



**SAN-IN GODO BANK**

# **Annual Report 2018**

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



The Hori River surrounding Matsue Castle



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# Profile

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

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



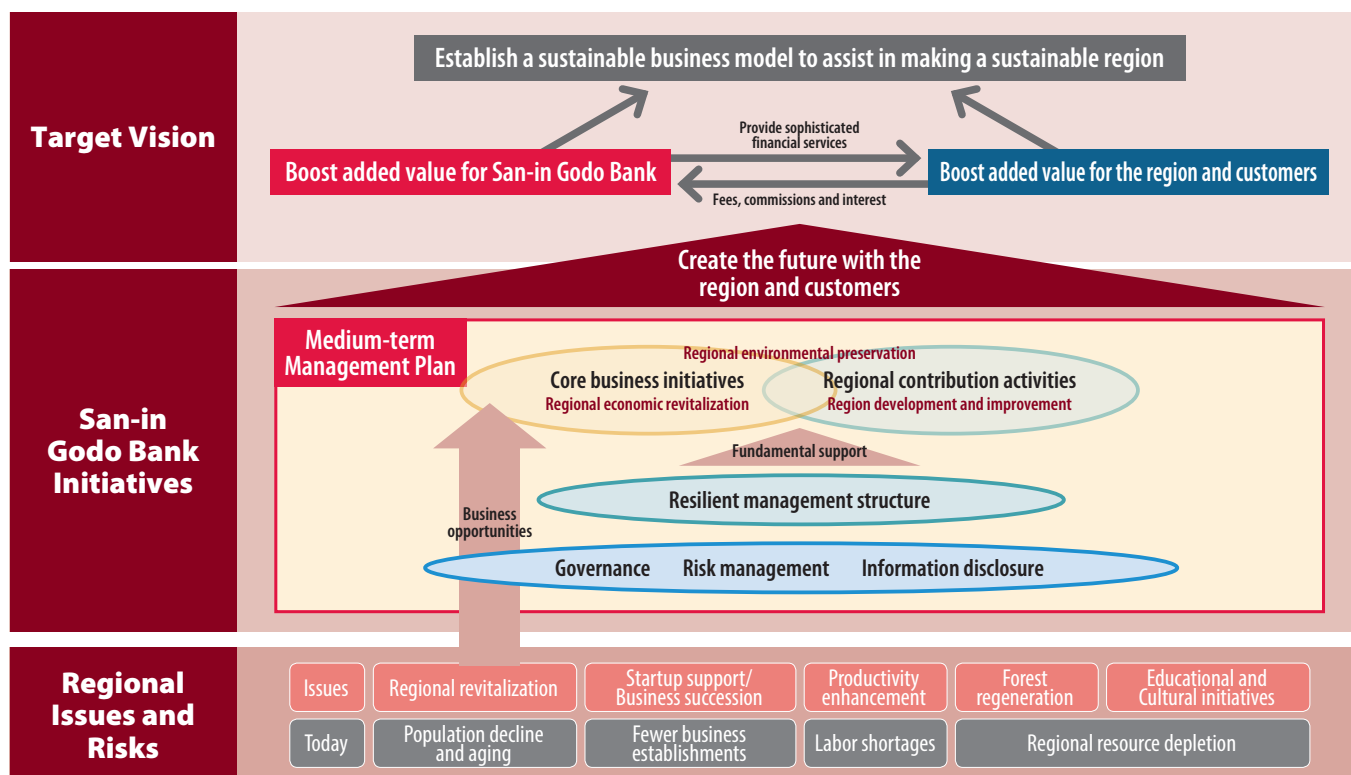
## Economic Environment in the San-in Region

	Shimane	Tottori	Total
Total population	685 thousand	565 thousand	1,250 thousand
Gross prefectural product	¥2.4 trillion	¥1.8 trillion	¥4.2 trillion
Shipment value of manufactured goods	¥1,093.4 billion	¥720.9 billion	¥1,814.3 billion
Number of business establishments	35,028	25,809	60,837

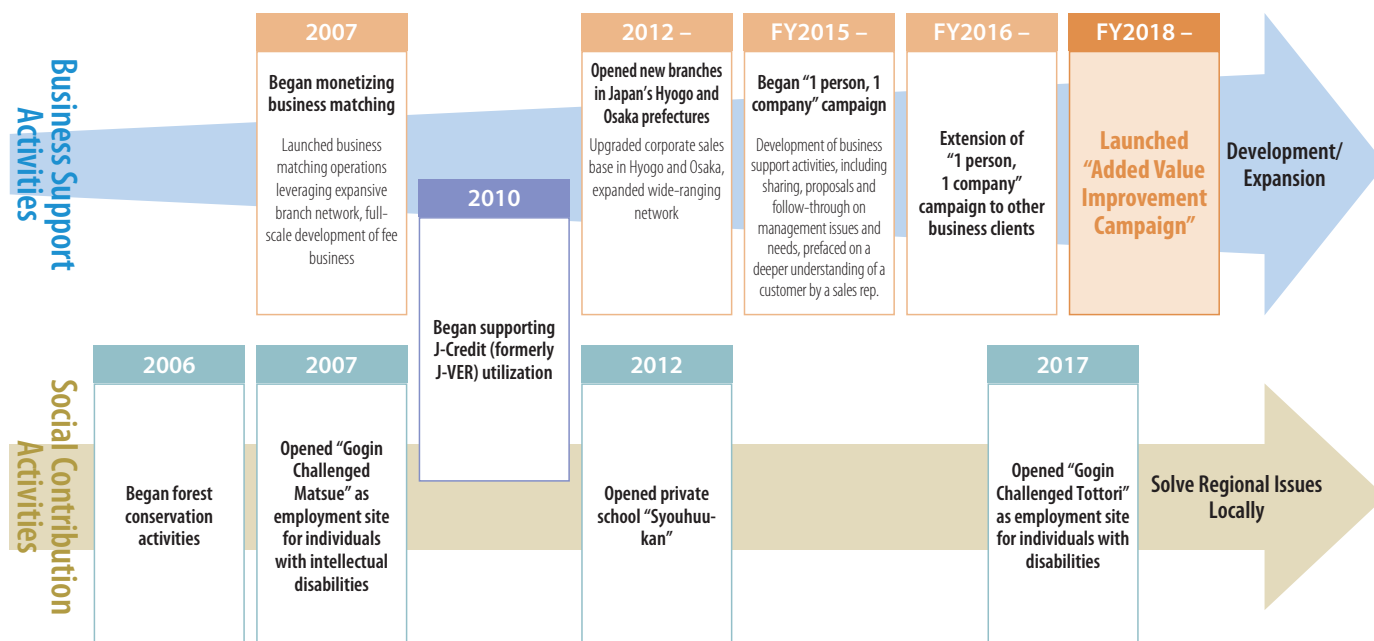
# Long-term Vision: Initiatives for Shaping a Sustainable Region

In our latest Medium-term Management Plan (FY2018-FY2020), we have committed San-in Godo Bank to a long-term vision of realizing sustainable growth for both the region and the Bank itself by resolving issues that our region and our customers face. Specifically, we intend to develop and expand previous activities and programs designed to support business and contribute to the region. In this way, we will boost added value for the region, our customers and San-in Godo Bank, establishing a sustainable business model as we assist in making the region itself more sustainable.

## Image of San-in Godo Bank's Long-term Vision



## Trajectory of San-in Godo Bank Business Support and Social Contribution Activities



## Message from the President

Management  
Philosophy

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

Putting long-term improvement in regional and customer value first, and meeting the challenge.

### The San-in Godo Bank CS Declaration

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

### Thanks to your support, record-high consolidated profit despite an adverse environment

FY2017 was another difficult year for financial institutions, as the Bank of Japan's negative interest rate policy continued. Despite operating in this climate, San-in Godo Bank enacted business support activities targeting corporate clients, coupled with deeper consulting-based sales for individual customers, as we set a virtuous cycle into motion for improving customers' added value and realizing sustainable growth for the Bank. One particular point was "reinforcing Group alliances," as we consolidated the Group's collective capabilities and put in place a framework for responding to customers' diverse needs.

As a result, profit attributable to owners of the Bank for FY2017, ended March 31, 2018, rose ¥0.2 billion year on year to a new record high of ¥13.6 billion. This growth came mainly atop higher Group profits, most notably improved profitability for Gogin Securities and the decision to increase stake in consolidated subsidiaries. This outcome would not have been possible without the support and patronage of our customers, for which we are deeply grateful.

October 2018

*F. Ishimaru*

Fumio Ishimaru  
President and Representative Director

# Message from the President

## Formulating a New Medium-term Management Plan, with a Revolutionary Shift in Perspective in Mind

Nevertheless, the pace of population decline and societal aging in Japan's San-in region, the Bank's principal sales base, is among the fastest in the country, leaving an economic base that is far from robust. Together with other issues, including a negative interest rate policy that is likely to continue for some time, the Bank's operating environment is set to remain a challenging one going forward. While a pessimist might see a virtual mountain of issues facing both the region and San-in Godo Bank, by changing our perspective what we see instead is a need for solutions to a host of issues. In other words, there are lots of business opportunities to pursue.

With this revolutionary shift in thinking in mind, and viewing the chance to solve the issues of the region and our customers as a business opportunity, we formulated a new Medium-term Management Plan running from FY2018 to FY2020. The plan is an acknowledgement that we must meet the challenge of achieving a complete transformation of our business model.

The concept is to steal a march on other banks in rising to the challenge of devising a business model for growth together with the region, moving dynamically to solve regional issues from a long-term perspective in order to deliver powerful, sustainable growth for the region and the Bank.

## Toward a Society Enabling Sustainable Growth for the Region and the Bank

Our long-term vision for San-in Godo Bank is to realize sustainable growth for the region and the Bank by resolving issues that the region and customers face. In addressing the variety of issues either the region or customers contend with in day-to-day life and in business, the Bank will offer wide-ranging solutions as a core competency, coupled with the promotion of regional contribution activities, to boost added value for the region and customers. In short, we hope to bring about a society that enables sustainable growth for both the San-in region and the Bank.

The target business model for San-in Godo Bank aligns closely with the now frequently talked about Environmental, Social and Governance (ESG) criteria and Sustainable Development Goals (SDGs). That said, we have held firmly to the conviction that the Bank must do something to develop

the region long before these concepts ever emerged, and have pursued both business support and social contribution activities to this end. Among these actions, we argue that the most important, for a regional financial institution, is regional economic revitalization, and this will be an area of extensive focus for San-in Godo Bank going forward.

