of public-private partnerships

We are actively working in public-private partnerships such as PPP/PFI and PFS/SIB in cooperation with the national government, local governments, and clients. Our aim is to simultaneously solve regional issues and achieve economic growth, thereby creating sustainable and vibrant regional communities. We signed a memorandum of understanding for SIB research with Matsue City in July 2022 and Izumo City in November 2022. Discussions are currently underway to set up projects.

Support for municipal digital transformation

By offering our solutions and partnering with outside organizations, we support digital transformation (DX) within municipal governments and the region. We signed partnership agreements with the governments of Nanbu-cho and Nichinan-cho to pursue DX in 2021 and 2022, respectively. Under these agreements, we provide various types of support for solving issues in each municipality and the region and revitalizing the economy.

Startup support

In addition to the conventional support for business planning, financing, and sales channel development for startups, we support efforts by local entities to originate new business models. For example, we participate in the Matsue Entrepreneurship Ecosystem, an ecosystem formation project by the government of Matsue City to create new businesses and industries. We also take part in Tottori Prefecture's TORIGGER program to support startups. We will further enhance support measures for startup companies going forward.

Key Initiative

Broker for Donations to Tottori Prefecture Through the Corporate Version of Hometown Tax Donations

With the Bank acting as broker, ONE GROUP, an insurance services business based in Kurashiki City, Okayama Prefecture, made a donation in March 2023 to Tottori Prefecture's project to combat COVID-19. The donation will be used to build medical and health systems and to prevent the spread of infectious diseases.

With our widespread network of branches, we will continue to promote solutions to regional issues by acting as a bridge between the community and corporations and utilizing the corporate version of hometown tax donations.



Corporate Clients Improving Added Value

Regional issues facing the business community include struggles to find successors, labor shortages, narrow sales channels, and a declining number of companies. Other challenges include COVID-19, transitioning to a decarbonized society, digitalization, and a growing diversity of work styles. The issues and needs faced by our region and customers are more diverse than ever. The Bank will contribute to solutions by developing consulting services that demonstrate our knowledge and expertise.

Solutions to Client Issues With Our Business Support Activities

We are creating a virtuous cycle in the local economy by expanding and upgrading our solutions menu in a more diversified manner and enabling all employees to provide consulting services to help our clients resolve issues, improve added value, and grow their businesses.

Feature 1 Consulting based on business feasibility assessments

We offer business support that is based on business feasibility assessments, share information on management issues with our customers, and propose solutions to these issues. Our aim is to increase added value for our customers and achieve sustainable communities.

Feature 2 Side-by-side consulting

The Bank works side by side with its customers until they find solutions to their issues.

Understand the customer's business model, business flow, and their situation

Dialogue with customers

Share management issues and needs

Propose solutions with the Bank's solutions, network, etc.

Increase added value for customers and achieve sustainable local communities

Gogin's consulting menu

Business due diligence

ICT

Subsidies

Consulting with bank employees anytime

Planning

Personnel

SDGs

Placement and recruiting

Industry Relationship Management

Medical and nursing care

Lodging and tourism

Food manufacturing

Business succession

M&A

Funds

IPOs

Business matching

Utilizing our widespread network of branches and extensive information gathering capabilities, we support sales channel development and work in other ways to connect clients in San-in with clients in Sanyo and Kansai. We also support efforts to attract businesses to the San-in region by collaborating with government agencies.

Finance

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

Revitalization support

By sharing information on management issues with clients looking for support to improve their management, we help them formulate and execute management improvement plans in collaboration with outside experts.

Number of Consulting Projects (Fiscal 2022 Results)

Business plan formulation support projects	10
HR consulting projects	17
ICT consulting projects	15
Industry-specific consulting projects	12
Placement and recruiting projects	45
SDGs projects	161
Projects to support business restructuring subsidy applications	144
Companies supported in developing sales channels	524
Number of business succession contracts	19
Number of M&A contracts (AD contracts concluded)	27
Number of M&A contracts concluded	12

Key Initiative Investment by Gogin Business Succession Fund

We invested in Fujiki Corporation Co., Ltd., a dealer in gift goods based in Matsue City, Shimane Prefecture, as the second project of the Gogin Business Succession Investment Limited Partnership (common name Gogin Business Succession Fund), in which the San-in Godo Bank Group holds a 100% stake. The investee is an excellent company making a significant contribution to the local economy and employment by actively hiring local talent and developing new businesses nationwide that meet customer needs and the times. The Group decided to invest in the company after determining that our resources could be fully utilized and that a smooth transfer of the company's business to a new management team could support its further growth.



Key Initiative Supporting Entry Into New Areas Through the Hiring of Management Personnel

With its strengths in special steel machining, Makata Industry Inc. of Matsue City, Shimane Prefecture processes a wide range of parts, including parts for aircraft and nuclear power plants. The company was facing such management issues as how to strengthen its competitiveness by bringing in new technology and how to build a management system. In response, we proposed hiring and assigning a manager who could oversee the factory in the future. The manager hired is working in close communication with the company's executive management to solve internal issues.



Management Issues

- How to strengthen competitiveness by bringing in new technology
- How to build a management system

Hired Manager

- A man in his 50s with manufacturing industry experience (a local native returning to the area from another prefecture)
- Experienced in a wide range of operations, including using IT onsite, accounting, and cost control

President Matsuo's Comments

We could have dealt directly with a firm specializing in recruiting, but by going to Gogin, who understood the kind of person we were looking for, we avoided the risk of a mismatch. I think the branch staff's understanding of our business made a big difference.

Supporting SDGs and ESG for Communities and Customers

As a leading regional bank, we are committed to working on the SDGs for our own part, but we also work to promote the principles of the SDGs to local communities and customers and encourage communities and clients to take their own action on the SDGs.

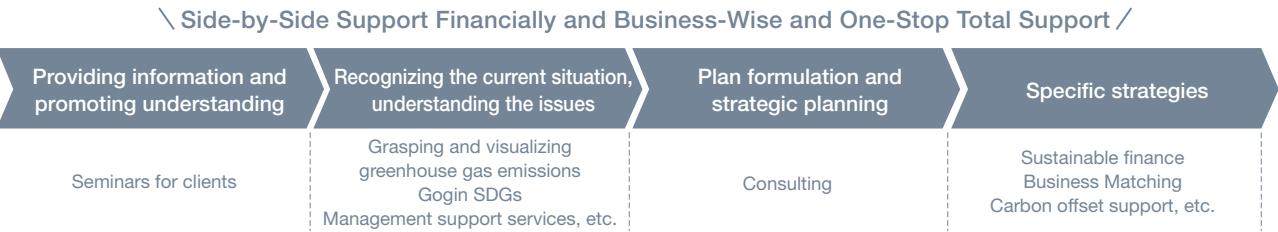
Spreading Awareness of SDGs to Local Communities

SDGs business consultants are on staff at Bank headquarters to conduct awareness-raising activities that deepen understanding of the SDGs. For example, they conduct SDGs training sessions and offer advice at local companies, public organizations, and educational institutions.

SDGs Training Sessions 160 times (FY2018-FY2022)

Supporting Client Transition to a Decarbonized Society and SDGs Initiatives

We work together with our clients to consider the impact the transition to a decarbonized society will have on their businesses and offer effective suggestions and consulting for future business development. We provide opportunities and information to think about the SDGs. We support SDGs initiatives as a part of business, such as ways to incorporate the SDGs into business activities and use them in management. Also, we create business opportunities and increase added value, for example by proposing financial products and solutions that contribute to the SDGs.



TOPICS Presentation for Local Companies on How to Respond to the Decarbonized Society

At a Bank briefing for our clients, President Yamasaki explained that local enterprises are increasingly being asked to take decarbonization initiatives, starting with the government and large domestic and international corporations.



Providing Stable Financial Infrastructure to All Customers

Striving to Improve Our Products and Services So That Customers Can Use Them With Peace of Mind and Feel at Home With Us

Individual Customers Enriching People's Lives

Customer needs are growing increasingly diverse and sophisticated. We strive to meet those needs while enhancing customer convenience and services and providing stable financial services to all customers as part of the local social infrastructure.

More Convenience With Digital Technology

■ Expansion of non-direct channels

We are working to improve customer convenience by enhancing the products and services we offer so that customers can perform a variety of banking transactions anytime, anywhere via smartphone or PC, without having to visit a branch.



Gogin app A bank branch in the palm of your hand

We have updated the Bank app to reflect customer feedback and make the app easier to use.

- Open a savings account
- Smart bankbook (check statements and balances)
- Internet banking (perform transfers, time deposits, and other procedures)
- Cashless payments
- Loans (application and contract)

■ Promoting cashless payment

We are expanding our cashless initiatives throughout the region to support new cashless lifestyles and increase convenience for our customers. In addition, we are conducting various credit card-based campaigns to promote everyday use of credit cards, encourage the spread of cashless payments, and expand opportunities for consumption in the region.

■ Use of tablets to take applications at branches

We are using tablets to take applications for opening savings accounts at branches. We also use tablets to explain personal loans, investment trusts, and insurance and take applications for them. These are part of an effort to improve customer convenience and clerical efficiency by making applications and procedures paperless and reducing the time required for filling out forms and processing paperwork.

New Financial Services Combining the Strengths of a Bank and a Securities firm Comprehensive Business Alliance With Nomura Securities in Financial Instruments Brokerage Business

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

GOGIN & NOMURA
Alliance

■ 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.

■ 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.

■ Convenient service

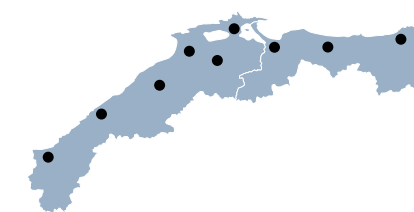
Customers can conduct transactions however they please: over the counter or via non-direct channels like telephone and Internet.

■ 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 San-in, 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.

* More information on the Policy for Conducting a Customer-Oriented Business may be found at the Bank's website at <https://www.gogin.co.jp> (Japanese only).

■ Consulting

- 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 life plans and other considerations. Then, we offer the best products and services to help them achieve their dreams.
- We propose the best products and services for our customers by using asset management guides and asset design tools and comparing similar products and services.
- To make sure our consulting services are understandable and thorough, when we make proposals, we confirm the customer's family structure, life events, assets, and run simulations of their life plans with them.

■ Appropriate sales procedures

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

* 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.



Improving Services for Customers With Special Needs

To help elderly customers and those with physical disabilities use our products and services with ease, we promote universal design. Our efforts include training employees, properly arranging our branches, and revising our products and services.



A guide board in a branch office

TOPICS

Gogin App Linked With Nomura Securities Apps

The Gogin app is now connected with various apps of Nomura Securities Co., Ltd. Users can access directly to Nomura online services from the top screen of the Gogin app.

* User must download each of the linked applications in advance.
* User must open a securities account and sign up for online services to use the NOMURA app.



Nomura app
(various transactions)
FINTOS!
(investment trust information)
OneStock
(manage and check assets)
New users



Developing a Broad Range of Unique Social Initiatives

Making Social Contributions That Create a Richer Regional Society

Through its social contribution activities in the region in areas such as society, education, and culture, San-in Godo Bank strives to fulfill its responsibilities to the community by being beneficial to the people and its customers, and we have been developing unique activities for many years that achieve this.

Environmental Protection
Forest Conservation

(Since 2006)

Diversity (Independence for Physically Challenged People)
Gogin Challenged

(Since 2007)

Youth Education
Shofukan Accademy

(Since 2012)
See P27.

Social and Cultural Activities Active Participation in Regional and Social Activities

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

The executives and employees of the Gogin Group have been raising funds and making donations to this association for 40 years.

As of March 31, 2023, we have donated wheelchairs, masks, and other items with a total value of ¥130.13 million to 1,199 beneficiaries, including local welfare facilities.

■ Donations to operators of children's cafeterias

In fiscal 2022, we donated ¥500,000 (¥2.5 million in total) to each of five organizations in the prefectures in the San-in region and the prefectures of Hiroshima, Okayama, and Hyogo. These funds were used to support the operations of children's cafeterias, which help children find a place to stay and address other issues of poverty that have recently become the focus of social attention.

Chiisana Shinsetsu (Small Kindness) Movement (Since 1997)

San-in Godo Bank is running the administrative office of this movement and is working hand in hand with the people of the region to develop a variety of activities. These include a campaign encouraging people to warmly greet each other and a nationwide movement to clean up Japan.

■ Eco-cap collection drive

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

The total weight of used PET bottle caps collected from the start of the campaign in 2010 to the end of March 2023 was 22,130 kg, which equates to about 11,000 vaccine doses. In recent years, the volume of collection has increased significantly due to growing awareness of the SDGs and other factors.

Gogin Cultural Promotion Foundation (Since 1992)

This foundation supports and sponsors educational, cultural, arts, and sporting activities taking place in the prefectures of the San-in region.

As of March 31, 2023, a total of ¥339.72 million has been provided for a cumulative total of 2,657 activities.



Making a donation to member organizations of the Shimane Children's Cafeteria Network, operated by the Shimane Council of Social Welfare



Yonago Hokuto Junior & Senior High School collected 78 kg of used plastic bottle caps.



Tottori City Choir, 37th Recital

Financial and Economic Education Improving Financial Literacy in the Region

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

■ For students (elementary school 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.

■ For working people

We offer a wide range of seminars for employees of our business partners, beginning with seminars on basic financial knowledge.

■ Previous Events



Lecture at Tottori Prefectural School of Commerce
Subject: Life Events and Household Financial Management
Number of participants: 71

Gogin SDG Private Placement Bonds Our financial products are making a sustainable regional society possible and supporting our clients in their social contribution activities

In response to our clients' diverse financial needs and with the realization of the SDGs as the goal, San-in Godo Bank handles private placement bonds for bond issuers to support initiatives linked to solving regional issues.

Gogin SDGs Private Placement Bonds (Donation Type)

In addition to being financially sound, this is a private placement bond that facilitates contributions to society by providing funds to be used in a highly socially aware fashion to various recipients, including educational institutions, medical institutions, community development organizations, prefectures of the San-in region, and local sports teams. The Bank will cover up to 0.2% of the value of the private placement bonds issued and will make donations and contributions jointly with the bond issuer.

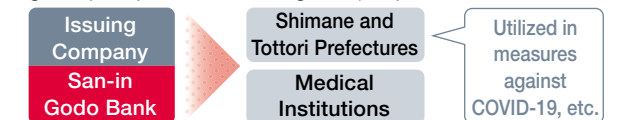
■ Number of SDGs private placement bonds issued: 144 (FY2022)

Community development type	11	CSR type	11
Medical institution donation type	2	Eco-type	0
Educational institution donation type	96	Welfare type	1
Sports promotion type	11	General type	12

* The October 2022 product revision eliminates the CSR, eco, and welfare types and establishes a new general type.

■ Donations for regional economic stimulus and medical institutions-type

0.2% of the value of private placement bonds issued is gifted jointly with the issuing company



■ Donations for educational institutions

Goods with a value under 0.2% of the value of private placement bonds issued are gifted in jointly with the issuing company.



Sports Promotion Revitalizing the Region by Promoting Sports

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 Teams

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



This season's main sponsor

Sponsored game

TOPICS

Gogin Gainare Tottori Time Deposit 2023

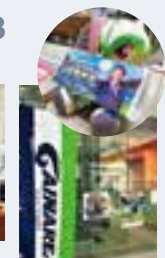
(Fixed period: March–May 2023)

Supporting Local Professional Sports Teams With Financial Products

This is a unique time deposit for which the interest rate is determined according to Gainare Tottori's performance in the J3 League. The entire community can support the success of Gainare Tottori with this financial product.



Tottori Sales staff in Gainare colors



Our bank donated 0.01% of the total value of the time deposits to Gainare Tottori.

Total Donation

¥1,870,000



Outside Director
Chie Motoi

Consultant
(Diversity Promotion in Companies,
Support for Women's Activities)

Outside Director
Yasuyuki Kuratsu

Representative Director,
Research & Pricing Technology, Inc.

Outside Director
Yasuhiro Goto

Professor, Faculty of Urban Innovation,
Asia University

How would you assess the San-in Godo Bank's Board of Directors?

Yasuyuki Kuratsu: Over the five years since I was named a director, the Board has had an open atmosphere encouraging the free expression of opinions. Every member is active in stating their points of view. Since Board members specialize in different fields, we hear input from different perspectives and viewpoints, and I personally feel stimulated by the new discoveries. I believe we have a well-functioning Board of Directors.

Yasuhiro Goto: The directors are willing to listen to the opinions of the outside directors, which fosters an atmosphere where we can think deeply and speak about what is most meaningful and useful to the Bank. We have highly motivating, serious discussions, including the outside directors.

Chie Motoi: Yes, that's right. It's also nice that executives speak in their own words, rather than simply reading from prepared materials.

Kuratsu: I think the executives have a sense of

urgency in the fact that San-in is a region on the front edge of several challenging issues, and management is firmly grounded in addressing the solutions to be implemented.

Goto: It seems to me that the executives are more confident. There's no apparent anxiety in facing difficult situations, and I feel a sense of confidence in business execution. Management seems confident in their steady progress to date and a conviction that they are headed on the correct path.

Motoi: The commitment to diversity and flexibility as a company is also outstanding. Many companies promote the advancement of women and increase the number of women in management positions. But the number of women at the executive level and above has not risen appreciably. San-in Godo Bank actively promotes women to its management team and has made a sincere effort to bring diversity to management.

Goto: I sense a willingness to take on new challenges while keeping the steadfastness needed in a bank. Clearly, the Board of Directors considers

our proposals carefully and is willing to take a firm stand in favor.

