

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

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

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

With such significant social change and economic uncertainty, it will be incredibly difficult to achieve growth

and maintain our current standing simply by continuing with our businesses as before. As such, as we prepare to achieve future growth, we must also continue to seek change.

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

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



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President and
Representative Director

Tomi Yamasaki

Plan, and I believe we have made an excellent start. We formulated the current Medium-term Management Plan (FY2021–FY2023) amid the pandemic, and with our



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

Further Improvements in ROE

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

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

Overcoming Adversity to Achieve Sustainable Growth

In the Shimane and Tottori prefectures, which form our main market, populations continue to shrink. Moreover, the economies in these prefectures are relatively small. As a regional bank, however, we have a responsibility to provide depopulated areas such as mountainous regions and remote islands with the same high-quality financial services as offered in urban areas. Compared to regional banks which are based in larger cities, we have an entirely different business model. While it can be challenging to maintain city-level financial services in depopulated areas and ensure our branches make a profit, we have implemented a range of schemes and reforms to ensure

we can do just that. One example is our Ama Branch, which is located on the Oki Islands in the Sea of Japan. Ama Town in the Oki District is a remote area with just 2,000 inhabitants. Our Ama Branch is in charge of all of the town's financial functions, offering a range of regular banking services such as loans, deposits, and remittances, as well as investment trusts and other securities-related operations. While the branch offers a full range of banking services with only Ama Town as its clientele, through careful efforts to rationalize, streamline, and increase versatility, for the most part, the branch breaks even. As a bank, one of our strengths and sources of pride is our approach: Solving regional issues from within the region by thoroughly increasing productivity and aligning management with our area of operation. At the San-in Godo Bank, we value each and every one of our customers and clients and have a strong desire to sustain regional industries and employment all the more for the small size of the economies and the lack of major industries in our main market. This approach allows us to undertake relationship banking—thoroughly understanding our customers, carefully examining their financing strategies, and supporting the growth of their

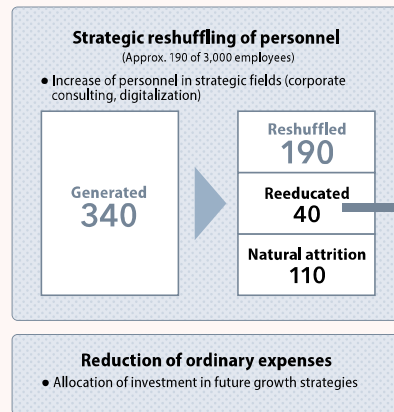
Structural Reform Progress

Previous Medium-term Management Plan (FY2018 to FY2020)

- Widely implemented structural reforms and made progress with efforts to streamline and enhance operational efficiency

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

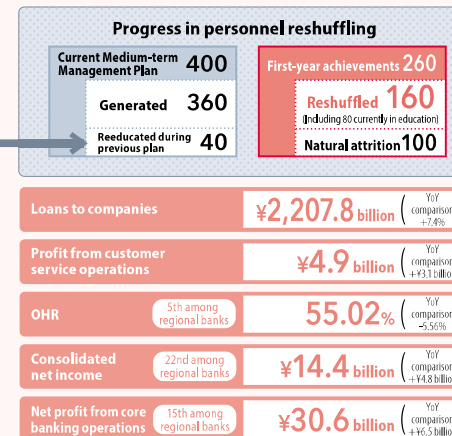
Results



Current Medium-term Management Plan (FY2021 to FY2023)

- Promote further investments and structural reform using the foundation built in the previous plan

Structural Reforms Contributed to FY2021 Financial Results



Vision for Future Growth

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

*Net profit from core banking operations excludes effects from investment trust cancellations

*Regional bank rankings were compiled in-house based on the publicly available financial results of 55 banks and groups

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

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

At the San-in Godo Bank we are currently working to strengthen our client consulting services. One of our unique aims is to ensure that all Bank employees working in branches have a certain level of ability to propose solutions, rather than just relying on the specialist staff at our headquarters. We have named this approach our all-employee consulting structure, and we are working on personnel development with the help of professional consulting companies. While there are some other banks which offer a similar service, the majority use a small number of specialist staff for their consulting work. If we

can successfully build this all-employee consulting structure, our frontline sales employees will be able to discover issues and propose solutions through their everyday negotiations without having to wait for our specialist staff. The speed of this process will no doubt be significantly quicker than simply relying on a small number of specialists.

Steady Results through a Synergistic Alliance

As part of our alliance with Nomura Securities Co., Ltd., 90 employees from Nomura Securities have been sent on loan to work as San-in Godo Bank employees. Naturally, with such different histories and cultures between banking and securities, there is some friction between our methods. That said, Nomura Securities' impressive business style has shown us entirely new things. Of course, we have our differences, but it is these realizations that will drive our advancement and growth. It has now been one year and a half since we began our alliance, and the synergistic effects of our partnership are starting to show—while reducing personnel and costs, we are enhancing our performance and boosting our profitability. Since the start of the alliance, the expertise that Nomura Securities has in personnel development has helped dramatically improve the skill level of our own employees, and some of our staff have already produced

results that are on par with their new colleagues. In addition to generating huge reform at our Bank, most importantly, this alliance has proven to be incredibly effective in improving our level of customer service. With a desire to solve customers' issues and improve the quality of our service, we will aim to become the best consultancy organization for both our corporate customers and individual customers.

Approaching Industry-leading Levels of Digital Transformation

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

Achieving Sustainability in Regional Societies

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



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

In Closing

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