## Deepen Relationship Banking, Support Improving Regional and Client Value

To this end, we have embedded as part of our Medium-term Management Plan the promotion of region-wide industry support for the principal industries and corporate groups with the largest impact on the regional economy. And from July 2018 we launched the "SAN-IN Innovation Program," designed to support the training of entrepreneurs by actively encouraging business startups.

Through these moves, we are strengthening the competitiveness of regional industries as we seek to create, sustain and expand employment opportunities.

For corporate clients, meanwhile, we will build on our prior "1 person, 1 company" campaign to promote a campaign to enhance added value of clients by reinforcing our structure with an emphasis on frontline human resource training and personnel growth in specialist departments in order to meet the expectations of all clients. These steps will deepen communication with clients and assist in boosting clients' sales and profits. As for capital-side support for realizing growth and improved business performance, we will move outside the box in what we put into practice.

## More Sophisticated Consulting Functions for Individuals

For individual customers, San-in Godo Bank is raising the level of its consulting functions further to meet the needs of our increasingly diverse and sophisticated customers. To do so, we established a new Private Advisory Division, and are conducting human resource training to enable robust responsiveness to needs of asset inheritance and asset management for affluent individuals. In parallel, to address the asset-building needs of the generation of still working, we are upgrading channels like the mobile apps, which offer high convenience and 24/7 availability, with the goal of enabling busy customers to conduct transactions simply.

## Strengthening Earning Power Leveraging Digital Channels

To underpin efforts making the provision of sophisticated financial services of this kind possible, we launched the “Gogin Structural Reform Project” to serve as a template for complete structural reform.

Among these reforms, we are focused particularly on the upgrade and expansion of digital channels. This move is securing more time for communication with customers and the provision of timely services, all while making greater labor-saving in banking operations possible. We launched the Digital Promotion Department as a specialist department, strengthening both channel development and digital marketing. Furthermore, through collaboration with the “FinX Partnership,” a consortium of seven regional banks, we hope to achieve better efficiency through AI utilization, and to approach new value propositions faster.

As the digital channel upgrade and expansion unfolds, we seek to offer regional financial settlement platforms and mobile apps in tackling the challenge of encouraging consumption that feeds back into capital flow within the region.

## Personnel Strategy Enabling Every Individual to Shine

In fostering human resources ready to take on the challenges of finding solutions to issues facing the region and customers, San-in Godo Bank has in place a human resource training system and an environment welcoming to a diverse workforce, along with efforts to enhance employee motivation.

For human resource training, we are making strides in ensuring opportunities exist for allowing individuals to leverage their own strengths to grow. For female employees in particular, we are broadening spaces for advancement even further, including by adding corporate sales to the Area Occupations career path, in the hopes that more will take on the challenge of moving up in their careers. Corporate sales are also now under the aegis of general service staff, a move will allow the regular staff track to take on the challenge of achieving more sophisticated operations.

Concerning the revision of personnel rating and evaluation, rather than short-term success, we are revising processes and opting for more qualitative evaluation of activities, taking a longer viewpoint into account even if success does not happen immediately to ensure we evaluate

activities in ways that directly link to improved added value for customers. Additionally, we are bolstering the training of specialists at our headquarters in order to deliver more varied and highly specialized financial services.

In these ways, we are building an organization that our people will find meaning and pride in working for, as we move resolutely to bring our Medium-term Management Plan to fruition.

## Securities Operations Diversification

In securities operations, this fiscal year marks the beginning of a mass redemption of Japanese government bonds. Given the current financial environment, our plan is to allocate roughly half of the yen-denominated bond redemption for loans, with the remainder slated for reinvestment in securities.

San-in Godo Bank is conducting the robust training of specialists skilled in the management of complex investment and risk, with the goal of increasing investment in and diversifying the management of foreign bonds and other instruments.

## Capital Policies and Shareholder Returns

Going forward, in a bid to further strengthen Group ties, we will unite to offer comprehensive financial services. This move will reinforce the structure for improving consolidated profit, which in turn will change the dividend standard table over to a consolidated basis. By addressing the profit growth of consolidated subsidiaries, the aim is to actually raise our payout ratio, rather than adhere to a non-consolidated standard.

Furthermore, from the fiscal year 2016, we have set a policy for profit return to shareholders for dividends alone of around 30%, and, if necessary, will acquire treasury shares as circumstances warrant.

In conclusion, every one of us here at San-in Godo Bank stands united in enacting the measures outlined in our Medium-term Management Plan, and we appreciate and look forward to your continued support and encouragement.

# Medium-Term Management Plan (Plan Period: FY2018-FY2020)

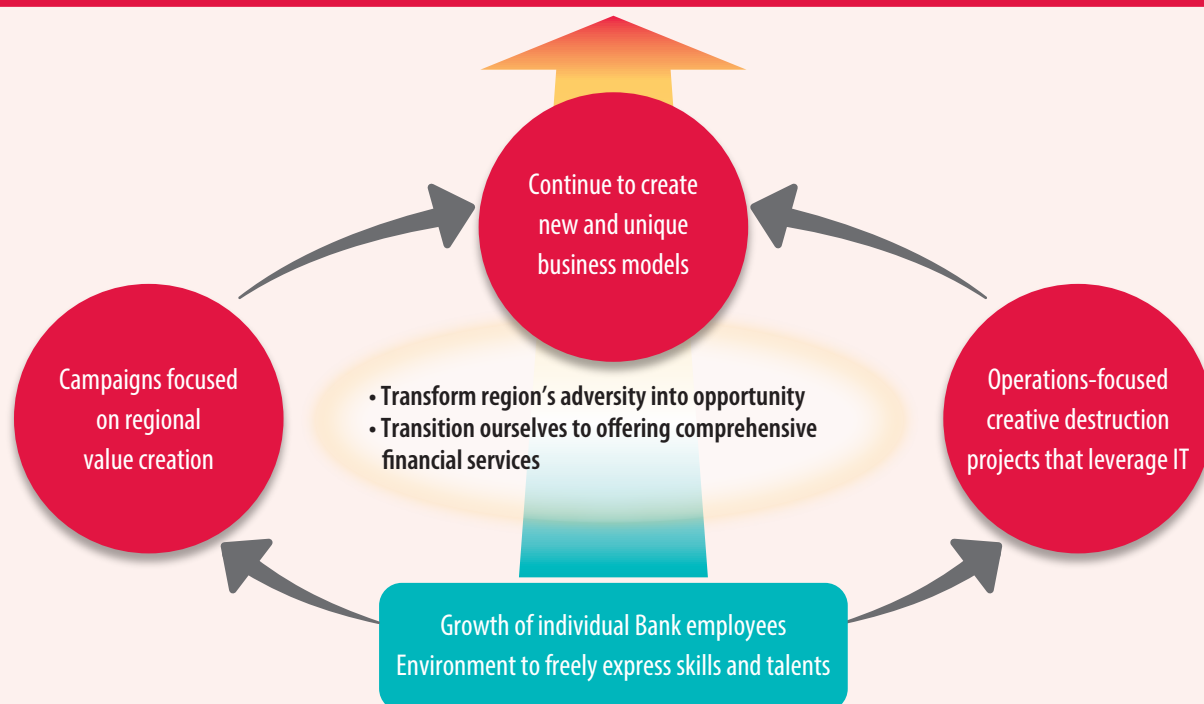
## Management Philosophy

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

## Concept

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

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



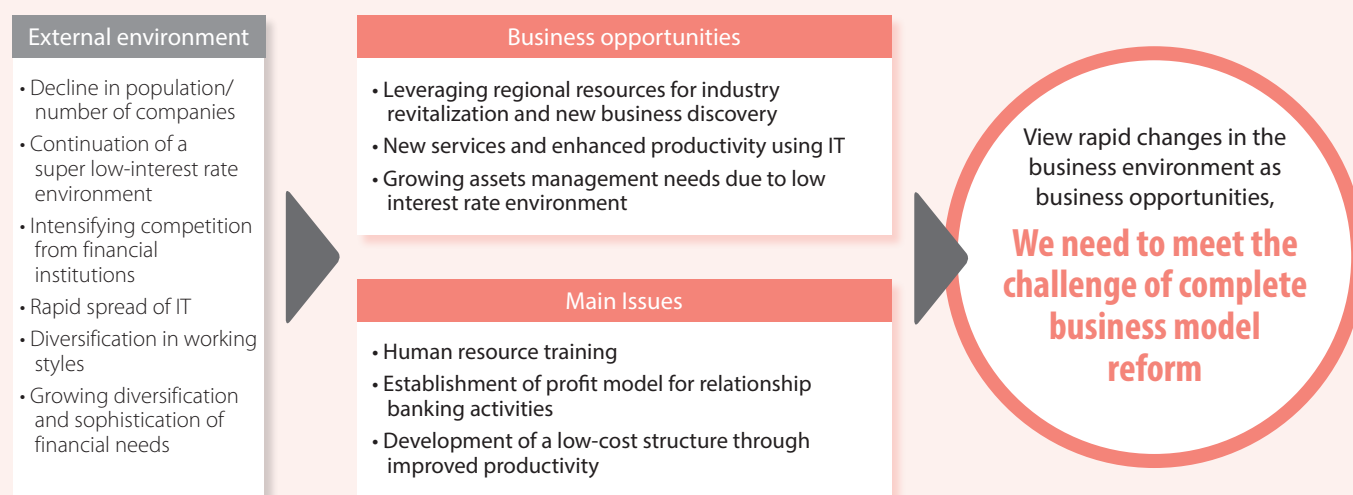
## Code of Conduct and Principal Measures

Code of Conduct		We keep on taking on challenges in the improvement of the long-term values of the region and our customers, as our first priority.
Priority Measures	Jointly create customer-oriented added value	<ul style="list-style-type: none"> <li>Strengthen the competitiveness of regional industries and boost clients' corporate value</li> <li>Accelerate advancement into Hyogo and Osaka to bolster ability to serve as a bridge to the region</li> <li>Enhance the sophistication of consulting functions for individual customers</li> </ul>
	Promote structural reform through greater digitalization	<ul style="list-style-type: none"> <li>Reform the profit model by utilizing digital channels</li> <li>Reform the cost structure to realize strategic investment</li> <li>Improve productivity drastically via BPR</li> </ul>
	Personnel management that energizes organizations	<ul style="list-style-type: none"> <li>Cultivate specialists responsible for high-level finance and information production activities</li> <li>Improve employee work satisfaction and productivity through personnel reforms</li> <li>Reallocate human resources to best fulfill customers needs</li> </ul>
Priority Measures - Others	Strengthen Securities Operations	<ul style="list-style-type: none"> <li>Sophisticate market risk management</li> <li>Diversify investment allocation</li> </ul>
	Efficient and effective management	<ul style="list-style-type: none"> <li>Enhance group governance and ties</li> <li>Improve capital efficiency and appropriate shareholder returns</li> </ul>

## Target Management Indicators

		Item	FY2017 Results	Final Year (FY2020) Targets
Profitability	Consolidated	1. Net income	¥13.6 billion	¥13.8 billion or more
		2. Non-interest revenue ratio (gross core banking profit basis)	16.93%	19% or higher
Capital efficiency	Non-consolidated	3. ROE (shareholders' equity basis)	4.51%	4.2% or higher
Cost efficiency		4. OHR (gross core banking profit basis)	61.75%	63% or lower
Soundness		5. Capital adequacy ratio	13.48%	13% or higher

## Background for Plan Formulation



## Our Aims

Even in an adverse environment, we take on the challenge of building a leading business model for growth hand-in-hand with the region and customers, moving actively to resolve regional issues from a long-term perspective as a regional financial institution in a region on the forefront of key issues in order to deliver powerful and sustainable growth for the region and the Bank.