Kuratsu: At one time, I suggested employees call each other by their names rather than titles to improve openness within the Bank. This policy has been in place and operating since April.

Goto: It is wonderful to see our suggestions put into practice.

What course to discussions follow in addressing corporate value?

Kuratsu: One can increase corporate value in many ways, but my area of expertise is increasing market value. When I was named director, there wasn't much in the way of discussions regarding institutional investors or share prices. I thought it might be better to give greater weight to considerations related to capital. The voice of directors oriented toward the market has become stronger, and the nature of discussions at Board meetings has changed considerably in recent years. The level of interest in the market by the executives has increased enormously. We are seeing more discussions about improving corporate value and share prices, as well as more in the way of concrete actions, including share buybacks and dividend increases. I also feel that the executive side treats stakeholders equally and pays broad attention not only to shareholders, but also to customers and employees. When addressing an issue, the focus is not solely on shareholders and investors, but also on customers, employees, and other interested parties.

Goto: I get the sense that the company is turning its attention more to increasing corporate value. At the same time, increasing corporate value isn't something that can be achieved in the short term. The Bank must acquire the means to grow, and the Board of Directors discusses this part of the process. I think we engage in discussions from a long-term viewpoint.

Motoi: The approach to increasing corporate value is oriented toward organizational strength and growth, and we also have active discussions about human resources. Engaging in newer concepts such as consulting and DX requires different knowledge and ideas than those of the past. I'm sure many on the front lines of the business are apprehensive, but I hope they will feel the enjoyment and excitement of change. It's important for executives to clarify and communicate the Bank's direction while providing training. However,

it is important to always communicate in a way that inspires employees and customers to maximize human capital output.

Kuratsu: The concept of human capital will only take hold if we approach it as real capital and give our full support. In addition to investing in existing employees, one of the main points is how much to invest in future employees, i.e., in raising new capital. Although the Bank has implemented certain measures, such as raising starting salaries, the discussion has only just begun. Last year, the Bank revised its human resources system. Now it's time to see how well this new system works. This includes training for existing human resources and recruiting new human resources next year and the year after. If the population continues to decrease while the demand for employees increases, competition will naturally become tougher. How much investment is necessary to overcome the handicap of being in San-in is a topic that the Board of Directors must discuss in the future.

Goto: I think that companies with employees who have a variety of experiences, such as mid-career hires and return hires, have more growth potential. These companies understand human resources mobility while facilitating the contribution of these employees. I believe the key to utilizing human capital is to provide a stage where people from various backgrounds play active roles. A diverse workforce can bring a fresh breeze to an organization and uncover new needs. The effect of someone new who has come up in a different type of career is significant. As we discuss at Board meetings, the overwhelming majority of employees are from the local area, since this is a regional bank. But it would be interesting to hire a diverse group of people, including non-Japanese nationals, to change the corporate culture. I hope that communicating actively about the Bank's efforts to utilize human resources raises awareness in the community of the need for organizational diversity.





What are the challenges the Bank faces for growth? And what would it take to gain more recognition from the capital markets?

Kuratsu: If I had to name one issue among many, it would be the lack of messaging. How does the Bank communicate its policies and approach properly to investors and customers? For example, the message might be that the Bank is a wide-area regional bank. But from the outside, it's just a bank in San-in. The image hasn't changed significantly. However, the story is quite different when we look at loan balance growth and other figures. The loan ratio is not what you would expect from a bank in San-in, and staffing is the same. I would say that the gap between the Bank's internal efforts and its image from the outside relates to its low valuation in the capital market.

Goto: Effective messaging has been a longstanding issue for the Bank. Regional banks are located all over the country, so I think more can be done with this network. I'm not talking about a restructuring of regional banks, but rather a collaboration of regional banks nationwide in terms of information, technology, customer referrals, and sales channel development. For many years now, other industries have complemented each other, enhancing their strength and promoting interchange through cross-regional cooperation. Banks should not only expand into the Tokyo metropolitan area and the Kyoto-Osaka-Kobe region, but should also consider creating new value through cross-regional collaboration. Connecting local people with people from other regions creates new needs, increases consumption, and boosts sales. This is exactly what a bank is supposed to do: support its customers. The role that regional banks can play in connecting

people who want to sell goods and people who want to buy goods across the country can be achieved if networked properly.

Motoi: As systems become more advanced and DX moves forward, the concept of "region" begins to lose its meaning for certain fields. In fact, you can open an account with the Bank no matter where you live. The idea that one must visit a branch is disappearing. The younger generation—the customer base of the future—in particular, has an entirely different sensibility. Change won't be possible unless the management team makes a bold break with the conventional mindset and feeling of belonging to a region. It's important not to think of building in stages, but to rather think in an entirely new way.

Kuratsu: The Bank isn't forgetting about San-in. San-in will always remain as a base and home to valued local customers. At the same time, the Bank will give back to San-in from growth outside the region. From this base, the Bank must evolve in DX fields further.

What is your evaluation of the Bank's efforts in environmental conservation and community contribution activities?

Kuratsu: The Bank was active in environmental conservation and community contribution activities even before the idea of ESG became popular in the world. The Bank's contribution activities include *Gogin Challenged*, which supports the independence of people with disabilities, forest conservation activities in cooperation with local communities, and *Shofukan*, a school nurturing children who will become the future of the community. I think the Bank is only doing what it

has always done. Unfortunately, however, these wonderful initiatives are not well known in the outside world. I believe the Bank should continue in its own way at its own pace while conveying more effective messaging.

Motoi: Current efforts seem to focus on what to do within San-in. Perhaps the Bank can rethink the idea of regional contribution, thinking of ways to communicate the appeal of San-in and make San-in more famous. What to do "for" San-in should include efforts to promote San-in outside the area in addition to local contribution activities. San-in has a rich and wonderful natural



environment with great potential in terms of natural capital. Communicating these features in publicity for San-in could lead to growth for the region. Perhaps the Bank should consider collaborating with local governments and other organizations to raise the profile of San-in.

Goto: It would be interesting to see the number of people moving to San-in increase in response to such a communications program. It might be a good idea for the Bank to look for ways to support new residents settle in their new communities.

What is your role, and what are your aspirations for increasing corporate value?

Kuratsu: A growth strategy based solely in San-in would be challenging. However, a model based on San-in but incorporating surrounding areas would benefit continued growth. Regional banks in urban areas don't consider this type of strategy, since they can grow within their geographic area. Without this advantage, the Bank has room to think in other ways. We should look at this as a positive. The Bank is finding more business partners outside San-in, and its network of people is growing steadily. A broader view of the meaning of *wide-area* could include a growth strategy by creating an organic network of people who have ties to San-in but with whom the Bank does not

transact business currently. This makes sense because the Bank is based in San-in. Creating various organic networks and incorporating these networks into growth strategies is a way to increase market value for the Bank. I would gladly help in these efforts.

Goto: Having gone out to talk in person with the Bank's business partners, I believe there is a very good network of contacts. Human networks are important, and networks foster human interaction and trade. San-in has many untapped resources. Networking could provide hints as to where these resources can be used. My area of expertise is in global business with a focus on Asia. I want to provide up-to-date information and my own analysis of global and Asian affairs to help employees and customers learn and broaden their perspectives from a global perspective. I recently gave a presentation to the Bank's business partners at the request of several branches. While San-in may be home to few companies that are growing overseas, global transactions will increase in the future, even for companies with no overseas presence. I want to provide input for networking opportunities, including inbound and cross-border e-commerce, as well as business with other regions in Japan.

Motoi: I would like to be involved, too, contributing actively in the ways I can. It is important to have opportunities to interact directly with employees and customers. We want to fulfill our responsibilities as directors after getting a good feel for the bank's culture and atmosphere. Having those opportunities would be valuable. Outside directors tend to be conservative since they supervise business execution and the executives. I hope to play a role in stirring things up, bringing innovative ideas to the management team and showing them the many different ways of thinking that are out there.



Corporate Governance

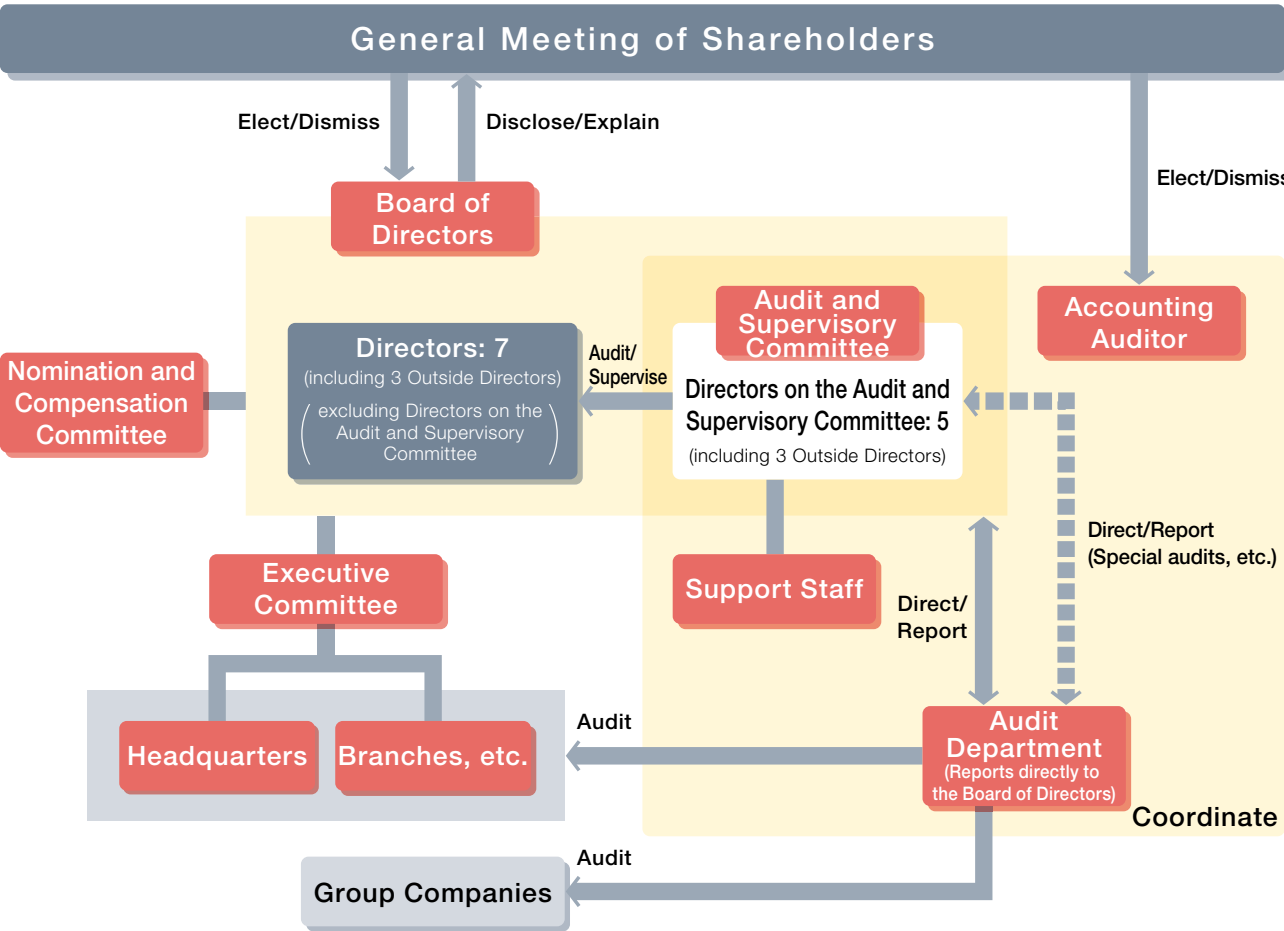
Taking Steps to Strengthen and Ensure Robust Corporate Governance

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.

Corporate Governance System

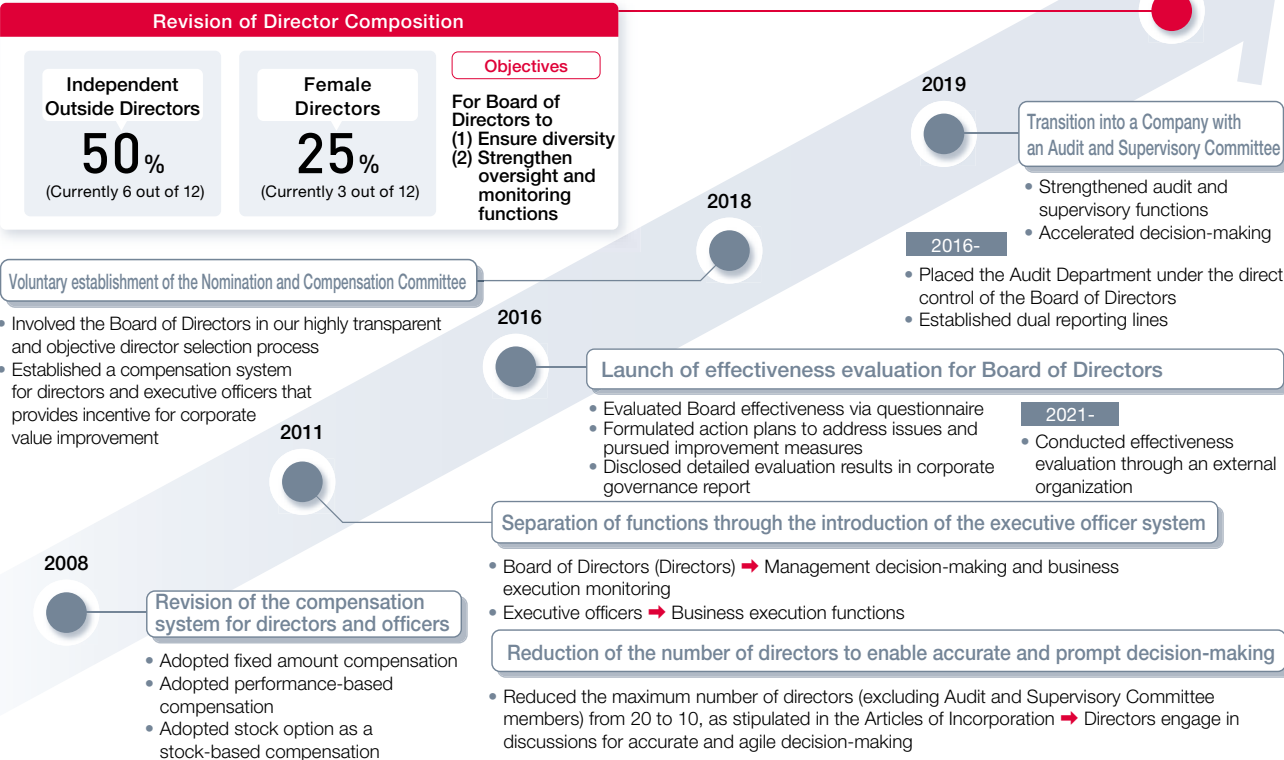


*More information on governance can be found on P12-P14 of our separate supplemental disclosure (Japanese only).

(As of July 1, 2023)

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.



Composition of the Board of Directors and Reasons for Appointment

The Board of Directors consists of 12 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. We ensure diversity by appointing three female directors. Our outside directors make up half of the Board of Directors. They are from Shimane and Tottori prefectures, meaning they are well positioned to understand the realities and characteristics of the region and enabling them to offer various suggestions to help us play a more sustainable role in our regions.

Skills Matrix for Directors

Directors		Expertise						
		Management Strategy	ESG/SDGs	Risk Management	Human Resources Management	Sales and Marketing	Market Management	Digital Transformation/IT
Toru Yamasaki	(Male)	●	●	●	●	●		●
Shuichi Ida	(Male)	●	●		●			
Soichi Akishita	(Male)	●		●		●	●	
Hiroshi Yoshikawa	(Male)	●				●	●	
Shinji Ito	(Male)					●		
Mamiko Nakamura	(Female)			●	●			
Outside Directors		Expertise						
		Management Strategy	ESG/SDGs	Global Business	Digital Transformation/IT	Banking and Finance	Finance and Accounting	Legal
Yasuyuki Kuratsu	(Independent, Male)	●		●		●		
Yasuhiro Goto	(Independent, Male)	●	●	●				
Chie Motoi	(Independent, Female)	●	●		●			
Shoichi Imaoka	(Independent, Male)					●	●	
Tamaki Adachi	(Independent, Female)		●					●
Tomoaki Seko	(Independent, Male)						●	●

*Present positions in the Bank are current as of the date of preparation of the reference documents for the General Meeting of Shareholders.

Executive Compensation System

Directors (Excluding Directors on the Audit and Supervisory Committee)

Policy on Determining Compensation

San-in Godo Bank established the Nomination and Compensation Committee as an advisory body to the Board of Directors to formulate, maintain, and monitor the executive compensation system. This system is consistent with management strategies and provides incentives for management to improve performance and increase corporate value over the medium to long term through a highly objective and transparent process. The Nomination and Compensation Committee deliberates on the basic policy of the executive compensation system, compensation levels by position, and the ratio of performance-linked compensation and stock-based compensation to total compensation. The Committee submits reports to the Board of Directors as necessary. Compensation for directors (excluding directors who are members of the Audit and Supervisory Committee) will be paid in accordance with the Director Compensation Regulations established by the Board of Directors. As such, the Board of Directors possesses the authority to determine the compensation of directors (excluding directors who are members of the Audit and Supervisory Committee) within the framework approved by the General Meeting of Shareholders.

Policy Content Summary

Compensation for Bank directors (excluding directors who are members of the Audit and Supervisory Committee) consists of fixed amount compensation, performance-linked compensation, and stock-based compensation, each of which is paid in proportion to the position held.