Similarly, we view the targets established under SDGs\* as business opportunities, with sights on shaping a regional society that enables sustainable growth for the region and San-in Godo Bank alike.

\*SDGs (Sustainable Development Goals): Adopted by the General Assembly of the United Nations in September 2015, these cover 17 SDGs targeted for completion by 2030 and 169 targets for achieving them.

## Specific Measures

We position relationship banking as a universal business model and further strengthen business support activities and consulting sales.

- For client companies, we promote campaigns to boost added value and contribute to improve corporate value
- For individual customers, we enhance consulting capabilities to answer increasingly diverse and sophisticated needs.
- We train human resources capable of delivering improvements in long-term value for the region and customers, and utilize IT to achieve complete operational reform and offer new value and services.

# Consolidated Financial Highlights

Years ended March 31, 2017 and 2018

	Millions of yen			Thousands of U.S. dollars (Note)
	2018	2017	2016	2018
<b>For the Year:</b>				
Total income	¥95,824	¥93,825	¥91,517	\$901,957
Total expenses	76,139	73,458	69,866	716,669
Profit before income taxes	19,685	20,366	21,651	185,288
Profit attributable to owners of the Bank	13,692	13,399	12,911	128,878
Cash dividends paid during the year	2,739	2,372	2,151	25,781
Profit per share (¥/\$)	87.76	85.27	81.08	0.82
Cash dividends per share (¥/\$)	26.00	15.00	15.00	0.24
<b>At year-end:</b>				
Total assets	¥5,548,604	¥5,411,472	¥5,160,556	\$52,227,070
Deposits and NCDs	4,061,594	3,944,762	3,868,638	38,230,365
Loans and bills discounted	2,983,603	2,798,238	2,589,659	28,083,612
Securities	1,847,414	1,920,658	1,860,333	17,389,062
Total net assets	362,415	352,846	373,728	3,411,285
Capital adequacy ratio	14.06%	14.85%	15.68%	—

Note: U.S. dollar amounts are translated from Japanese yen, for convenience only, at ¥106.24 = U.S.\$1, the exchange rate prevailing at March 31, 2018.

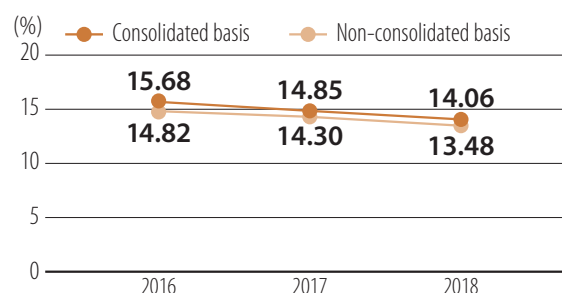
## Status of Safety and Soundness

### Capital adequacy ratio

Non-consolidated basis (domestic standards) **13.48%**

#### • Capital adequacy ratio

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



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

**A2** (long-term deposit rating)

Moody's Japan K.K. (Moody's)

**A+** (Issuer rating)

Rating & Investment Information, Inc. (R&I)

**AA-** (Long-term issuer rating)

Japan Credit Rating Agency, Ltd. (JCR)

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

#### • Rating

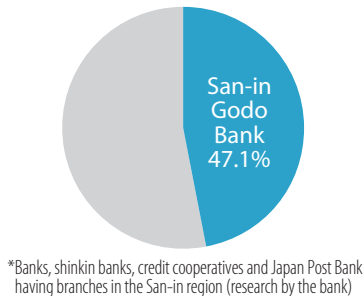
This is one of the representative indices indicating the credibility and safety of a company, which is objectively evaluated by an impartial third party institution to determine whether the principal and interest of deposits and bonds are paid as promised and the degree of evaluation is shown as a simple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

## Market Share in the San-in region

Share of deposits (As of September 30, 2017)

**47.1%**

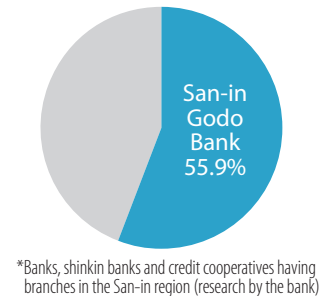
In Tottori and Shimane prefectures, the market share of the bank for deposits balances of all banks, shinkin banks and Japan Post Bank, etc., is 47.1%.



Share of loans (As of September 30, 2017)

**55.9%**

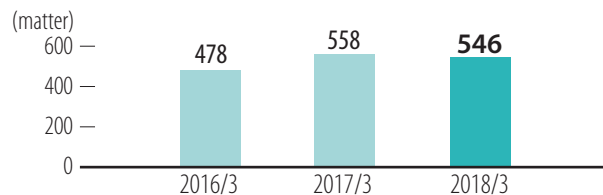
In Tottori and Shimane prefectures, the market share of the bank for loans balances of all banks and shinkin banks, etc., is 55.9%.



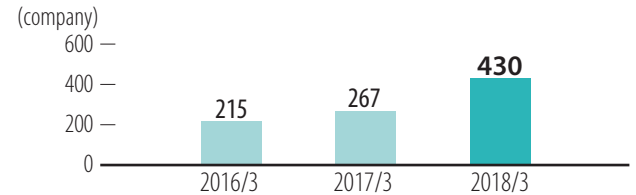
## Non-financial Highlights

### Featured figures from core banking operations

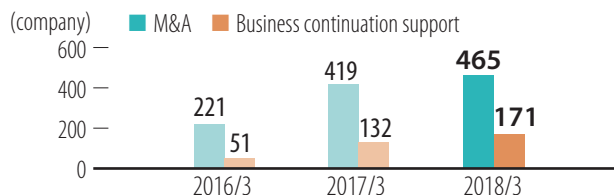
Business launching supported by Bank



Sales channel expansion supported by Bank



M&A and business continuation supported by Bank



J-Credit sales supported by Bank



**2,165 t-Co<sub>2</sub>**  
(As of May 31, 2018)

### Featured figures from social contributions

Percentage of female managers



**21.3 %**  
(As of Apr. 1, 2018)

**Goal for Apr. 2021: 25%**

Percentage of disabled employees



**2.53 %**  
(As of Apr. 1, 2018)

**Above Statutory employment rate of 2.2%**

CO<sub>2</sub> emission reduction rate



**-18.3 %**  
(FY2017, prior-year comparison)

Number of people involved in forest preservation activities



**7,424 persons**  
(Cumulative from commencement in FY2006 to FY2017)

# Initiatives for Shaping a Sustainable Regional Society

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

**San-in Godo Bank Vision for a Sustainable Regional Society**

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

We contribute to local creation and regional economic revitalization by offering solutions to regional and customer issues as our core business as a regional financial institution. We also develop and improve regional society through our vigorous promotion of regional contribution activities. Through these initiatives, we are working to achieve a society that enables sustainable growth for both the region and San-in Godo Bank.

Core business		Region		Foundation	
Realizable as the core business of Bank		Realizable through regional contribution activities		Realizable by strengthening management base	
Sustainable Development Goals (SDGs) Targeted by San-in Godo Bank				Specific San-in Godo Bank Initiatives	
Social	Regional economic revitalization	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Commitment to regional industrial growth	Core business
				Improvement of added value of corporate clients	
		11 SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Enriched lives for customers	
				Customer-first business operations	
	Regional society development and improvement	3 GOOD HEALTH AND WELL-BEING	4 QUALITY EDUCATION	Support for independence and social participation of people with disabilities	Region
				Youth training activities (private school "Syohuu-kan," financial education, etc.) Regional contribution activities (sport promotion, donation drives, etc.)	
Environment	Regional environmental preservation	7 AFFORDABLE AND CLEAN ENERGY	13 CLIMATE ACTION	Support for carbon emission trading	Core business
				Entry into and support of renewable energy businesses	
				Provision of eco-conscious products	
		14 LIFE BELOW WATER	15 LIFE ON LAND	Forest conservation activities	
				Energy and resource conservation and recycling within Bank	
Governance	Improved employee satisfaction	5 GENDER EQUALITY	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Human resource training, advancement of women, promotion of working style reforms	Foundation
	Establishment of a sound and highly transparent management structure			Corporate governance	
				Risk management	

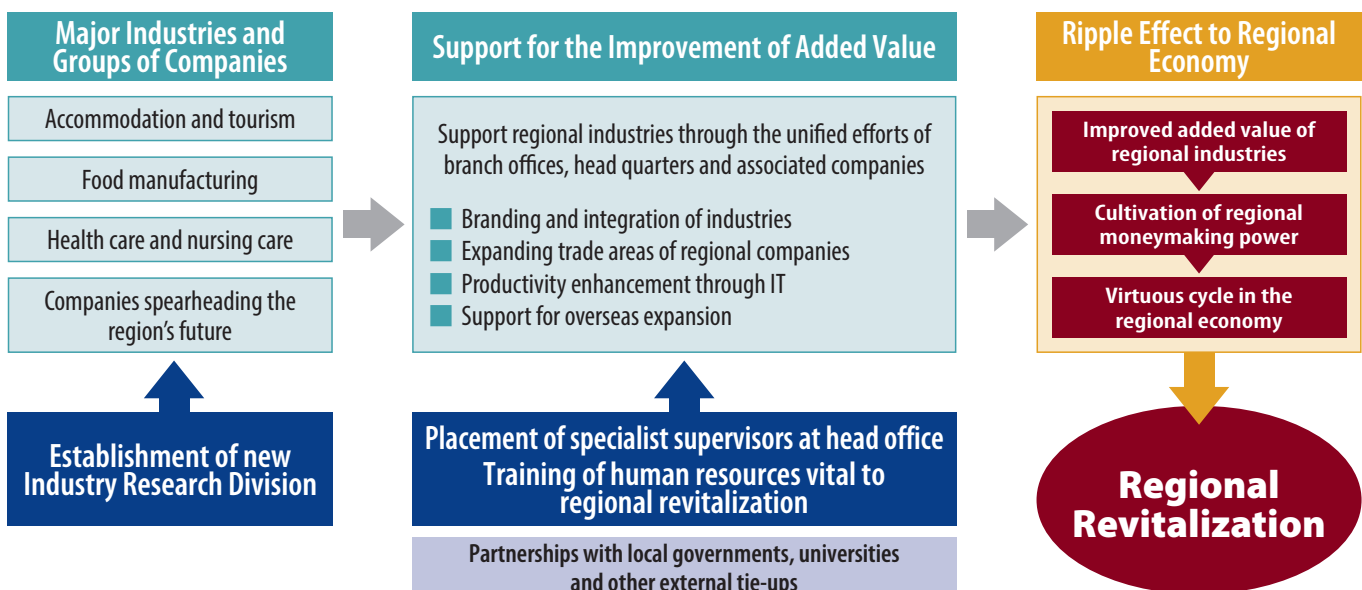
\*SDGs (Sustainable Development Goals): 17 sustainable development goals adopted by the United Nations, targeted for completion by 2030.

## Initiatives for Regional Revitalization

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

### Improving Added Value of the major Industries

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



# Initiatives in Business Support Activities

Establishing a business model based on relationship banking

## Our vision for the business support model

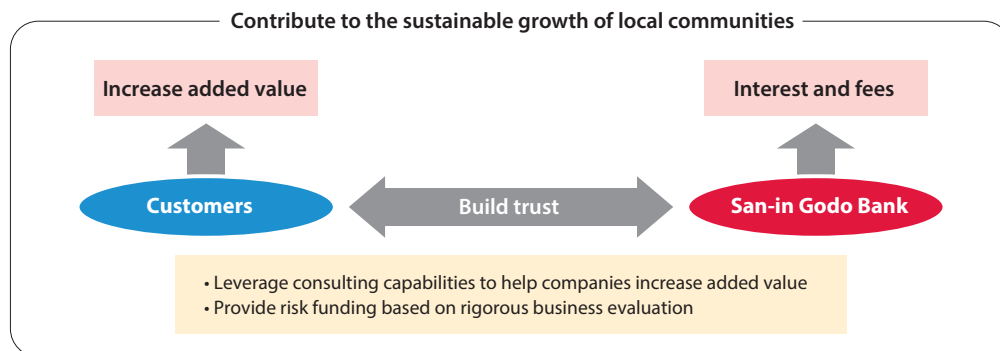
We have built a branch network covering the San-in, Sanyo and Hyogo / Osaka regions. Using this network, we have created a business matching support network, provided head office support to the bank branches and promoted alliances with external experts and institutions.

We are currently focusing on personnel development to enhance the skills of our employees, aiming to give them the ability to appropriately evaluate the operations and growth potential of customer businesses so that we can better understand the challenges they face and their needs. Using that information, we then develop, propose and implement solutions that add more value to their

businesses. By generating revenue from those services, such as fees and interest on loans, we plan to establish a sustainable business model that drives growth in the bank's earnings.

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

### Grow earnings through relationship banking



## Initiatives to Protect the Environment

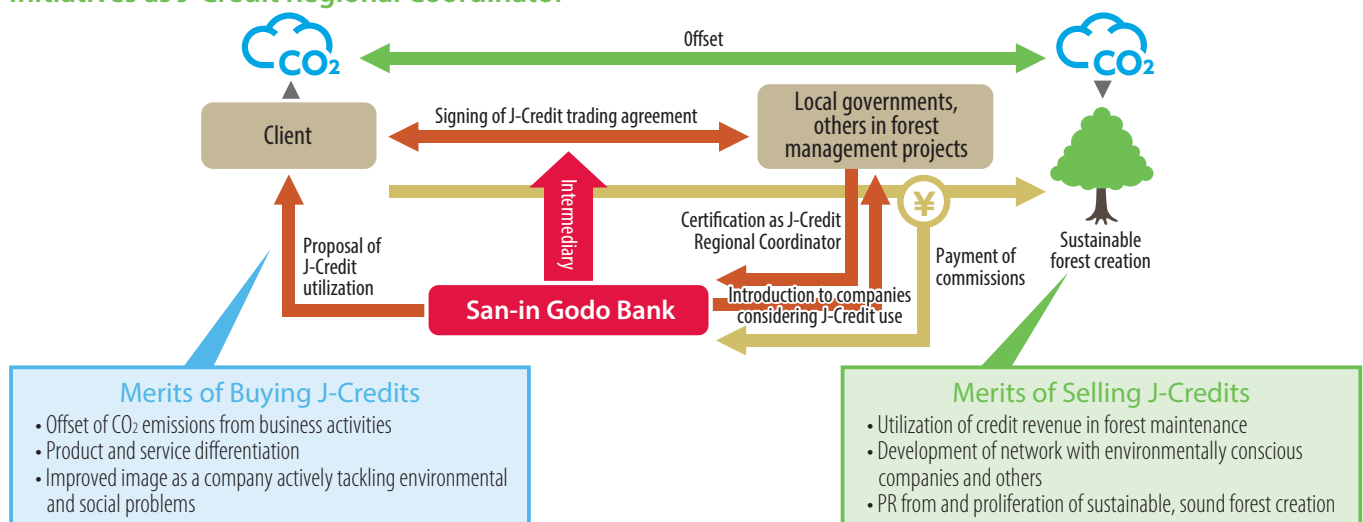
Implementing various initiatives to protect and nurture the global environment and nature for future generations.

### J-Credit Trading Support

San-in Godo Bank is an enthusiastic supporter of carbon offset initiatives utilizing J-Credit.

By strengthening partnerships with local governments and sharing with clients both the importance of environmental preservation and J-Credit as a means to reduce environmental impact, we are striving to realize a society that is truly sustainable.

#### Initiatives as J-Credit Regional Coordinator



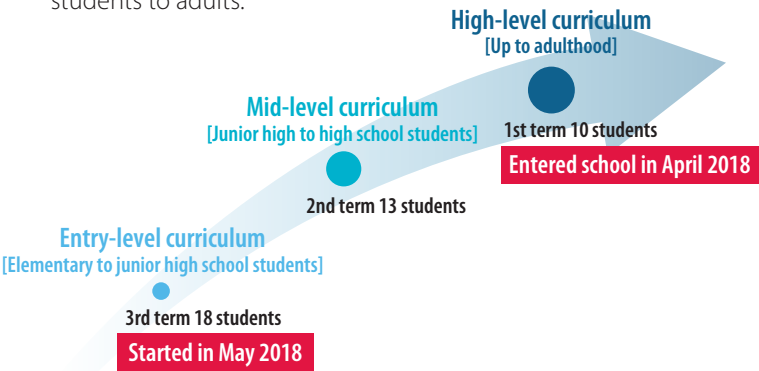
# Regional Support Activities

## Youth Education

Helping to educate the region’s future leaders

### Initiatives by private school Syohuu-kan

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



## Initiatives to Energize our Organization

Creating an organization that allows all employees to realize their potential in line with their personalities and lifestyles

### Empowering women and older employees

By broadening areas where women and senior citizens can thrive, we are working hard to deliver workplace environments that raise employee motivation, allow skills and talents to shine through.

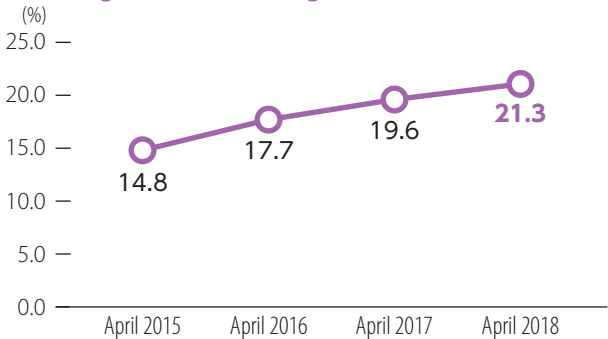
#### Support for Career Advancement of Women

We are promoting the workplace advancement of women through career-path diversification. Furthermore, we have set a target under the Medium-term Management Plan of women comprising 25% or more of managers by March 31, 2021, and are actively recruiting female employees for managerial positions.

#### Expanding Spaces Where Older Human Resources Can Flourish

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

#### Percentage of female managers



### Diversity

San-in Godo Bank actively recruits persons with disabilities, creating spaces that showcase their individual skills in an effort to contribute to regional society by supporting the independence of the disabled.

#### Gogin Challenged Matsue – Opened in September 2007

“Gogin Challenged Matsue” is a business site for specialized work by people with intellectual disabilities, employing those who love paintings. As of March 31, 2018, there are 19 individuals employed at the site, compared to six when it first opened. Work and operations there include painting, the production of promotional giveaways using paintings, enclosing brochures and rubber-stamping.



Promotional giveaways with designs drawn by Challenged Matsue employees are handed out to customers.

#### Gogin Challenged Tottori – Opened September 2017

Gogin Challenged Tottori mainly employs persons with mental or developmental disabilities. Employees are responsible for a wide range of banking operations, including data entry and document filing. When it first opened, the site started with just five employees with disabilities. As the scope of its operations expands, Gogin Challenged Tottori plans to grow up to around 20 employees in the future.