Compensation Composition

- Compensation is comprised of fixed amount compensation, performance-linked compensation, and stock-based compensation.

Details of Each Compensation

Fixed Amount Compensation

- Fixed amount compensation is paid monthly in a fixed amount according to position.

Performance-Linked Compensation

- Performance-linked compensation is a performance-linked compensation quota based on net income attributable to shareholders of the parent company, with the aim of motivating recipients to improve their performance. The amount of the performance-linked compensation quota is allocated proportionally based on multiplier according to title.

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 shares 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.
- Points are awarded in this system in accordance with the recipients position each fiscal year, and shares of the Bank are paid out to directors corresponding to accumulated points upon their retirement.

Directors on the Audit and Supervisory Committee

Policy for Determining Compensation for Directors on the Audit and Supervisory Committee

The Nomination and Compensation Committee evaluates the total amount of compensation for directors who are members of the Audit and Supervisory Committee and reports its findings to the Board of Directors and the Audit and Supervisory Committee. Compensation for directors who are members of the Audit and Supervisory Committee is paid in accordance with the Audit and Supervisory Committee Member Compensation Regulations established by the Committee. As such, the authority to determine the compensation of directors who are members of the Audit and Supervisory Committee rests with the same Committee within the framework approved by the General Meeting of Shareholders.

Compensation Composition and Content

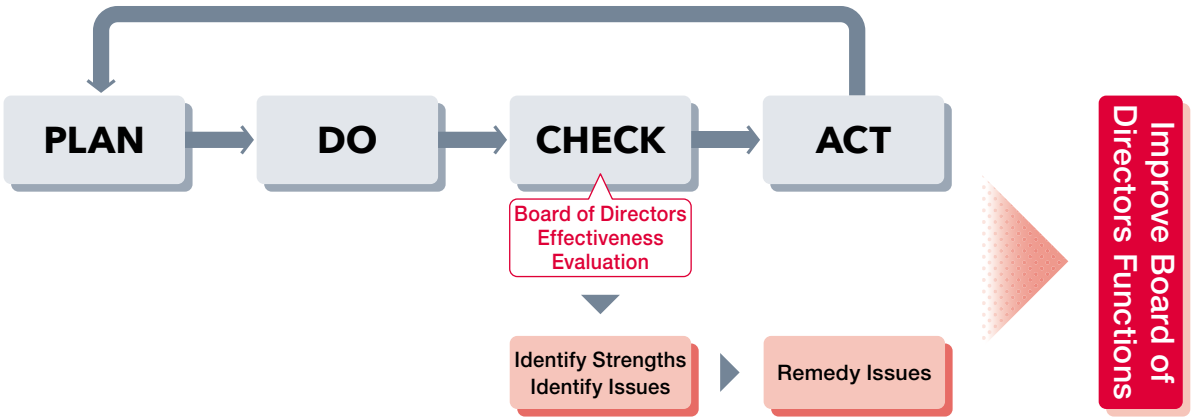
- The compensation of directors who are members of our Audit and Supervisory Committee is comprised of only fixed amount compensation to emphasize objectivity, and is paid in accordance with the members' positions as full-time or part-time directors.

*More information on the executive compensation system can be found on P135-P136 of our separate supplemental disclosure (Japanese only).

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	<ul style="list-style-type: none">■ Conducted the Board of Directors effectiveness questionnaire with directors (January 2023).■ Analyzed and evaluated the effectiveness of the Board of Directors and discussed policies for responding to issues based on the responses (at Board of Directors meetings in March, 2023).
Evaluation Items	<ul style="list-style-type: none">■ Composition and operation of the Board of Directors■ Management issues and business strategies■ Business ethics and risk management■ Management evaluation and compensation■ Conversations with shareholders and others
Summary of Analysis and Evaluation Results	<ul style="list-style-type: none">■ 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	<ul style="list-style-type: none">■ We established the need to invigorate discussions in the previous fiscal year and worked on the following two items.<ol style="list-style-type: none">(1) Deepen discussions on key points and issues in the medium- to long-term management strategy We deepened discussions throughout the year on key points in the management strategy, including on the enhancement of consulting services, the promotion of digital transformation, and human resources development.(2) Establish a forum for discussions outside of Board of Directors meetings We previously held meetings to exchange opinions between Audit and Supervisory Committee Members and management. In addition to these meetings, we sought to invigorate discussions on a wide range of topics by creating a forum for outside directors and management to exchange opinions to further demonstrate the role of outside directors.■ Current evaluations confirmed improvements were successfully made through our efforts to address the above issues.
Addressing Future Issues to Improve Effectiveness	<ul style="list-style-type: none">■ 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.■ We will introduce major agenda items to enhance discussions such as the medium- to long-term growth strategy, enhanced consulting, human capital, digital transformation strategies, regional contributions, and Asset Liability Management (ALM) strategies.

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, employees, and clients.

Active Discussions With Management

■ Board of Directors discussions

The Board of Directors actively discusses key points and issues in management strategy throughout the year.

Outside Director Advice

Enhanced Consulting (August 2022)

Advice from Director Kuratsu on strengthening business succession initiatives

Digital Transformation Promotion (July 2022)

Advice from Director Motoi on mitigating risks during system releases

Human Resource Development (January 2023)

Advice from Director Goto on attracting new graduates to San-in Godo Bank

■ Forum to exchange opinions

The Bank provides a forum for management and administration to exchange opinions where the lead outside director serves as a liaison to enhance discussions on a wide range of topics.

Topics

Continued Interest Rate Hikes in the U.S. Economy (June 2022)
Human Resources Strategy (July 2022)
San-in Godo Bank Every Employee a Consultant Structure (October 2022)
Human Resources Strategy (February 2023)



Active Interaction With Clients and Institutional Investors

■ Financial result presentations for institutional investors

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

■ Corporate briefings for clients

In fiscal 2022, outside directors participated in corporate briefings for clients in Tottori, Kurayoshi, Yonago, and Matsue to deepen communication with local companies.



Seminars for Clients (Initiated by Branches)

Director Goto conducted a seminar on business in China for about 50 clients. (February 2023)

Seminars and Lectures for Employees

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

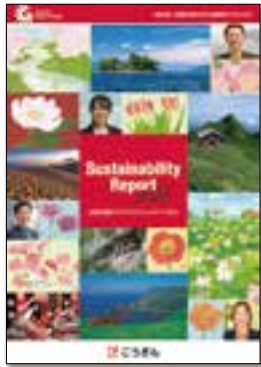
Director Kuratsu	Seminar on the U.S. Economy	(June 2022)
Director Goto	Seminar on Business in China	(January 2023)
Director Motoi	Lecture on Consultants	(November 2022)
	Lecture on Career Development for Women	(February 2023)



Major Items Implemented at the Suggestion of Outside Directors

■ Launch of 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.

Meetings Held

6

(FY2022)

TOPICS

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 provides an opportunity for investors to learn more about the Bank by speaking directly with outside directors.

San-in Godo Bank has introduced changes before other regional banks, such as your tie-up with Nomura Securities and establishment of Gogin Energy. Do the thoughts and ideas of directors fuel the source and energy for this motivation behind these changes? Please tell us about the characteristics of the board members from the perspective of the outside directors.

Kuratsu: I believe that the Bank's corporate culture of change and challenge results from their heightened awareness to crisis. The San-in region has historically had difficulty drawing up growth strategies, including those on economic activity and demographics. For example, the merger with Fuso Bank and bold purchase of long-term government bonds were groundbreaking changes and challenges in the history of the Bank. I believe that the Bank was able to overcome these because it is in their DNA to continue taking on challenges in the face of crises. Regional banks build their business models to protect their local economies, but that alone is not enough to meet the necessary and sufficient conditions to be a publicly traded company. When participating in Board meetings, it is obvious that members are constantly aware of what they will do to exceed these conditions. They must continue to take on challenges to prevent losing such DNA.

Goto: The Bank has built up a track record in Kansai and Sanyo, in addition to their high awareness of crisis, which gives the Bank confidence in themselves. This will propel them to move forward. Each director and employee has a deep commitment to San-in. The

preservation and the abundance of nature was not associated with the growth of the Bank. I believe that they now have an opportunity to turn environmental problems into growth opportunities in these changing times, and that their unified wisdom is beginning to produce results.

Motoi: I had assumed banks were bureaucratic in terms of organizational structure and employee awareness when I first took office in June, but I was completely wrong. Their corporate culture is very open. Employees are not afraid to speak up and express their views, but rather they are able to honestly and truthfully express their opinions on various reforms. Each employee engages actively, not passively, with a sense of reform. I believe this is their motivation behind change.

Director Motoi, please comment to investors on what you can offer and what we can expect from you as a newly appointed outside director.

Motoi: I have specialized in consulting, digital transformation, and diversity, and this is where I would like to devote my efforts. Going forward, it is necessary to properly share and utilize achievements as intellectual property within the Bank. We must also establish a methodology for consultants as both a regional bank and as San-in Godo Bank. I will focus on these matters, as it will be necessary to systematically build up intellectual property. We will build the system for digital transformation going forward, and I will focus on transitioning to a new system that is safe and secure, based on my past experiences as a systems consultant.

(December 2022)



Financial results presentation held in May 2023

Directors and Officers

(As of June 22, 2023)

Directors (Excluding Directors on the Audit and Supervisory Committee)



President and Representative Director
Toru Yamasaki

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



Director
(Representative Director)
Shuichi Ida

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



Director
(Representative Director)
Soichi Akishita

Apr. 1988 Joined San-in Godo Bank
Jul. 2009 Group Manager, Credit Screening Dept.
Jul. 2014 General Manager, Tottori-ekinan Branch
Jun. 2017 General Manager, CR Management Dept.
Jun. 2019 Executive Officer, General Manager, CR Management Dept.
Jun. 2020 Managing Executive Officer
Jun. 2022 Senior Managing Executive Officer, Chief, Tottori Headquarters
Jun. 2023 Director and Senior Managing Executive Officer, Chief, Tottori Headquarters (current)



Director
Hiroshi Yoshikawa

Apr. 1989 Joined San-in Godo Bank
Apr. 2008 Deputy General Manager, Yonago Branch
Jul. 2009 General Manager, Himeji Branch
Oct. 2012 General Manager, Hanshin-kita Branch
Jun. 2015 General Manager, Okayama Branch
Jul. 2017 General Manager, Yonago Branch
Jun. 2019 Executive Officer, General Manager, Yonago Branch
Jun. 2020 Executive Officer, Chief, Sanyo Headquarters
Jun. 2021 Managing Executive Officer, Chief, Sanyo Headquarters
Jun. 2022 Director and Managing Executive Officer
Apr. 2023 Director and Senior Managing Executive Officer (current)



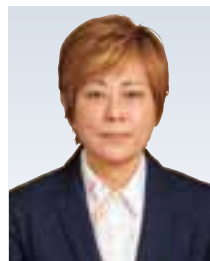
Director
(Outside, Independent)
Yasuyuki Kuratsu

Apr. 1979 Joined The Bank of Tokyo, Ltd. (currently MUFG Bank, Ltd.)
Apr. 1996 Managing Director, Bankers Trust
Jun. 1997 Managing Director, The Chase Manhattan Bank
Jun. 1998 Concurrently appointed as Tokyo Representative, Chase Securities, Inc.
Apr. 2001 President, Research and Pricing Technologies Inc. (current)
Feb. 2007 Executive Officer, Industrial & Infrastructure Fund Investment Corporation
Mar. 2007 Outside 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, Espoirer Co., Ltd. (current)



Director
(Outside, Independent)
Yasuhiro Goto

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)



Director
(Outside, Independent)
Chie Motoi

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)

Directors on the Audit and Supervisory Committee



Full-Time Audit and Supervisory Committee Member
Shinji Ito

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)



Full-Time Audit and Supervisory Committee Member
Mamiko Nakamura

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



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

Oct. 1987 Joined Sanwa Tohmatsu Aoki Audit Firm (currently Deloitte Touche Tohmatsu LLC)
Apr. 1991 Registered as certified public accountant
Dec. 1999 President, Imaoka CPA Office (current)
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 Audit Corporation Co., Ltd. (current)
Jun. 2015 Auditor, San-in Godo Bank
Jun. 2019 Audit and Supervisory Committee Member, San-in Godo Bank (current)



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

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



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

Oct. 1992 Joined Tohmatsu & 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

President and Chief Executive Officer
Toru Yamasaki

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

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

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

Senior Managing Executive Officer
Shuichi Ida

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

Executive Officer
(Chief, Iwami Headquarters)
Noboru Nariai

Executive Officer
(General Manager, Yonago Branch; Chief, Yonago Corporate Sales Group)
Hidehiro Yamauchi

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

Managing Executive Officer
(Chief, Sanyo Headquarters)
Tomofumi Kanaya

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

Executive Officer (General Manager, Head Office; Chief, Matsue Corporate Sales Group)
Kazunari Takahashi

Senior Managing Executive Officer
Hiroshi Yoshikawa

Managing Executive Officer
(Chief, Kansai Headquarters)
Eiji Kikkawa

Executive Officer
(Chief, Yonago Headquarters)
Sawako Yoshioka

Executive Officer
(General Manager, Hiroshima Branch)
Tomoyuki Fukuda

(Notes) 1. Director Yasuyuki Kuratsu, Director Yasuhiro Goto, and Director Chie Motoi are outside directors pursuant to Article 2 (15) of Japan's Companies Act. Further, all three 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.



Dialogue With Customers

We are placing 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

Although such events were not held during the COVID-19 pandemic, the first sessions in three years took place in fiscal 2022. Outside directors also participate in these events to improve exchanges with our business partners.



Company Information Session
(FY2022)

Held **17** times
in total
(12 in San-in; 5 outside San-in)

Local Communities and the Environment

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 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 Employees

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

Dialogue With Shareholders and Investors

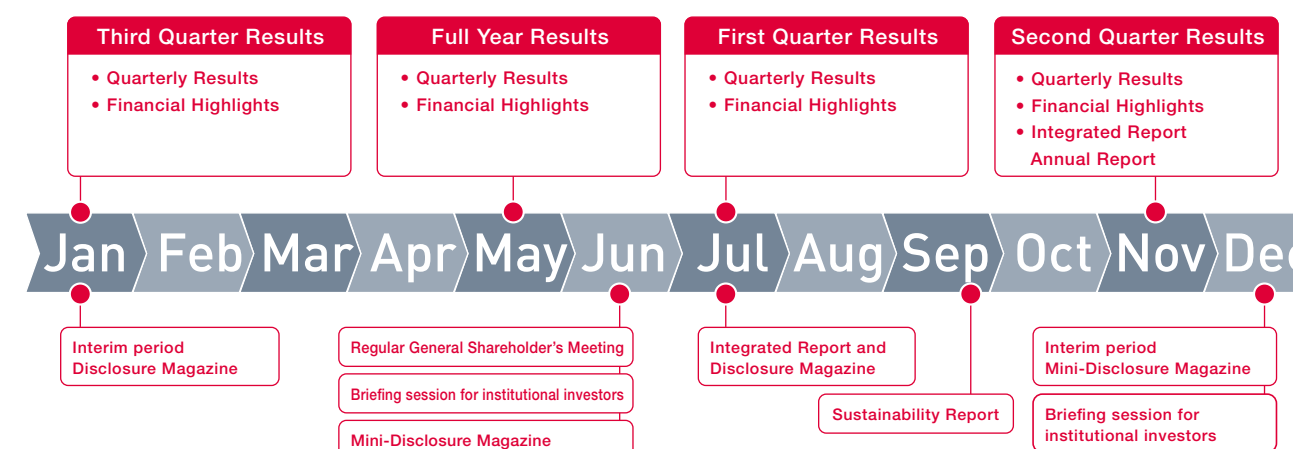
Basic Policy on Constructive Dialogue with Shareholders and Other Parties

We have established a Basic Policy on Constructive Dialogue with Shareholders and Other Parties so that our shareholders and other parties 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> (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	Fiscal 2022 Results
General Shareholders	Annual General Shareholder's Meeting: 85 in-person attendees, 96 virtual attendees
Institutional Investors, Analysts, and Other Financial Industry Professionals	Large Meetings: Held twice (Addressed by president, with 3 outside directors also in attendance) Small Meetings: 1 meeting (Addressed by president) Individual Meetings: 25 meetings (including 2 meetings for overseas investors) Presented by Bank president 6 times and IR staff 19 times Audience consisted of fund managers, investment advisory firms, analysts, and other financial industry professionals
Individual Investors	Briefings for private investors (Canceled in FY2022)

Measures to improve the effectiveness of dialogue with shareholders

Dialogue Topics and Matters of Concern	Subjects covered include ROE benchmarks, P/B ratio below 1, capital adequacy ratio levels, reasons for loan growth outside Bank's prefecture, operation of securities investment, shareholder returns and dividends, and sustainability initiatives. Particularly with regard to shareholder returns and dividends, many investors expressed concern about the possibility of dividend cuts due to performance-linked dividend policy.
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: November 2022: Change of dividend payout ratio of 35% (approx.) to total return ratio of 40% (approx.) May 2023: Abolishment of performance-linked dividend policy and introduction of progressive dividend policy Improvement of IR materials and use of external resources to increase the Bank's profile