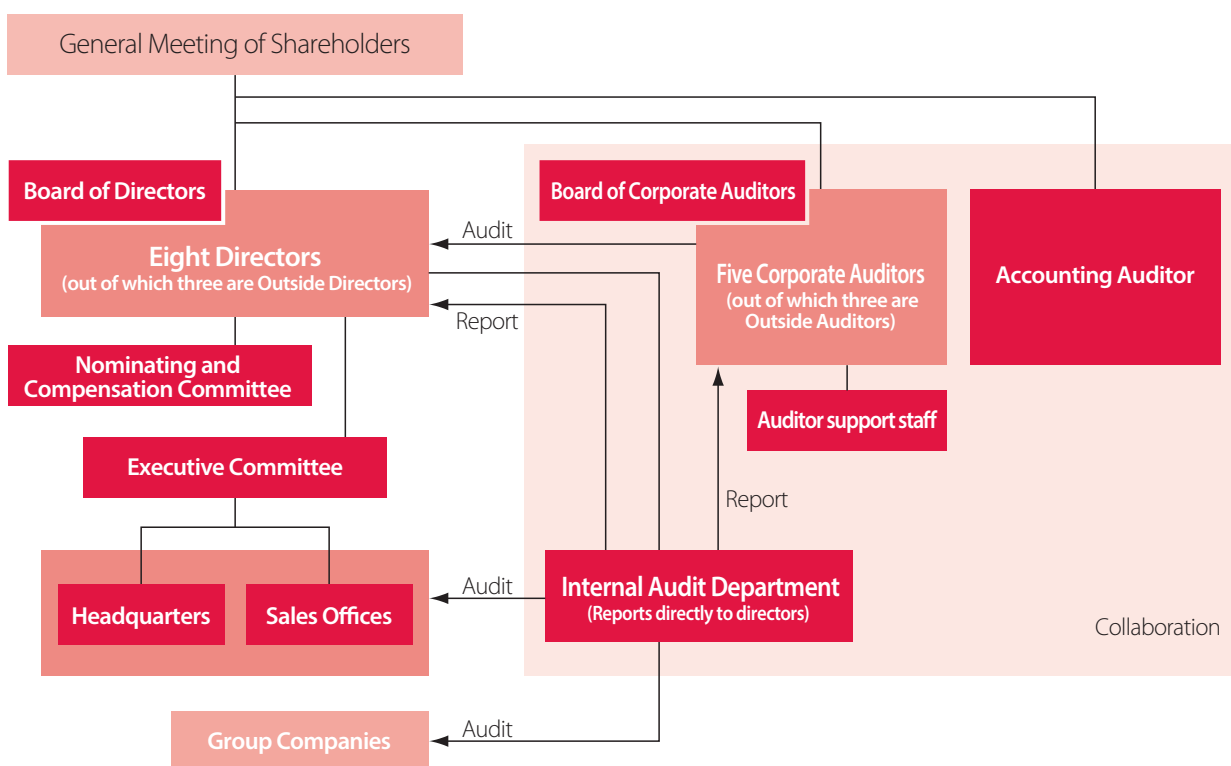
## Corporate Governance System

## Basic Policy about Corporate Governance System

The Bank strives for reinforcement and enhancement of corporate governance in order to establish a sound and highly transparent management system, appropriately responding to changes in the financial environment.

Specifically, in order to reinforce the checks and balances function of the Board of Directors and better respond to changes in the business environment flexibly and swiftly, Outside Directors are appointed, the term of a Director is set at one year and management responsibility of Directors is regularly reviewed and clarified. In order to separate “decision-making in the management and operation execution supervising function” and “operation execution function” and to clarify authority and responsibility, the Bank introduced an Executive Officer system in June 2011. In addition, the Bank established the Executive Committee, etc., in an effort to improve efficiency of its management system.

## Corporate Governance System



## Board of Directors

The Board of Directors comprised of eight Directors (out of which three are Outside Directors), makes important decisions on management and supervises execution of duties of Directors and Executive Officers. The Board of Directors' meeting is held regularly every month and an Extraordinary Board of Directors' meeting is held as appropriate to respond to urgent matters.

The Corporate Auditors may attend the Board of Directors' meetings and express their opinions from time to time if necessary.

## Board of Corporate Auditors

The Bank has established a Board of Auditors comprised of five Corporate Auditors (out of which three are Outside Auditors). Corporate Auditors monitor and examine whether internal controls of the Bank are working properly based on an audit of the execution of duties of the Directors in accordance with the audit policy and plan developed by the Board of Corporate Auditors.

## Executive Committee

The Executive Committee comprised of the Chief Executive Officer; Deputy Chief Executive Officer; Senior Managing Executive Officers and Managing Executive Officers, is flexibly held from time to time as a consultation organ on important management matters and a resolution organ of the matters delegated by the Board of Directors.

## Audit Department

The Bank has established an Internal Audit Department, which reports directly to the Board of Directors and is independent of the operation execution departments. The Internal Audit Department conducts audits of overall activities of the operation execution departments based on the internal audit policy and plan approved by the Board of Directors and regularly reports to the Board of Directors and the Board of Corporate Auditors the audit results and the matters to be indicated, etc.

## Accounting Auditor

Ernst & Young ShinNihon LLC serves as the bank's Accounting Auditor.

(As of July 1, 2018)

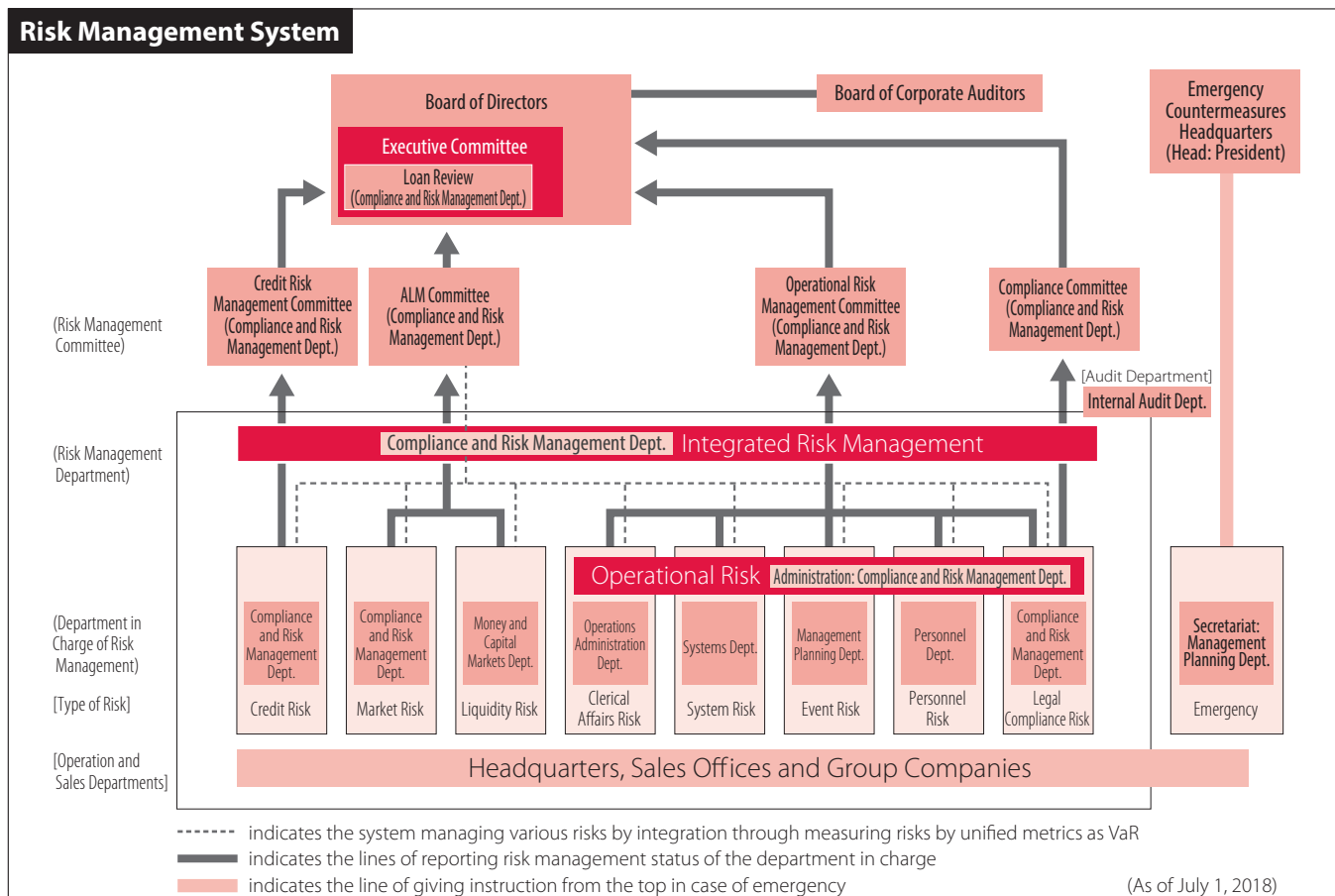
# Risk Management System

## Basic Concept of Risk Management

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

We set risk management as the most important issue in maintaining the stability and soundness of management and have established a risk management system with our board of directors placed at the top.

Specifically, we classify risk management as credit risk, market risk, liquidity risk and operational risk and assign respective departments in charge of management of each.



### Loan Review

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

### Credit Risk Management Committee

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

### ALM Committee

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

### Operational Risk Management Committee

We regularly hold Operational Risk Management Committee meetings in order to precisely comprehend the status of operational risks for appropriate risk control through identification and assessment of risks and review of risk reducing measures based on monitored results.

### Emergency Countermeasures Headquarters

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

# Consolidated Balance Sheets

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

As of March 31, 2017 and 2018	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
<b>Assets:</b>			
Cash and due from banks (Notes 14 and 16)	¥ 553,638	¥ 565,961	\$ 5,327,193
Call loans and bills purchased	36,142	3,718	34,996
Debt purchased	9,744	10,229	96,282
Trading securities (Note 17)	224	117	1,101
Money held in trust (Note 19)	3,996	4,000	37,650
Securities (Notes 5, 16, 17 and 18)	1,920,658	1,847,414	17,389,062
Loans and bills discounted (Notes 4, 7 and 16)	2,798,238	2,983,603	28,083,612
Foreign exchange	4,317	4,556	42,884
Lease receivables and investments in lease assets (Notes 5 and 15)	25,427	27,177	255,807
Other assets (Notes 5 and 16)	41,852	82,772	779,103
Tangible fixed assets (Notes 8 and 9):	36,746	36,496	343,524
Buildings	12,951	12,754	120,048
Land	20,842	20,796	195,745
Construction in process	12	3	28
Others	2,939	2,942	27,692
Intangible fixed assets:	1,901	2,427	22,844
Software	1,622	2,158	20,312
Others	279	269	2,532
Deferred tax assets (Note 23)	290	269	2,532
Customers' liabilities for acceptances and guarantees (Note 6)	16,529	14,720	138,554
Reserve for possible loan losses	(38,109)	(34,834)	(327,880)
Reserve for devaluation of securities	(127)	(26)	(244)
<b>Total assets</b>	<b>¥ 5,411,472</b>	<b>¥ 5,548,604</b>	<b>\$ 52,227,070</b>
<b>Liabilities:</b>			
Deposits (Notes 5 and 16)	¥ 3,937,562	¥ 3,989,404	\$ 37,550,865
Negotiable certificates of deposit (Note 16)	7,200	72,190	679,499
Call money and bills sold	29,730	35,292	332,191
Payables under repurchase agreements (Note 5)	34,330	20,882	196,554
Cash collateral received under securities lending (Notes 5 and 16)	410,793	517,951	4,875,291
Borrowed money (Notes 5 and 16)	510,342	451,050	4,245,576
Foreign exchange	17	24	225
Other liabilities (Notes 16 and 24)	89,060	63,251	595,359
Reserve for bonuses to employees	1,066	1,037	9,760
Net defined benefit liability (Note 21)	12,522	11,383	107,144
Reserve for stock benefits	99	211	1,986
Reserve for directors' and corporate auditors' retirement benefits	89	116	1,091
Reserve for reimbursement of deposits	371	388	3,652
Reserve for contingencies	840	865	8,141
Reserve under special laws	0	0	0
Deferred tax liabilities (Note 23)	5,704	5,088	47,891
Deferred tax liabilities for land revaluation excess (Note 8)	2,363	2,328	21,912
Acceptances and guarantees (Note 6)	16,529	14,720	138,554
<b>Total liabilities</b>	<b>¥ 5,058,625</b>	<b>¥ 5,186,189</b>	<b>\$ 48,815,785</b>
<b>Net assets (Note 28):</b>			
Common stock:			
Authorized — 495,021,000 shares in 2017 and 2018			
Issued and outstanding — 156,977,472 shares in 2017 and 2018	¥ 20,705	¥ 20,705	\$ 194,888
Capital surplus	21,381	21,381	201,251
Retained earnings	256,590	267,604	2,518,862
Treasury stock, at cost — 1,113,381 shares in 2017 and 921,843 shares in 2018	(851)	(697)	(6,560)
<b>Total shareholders' equity</b>	<b>297,825</b>	<b>308,993</b>	<b>2,908,443</b>
Net unrealized gain on other securities (Note 17)	55,449	53,227	501,007
Net deferred gain (loss) on hedging instruments	36	25	235
Land revaluation excess (Note 8)	2,970	2,892	27,221
Remeasurements of defined benefit plans (Note 21)	(5,194)	(4,470)	(42,074)
<b>Total accumulated other comprehensive income</b>	<b>53,263</b>	<b>51,674</b>	<b>486,389</b>
Subscription rights to new shares (Note 22)	470	349	3,285
Non-controlling interests	1,287	1,396	13,140
<b>Total net assets</b>	<b>¥ 352,846</b>	<b>¥ 362,415</b>	<b>\$ 3,411,285</b>
<b>Total liabilities and net assets</b>	<b>¥ 5,411,472</b>	<b>¥ 5,548,604</b>	<b>\$ 52,227,070</b>

See accompanying notes to consolidated financial statements.

# Consolidated Statements of Income

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

Years Ended March 31, 2017 and 2018	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
<b>Income:</b>			
Interest income:	¥ 63,202	¥ 62,730	\$ 590,455
Interest on loans and discounts	32,723	32,390	304,875
Interest and dividends on securities	26,893	26,196	246,573
Other interest income	3,586	4,143	38,996
Fees and commissions	10,911	11,126	104,725
Other operating income	15,193	17,851	168,025
Other income	4,518	4,116	38,742
<b>Total income</b>	<b>93,825</b>	<b>95,824</b>	<b>901,957</b>
<b>Expenses:</b>			
Interest expenses:	9,045	10,084	94,917
Interest on deposits and NCDs	5,001	4,895	46,074
Interest on call money and bills sold	456	562	5,289
Interest on payables under repurchase agreements	236	419	3,943
Interest on securities lending with cash collateral	2,127	3,261	30,694
Interest on borrowed money	352	154	1,449
Other interest expenses	871	791	7,445
Fees and commissions	3,823	3,959	37,264
Other operating expenses	18,150	18,750	176,487
General and administrative expenses	41,230	41,242	388,196
Provision for reserve for possible loan losses	—	576	5,421
Other expenses (Note 10)	1,209	1,526	14,363
<b>Total expenses</b>	<b>73,458</b>	<b>76,139</b>	<b>716,669</b>
Profit before income taxes	20,366	19,685	185,288
Income taxes (Note 23):	6,595	5,978	56,268
Current	6,163	5,445	51,251
Deferred	432	532	5,007
<b>Profit</b>	<b>13,771</b>	<b>13,706</b>	<b>129,009</b>
Profit attributable to non-controlling interests	371	14	131
<b>Profit attributable to owners of the Bank</b>	<b>¥ 13,399</b>	<b>¥ 13,692</b>	<b>\$ 128,878</b>

See accompanying notes to consolidated financial statements.

# Consolidated Statements of Comprehensive Income

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

Years Ended March 31, 2017 and 2018	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Profit	¥ 13,771	¥ 13,706	\$ 129,009
Other comprehensive income:			
Net unrealized gain (loss) on other securities	(20,117)	(2,127)	(20,020)
Net deferred gain on hedging instruments	80	(11)	(103)
Remeasurements of defined benefit plans	750	723	6,805
Total other comprehensive income (Note 11)	(19,286)	(1,415)	(13,318)
Comprehensive income	¥ (5,514)	¥ 12,291	\$ 115,690
Comprehensive income attributable to owners of the Bank	¥ (5,844)	¥ 12,181	\$ 114,655
Comprehensive income attributable to non-controlling interests	329	109	1,025

See accompanying notes to consolidated financial statements.

# Consolidated Statements of Changes in Net Assets

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

Years Ended March 31, 2017 and 2018	Millions of Yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
<b>Net assets as of April 1, 2016</b>	¥ 20,705	¥ 15,516	¥ 247,413	¥ (629)	¥283,006
Dividends			(2,372)		(2,372)
Profit attributable to owners of the Bank			13,399		13,399
Purchases of treasury stock				(2,189)	(2,189)
Sales of treasury stock			(38)	125	86
Cancellation of treasury stock			(1,842)	1,842	—
Transfer from land revaluation excess			30		30
Changes in ownership interests arising from transactions with non-controlling interests		5,865			5,865
Net changes of items other than shareholders' equity					
Total changes during the year	—	5,865	9,176	(222)	14,819
<b>Net assets as of April 1, 2017</b>	20,705	21,381	256,590	(851)	297,825
Dividends			(2,739)		(2,739)
Profit attributable to owners of the Bank			13,692		13,692
Purchases of treasury stock				(1)	(1)
Sales of treasury stock			(16)	155	139
Transfer from land revaluation excess			78		78
Net changes of items other than shareholders' equity					
Total changes during the year	—	—	11,014	154	11,168
<b>Balance as of March 31, 2018</b>	¥ 20,705	¥ 21,381	¥267,604	¥ (697)	¥308,993

Years Ended March 31, 2017 and 2018	Millions of Yen							
	Accumulated other comprehensive income							
	Net unrealized gain 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
<b>Net assets as of April 1, 2016</b>	¥75,089	¥ (43)	¥3,001	¥(5,944)	¥72,102	¥521	¥18,098	¥373,728
Dividends								(2,372)
Profit attributable to owners of the Bank								13,399
Purchases of treasury stock								(2,189)
Sales of treasury stock								86
Cancellation of treasury stock								
Transfer from land revaluation excess								30
Changes in ownership interests arising from transactions with non-controlling interests								5,865
Net changes of items other than shareholders' equity	(19,640)	80	(30)	750	(18,838)	(51)	(16,810)	(35,700)
Total changes during the year	(19,640)	80	(30)	750	(18,838)	(51)	(16,810)	(20,881)
<b>Net assets as of April 1, 2017</b>	55,449	36	2,970	(5,194)	53,263	470	1,287	352,846
Dividends								(2,739)
Profit attributable to owners of the Bank								13,692
Purchases of treasury stock								(1)
Sales of treasury stock								139
Transfer from land revaluation excess								78
Net changes of items other than shareholders' equity	(2,222)	(11)	(78)	723	(1,588)	(120)	108	(1,600)
Total changes during the year	(2,222)	(11)	(78)	723	(1,588)	(120)	108	9,568
<b>Balance as of March 31, 2018</b>	¥53,227	¥ 25	¥2,892	¥(4,470)	¥51,674	¥349	¥ 1,396	¥362,415

Year Ended March 31, 2018	Thousands of U.S. Dollars				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
<b>Net assets as of April 1, 2017</b>	\$194,888	\$201,251	\$2,415,192	\$(8,010)	\$2,803,322
Dividends			(25,781)		(25,781)
Profit attributable to owners of the Bank			128,878		128,878
Purchases of treasury stock				(9)	(9)
Sales of treasury stock			(150)	1,458	1,308
Transfer from land revaluation excess			734		734
Net changes of items other than shareholders' equity					
Total changes during the year	—	—	103,670	1,449	105,120
<b>Balance as of March 31, 2018</b>	\$194,888	\$201,251	\$2,518,862	\$(6,560)	\$2,908,443

Year Ended March 31, 2018	Thousands of U.S. Dollars							
	Accumulated other comprehensive income							
	Net unrealized gain 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
<b>Net assets as of April 1, 2017</b>	\$521,922	\$338	\$27,955	\$(48,889)	\$501,346	\$4,423	\$12,114	\$3,321,216
Dividends								(25,781)
Profit attributable to owners of the Bank								128,878
Purchases of treasury stock								(9)
Sales of treasury stock								1,308
Transfer from land revaluation excess								734
Net changes of items other than shareholders' equity	(20,914)	(103)	(734)	6,805	(14,947)	(1,129)	1,016	(15,060)
Total changes during the year	(20,914)	(103)	(734)	6,805	(14,947)	(1,129)	1,016	90,060
<b>Balance as of March 31, 2018</b>	\$501,007	\$235	\$27,221	\$(42,074)	\$486,389	\$3,285	\$13,140	\$3,411,285

See accompanying notes to consolidated financial statements.