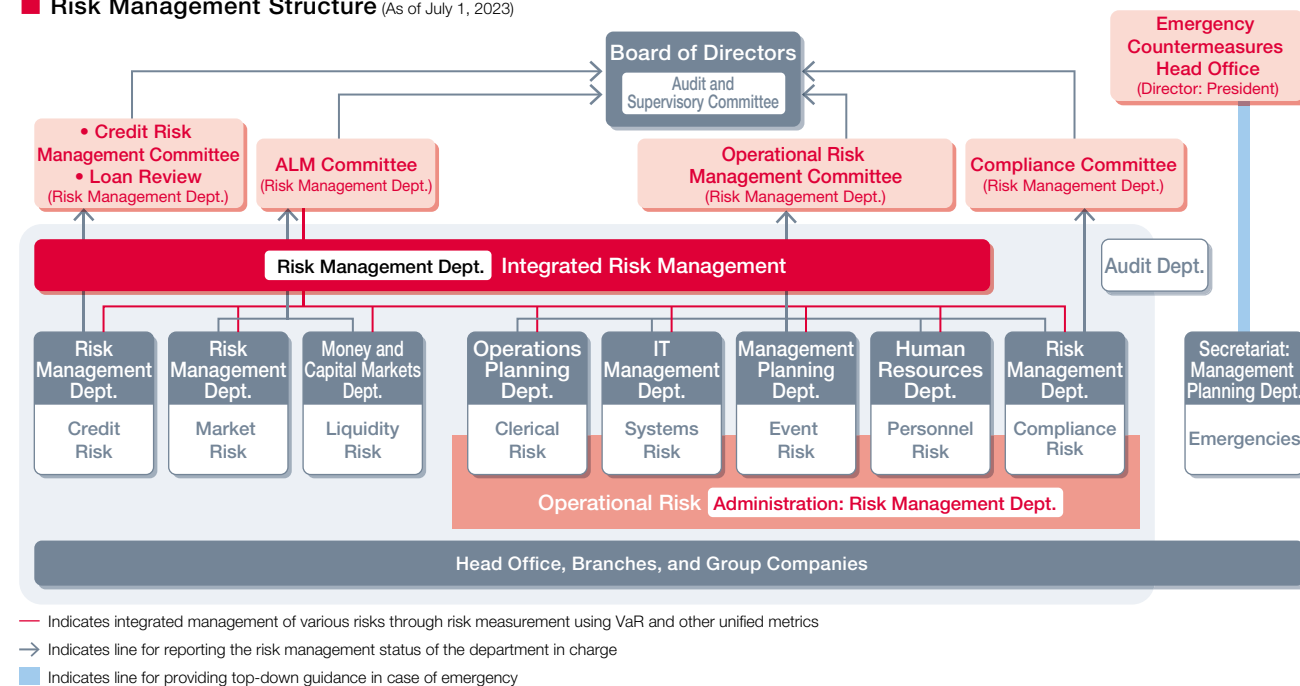
Risk Management

Maintaining Sound Management and Enhancing Profitability

Basic Approach to Risk Management

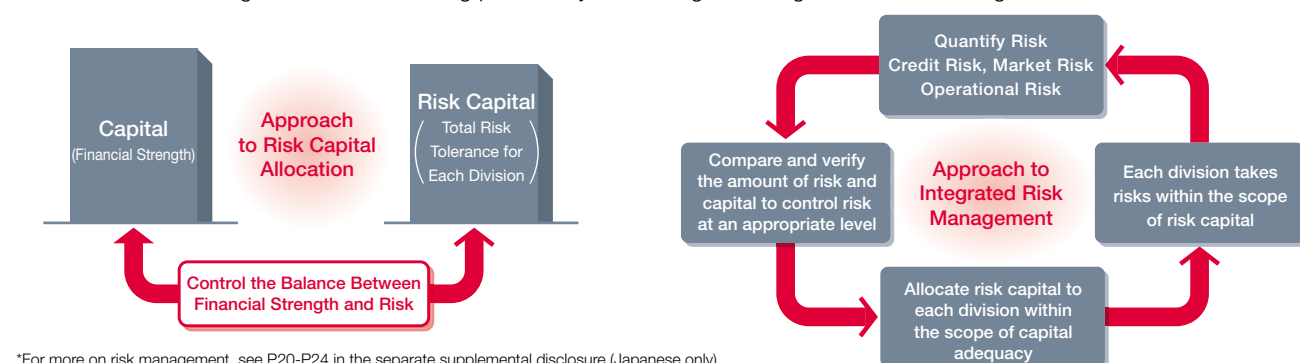
San-in Godo Bank views risk management as the most important issue in maintaining the stability and soundness of management. We established a risk management structure placing our Board of Directors at the top. We classify risks as credit risk, market risk, liquidity risk, and operational risk, assigning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

■ Risk Management Structure (As of July 1, 2023)



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. San-in Godo Bank continues to raise the sophistication of our integrated risk management approach. Our objective here is to maintain sound management while boosting profitability and taking advantage of efficient management resources.



*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, we recognize the importance of cybersecurity and continue to strengthen cybersecurity management to provide safe and secure financial services to our customers.

Cybersecurity Management

To combat the many cyberattacks that San-in Godo Bank and Group companies confront, we established the Computer Security Incident Response Team (CSIRT). CSIRT consists of personnel from related departments and represents a key part of risk prevention and damage mitigation at the Bank. Specifically, the team develops cybersecurity-related regulations, collects information on the latest attack methods and vulnerabilities, and plans and implements cyberattack countermeasures. The team also conducts periodic inspections, performs monitoring, and provides security education to employees. In addition, CSIRT conducts periodic response drills to ensure we can respond promptly in the event of an incident, thereby improving our effectiveness.

Main Initiatives

■ Adapting to new lifestyles

The Bank introduced a telework system allowing flexible work styles and responding to crisis management needs that emerged with the COVID-19 pandemic. When introducing the system, we implemented measures to prevent information leaks and unauthorized access. We also provide in-house education on rules for telework. In addition, the Bank prepared a web conferencing environment for remote meetings with clients, in-house training, etc.

■ Response to financial crime

With the rapid development of electronic payment services, we have seen an increase in cybercrime targeting online services. We take measures to ensure customers use our online services with peace of mind. These measures include enhanced personal and transaction authentication when applying for internet banking and other online services, as well as monitoring to detect unusual or unauthorized transactions.

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, etc.), armed attacks or accidents, and other emergency situations. We strive to ensure operating continuity and social contribution by minimizing damages and injury. In addition, we conduct disaster response drills for staff at the head office and branches 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*/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.

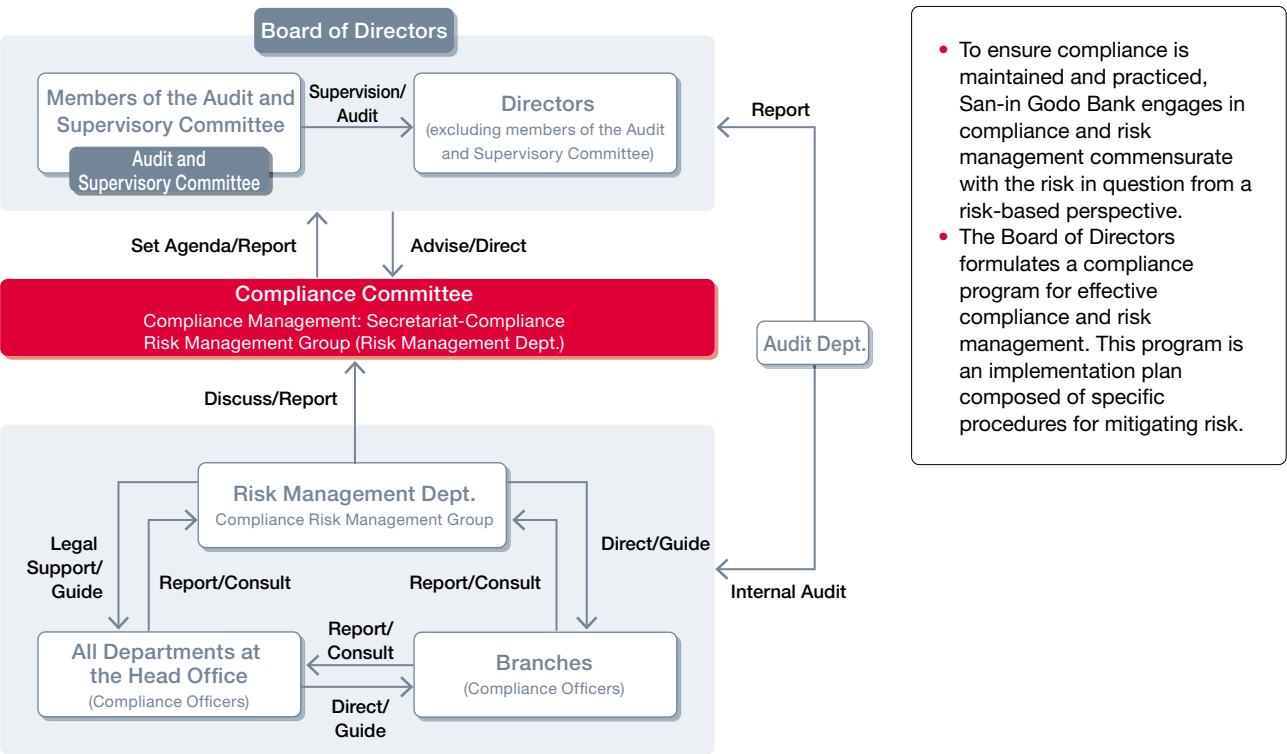
* Person identifying risk is the entity who identifies risks and crisis events and implements initial responses on-site.

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.

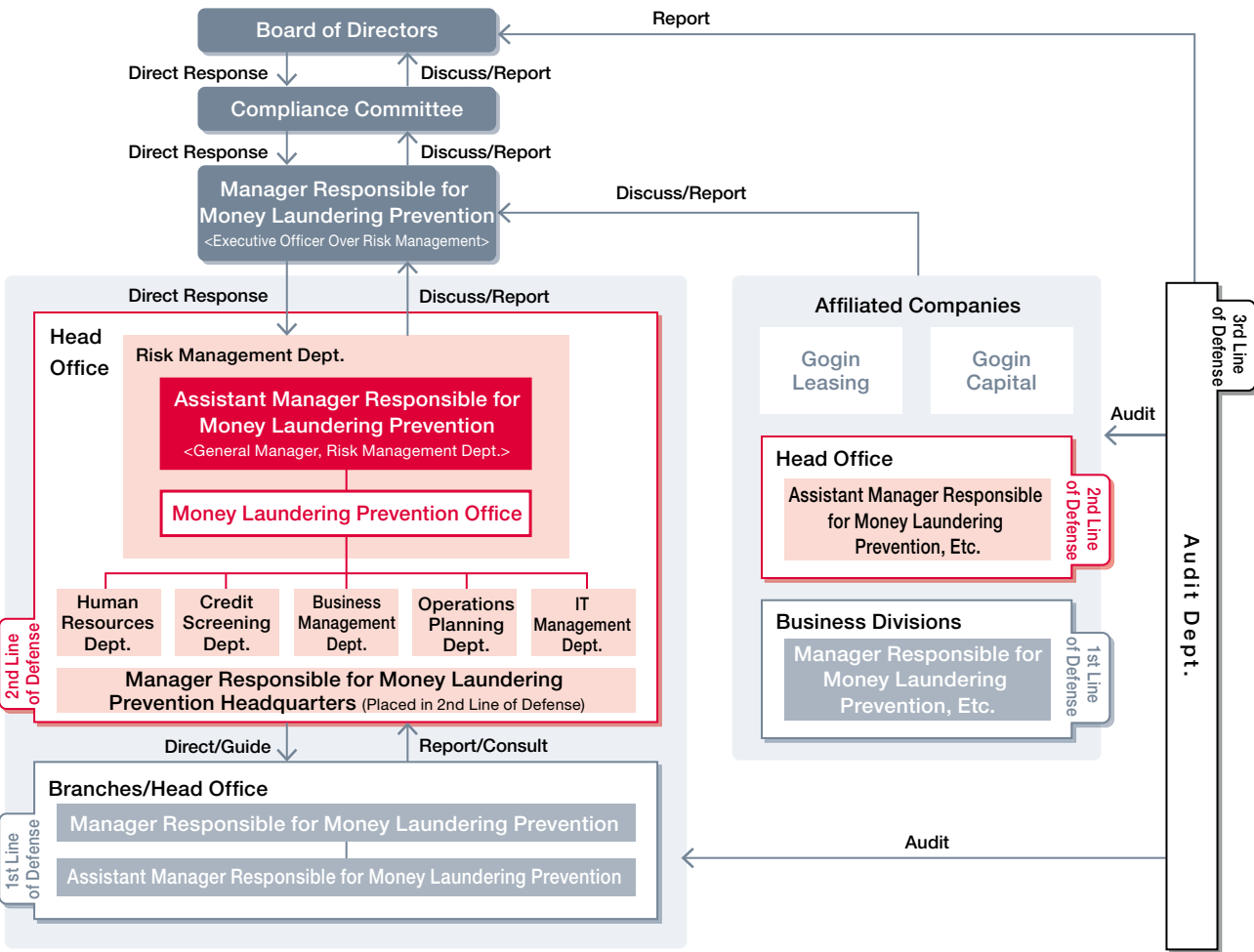
■ Compliance structure (As of July 1, 2023)



Initiatives to Prevent Money Laundering

San-in Godo Bank recognizes our responsibility as a financial institution to meet the expectations of the international community in combatting money laundering and the financing of terrorism (hereinafter, referred to as "money laundering, etc."). We view our stance on preventing money laundering, etc., as a key management issue. We contribute to the maintenance and development of a sound financial system that prevents clients, directors, executive officers, employees and others from participating or being unwittingly caught up in money laundering, etc.

■ Money laundering prevention framework (as of July 1, 2023)



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 management framework.

Better Compliance Management Through 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.

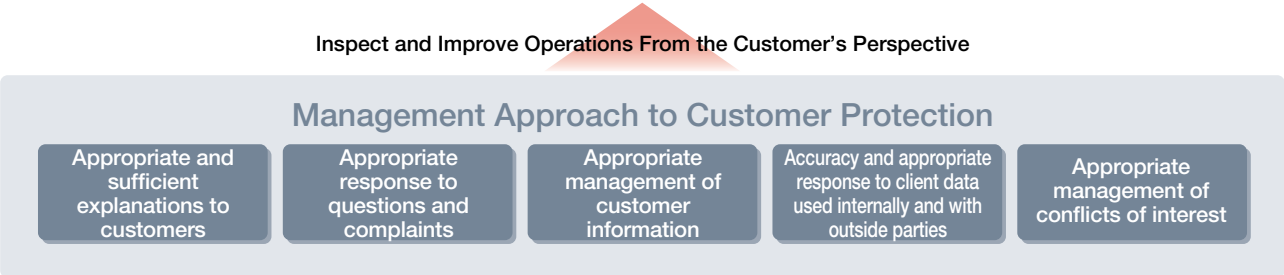
*For more on compliance and risk management, see P15-P16 in the separate supplemental disclosure (Japanese only)

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. This is just one measure in our commitment to protecting customers and improving convenience.

Extensive Safeguarding of Customers and Improved Customer Convenience



Key Financial Indicators

(Unit: ¥ million)										
Consolidated	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Ordinary income	87,244	90,733	91,476	93,746	95,806	97,833	90,352	89,178	95,111	112,683
Ordinary profit	19,981	23,126	22,486	20,562	19,867	19,294	16,256	14,439	20,791	21,722
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
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
ROE (shareholders' equity basis) (%)	4.27	4.51	4.64	4.61	4.51	4.21	3.25	2.94	4.29	4.45
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
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
Interest income	54,036	53,964	54,506	54,382	53,146	53,144	54,062	54,857	58,349	61,807
Interest on loans	35,142	34,472	33,774	32,849	32,494	32,861	33,482	34,952	36,165	42,891
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
Revenue from service transactions	5,928	6,585	6,550	5,553	5,935	6,201	5,977	6,218	8,077	9,966
Debt-related income (loss)	657	576	926	(5,041)	(4,440)	(3,502)	(748)	(2,623)	(9,397)	(13,247)
Expenses	38,353	37,222	37,068	36,931	36,835	36,978	37,900	37,129	37,504	37,060
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
Stock-related income (loss)	131	1,705	644	2,021	2,753	4,086	1,265	840	1,180	4,142
Disposal of non-performing loans	3,867	(20)	2,827	155	686	3,390	5,042	4,853	3,316	2,124
Ordinary profit	18,507	21,373	21,927	19,450	19,262	19,259	15,906	13,891	20,346	21,017
Net income	10,977	11,753	13,260	13,385	13,357	13,495	10,478	8,325	14,222	14,517
Credit expenses	3,915	4,193	3,447	(260)	628	3,969	5,234	7,246	1,890	2,015
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
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
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
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
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
Yield on securities (domestic) (%)	1.32	1.27	1.25	1.26	1.24	1.26	1.42	1.07	0.92	1.04
Non-performing loans	79,879	67,412	66,551	58,437	53,678	56,999	59,817	61,568	66,995	61,002
Non-performing loan ratio (%)	3.37	2.70	2.49	2.02	1.73	1.77	1.72	1.66	1.65	1.36
Overhead Ratio (OHR) (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
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
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
Annual dividend per share (¥)	11.00	13.00	15.00	15.00	26.00	26.00	20.00	18.00	32.00	34.00
Earnings per share (¥)	67.98	73.45	83.27	85.18	85.61	86.44	67.15	53.45	91.20	93.20
Earnings per share, diluted (¥)	67.64	73.00	82.84	84.82	85.33	86.21	66.98	53.35	91.09	93.11
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	150	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