# Consolidated Statements of Cash Flows

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

Years Ended March 31, 2017 and 2018	Millions of Yen		U.S. Dollars
	2017	2018	2018
<b>Cash flows from operating activities:</b>			
Profit before income taxes	¥ 20,366	19,685	\$ 185,288
Depreciation	2,664	2,411	22,693
Loss on impairment of fixed assets	243	175	1,647
Increase (decrease) in reserve for possible loan losses	(1,760)	(3,275)	(30,826)
Increase (decrease) in reserve for devaluation of securities	20	(100)	(941)
Increase (decrease) in reserve for bonuses to employees	11	(28)	(263)
Increase (decrease) in net defined benefit liability	(219)	(1,139)	(10,721)
Increase (decrease) in reserve for stock benefits	99	111	1,044
Increase (decrease) in reserve for directors' and corporate auditors' retirement benefits	7	27	254
Increase (decrease) in reserve for reimbursement of deposits	7	16	150
Increase (decrease) in reserve for contingencies	3	25	235
Interest and dividend income	(63,202)	(62,730)	(590,455)
Interest expenses	9,045	10,084	94,917
Net (gain) loss on securities transactions	2,401	1,602	15,079
Net (gain) loss on money held in trust	78	(6)	(56)
Net foreign exchange (gain) loss	(222)	(758)	(7,134)
Net (gain) loss on disposals of fixed assets	(47)	6	56
Net (increase) decrease in loans and bills discounted	(208,579)	(185,365)	(1,744,775)
Net increase (decrease) in deposits	68,923	51,842	487,970
Net increase (decrease) in negotiable certificates of deposit	7,200	64,990	611,728
Net increase (decrease) in borrowed money	52,224	(59,291)	(558,085)
Net (increase) decrease in due from banks (exclusive of the Bank of Japan)	(1,424)	247	2,324
Net (increase) decrease in call loans	(9,187)	31,939	300,630
Net increase (decrease) in call money	32,510	(7,885)	(74,218)
Net increase (decrease) in cash collateral received under securities lending	132,403	107,157	1,008,631
Net (increase) decrease in foreign exchange assets	1,298	(239)	(2,249)
Net increase (decrease) in foreign exchange liabilities	1	6	56
Interest and dividends received	63,454	63,367	596,451
Interest paid	(8,657)	(10,893)	(102,532)
Others	(20,290)	(44,499)	(418,853)
Subtotal	79,373	(22,516)	(211,935)
Income taxes paid	(8,195)	(5,001)	(47,072)
Net cash provided by (used in) operating activities	71,178	(27,517)	(259,007)
<b>Cash flows from investing activities:</b>			
Purchases of securities	(323,276)	(298,835)	(2,812,829)
Proceeds from sales of securities	119,517	226,491	2,131,880
Proceeds from redemption of securities	111,442	117,406	1,105,101
Increase in money held in trust	(1,002)	(3)	(28)
Decrease in money held in trust	3,419	—	—
Purchases of tangible fixed assets	(845)	(1,240)	(11,671)
Purchases of intangible fixed assets	(580)	(1,052)	(9,902)
Proceeds from sales of tangible fixed assets	805	65	611
Proceeds from sales of intangible fixed assets	0	—	—
Net cash provided by (used in) investing activities	(90,520)	42,831	403,153
<b>Cash flows from financing activities:</b>			
Purchases of treasury stock	(1,759)	(1)	(9)
Proceeds from sales of treasury stock	0	0	0
Dividends paid	(2,372)	(2,739)	(25,781)
Dividends paid to non-controlling shareholders	(6)	(0)	(0)
Purchases of interest in subsidiaries that do not result in change in scope of consolidation	(10,838)	—	—
Net cash provided by (used in) financing activities	(14,976)	(2,741)	(25,800)
<b>Effect of changes in exchange rates on cash and cash equivalents</b>	(0)	(1)	(9)
<b>Net increase (decrease) in cash and cash equivalents</b>	(34,317)	12,570	118,317
<b>Cash and cash equivalents at the beginning of the year</b>	584,225	549,907	5,176,082
<b>Cash and cash equivalents at the end of the year (Note 14)</b>	¥ 549,907	562,478	\$ 5,294,408

See accompanying notes to consolidated financial statements.

# Notes to the Consolidated Financial Statements

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

## 1. Basis of Preparation

The accompanying consolidated financial statements of The San-in Godo Bank, Ltd. (the "Bank") and consolidated subsidiaries (together, the "Group") are prepared on the basis of accounting principles generally accepted in Japan, the Companies Act of Japan and the Banking Act of Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Bank as required by the Financial Instruments and Exchange Act of Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made in the consolidated financial statements issued for domestic purposes in order to present them in a form which is more familiar to readers outside Japan. In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

As permitted by the Financial Instruments and Exchange Act, amounts less than one million yen have been omitted. Consequently, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts.

The U.S. dollar amounts presented in the accompanying consolidated financial statements are included solely for convenience and should not be construed as representations that yen amounts have been, or could in the future be, converted into U.S. dollars. The rate of ¥106.24 to U.S. \$1, prevailing at the end of March 2018, 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, 2017 and 2018 was 11.

#### (ii) Unconsolidated subsidiaries

The numbers of unconsolidated subsidiaries due to less materiality as of March 31, 2017 and 2018 were 9 and 11, respectively. These unconsolidated subsidiaries are not accounted for by the equity method, but stated at cost determined by the moving average method.

#### (iii) Balance sheet date of subsidiaries

The fiscal year-end of all the consolidated subsidiaries is March 31.

### (b) Trading Securities

Trading securities are carried at fair value with unrealized gains or losses recognized in earnings. Cost of trading securities sold is determined by the moving average method.

### (c) Securities

Securities other than trading securities are classified and accounted for as follows:

(i) Debt securities which the Bank has the positive intent and ability to hold to maturity are carried at amortized cost computed by the straight-line method. The cost of securities sold is determined by the moving average method.

(ii) Other securities are generally carried at fair value based on market prices at the balance sheet date with unrealized gains or losses, net of applicable income taxes, included directly in net assets. However, certain other securities, of which fair value is extremely difficult to determine, are carried at cost. Cost of securities sold is determined by the moving average method.

(iii) Securities included in money held in trust for the purpose of securities trading are carried at fair value with unrealized gains or losses recognized in earnings.

(iv) Securities included in money held in trust for the purpose other than securities trading and investment in held to maturity securities are carried at fair value with unrealized gains or losses, net of applicable income taxes, included directly in net assets.

### (d) Derivatives

Derivative financial instruments are stated at fair value.

### (e) Depreciation of Tangible Fixed Assets

Buildings are depreciated using the straight-line method, while the declining-balance method is used for equipment. The estimated useful lives of major tangible fixed assets are as follows:

Buildings.....	15 to 50 years
Equipment.....	5 to 15 years

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

### (f) Depreciation of Intangible Fixed Assets

Intangible fixed assets are depreciated by the straight-line method. Acquisition costs of software intended for internal use are capitalized and depreciated over the estimated useful lives (mainly 5 years).

# Notes to the Consolidated Financial Statements

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

## (g) Depreciation of Leased Assets

Leased assets included in tangible or intangible fixed assets under the finance lease arrangements which do not transfer ownership of the leased assets to the lessee are depreciated by the straight-line method over the respective lease periods without residual values or with predetermined residual values in the lease contracts.

## (h) Reserves

### (i) Reserve for possible loan losses

The Bank makes reserve for possible loan losses based on "Guidelines for Auditing Self-Assessment of Assets, Write-Offs and Loan Loss Provisions of Banks and Other Financial Institutions" issued by the Japanese Institute of Certified Public Accountants ("JICPA") (JICPA Bank Auditing Special Committee Report No. 4, issued on July 4, 2012).

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

A reserve is also provided for "Loans to Borrowers with Bankruptcy Imminent." In such cases, the anticipated proceeds from the sales of collateral pledged against such loans and the amounts expected to be recovered from guarantors of the loans are first subtracted from the book value of the loans. A reserve is then provided in the amount deemed necessary.

A reserve is maintained at the book value of "Loans to Borrowers under Bankruptcy Proceedings" or "Loans to Borrowers Substantially in Bankruptcy" after deducting the anticipated proceeds from the sale of collateral pledged against such loans and the amounts expected to be recovered from the guarantors of the loans.

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

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

With respect to the reserves for possible loan losses of the consolidated subsidiaries, the amounts deemed necessary are provided based on the actual default ratios in the past. In cases where there is more concern about the failure of the obligor, amounts deemed uncollectible are provided in the reserve.

### (ii) Reserve for devaluation of securities

A reserve for devaluation of securities is provided in the amount necessary to cover possible losses on investments in securities, which is determined based on assessment of the financial position of the companies issuing the securities.

### (iii) Reserve for bonuses to employees

A reserve for bonuses to employees is provided in the amount accrued during the year, which is calculated based on the estimated amount of future bonus payment to employees.

### (iv) Reserve for stock benefits

A reserve for stock benefits is provided in the estimated amount of future stock payments to the Bank's directors and executive officers.

### (v) Reserve for directors' and corporate auditors' retirement benefits

A reserve for directors' and corporate auditors' retirement benefits is provided in the estimated amount of future retirement payments to directors and corporate auditors of the Bank's subsidiaries.

### (vi) Reserve for reimbursement of deposits

A reserve for reimbursement of deposits is provided in the estimated amount of future claims for payments of deposits not accounted for as liability.

### (vii) Reserve for contingencies

A reserve for contingencies is provided in the estimated amount of future loss arising from contingencies other than events described above.

### (viii) Reserve under special laws

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

## (i) Employees' Retirement Benefits

Net defined benefit liability is recognized based on the estimated amounts of the projected retirement benefit obligations and assets of the existing pension plans.

For determination of projected retirement benefit obligations, the benefit formula basis is used as a method of attributing expected benefit to each period.

Unrecognized prior service cost is amortized by the straight-line method over the specific years (10 years) within the average remaining years of service of the eligible employees. Actuarial gains or losses are amortized from the next year after incurrence by the straight-line method over the specific years (10 years) within the average remaining years of service of the eligible employees.