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

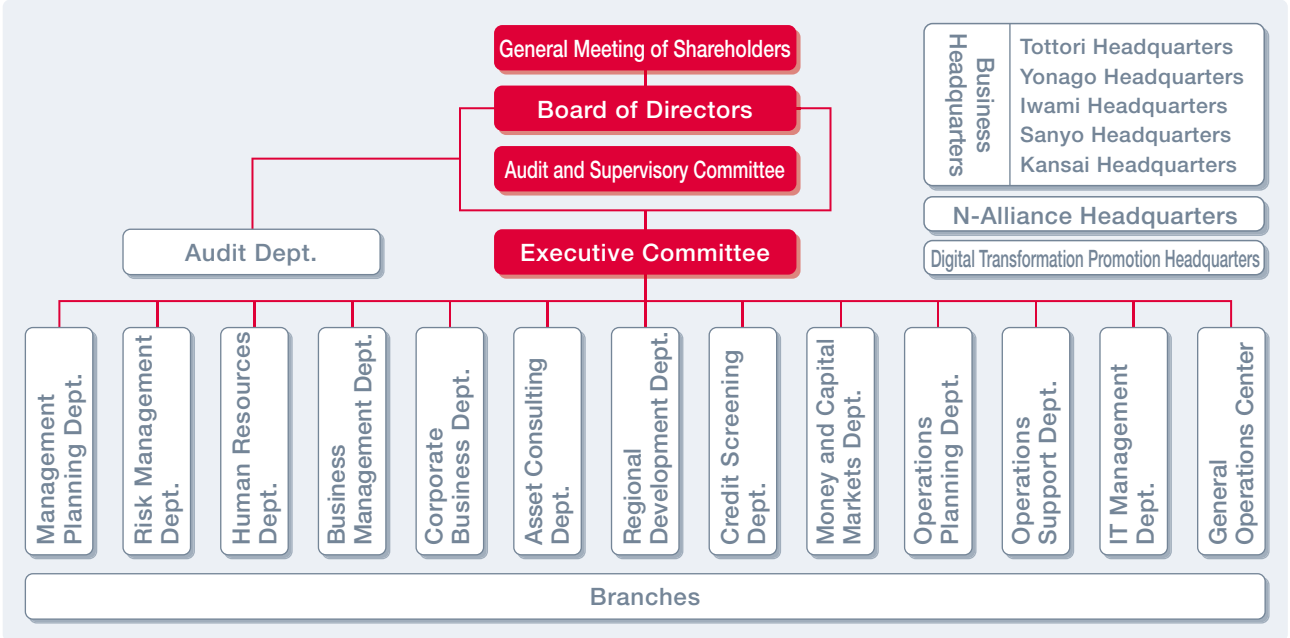
Corporate Data

San-in Godo Bank Overview (Non-Consolidated) (As of March 31, 2023)

Date of establishment:	July 1, 1941	Major accounts	
Head office:	10 Uomachi, Matsue, Shimane 690-0062, Japan	Total Assets:	¥6,850.7 billion
Common stock:	¥20.7 billion	Deposits, etc. (deposits + NCD):	¥5,658.8 billion
Number of employees:	1,850	Loans:	¥4,343.4 billion
Number of locations:		Securities:	¥1,559.7 billion
	Offices: 64 domestic branches (including head office)	Capital adequacy ratio:	12.10%
	Sub-branches: 44	Ratings:	A3 (Moody's Japan K.K.)
	(excluding 42 branch-in-branch locations and 1 direct branch)		A+ (Rating & Investment Information, Inc.)
	Representative offices in Japan: 1 (Tokyo)		AA- (Japan Credit Rating Agency, Ltd.)
	Overseas representative offices: 2 (Shanghai, Bangkok)		
	<small>(as of April 20, 2023)</small>		

Gogin Group Organizational Structure (As of July 1, 2023)

San-in Godo Bank



Subsidiaries



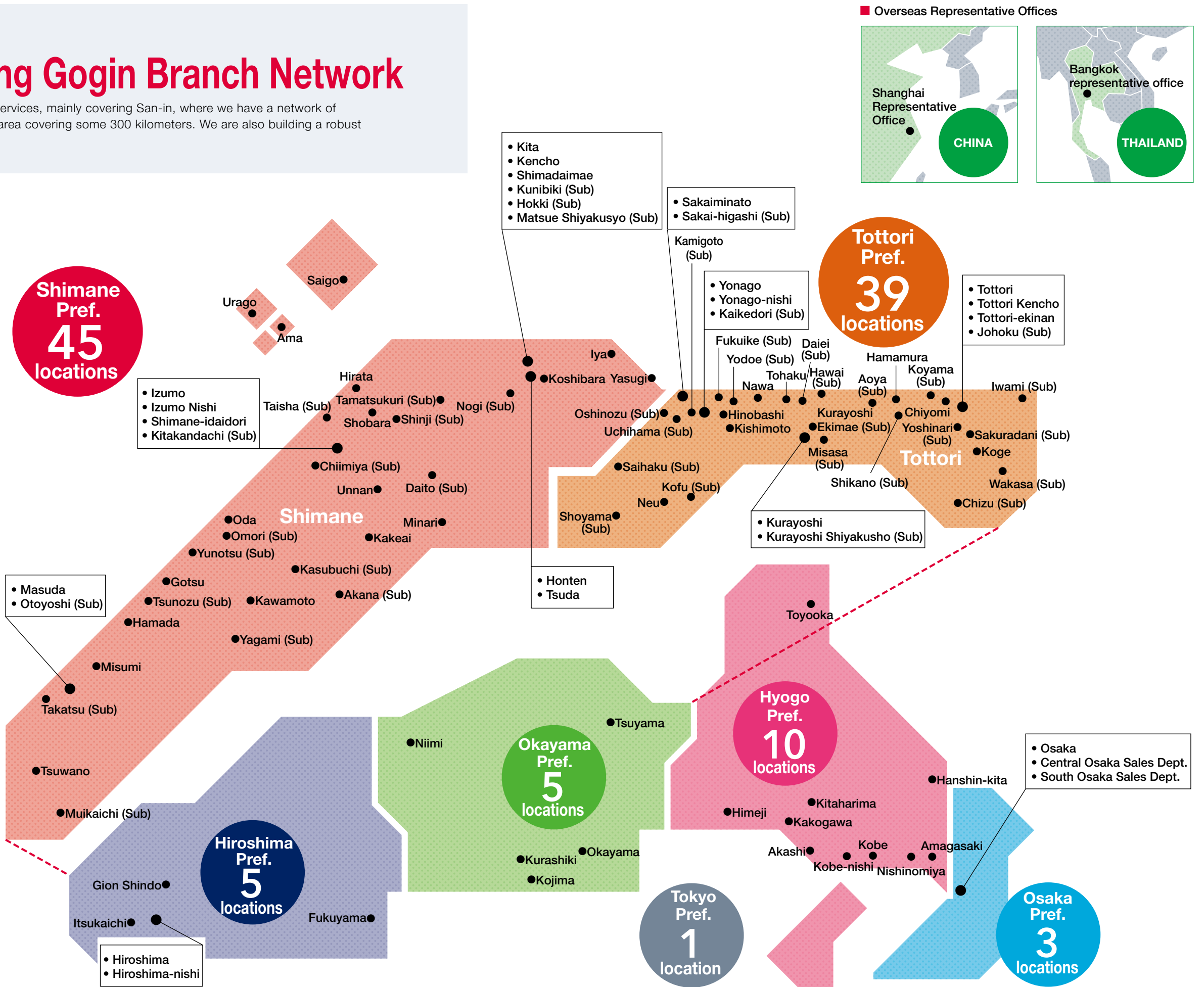
The Wide-Ranging Gogin Branch Network

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.

■ The Wide-Ranging Gogin Branch Network
(As of July 1, 2023)

	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



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

Consolidated Balance Sheets

SAN-IN GODO BANK, LTD. AND CONSOLIDATED SUBSIDIARIES

As of March 31, 2022 and 2023	Millions of Yen		Thousands of U.S. Dollars
	2022	2023	2023
Assets:			
Cash and due from banks	¥ 775,086	¥ 820,839	\$ 6,147,225
Call loans and bills purchased	—	3,271	24,496
Debt purchased	11,699	13,159	98,547
Money held in trust	4,998	4,988	37,354
Securities	1,931,505	1,562,511	11,701,572
Loans and bills discounted	3,909,437	4,322,918	32,374,133
Foreign exchange	10,020	4,768	35,707
Lease receivables and investments in lease assets	29,287	28,179	211,031
Other assets	77,013	66,333	496,764
Tangible fixed assets:	34,220	34,701	259,874
Buildings	10,652	11,263	84,348
Land	19,713	20,028	149,988
Construction in process	436	—	—
Others	3,418	3,409	25,529
Intangible fixed assets:	4,374	3,854	28,862
Software	4,112	3,593	26,907
Others	261	261	1,954
Net defined benefit assets	1,589	4,150	31,079
Deferred tax assets	15,408	35,521	266,015
Customers' liabilities for acceptances and guarantees	13,269	13,334	99,857
Reserve for possible loan losses	(42,571)	(40,886)	(306,193)
Reserve for devaluation of securities	(182)	(156)	(1,168)
Total assets	¥ 6,775,158	¥ 6,877,489	\$ 51,505,197
Liabilities:			
Deposits	¥ 4,872,042	5,508,349	\$ 41,251,771
Negotiable certificates of deposit	151,444	138,957	1,040,642
Call money and bills sold	120,895	98,812	739,998
Cash collateral received under securities lending	429,129	106,426	797,019
Borrowed money	703,317	586,637	4,393,297
Foreign exchange	50	7	52
Other liabilities	117,160	97,394	729,379
Reserve for bonuses to employees	950	957	7,166
Net defined benefit liability	9,503	9,147	68,501
Reserve for stock benefits	420	414	3,100
Reserve for director and corporate auditor retirement benefits	57	58	434
Reserve for reimbursement of deposits	279	252	1,887
Reserve for contingencies	812	804	6,021
Deferred tax liabilities	570	674	5,047
Deferred tax liabilities for land revaluation excess	2,061	2,050	15,352
Acceptances and guarantees	13,269	13,334	99,857
Total liabilities	¥ 6,421,967	¥ 6,564,281	\$ 49,159,597
Net assets:			
Common stock:			
Authorized – 495,021,000 shares in 2022 and 2023			
Issued and outstanding – 156,977,472 shares in 2022 and 2023	¥ 20,705	¥ 20,705	\$ 155,058
Capital surplus	22,058	22,058	165,191
Retained earnings	301,096	310,618	2,326,203
Treasury stock, at cost – 989,297 shares in 2022 and 2,502,655 shares in 2023	(643)	(1,847)	(13,832)
Total shareholders' equity	343,217	351,535	2,632,629
Net unrealized gain on other securities	7,137	(36,842)	(275,908)
Net deferred gain (loss) on hedging instruments	2,688	(3,020)	(22,616)
Land revaluation excess	2,348	2,331	17,456
Remeasurements of defined benefit plans	(2,814)	(1,354)	(10,140)
Total accumulated other comprehensive income	9,358	(38,886)	(291,215)
Subscription rights to shares	123	103	771
Non-controlling interests	491	455	3,407
Total net assets	¥ 353,191	¥ 313,208	\$ 2,345,600
Total liabilities and net assets	¥ 6,775,158	¥ 6,877,489	\$ 51,505,197

Consolidated Statements of Income

SAN-IN GODO BANK, LTD. AND CONSOLIDATED SUBSIDIARIES

Years ended March 31, 2022 and 2023	Millions of Yen		Thousands of U.S. Dollars
	2022	2023	2023
Income:			
Interest income:	¥ 60,038	¥ 66,644	\$ 499,093
Interest on loans and discounts	36,071	42,826	320,721
Interest and dividends on securities	21,838	19,918	149,164
Other interest income	2,127	3,899	29,199
Fees and commissions	13,115	15,073	112,881
Other operating income	18,387	24,641	184,535
Other income	3,626	7,216	54,040
Total income	95,168	113,577	850,572
Expenses:			
Interest expenses:	1,875	4,978	37,280
Interest on deposits and NCDs	980	858	6,425
Interest on call money and bills sold	402	2,637	19,748
Interest on securities lending with cash collateral	121	1,132	8,477
Interest on borrowed money	41	41	307
Other interest expenses	328	309	2,314
Fees and commissions	4,337	4,372	32,741
Other operating expenses	24,489	38,855	290,983
General and administrative expenses	40,065	39,576	296,382
Provision for reserve for possible loan losses	1,934	1,856	13,899
Other expenses	2,182	2,048	15,337
Total expenses	74,885	91,688	686,647
Profit before income taxes	20,283	21,888	163,918
Income taxes:	5,821	6,450	48,303
Current	4,826	5,342	40,005
Deferred	994	1,108	8,297
Profit	14,462	15,437	115,606
Profit (loss) attributable to non-controlling interests	(22)	(25)	(187)
Profit attributable to owners of the Bank	¥ 14,485	¥ 15,463	\$ 115,801

Consolidated Statements of Comprehensive Income

SAN-IN GODO BANK, LTD. AND CONSOLIDATED SUBSIDIARIES

Years ended March 31, 2022 and 2023	Millions of Yen		Thousands of U.S. Dollars
	2022	2023	2023
Profit	¥ 14,462	¥ 15,437	\$ 115,606
Other comprehensive income:			
Net unrealized gain on other securities	(40,791)	(43,988)	(329,424)
Net deferred gain (loss) on hedging instruments	2,688	(5,708)	(42,746)
Remeasurements of defined benefit plans	515	1,460	10,933
Total other comprehensive income	(37,587)	(48,236)	(361,237)
Comprehensive income	¥ (23,125)	¥ (32,798)	\$ (245,622)
Comprehensive income attributable to owners of the Bank	¥ (23,086)	¥ (32,764)	\$ (245,368)
Comprehensive income attributable to non-controlling interests	(38)	(34)	(254)

Consolidated Statements of Changes in Net Assets

SAN-IN GODO BANK, LTD. AND CONSOLTED SUBSIDIARIES

Years ended March 31, 2022 and 2023	Millions of Yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Net assets as of April 1, 2021	¥ 20,705	¥ 22,058	¥ 290,042	¥ (749)	¥ 332,056
Cumulative effects of changes in accounting policies			(142)		(142)
Restated balance	20,705	22,058	289,899	(749)	331,914
Dividends			(3,448)		(3,448)
Profit attributable to owners of the Bank			14,485		14,485
Purchases of treasury stock				(0)	(0)
Sales of treasury stock			(1)	106	105
Transfer from land revaluation excess			162		162
Change in ownership interest of parent due to transactions with non-controlling interests		—			—
Net changes of items other than shareholders' equity					
Total changes during the year	—	—	11,197	105	11,302
Net assets as of April 1, 2022	20,705	22,058	301,096	(643)	343,217
Cumulative effects of changes in accounting policies			—		—
Restated balance	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
Balance as of March 31, 2023	¥ 20,705	¥ 22,058	¥ 310,618	¥ (1,847)	¥ 351,535

Years ended March 31, 2022 and 2023	Millions of Yen							
	Accumulated other comprehensive income							
	Net unrealized gain (loss) on other securities	Net deferred gain (loss) on hedging instruments	Land revaluation excess	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to new shares	Non-controlling interests	Total net assets
Net assets as of April 1, 2021	¥ 47,912	¥ (0)	¥ 2,510	¥ (3,330)	¥ 47,092	¥ 170	¥ 532	¥ 379,852
Cumulative effects of changes in accounting policies								—
Restated balance	47,912	(0)	2,510	(3,330)	47,092	170	532	379,710
Dividends								(3,448)
Profit attributable to owners of the Bank								14,485
Purchases of treasury stock								(0)
Sales of treasury stock								105
Transfer from land revaluation excess								162
Change in ownership interest of parent due to transactions with non-controlling interests								—
Net changes of items other than shareholders' equity	(40,775)	2,688	(162)	515	(37,733)	(47)	(41)	(37,822)
Total changes during the year	(40,775)	2,688	(162)	515	(37,733)	(47)	(41)	(26,519)
Net assets as of April 1, 2022	7,137	2,688	2,348	(2,814)	9,358	123	491	353,191
Cumulative effects of changes in accounting policies								—
Restated balance	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)
Balance as of March 31, 2023	¥ (36,842)	¥ (3,020)	¥ 2,331	¥ (1,354)	¥ (38,886)	¥ 103	¥ 455	¥ 313,208

Year ended March 31, 2023	Thousands of U.S. Dollars				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Net assets as of April 1, 2022	\$ 155,058	\$ 165,191	\$ 2,254,894	\$ (4,815)	\$ 2,570,336
Cumulative effects of changes in accounting policies			—		—
Restated balance	155,058	165,191	2,254,894	(4,815)	2,570,336
Dividends			(44,619)		(44,619)
Profit attributable to owners of the Bank			115,801		115,801
Purchases of treasury stock				(9,750)	(9,750)
Sales of treasury stock			(0)	733	726
Transfer from land revaluation excess			119		119
Net changes of items other than shareholders' equity					
Total changes during the year	—	—	71,309	(9,009)	62,293
Balance as of March 31, 2023	\$ 155,058	\$ 165,191	\$ 2,326,203	\$ (13,832)	\$ 2,632,629

Year ended March 31, 2023	Thousands of U.S. Dollars							
	Accumulated other comprehensive income							
	Net unrealized gain (loss) on other securities	Net deferred gain (loss) on hedging instruments	Land revaluation excess	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to new shares	Non-controlling interests	Total net assets
Net assets as of April 1, 2022	\$ 53,448	\$ 20,130	\$ 17,584	\$ (21,073)	\$ 70,081	\$ 921	\$ 3,677	\$ 2,645,031
Cumulative effects of changes in accounting policies								—
Restated balance	53,448	20,130	17,584	(21,073)	70,081	921	3,677	2,645,031
Dividends								(44,619)
Profit attributable to owners of the Bank								115,801
Purchases of treasury stock								(9,750)
Sales of treasury stock								726
Transfer from land revaluation excess								119
Net changes of items other than shareholders' equity	(329,364)	(42,746)	(119)	10,933	(361,297)	(142)	(269)	(361,716)
Total changes during the year	(329,364)	(42,746)	(119)	10,933	(361,297)	(142)	(269)	(299,423)
Balance as of March 31, 2023	\$(275,908)	\$(22,616)	\$ 17,456	\$(10,140)	\$(291,215)	\$ 771	\$ 3,407	\$ 2,345,600

Consolidated Statements of Cash Flows

SAN-IN GODO BANK, LTD. AND CONSOLTED SUBSIDIARIES

Years ended March 31, 2022 and 2023	Millions of Yen		Thousands of U.S. Dollars	
	2022	2023	2023	
Cash flows from operating activities:				
Profit before income taxes	¥ 20,283	¥ 21,888	\$ 163,918	
Depreciation	3,003	3,053	22,863	
Loss on impairment of fixed assets	525	606	4,538	
Gain on negative goodwill	—	(746)	(5,586)	
Gain (loss) on step acquisitions	—	(8)	(59)	
Net change in reserve for possible loan losses	(57)	(1,685)	(12,618)	
Net change in reserve for devaluation of securities	3	(25)	(187)	
Net change in reserve for bonuses to employees	(16)	7	52	
Net change in net defined benefit asset	(1,146)	(2,561)	(19,179)	
Net change in net defined benefit liability	(177)	(355)	(2,658)	
Net change in reserve for stock benefits	27	(5)	(37)	
Net change in reserve for directors' and corporate auditors' retirement benefits	(18)	1	7	
Net change in reserve for reimbursement of deposits	(40)	(27)	(202)	
Net change in reserve for contingencies	(50)	(7)	(52)	
Interest and dividend income	(60,038)	(66,644)	(499,093)	
Interest expenses	1,875	4,978	37,280	
Net (gain) loss on securities transactions	8,200	9,119	68,291	
Net (gain) loss on money held in trust	(21)	11	82	
Net foreign exchange (gain) loss	(436)	(95)	(711)	
Net (gain) loss on disposals of fixed assets	(17)	(16)	(119)	
Net change in loans and bills discounted	(354,884)	(413,481)	(3,096,540)	
Net change in deposits	439,561	636,306	4,765,266	
Net change in negotiable certificates of deposit	(134,537)	(12,487)	(93,514)	
Net change in borrowed money	105,645	(116,680)	(873,811)	
Net change in due from banks (exclusive of the Bank of Japan)	928	395	2,958	
Net change in call loans	(785)	(4,731)	(35,430)	
Net change in call money	5,438	(22,083)	(165,378)	
Net change in cash collateral received under securities lending	(16,647)	(322,702)	(2,416,700)	
Net change in foreign exchange assets	(525)	5,252	39,331	
Net change in foreign exchange liabilities	(32)	(43)	(322)	
Interest and dividends received	60,232	65,682	491,889	
Interest paid	(1,938)	(4,761)	(35,654)	
Others	7,977	(30,247)	(226,518)	
Subtotal	82,330	(252,095)	(1,887,927)	
Income taxes paid	(6,130)	(4,452)	(33,340)	
Net cash provided by (used in) operating activities	76,199	(256,547)	(1,921,268)	
Cash flows from investing activities:				
Purchases of securities	(553,872)	(337,587)	(2,528,173)	
Proceeds from sales of securities	270,129	426,988	3,197,693	
Proceeds from redemption of securities	116,787	223,082	1,670,650	
Increase in money held in trust	(21)	(1)	(7)	
Purchases of tangible fixed assets	(2,123)	(2,521)	(18,879)	
Purchases of intangible fixed assets	(954)	(874)	(6,545)	
Proceeds from sales of tangible fixed assets	333	569	4,261	
Net cash provided by (used in) investing activities	(169,720)	309,655	2,318,991	
Cash flows from financing activities:				
Purchases of treasury stock	(0)	(1,000)	(7,488)	
Proceeds from sales of treasury stock	0	0	0	
Dividends paid	(3,448)	(5,958)	(44,619)	
Dividends paid to non-controlling shareholders	(2)	(2)	(14)	
Net cash provided by (used in) financing activities	(3,451)	(6,960)	(52,123)	
Net increase (decrease) in cash and cash equivalents	(96,972)	46,147	345,592	
Cash and cash equivalents at the beginning of the year	870,471	773,499	5,792,698	
Cash and cash equivalents at the end of the year	¥ 773,499	¥ 819,646	\$ 6,138,291	

Notes to Consolidated Financial Statements

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 ¥133.53 to U.S. \$1, prevailing at the end of March 2023, 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, 2022 and 2023 were 8 and 9, respectively.

(ii) Unconsolidated subsidiaries

The number of unconsolidated subsidiaries due to less materiality as of March 31, 2022 and 2023 was 10. These unconsolidated subsidiaries are not accounted for by the equity method, but stated at cost determined by the moving average method.

(iii) Balance sheet date of subsidiaries

The fiscal year-end of all 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 is computed 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.

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

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

With respect to the reserves for possible loan losses of 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

San-in Godo Bank assets and liabilities denominated in foreign currencies are translated into Japanese yen using primarily 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) Cash and Cash Equivalents

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

(m) Adopted Accounting Policies and Procedures When Provisions of Relevant Accounting Standards Are Not Clarified

Interim dividends (including gain on cancellation or redemption) from investment trusts held by the Bank included in Securities in the consolidated balance sheets are recorded 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.

Although there are signs of movement toward normalization of social and economic activities with respect to COVID-19, including the Japanese government's policy to change the classification under the Infectious Disease Control Act to category 5, as of the end of the consolidated fiscal year under review, we assume that the disease will continue for a certain period of time. The amounts under (i) Reserve for possible loan losses, below, includes accounting estimates based on this assumption. The Bank, including consolidated subsidiaries, established assumptions concerning the spread of COVID-19, the timing of subsidence, and the process of economic recovery based on information available as of the fiscal year ended March 31, 2023.

(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 ¥40,886 million (\$306,193 thousand)

(b) Calculation Methods 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 guarantors, 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 the Board Benefit Trust ("the 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 to expand 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 BBT 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 BBT were ¥486 million and ¥710 million (\$5,317 thousand), representing 794 thousand and 1,019 thousand shares as of March 31, 2022 and 2023, 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	
	2022	2023	2022	2023
Bankrupt and quasi-bankrupt loans	¥ 11,542	¥ 15,741	\$ 117,883	
Doubtful loans	37,902	31,150	233,280	
Loans past due for three months or more	147	92	688	
Restructured loans	17,910	14,577	109,166	
Total	¥ 67,502	¥ 61,562	\$ 461,034	

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	
	2022	2023	2022	2023
Assets pledged as collateral:				
Securities	¥ 989,221	¥ 571,285	\$ 4,278,326	
Loans and bills discounted	263,556	255,712	1,915,015	
Lease receivables and investments in lease assets	12,475	12,268	91,874	
Other assets	6,976	3,902	29,221	
Liabilities secured by the above assets:				
Deposits	179,157	177,879	1,332,127	
Cash collateral received under securities lending	429,129	106,426	797,019	
Borrowed money	699,517	582,547	4,362,667	
Other liabilities	6,709	4,126	30,899	

Other than the items presented above, other assets of ¥30,017 million and ¥ 30,008 million (\$224,728 thousand) as of March 31, 2022 and 2023, respectively, were held as collateral for transactions of exchange settlement etc.

Other assets included guarantee deposits of ¥713 million and ¥671 million (\$5,025 thousand) as of March 31, 2022 and 2023, 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 condition in the contracts.

The loan commitments not yet drawn down as of March 31, 2022 and 2023 totaled ¥993,525 million and ¥988,665 million (\$7,404,066 thousand), respectively, of which 855,493 million and ¥861,328 million (\$6,450,445 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, 2022 and 2023 resulted in unrealized loss of ¥7,834 million and ¥7,812 million (\$58,503 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 ¥48,666 million and ¥48,357 million (\$362,143 thousand) as of March 31, 2022 and 2023, respectively. The amounts of deferred revenue of tangible fixed assets were 1,153 million and ¥1,122 million (\$8,402 thousand) as of March 31, 2022 and 2023, respectively. There was no deferred revenue on tangible fixed assets incurred for the year ended March 31, 2022. Deferred revenue on tangible fixed assets for the year ended March 31, 2023 amounted to ¥30 million (\$224 thousand).

10. Other Expenses

For the year ended March 31, 2022, other expenses included loss on impairment of fixed assets of ¥525 million, loss on write-offs of loans of ¥21 million, loss on write-offs of stocks of ¥121 million, and loss on sales of loans of ¥73 million.

For the year ended March 31, 2022, other expenses included loss on impairment of fixed assets of ¥606 million (\$4,538 thousand), loss on write-offs of loans of ¥31 million (\$232 thousand), loss on write-offs of stocks of ¥320 million (\$2,396 thousand), and loss on sales of loans of ¥137 million (\$1,025 thousand).

11. Other Comprehensive Income

Reclassification adjustments and tax effects related to other comprehensive income for the years ended March 31, 2022 and 2023 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2023	2023
Net unrealized gain (loss) on other securities:			
Amount incurred during the year	¥ (65,985)	¥ (70,125)	\$ (525,162)
Reclassification adjustment	7,326	6,903	51,696
Amount before tax effect	(58,658)	(63,222)	(473,466)
Tax effect	17,867	19,233	144,035
Net unrealized gain (loss) on other securities	(40,791)	(43,988)	(329,424)
Net deferred gain (loss) on hedging instruments:			
Amount incurred during the year	5,065	(5,140)	(38,493)
Reclassification adjustment	(1,200)	(3,067)	(22,968)
Amount before tax effect	3,865	(8,207)	(61,461)
Tax effect	(1,176)	2,499	18,714
Net deferred gain (loss) on hedging instruments:	2,688	(5,708)	(42,746)
Remeasurements of defined benefit plans:			
Amount incurred during the year	(331)	1,047	7,840
Reclassification adjustment	1,072	1,052	7,878
Amount before tax effect	740	2,099	15,719
Tax effect	(225)	(639)	(4,785)
Net remeasurements of defined benefit plans	515	1,460	10,933
Total other comprehensive income	¥ (37,587)	¥ (48,236)	\$ (361,237)

12. Shares Issued

The numbers of shares issued and changes during the years ended March 31, 2022 and 2023 are summarized as follows:

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

(*1) Bank's stock held by Board Benefit Trust (BBT) of 888 thousand shares and 794 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 of odd-lot shares. The decrease in treasury stock is due to execution of stock options of 60 thousand shares, stock benefits paid by Board Benefit Trust (BBT) of 94 thousand shares, and sales of odd-lot shares of 0 thousand shares.

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 stock held by Board Benefit Trust (BBT) of 1,007 thousand shares and 888 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 of odd-lot shares. The decrease in treasury stock is due to execution of stock options of 156 thousand shares, stock benefits paid by Board Benefit Trust (BBT) of 119 thousand shares, and sales of odd-lot shares of 0 thousand shares.

13. Dividends

Year ended March 31, 2022

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, 2021	¥ 1,723 million	¥ 11.0	March 31, 2021	June 23, 2021
Board of Directors Meeting on November 11, 2021	¥ 1,724 million	¥ 11.0	September 30, 2021	December 3, 2021

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

Of the dividends whose base 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, 2022	¥ 3,292 million	¥ 21.0	March 31, 2022	June 23, 2022

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

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	March 31, 2022	June 23, 2022
	\$ 24,653 thousand	\$ 0.15		
Board of Directors Meeting on November 10, 2022	¥ 2,665 million	¥ 17	September 30, 2022	December 9, 2022
	\$ 19,958 thousand	\$ 0.12		

(*) 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 base 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	March 31, 2022	June 23, 2022
	\$ 19,793 thousand	\$ 0.12		

(*) Total dividends resolved by the general shareholders' meeting on June 22, 2023 includes ¥17 million of dividends 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, 2022 and 2023 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
	2022	2023	2023
Cash and due from banks	¥ 775,086	¥ 820,839	\$ 6,147,225
Deposits to banks excluding the Bank of Japan	(1,587)	(1,192)	(8,926)
Cash and cash equivalents	¥ 773,499	¥ 819,646	\$ 6,138,291

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, 2022 and 2023 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2022	2023	2023	
Gross lease receivables	¥ 28,950	¥ 27,350	\$ 204,822	
Expected residual values	2,474	2,370	17,748	
Unearned interest income	(2,137)	(1,542)	(11,547)	
Investments in lease assets	¥ 29,287	¥ 28,179	\$ 211,031	

Maturities of gross lease receivables for finance leases as of March 31, 2023 are as follows:

Year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2024	¥ 9,035	\$ 67,662
2025	7,121	53,328
2026	5,117	38,320
2027	3,272	24,503
2028	1,600	11,982
2029 and thereafter	1,202	9,001
Total	¥ 27,350	\$ 204,822

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 purpose. 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, 2023, VaR was ¥79,065 million (\$592,114 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, 2023, the volume of VaR was ¥(33,802) (\$253,141) thousands. 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 purpose.

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 fund raising

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 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, 2022			
Cash and due from banks	¥ 775,086	¥ 775,086	¥ -
Securities:			
Held-to-maturity debt securities	93,675	93,254	(420)
Other securities (*1)	1,815,717	1,815,717	-
Loans and bills discounted	3,909,437		
Reserve for possible loan losses (*2)	(40,924)		
	3,868,513	3,884,431	15,918
Total assets	6,552,992	6,568,489	15,497
Deposits	4,872,042	4,872,755	712
Negotiable certificates of deposit	151,444	151,444	-
Call money and bills sold	120,895	120,895	-
Cash collateral received under securities lending	429,129	429,129	-
Borrowed money	703,317	701,379	(1,938)
Total liabilities	6,276,830	6,275,604	(1,225)
Derivative transactions (*3)			
To which hedge accounting is not applied	(5,509)	(5,509)	-
To which hedge accounting is applied (*4)	10,132	10,132	-
Total derivative transactions	¥ 4,623	¥ 4,623	¥ -
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)	¥ -
	Thousands of U.S. Dollars		
	Carrying amount	Fair value	Difference
As of March 31, 2023			
Cash and due from banks	\$ 6,147,225	\$ 6,147,225	\$ -
Securities:			
Debt securities to be held to maturity	713,742	708,200	(5,534)
Other securities (*1)	10,800,621	10,800,621	-
Loans and bills discounted	32,374,133		
Reserve for possible loan losses (*2)	(297,805)		
	32,076,319	31,901,055	(175,263)
Total assets	49,737,924	49,557,118	(180,798)
Deposits	41,251,771	41,255,702	3,931
Negotiable certificates of deposit	1,040,642	1,040,642	-
Call money and bills sold	739,998	739,998	-
Cash collateral received under securities lending	797,019	797,019	-
Borrowed money	4,393,297	4,340,702	(52,594)
Total liabilities	48,222,743	48,174,080	(48,655)
Derivative transactions (*3)			
To which hedge accounting is not applied	(10,379)	(10,379)	-
To which hedge accounting is applied (*4)	(22,391)	(22,391)	-
Total derivative transactions	\$ (32,771)	\$ (32,771)	\$ -

(*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 this item recorded on the consolidated balance sheet was ¥9,573 million (\$71,692 thousand).

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

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

(*4) 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, March 17, 2022).

(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
	2022	2023	2023
Unlisted equity securities (*1) (*2)	¥ 2,139	¥ 2,091	\$ 15,659
Investment in partnerships (*3)	19,974	22,905	171,534
Others	0	0	0
Total	¥ 22,113	¥ 24,997	\$ 187,201

(*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 ¥37 million and ¥8 million (\$59 thousand) for the years ended March 31, 2022 and 2023, 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, 2022 and 2023

	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, 2022						
Due from banks	¥ 725,373	¥ -	¥ -	¥ -	¥ -	¥ -
Securities:	193,748	145,228	150,711	198,108	210,257	478,751
Held-to-maturity debt securities:	18,079	38,464	32,520	4,510	100	-
Corporate bonds	18,079	38,464	32,520	4,510	-	-
Other securities with maturity:	175,669	106,764	118,191	193,598	210,157	478,751
Government bonds	135,000	5,000	40,000	-	-	324,000
Municipal bonds	18,588	47,786	50,183	53,398	95,835	500
Corporate bonds	12,039	8,319	4,017	9,800	8,500	29,369
Loans and bills discounted	914,372	689,611	596,569	359,710	422,069	927,105
Total	¥ 1,833,494	¥ 834,839	¥ 747,281	¥ 557,818	¥ 632,327	¥ 1,405,856
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

	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, 2023						
Due from banks	\$ 5,784,100	\$ –	\$ –	\$ –	\$ –	\$ –
Securities:	565,730	841,174	901,392	1,016,221	963,978	3,028,944
Held-to-maturity debt securities:	151,538	278,544	245,600	37,294	–	748
Government bonds	–	–	–	–	–	748
Corporate bonds	151,538	278,544	245,600	36,546	–	–
Other securities with maturity:	414,191	562,630	655,792	978,926	963,978	3,028,195
Government bonds	37,444	–	–	–	–	1,902,194
Municipal bonds	167,423	386,272	412,776	524,676	515,532	–
Corporate bonds	36,538	45,053	76,132	19,471	74,889	208,282
Loans and bills discounted	7,049,329	6,056,983	4,533,992	3,363,993	3,389,380	7,980,431
Total	\$ 13,399,168	\$ 6,898,165	\$ 5,435,385	\$ 4,380,221	\$ 4,353,366	\$ 11,009,376

(Note 3) Repayment schedule of borrowed money and other interest bearing liabilities as of March 31, 2022 and 2023

	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, 2022						
Deposits (*1)	¥ 4,318,363	¥ 428,288	¥ 111,495	¥ –	¥ 13,895	¥ –
Negotiable certificates of deposit	151,444	–	–	–	–	–
Call money and bills sold	120,895	–	–	–	–	–
Cash collateral received under securities lending	429,129	–	–	–	–	–
Borrowed money	152,477	233,645	317,195	–	–	–
Total	¥ 5,172,311	¥ 661,933	¥ 428,690	¥ –	¥ 13,895	¥ –
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	¥ –

	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, 2023						
Deposits (*1)	\$ 37,550,797	\$ 2,902,074	\$ 702,246	–	\$ 96,637	–
Negotiable certificates of deposit	1,040,642	–	–	–	–	–
Call money and bills sold	739,998	–	–	–	–	–
Cash collateral received under securities lending	797,019	–	–	–	–	–
Borrowed money	200,778	372,051	3,820,467	–	–	–
Total	\$ 40,329,244	\$ 3,274,125	\$ 4,522,721	–	\$ 96,637	–

(*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, 2023	Fair Value (Millions of Yen)				
	Level 1	Level 2	Level 3	Total	
Securities					
Other securities					
Government bonds	¥ 259,611	¥ –	¥ –	¥ 259,611	
Municipal bonds	–	265,863	–	265,863	
Short-term corporate bonds	–	–	–	–	
Corporate bonds	–	60,999	–	60,999	
Stocks	41,815	–	–	41,815	
Others (*1)	32,827	771,500	17	804,345	
Total assets	¥ 334,254	¥ 1,098,362	¥ 17	¥ 1,432,634	
Derivative transactions (*2)					
Interest-rate-related	¥ –	¥ (3,481)	¥ –	¥ (3,481)	
Currency-related	–	(895)	–	(895)	
Stock-related	–	–	–	–	
Bond-related	–	–	–	–	
Commodity-related	–	–	–	–	
Credit derivatives	–	–	–	–	
Total derivatives	¥ –	¥ (4,376)	¥ –	¥ (4,376)	

March 31, 2023	Fair Value (Thousands of U.S. Dollars)				
	Level 1	Level 2	Level 3	Total	
Securities					
Other securities					
Government bonds	\$ 1,944,214	\$ –	\$ –	\$ 1,944,214	
Municipal bonds	–	1,991,035	–	1,991,035	
Short-term corporate bonds	–	–	–	–	
Corporate bonds	–	456,818	–	456,818	
Stocks	313,150	–	–	313,150	
Others (*1)	245,839	5,777,727	127	6,023,702	
Total assets	\$ 2,503,212	\$ 8,225,582	\$ 127	\$ 10,728,929	
Derivative transactions (*2)					
Interest-rate-related	\$ –	\$ (26,069)	\$ –	\$ (26,069)	
Currency-related	–	(6,702)	–	(6,702)	
Stock-related	–	–	–	–	
Bond-related	–	–	–	–	
Commodity-related	–	–	–	–	
Credit derivatives	–	–	–	–	
Total derivatives	\$ –	\$ (32,771)	\$ –	\$ (32,771)	

(*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 ¥9,573 million (\$71,691 thousand).

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

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

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

	Fair Value (Millions of Yen)						
March 31, 2023	Level 1		Level 2		Level 3		Total
Cash and due from banks	¥	—	¥	820,839	¥	—	¥ 820,839
Securities							
Debt securities to be held to maturity							
Government bonds		96		—		—	96
Municipal bonds		—		—		—	—
Corporate bonds		—		200		94,182	94,382
Others		—		87		—	87
Loans and bills discounted		—		—		4,259,748	4,259,748
Total assets	¥	96	¥	821,126	¥	4,353,931	¥ 5,175,154
Deposits	¥	—	¥	5,508,874	¥	—	¥ 5,508,874
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		—		579,614		—	579,614
Total liabilities	¥	—	¥	6,432,685	¥	—	¥ 6,432,685

	Fair Value (Thousands of U.S. Dollars)						
March 31, 2023	Level 1		Level 2		Level 3		Total
Cash and due from banks	\$	—	\$	6,147,225	\$	—	\$ 6,147,225
Securities							
Debt securities to be held to maturity							
Government bonds		718		—		—	718
Municipal bonds		—		—		—	—
Corporate bonds		—		1,497		705,324	706,822
Others		—		651		—	651
Loans and bills discounted		—		—		31,901,055	31,901,055
Total assets	\$	718	\$	6,149,374	\$	32,606,388	\$ 38,756,489
Deposits		—		41,255,702		—	41,255,702
Negotiable certificates of deposit		—		1,040,642		—	1,040,642
Call money and bills sold		—		739,998		—	739,998
Cash collateral received under securities lending		—		797,019		—	797,019
Borrowed money		—		4,340,702		—	4,340,702
Total liabilities	\$	—	\$	48,174,080	\$	—	\$ 48,174,080

(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 is 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 deposit and negotiable certificates of deposit is determined using the discounted present value of future cash flows grouped by types of deposits and maturity lengths. The discount rate used is the interest rate that would be applied to newly accepted deposits. For deposits whose remaining maturity is short (less than one year), the carrying amount is presented as the fair value since the fair value approximates the carrying amount. 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 were made. For borrowed money with short contractual term (less than one year), the carrying amount is presented as the fair value since the fair value approximates the carrying amount. 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 transaction, and published quotation prices are not available, fair value is calculated using evaluation techniques such as the discounted cash flow or the Black-Scholes model, depending on the type of transaction and the period of time until maturity. The inputs mainly used for these evaluation techniques include interest rate, exchange rate, or volatility, etc. Furthermore, the Bank makes price adjustments based on the credit risk of the counterparty or the Bank itself. If unobservable inputs are not available or impact of unobservable inputs is not significant, the fair value is classified as Level 2. This includes “plain vanilla” interest rate swaps and foreign exchange forwards. If unobservable inputs are used, the fair value is classified as Level 3. This includes stock option transactions, etc.

17. Fair Value of Securities

(1) Trading securities

Fiscal year ended March 31, 2022

No significant information to disclose.

Fiscal year ended March 31, 2023

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, 2022 and 2023 are as follows:

	Millions of Yen		
	Carrying value	Fair value	Difference
As of March 31, 2022			
Fair value exceeding amount on consolidated balance sheet:			
Corporate bonds	¥ 16,500	¥ 16,519	¥ 19
Fair value below amount on consolidated balance sheet:			
Corporate bonds	77,075	76,642	(432)
Others	100	92	(7)
Subtotal	77,175	76,735	(439)
Total	¥ 93,675	¥ 93,254	¥ (420)
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)

	Thousands of U.S. Dollars		
	Carrying value	Fair value	Difference
As of March 31, 2023			
Fair value exceeding amount on consolidated balance sheet:			
Corporate bonds	\$ 78,933	\$ 79,180	\$ 247
Fair value below amount on consolidated balance sheet:			
Government bonds	748	718	(29)
Corporate bonds	633,303	627,641	(5,661)
Others	748	651	(89)
Subtotal	634,808	629,019	(5,788)
Total	\$ 713,742	\$ 708,200	\$ (5,534)

(3) Other securities

The carrying value and acquisition cost of other securities as of March 31, 2022 and 2023 are summarized as follows:

	Millions of Yen		
	Carrying value	Acquisition cost	Difference
As of March 31, 2022			
Amount on consolidated balance sheet exceeding acquisition cost:			
Equity securities	¥ 39,810	¥ 11,938	¥ 27,871
Debt securities:	442,586	424,817	17,769
Government bonds	315,854	299,714	16,139
Municipal bonds	83,373	82,527	845
Corporate bonds	43,359	42,576	783
Others	331,126	314,910	16,215
Subtotal	813,523	751,667	61,855
Amount on consolidated balance sheet below acquisition cost:			
Equity securities	3,758	4,823	(1,065)
Debt securities:	410,343	419,018	(8,674)
Government bonds	198,256	205,766	(7,510)
Municipal bonds	182,774	183,759	(985)
Corporate bonds	29,313	29,491	(178)
Others	590,253	631,992	(41,738)
Subtotal	1,004,355	1,055,834	(51,478)
Total	¥ 1,817,879	¥ 1,807,501	¥ 10,377

As of March 31, 2023			
Amount on consolidated balance sheet exceeding acquisition cost:			
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)

	Thousands of U.S. Dollars		
	Carrying value	Acquisition cost	Difference
As of March 31, 2023			
Amount on consolidated balance sheet exceeding acquisition cost:			
Equity securities	\$ 302,209	\$ 82,708	\$ 219,493
Debt securities:	1,762,300	1,689,537	72,755
Government bonds	1,241,975	1,176,769	65,206
Municipal bonds	356,646	352,445	4,193
Corporate bonds	163,663	160,316	3,347
Others	1,207,631	1,136,635	70,987
Subtotal	3,272,141	2,908,889	363,244
Amount on consolidated balance sheet below acquisition cost:			
Equity securities	10,933	13,150	(2,209)
Debt securities:	2,629,768	2,710,177	(80,408)
Government bonds	702,231	755,755	(53,516)
Municipal bonds	1,634,381	1,654,205	(19,815)
Corporate bonds	293,147	300,217	(7,069)
Others	4,902,666	5,579,038	(676,372)
Subtotal	7,543,376	8,302,381	(758,997)
Total	\$ 10,815,524	\$ 11,211,270	\$ (395,746)

The components of net unrealized gain (loss) on other securities as of March 31, 2022 and 2023 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2022	2023	2022	2023
Gross valuation difference	¥ 10,377	¥ (52,844)	\$ (395,746)	
Deferred tax assets	(29)	16,981	127,169	
Deferred tax liabilities	(3,192)	(970)	(7,264)	
Net unrealized gain on other securities before adjustment for non-controlling interests	7,155	(36,833)	(275,840)	
Non-controlling interests	(18)	(9)	(67)	
Net unrealized gain on other securities	¥ 7,137	¥ (36,842)	\$ (275,908)	

18. Held-to-Maturity and Other Securities Sold

Held-to-maturity securities sold during the years ended March 31, 2022 and 2023 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2022	2023	2022	2023
Cost of sales	¥ 290	¥ 150	\$ 1,123	
Proceeds from sales	291	150	1,123	
Gain on sales	1	0	0	

For the years ended March 31, 2022 and 2023, the securities were sold due to redemption by the issuer.

Other securities sold during the years ended March 31, 2022 and 2023 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2022	2023	2022	2023
Proceeds from sales	¥ 271,632	¥ 436,581	\$ 3,269,534	
Gain on sales	2,883	13,776	103,167	
Gain on sales	8,611	21,923	164,180	

(4) Impairment of securities

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

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

For the year ended March 31, 2022, loss on impairment of ¥83 million (all shares) was recorded.

For the year ended March 31, 2023, loss on impairment of ¥311 million (all shares) (\$2,329 thousand) was recorded.

19. Money Held in Trust

The carrying value of money held in trust for the purpose of securities trading as of March 31, 2022 and 2023 and the related net holding gain (loss) for the years then ended are as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2022	2023	2022	2023
Carrying value	¥ 4,998	¥ 4,988	\$ 37,354	
Net holding gain (loss)	—	—	—	

20. Derivatives

Derivatives to Which Hedge Accounting Is Not Applied

With respect to derivatives to which hedge accounting is not applied, contract amount or notional principal, fair value and related gains or losses 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, 2022				
Over-the-counter				
Interest-rate swaps				
Receive fixed/pay floating	¥ 28,732	¥ 27,731	¥ 645	¥ 645
Receive floating/pay fixed	28,732	27,731	241	241
Total			¥ 886	¥ 886
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

	Thousands of U.S. Dollars			
	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	\$ 207,676	\$ 200,981	\$ (2,546)	\$ (2,546)
Receive floating/pay fixed	207,676	200,981	8,941	8,941
Total	—	—	\$ 6,395	\$ 6,395

Note: The transactions above 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, 2022				
Over-the-counter				
Currency swaps	¥ 114,409	¥ 12,095	¥ (6,260)	¥ (6,260)
Forward foreign exchange contracts:				
Sold	18,148	6,119	(292)	(292)
Bought	7,235	6,119	129	129
Currency options:				
Sold	15,127	—	(524)	(369)
Bought	15,127	—	524	396
Total			¥ (6,423)	¥ (6,395)
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)

	Thousands of U.S. Dollars			
	Contract amount		Fair value	Gains (losses)
	Total	Over one year		
As of March 31, 2023				
Over-the-counter				
Currency swaps	\$ 1,255,103	\$ 195,371	\$ (14,708)	\$ (14,708)
Forward foreign exchange contracts:				
Sold	193,177	51,142	(3,654)	(3,654)
Bought	83,119	51,142	1,617	1,617
Currency options:				
Sold	32,374	—	(629)	127
Bought	32,374	—	629	(157)
Total	—	—	\$ (16,745)	\$ (16,782)

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

			Millions of Yen			
			Contract amount			
Hedge accounting method	Type of derivatives	Major hedged items	Total	Over one year	Fair value	
As of March 31, 2022						
Normal method	Interest rate swaps: Receive-floating/ Pay-fixed	Securities	¥ 50,000	¥ 50,000	¥	3,866
Special treatment for interest rate swaps	Interest rate swaps: Receive-floating/ Pay-fixed	Loans	¥ 7,326	¥ 5,724		(Note 2)
Total					¥	3,866
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)

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, 2023					
Normal method	Interest rate swaps: Receive-floating/ Pay-fixed	Securities	\$ 636,561	\$ 636,561	\$ (32,464)
Special treatment for interest rate swaps	Interest rate swaps: Receive-floating/ Pay-fixed	Loans	\$ 42,866	\$ 33,602	(Note 2)
Total					\$ (32,464)

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

(2) Currency-related transactions

			Millions of Yen			
			Contract amount			
Hedge accounting method	Type of derivatives	Major hedged items	Total	Over one year	Fair value	
As of March 31, 2022						
Normal method	Forward foreign exchange contracts	Call money	¥ 153,201	—	¥	6,266
Total					¥	6,266
As of March 31, 2023						
Normal method	Forward foreign exchange contracts	Call money	¥ 111,575	—	¥	1,345
Total					¥	1,345

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, 2023					
Normal method	Forward foreign exchange contracts	Call money	\$ 835,580	—	\$ 10,072
Total					\$ 10,072

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

21. 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 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, 2022 and 2023

	Millions of Yen		Thousands of U.S. Dollars
	2022	2023	2023
Projected benefit obligations at the beginning of the year	¥ 39,321	¥ 38,159	\$ 285,770
Service cost	927	851	6,373
Interest cost	250	300	2,246
Actuarial gains or losses incurred	(143)	(1,635)	(12,244)
Benefits paid	(2,195)	(2,311)	(17,306)
Prior service cost incurred	–	–	–
Others	–	–	–
Projected benefit obligations at the end of the year	¥ 38,159	¥ 35,364	\$ 264,839

(b) Reconciliation of plan assets from beginning to ending balances for the years ended March 31, 2022 and 2023

	Millions of Yen		Thousands of U.S. Dollars
	2022	2023	2023
Plan assets at the beginning of the year	¥ 30,083	¥ 30,245	\$ 226,503
Expected return on plan assets	511	483	3,617
Actuarial gains or losses incurred	(475)	(588)	(4,403)
Contribution from the Bank	1,674	1,758	13,165
Benefits paid	(1,551)	(1,536)	(11,503)
Others	3	3	22
Plan assets at the end of the year	¥ 30,245	¥ 30,366	\$ 227,409

(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, 2022 and 2023

	Millions of Yen		Thousands of U.S. Dollars
	2022	2023	2023
Projected benefit obligations of funded plans	¥ 28,656	¥ 26,216	\$ 196,300
Plan assets	(30,245)	(30,366)	(227,409)
	(1,589)	(4,150)	(31,079)
Projected benefit obligations of unfunded plans	9,503	9,147	68,501
Net amount of liability and assets	¥ 7,914	¥ 4,997	\$ 37,422

	Millions of Yen		Thousands of U.S. Dollars
	2022	2023	2023
Net defined benefit liability	¥9,503	¥9,147	\$68,501
Net defined benefit asset	(1,589)	(4,150)	(31,079)
Net amount of liability and assets	¥7,914	¥4,997	\$37,422

(d) Components of net retirement benefit expense for the years ended March 31, 2022 and 2023

	Millions of Yen		Thousands of U.S. Dollars
	2022	2023	2023
Service cost	¥ 927	¥ 851	\$ 6,373
Interest cost	250	300	2,246
Expected return on plan assets	(511)	(483)	(3,617)
Amortization of actuarial gains or losses	1,107	1,087	8,140
Amortization of prior service cost	(35)	(35)	(262)
Others	(3)	(3)	(22)
Net retirement benefit expense	¥ 1,735	¥ 1,716	\$ 12,851

(e) Components of remeasurements of defined benefit plans (before income taxes) for the years ended March 31, 2022 and 2023

	Millions of Yen		Thousands of U.S. Dollars	
	2022	2023	2023	
Prior service cost	¥ (35)	¥ (35)	\$ (262)	
Actuarial gains or losses	775	2,135	15,988	
Total	¥ 740	¥ 2,099	\$ 15,719	

(f) Accumulated other comprehensive income for remeasurements of defined benefit plans (before income taxes) as of March 31, 2022 and 2023

	Millions of Yen		Thousands of U.S. Dollars	
	2022	2023	2023	
Unrecognized prior service cost	¥ (44)	¥ (79)	\$ (591)	
Unrecognized actuarial gains or losses	(4,002)	(1,867)	(13,981)	
Total	¥ (4,047)	¥ (1,947)	\$ (14,580)	

(g) Component ratio of plan assets as of March 31, 2022 and 2023

	2022	2023
Bonds	50.22%	48.91%
Stocks	19.14%	20.19%
Cash and deposits	0.48%	0.48%
Others	30.13%	30.40%
Total	100.00%	100.00%

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

(h) Assumptions in accounting for retirement benefits for the years ended March 31, 2022 and 2023

	2022	2023
Discount rate	0.63%	0.78%
Long-term expected rate of return on plan assets	1.70%	1.60%
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, 2022 and 2023 were ¥161 million and ¥161 million (\$1,205 thousand), respectively.

22. 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, 2023	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, 2022	8,800	11,800	15,500	20,000	32,800	23,600	28,500	27,900
Granted	—	—	—	—	—	—	—	—
Forfeited	—	—	—	—	—	—	—	—
Vested	2,000	2,200	2,900	3,100	3,300	2,400	2,600	6,500
Outstanding as of March 31, 2023	6,800	9,600	12,600	16,900	29,500	21,200	25,900	21,400
Vested:								
Outstanding as of March 31, 2022	—	—	—	—	—	—	—	—
Vested	2,000	2,200	2,900	3,100	3,300	2,400	2,600	6,500
Exercised	2,000	2,200	2,900	3,100	3,300	2,400	2,600	6,500
Forfeited	—	—	—	—	—	—	—	—
Outstanding as of March 31, 2023	—	—	—	—	—	—	—	—

(ii) Unit price information

	2008 Stock Option	2009 Stock Option	2010 Stock Option	2011 Stock Option	2012 Stock Option	2013 Stock Option	2014 Stock Option	2015 Stock Option
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average stock price at the time of exercise	660	660	660	660	660	660	660	676
Fair value at the date of grant	¥ 878	¥ 804	¥ 609	¥ 569	¥ 500	¥ 710	¥ 677	¥ 1,182
	2008 Stock Option	2009 Stock Option	2010 Stock Option	2011 Stock Option	2012 Stock Option	2013 Stock Option	2014 Stock Option	2015 Stock Option
Exercise price	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Average stock price at the time of exercise	4.94	4.94	4.94	4.94	4.94	4.94	4.94	5.06
Fair value at the date of grant	6.57	6.02	4.56	4.26	3.74	5.31	5.07	8.85

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

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

23. Income Taxes

Income taxes consist of corporation tax, inhabitant tax and enterprise tax. Major components of deferred tax assets and liabilities as of March 31, 2022 and 2023 are summarized as follows

	Millions of Yen		Thousands of U.S. Dollars
	2022	2023	2023
Deferred tax assets:			
Reserve for possible loan losses	¥ 12,430	¥ 11,898	\$ 89,103
Depreciation	487	442	3,310
Impairment loss on fixed assets	2,597	2,423	18,145
Write-offs of securities	340	313	2,344
Net defined benefit liability	2,899	2,791	20,901
Tax loss carry-forwards	235	295	2,209
Net unrealized gain on other securities	—	16,997	127,289
Net deferred loss on hedging instruments	—	1,322	9,900
Others	3,344	3,045	22,803
Subtotal	22,336	39,530	296,038
Valuation allowances	(2,505)	(2,317)	(17,351)
Total deferred tax assets	19,830	37,213	278,686
Deferred tax liabilities:			
Reserve for deferred revenue of tangible fixed assets	(81)	(88)	(659)
Net unrealized gain on other securities	(3,192)	(970)	(7,264)
Net deferred gain on hedging instruments	(1,176)	—	—
Others	(541)	(1,308)	(9,795)
Total deferred tax liabilities	(4,992)	(2,366)	(17,718)
Net deferred tax assets (liabilities)	¥ 14,838	¥ 34,846	\$ 260,960

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

	2022	2023
Statutory tax rate	30.45%	—
(Adjustment)		
Permanent non-deductible expenses, including entertainment expenses	0.21%	—
Permanent profits not included in income, including dividends	(0.49%)	—
Loss on valuation of subsidiary stock	(1.67%)	—
Result of valuation allowance changes	(0.06%)	—
Others	0.27%	—
Effective income tax rate	28.70%	—

Note: Since the difference between the statutory tax rate and actual effective tax rate for the year ended March 31, 2023 was less than 5%, details are omitted.

24. Asset Retirement Obligations

The Group's asset retirement obligations consist primarily of obligations to remove hazardous material (asbestos) used in construction of the buildings and obligations pursuant to real estate rental 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, 2022 and 2023 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2023	2023
Balance at the beginning of the year	¥ 490	¥ 480	\$ 3,594
Changes due to the passage of time	5	5	37
Increase due to a change in estimate	—	15	112
Decrease due to fulfillment of asset retirement obligations	—	68	509
Decrease due to transfer of tangible fixed assets	15	—	—
Balance at the end of the year	¥ 480	¥ 432	\$ 3,235

25. Revenue Recognition

(1) Revenue analysis

	Millions of Yen		Thousands of U.S. Dollars	
Category	2023		2023	
Fees and commissions income	¥	15,073	\$	112,881
Deposits and loans		5,653		42,335
Remittances and transfers		2,352		17,614
Securities		2,046		15,322
Agency work		920		6,889
Guarantees		483		3,617
Others	¥	3,618	\$	27,095

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.

26. 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, 2022 and 2023 are as follows:

	Millions of Yen						
	Reportable segments			Others	Adjustments		
Year ended March 31, 2022	Banking	Leasing	Total	(Note 2)	Total	(Note 3)	Consolidated
Ordinary income (Note 1):							
Customers	¥ 78,096	¥ 16,044	¥ 94,140	¥ 970	¥ 95,111	¥ —	¥ 95,111
Inter-segment	271	196	468	534	1,003	(1,003)	—
Total	78,367	16,241	94,608	1,505	96,114	(1,003)	95,111
Segment profit	20,346	457	20,804	145	20,949	(157)	20,791
Segment assets	6,750,365	46,660	6,797,026	16,502	6,813,528	(38,369)	6,775,158
Segment liabilities	6,413,456	40,519	6,453,976	5,780	6,459,756	(37,789)	6,421,967
Other items:							
Depreciation	2,645	277	2,922	80	3,003	—	3,003
Interest income	60,184	6	60,191	19	60,210	(171)	60,038
Interest expense	1,836	129	1,965	6	1,972	(97)	1,875
Extraordinary gains:	44	—	44	13	57	—	57
Gain on disposals of fixed assets	44	—	44	13	57	—	57
Extraordinary losses:	565	—	565	1	566	—	566
Loss on disposals of fixed assets	39	—	39	1	40	—	40
Impairment loss	525	—	525	—	525	—	525
Tax expense	¥ 5,603	¥ 150	¥ 5,754	¥ 92	¥ 5,846	¥ (24)	¥ 5,821

Year ended March 31, 2023	Millions of Yen						
	Reportable segments			Others (Note 2)	Total	Adjustments (Note 3)	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, 2022	Thousands of U.S. Dollars						
	Reportable segments			Others (Note 2)	Total	Adjustments (Note 3)	Consolidated
	Banking	Leasing	Total				
Ordinary income (Note 1):							
Customers	\$ 719,778	\$ 116,468	\$ 836,246	\$ 7,713	\$ 843,967	\$ (82)	\$ 843,877
Inter-segment	1,722	1,430	3,160	3,624	6,784	(6,784)	—
Total	721,508	117,906	839,414	11,338	850,752	(6,874)	843,877
Segment profit	157,395	4,837	162,233	1,093	163,326	(651)	162,675
Segment assets	51,295,896	320,377	51,616,273	137,167	51,753,448	(248,251)	51,505,197
Segment liabilities	49,080,858	270,448	49,351,306	50,520	49,401,834	(242,237)	49,159,597
Other items:							
Depreciation	20,182	2,051	22,234	621	22,863	—	22,863
Interest income	499,850	37	499,887	149	500,037	(936)	499,093
Interest expense	36,980	741	37,721	67	37,789	(501)	37,280
Extraordinary gains:	741	—	741	284	1,025	5,661	6,687
Gain on disposals of fixed assets	741	—	741	284	1,025	0	1,033
Gain on negative goodwill	—	—	—	—	—	5,586	5,586
Gain on step acquisitions	—	—	—	—	—	59	59
Extraordinary losses:	2,433	—	2,433	3,010	5,444	(0)	5,444
Loss on disposals of fixed assets	868	—	868	29	906	—	906
Impairment loss	1,565	—	1,565	2,973	4,538	(0)	4,538
Tax expense	\$ 46,978	\$ 1,707	\$ 48,693	\$ (337)	\$ 48,348	\$ (37)	\$ 48,303

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 ordinary income for customers of ¥(11) million for the year ended March 31, 2023 represent reversal of reserve for possible loan losses in the Leasing segment.

(2) Adjustments for segment profit of ¥(87) million (\$ (651) thousand) for the year ended March 31, 2023 represent elimination of inter-segment transactions.

(3) Adjustments for segment assets of ¥(33,149) million (\$ (248,251) thousand) as of March 31, 2023 represent the elimination of inter-segment balances.

(4) Adjustments for segment liabilities of ¥(32,346) million (\$ (242,237) thousand) as of March 31, 2023 represent the elimination of inter-segment balances.

(5) Adjustments for interest income of ¥(125) million (\$ (936) thousand) for the year ended March 31, 2023 represent the elimination of inter-segment transactions.

(6) Adjustments for interest expense of ¥(67) million (\$ (501) thousand) for the year ended March 31, 2023 represent the elimination of inter-segment transactions.

(7) Adjustments for gain on disposals of fixed assets of ¥0 million and impairment loss of ¥(0) million represent a partial realization of unrealized gains on inter-segment transactions.

(8) Adjustments for gain on negative goodwill of ¥746 million (\$5,586 thousand) and gain on step acquisitions of ¥8 million (\$59 thousand) represent amounts arising in connection with making Fuso Kogyo Co., Ltd. a consolidated subsidiary (included in the Other segment) during the year ended March 31, 2023. As gain on negative goodwill and gain on step acquisitions do not relate to a specific segment, the amounts are recognized as corporate profits under Adjustments.

(9) Adjustments for tax expenses of ¥(5) million (\$ (37) thousand) for the year ended March 31, 2023 represent income taxes deferred in connection with the elimination of intersegment transactions.

Related Information

(1) Information by service

	Millions of Yen				
	Loans	Securities investment	Leasing	Others	Total
Income from customers					
Year ended March 31, 2022	¥ 38,150	¥ 25,272	¥ 16,044	¥ 15,643	¥ 95,111
Year ended March 31, 2023	¥ 46,744	¥ 34,037	¥ 15,552	¥ 16,348	¥ 112,683

	Thousands of U.S. Dollars				
	Loans	Securities investment	Leasing	Others	Total
Income from customers					
Year ended March 31, 2023	\$ 350,063	\$ 254,901	\$ 116,468	\$ 122,429	\$ 843,877

(2) Geographical information

(a) Ordinary income

As the Group's ordinary income from customers in Japan accounts for over 90% of ordinary income, disclosure by location is omitted.

(b) Tangible fixed assets

As the Group's tangible fixed assets located in Japan account for over 90% of tangible fixed assets presented in the consolidated balance sheets, disclosure by location is omitted.

(3) Information by major customers

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

Information on Impairment Loss on Fixed Assets by Reportable Segment

	Millions of Yen						
	Reportable segments			Others	Corporate and eliminations	Total	
	Banking	Leasing	Total				
Impairment loss							
Year ended March 31, 2022	¥ 525	¥ —	¥ 525	¥ —	¥ —	¥ 525	
Year ended March 31, 2023	¥ 209	¥ —	¥ 209	¥ 397	¥ (0)	¥ 606	

	Thousands of U.S. Dollars						
	Reportable segments			Others	Corporate and eliminations	Total	
	Banking	Leasing	Total				
Impairment loss							
Year ended March 31, 2023	\$ 1,565	\$ —	\$ 1,565	\$ 2,973	\$ (0)	\$ 4,538	

27. Related Party Transactions

Transactions with the Bank's directors, corporate auditors, executive officers and their relatives include loan receivables, guarantees and securities. These transactions totaled ¥0 million (\$0 thousand) for the years ended March 31, 2022. The balances of loan receivables from these parties totaled ¥2,431 million as of March 31, 2022. The balances of securities (corporate bonds of these parties) totaled ¥400 million as of March 31, 2022. The terms of these transactions were determined on an arm's-length basis. There are no significant matters to report for the fiscal year ended March 31, 2023.

* Choemon Tanabe stepped down as a director of the Bank on June 22, 2021. Transaction amounts with relevant business partners are shown until that date, and the balance as of March 31, 2022 is shown as of that day.

28. Amounts per Share

	Yen		U.S. Dollars	
	2022	2023	2023	
Net assets per share	¥ 2,260.27	¥ 2,023.95		\$15.15
Profit per share:				
Basic	¥ 92.88	¥ 99.28		\$0.74
Diluted	92.77	99.18		0.74

The basis for the calculation of net assets per share as of March 31, 2022 and 2023 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2023	2023
Net assets	¥ 353,191	¥ 313,208	\$ 2,345,600
Deductions:	614	559	4,186
Subscription rights to shares	123	103	771
Non-controlling interests	491	455	3,407
Net assets attributable to shares of common stock	352,576	312,649	2,341,413
Number of shares of common stock outstanding	155,988 thousand	154,474 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 (794 thousand shares and 1,019 thousand shares as of March 31, 2022 and 2023, respectively) are deducted from the number of shares of common stock outstanding.

The basis for the calculation of profit per share for the years ended March 31, 2022 and 2023 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2023	2023
Profit attributable to owners of the Bank	¥ 14,485	¥ 15,463	\$ 115,801
Amount not attributable to common shareholders	—	—	—
Profit attributable to common shareholders	14,485	15,463	115,801
Average number of shares of common stock outstanding	155,946 thousand	155,758 thousand	
Average number of shares of dilutive common stock	182 thousand	150 thousand	

Regarding the calculation of profit per share, shares of the Bank owned by Board Benefit Trust (BBT) and recognized as treasury stock (average of 822 thousand shares and 735 thousand shares for the years ended March 31, 2022 and 2023, respectively) are deducted from the average number of shares of common stock outstanding.

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	¥ 703,317	¥ 586,637	0.00	—
Rediscounted bills	—	—	—	—
Loans payable	703,317	586,637	0.00	June 2023–December 2027
Leases obligations with repayment due in one year or less	173	172	—	—
Leases obligations (excl. obligations due in one year or less)	288	240	—	April 2023–March 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	\$ 5,267,108	\$ 4,393,297	0.00	—
Rediscounted bills	—	—	—	—
Loans payable	5,267,108	4,393,297	0.00	June 2023–December 2027
Leases obligations with repayment due in one year or less	1,295	1,288	—	—
Leases obligations (excl. obligations due in one year or less)	2,156	1,797	—	April 2023–March 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 is 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)	¥ 26,810	¥ 14,155	¥ 35,525	¥ 509,890	¥ 257
Lease obligations (millions of yen)	172	96	70	31	21

	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)	\$ 200,778	\$ 106,006	\$ 266,045	\$ 3,818,542	\$ 1,924
Lease obligations (thousands of U.S. dollars)	1,288	718	524	232	157

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

Category	At the beginning of the fiscal year (millions of yen)	Increase (millions of yen)	Decrease (millions of yen)	At the end of the fiscal year (millions of yen)
Hazardous materials (asbestos) removal obligations	¥ 112	¥ 15	¥ 22	¥ 106
Obligation to restore stores, etc., to original condition according to property leasing contracts	367	5	45	326

Category	At the beginning of the fiscal year (thousands of U.S. dollars)	Increase (thousands of U.S. dollars)	Decrease (thousands of U.S. dollars)	At the end of the fiscal year (thousands of U.S. dollars)
Hazardous materials (asbestos) removal obligations	\$ 838	\$ 112	\$ 164	\$ 793
Obligation to restore stores, etc., to original condition according to property leasing contracts	2,748	37	337	2,441

Other

(i) Quarterly consolidated financial information in the fiscal year ended March 31, 2023 is as follows:

Cumulative Period	(Millions of Yen)			
	Q1	Q2	Q3	FY ended March 31, 2023
Ordinary income	¥ 32,789	¥ 56,003	¥ 80,444	¥ 112,683
Net profit before income taxes	7,072	12,754	19,386	21,888
Profit attributable to owners of the Bank	4,950	8,892	13,540	15,463
Net profit per share (yen)	31.73	56.99	86.79	99.28

Cumulative Period	(Thousands of U.S. Dollars)			
	Q1	Q2	Q3	FY ended March 31, 2023
Ordinary income	\$ 245,555	\$ 419,403	\$ 602,441	\$ 843,877
Net profit before income taxes (thousands of U.S. dollars)	52,961	95,514	145,180	163,918
Profit attributable to owners of the Bank (thousands of U.S. dollars)	37,070	66,591	101,400	115,801
Net profit per share (U.S. dollars)	0.23	0.42	0.64	0.74

(*) 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)	¥ 31.73	¥ 25.25	¥ 29.79	¥ 12.40

Accounting period	Q1	Q2	Q3	Q4
Quarterly net profit per share (U.S. dollars)	\$ 0.23	\$ 0.18	\$ 0.22	\$ 0.09