Certain consolidated subsidiaries record net defined benefit liability and net retirement benefit expense using the simplified method whereby the projected retirement benefit obligations are estimated at the amount that would be payable if the eligible employees would have been retired voluntarily at the balance sheet date.

#### (j) Foreign Currency Transactions

Assets and liabilities denominated in foreign currencies are translated into Japanese yen using primarily applicable rate of exchange effective at the balance sheet date.

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

#### (k) Hedge Accounting

##### (i) Hedge of interest rate risk

The Bank hedges the interest rate risk arising from the Bank's financial assets and liabilities by individually matching interest rate swaps with fixed-interest rate loans. The Bank applies the deferral method of hedge accounting, under which gains or losses on derivatives are deferred until maturity of the hedged transactions, or the special treatment for interest rate swaps, under which the differential paid or received under the swap agreements are recognized and included in interest expenses or income.

##### (ii) Hedge of foreign exchange risk

In accordance with the general provisions of the "Accounting and Auditing Treatment of Foreign Exchange Transactions for the Banking Industry" (JICPA Industry Audit Committee Report No. 25, issued on July 29, 2002), the Bank applies the deferral method to account for derivative instruments which hedge the foreign exchange risk on financial assets and liabilities denominated in foreign currency.

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

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

#### (l) Consumption Taxes

Transactions subject to consumption taxes including the local consumption tax are recorded at amount exclusive of consumption taxes.

#### (m) Cash and Cash Equivalents

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

### 3. Additional Information

#### Transaction to Provide Shares of the Bank to Executives through a Trust

The Bank introduced a stock-based remuneration system called Board Benefit Trust ("BBT") for the Bank's directors and executive officers ("Executives") in order to encourage contribution to mid-term business results and expanding corporate value.

##### (a) Overview of the transaction

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

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

##### (b) The Bank's shares in the trust

The Bank's shares in the trust are recognized as treasury stock in net assets at carrying amount of the trust. The amounts of treasury stock in the trust were ¥430 million and ¥412 million (\$3,878 thousand) and the numbers of those shares were 599 thousand and 574 thousand as of March 31, 2017 and 2018, respectively.

### 4. Loans and Bills Discounted

Loans and bills discounted as of March 31, 2017 and 2018 include the following risk managed loans.

	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Loans to borrowers under bankruptcy proceedings (*1)	¥ 1,849	¥ 1,951	\$ 18,364
Non-accrual past due loans (*2)	43,809	40,087	377,324
Loans past due for three months or more (*3)	—	0	0
Loans with altered lending conditions (*4)	12,164	11,058	104,085
Total	¥ 57,823	¥ 53,099	\$ 499,802

(\*1) Loans for which circumstances apply as stated in the Tax Law among non-accrual loans (excluding loan write-offs) for which payments of outstanding principal or interest have not been received for a substantial period or which have arisen for other reasons.

(\*2) Loans for which payments of outstanding principal or interest have not been received for a substantial period, excluding loans to borrowers under bankruptcy proceedings and loans for which interest payments have been rescheduled with the objective of assisting these borrowers in business restructuring.

# Notes to the Consolidated Financial Statements

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- (\*3) Loans for which payments of principal or interest have not been received for a period of three months or more from the next day of the due date, and which are not included in loans to borrowers under bankruptcy proceedings or non-accrual past due loans.
- (\*4) Loans which are restructured to provide relief to borrowers by reducing interest rates, rescheduling interest and principal payments, or waiving the claims on borrowers. Such loans exclude loans to borrowers under bankruptcy proceedings, non-accrual past due loans and loans past due for three months or more.

Discounted bills are accounted for as financing transactions in accordance with "Accounting and Auditing Treatment of Financial Instruments for the Banking Industry" (JICPA Industry Audit Committee Report No. 24, issued on February 13, 2002). As of March 31, 2017 and 2018, the face value of discounted bills which can be sold or repurchased by the Bank amounted to ¥11,564 million and ¥12,891 million (\$121,338 thousand), respectively. These discounted bills include banker's acceptances, commercial bills, documentary bills and bills purchased in connection with foreign exchange transactions.

## 5. Assets Pledged

Assets pledged as collateral as of March 31, 2017 and 2018 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Assets pledged as collateral:			
Securities	¥1,010,317	¥1,043,682	\$9,823,814
Lease receivables and investments in lease assets	12,222	12,586	118,467
Other assets	614	737	6,937
Liabilities secured by the above assets:			
Deposits	83,154	138,691	1,305,449
Payables under repurchase agreements	34,330	20,882	196,554
Cash collateral received under securities lending	410,793	517,951	4,875,291
Borrowed money	507,087	447,115	4,208,537

Other than the items presented above, securities of ¥44,169 million and ¥8,288 million (\$78,012 thousand), and other assets of ¥9,517 million and ¥39,017 million (\$367,253 thousand) as of March 31, 2017 and 2018, respectively, were held as collateral for transactions such as settlement transactions or in lieu of margins of futures transactions.

Other assets included guarantee deposits of ¥459 million and ¥646 million (\$6,080 thousand) as of March 31, 2017 and 2018, respectively.

## 6. Customers' Liabilities for Acceptances and Guarantees

All contingent liabilities arising from acceptances and guarantees are recorded in "Acceptances and guarantees." A contra account, "Customers' liabilities for acceptances and guarantees," is shown on the asset side representing the Bank's right to indemnify from its customers.

## 7. Overdraft Agreements and Loan Commitments

Overdraft agreements and loan commitments are agreements under which the Group is obliged to extend loans up to a prearranged limit, provided there is no violation of condition in the contracts. The loan commitments not yet drawn down as of March 31, 2017 and 2018 totaled ¥804,949 million and ¥820,444 million (\$7,722,552 thousand), respectively, of which ¥781,266 million and ¥791,067 million (\$7,446,037 thousand), respectively, were related to agreements whose contractual terms were for one year or less or which were unconditionally cancelable at any time.

As the majority of these agreements expire without being drawn down, the unused commitment balance does not necessarily affect the future cash flows of the Bank or of its consolidated subsidiaries. These agreements usually include provisions which stipulate that the Group has the right either to refuse the execution of the loans or to reduce the contractual commitments when there is a change in the financial condition, when additional assurance of the financial soundness and creditworthiness of a borrower is necessary, or when other unexpected events occur. The Group takes various measures to protect their credit. Such measures include obtaining real estate or securities as collateral at the time of the agreements, monitoring a customer's business on a regular basis in accordance with established internal procedures, and amending the loan commitment agreements when necessary.

## 8. Land Revaluation Excess

On March 31, 1998, the Bank revalued its land used for business purposes based on the Law Concerning Land Revaluation (Law No. 34, promulgated on March 31, 1998). As a result of this revaluation, the revaluation difference, net of the applicable tax effect, has been recorded as land revaluation excess in net assets. The tax effect has been recorded as "Deferred tax liability for land revaluation excess" in liabilities.

The difference between the fair value of land used for business purposes revalued as stipulated under Article 10 of the Law Concerning Land Revaluation and the book value of such land after revaluation as of March 31, 2017 and 2018 resulted in unrealized loss of ¥9,140 million and ¥8,947 million (\$84,214 thousand), respectively.

The revaluation method as stated in Article 3-3 of the Law Concerning Land Revaluation:  
The value of land is evaluated using the method as stipulated in Article 2-4 of the Ordinance Implementing the Law Concerning Land Revaluation (Government Ordinance No. 119, promulgated on March 31, 1998), to make reasonable adjustments on the prices calculated through such a way as the Commissioner of the National Tax Administration established and officially announced so as to compute the official notice prices as provided in Article 16 of the Law Concerning Public

Notification of Land Prices, in combination with the prices estimated by real estate appraisers as stipulated in Article 2-5 of the abovementioned ordinance.

#### 9. Accumulated Depreciation and Deferred Revenue on Tangible Fixed Assets

The amounts of accumulated depreciation of tangible fixed assets were ¥48,925 million and ¥49,382 million (\$464,815 thousand) as of March 31, 2017 and 2018, respectively. The amounts of deferred revenue of tangible fixed assets were ¥1,345 million and ¥1,345 million (\$12,660 thousand) as of March 31, 2017 and 2018, respectively. There was no deferred revenue on tangible fixed assets incurred for the years ended March 31, 2017 and 2018.

#### 10. Other Expenses

For the year ended March 31, 2017, other expenses included loss on impairment of fixed assets of ¥243 million, loss on write-offs of loans of ¥29 million, loss on write-offs of stocks of ¥6 million, and loss on sales of loans of ¥76 million.

For the year ended March 31, 2018, other expenses included loss on impairment of fixed assets of ¥175 million (\$1,647 thousand), loss on write-offs of loans of ¥11 million (\$103 thousand), loss on write-offs of stocks of ¥0 million (\$0 thousand), and loss on sales of loans of ¥437 million (\$4,113 thousand).

#### 11. Other Comprehensive Income

Reclassification adjustment and tax effect of other comprehensive income for the years ended March 31, 2017 and 2018 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Net unrealized gain (loss) on other securities:			
Amount incurred during the year	¥ (31,333)	¥ (4,848)	\$ (45,632)
Reclassification adjustment	2,619	1,245	11,718
Amount before tax effect	(28,713)	(3,602)	(33,904)
Tax effect	8,595	1,475	13,883
Net unrealized gain (loss) on other securities	(20,117)	(2,127)	(20,020)
Net deferred gain on hedging instruments:			
Amount incurred during the year	2,585	2,983	28,077
Reclassification adjustment	(2,469)	(3,000)	(28,237)
Amount before tax effect	116	(17)	(160)
Tax effect	(35)	5	47
Net deferred gain on hedging instruments	80	(11)	(103)
Remeasurements of defined benefit plans:			
Amount incurred during the year	(636)	(711)	(6,692)
Reclassification adjustment	1,717	1,753	16,500
Amount before tax effect	1,081	1,042	9,807
Tax effect	(330)	(318)	(2,993)
Net remeasurements of defined benefit plans	750	723	6,805
Total other comprehensive income	¥ (19,286)	¥ (1,415)	\$ (13,318)

#### 12. Shares Issued

The numbers of shares issued and changes during the years ended March 31, 2017 and 2018 are summarized as follows:

Year ended March 31, 2017	Thousands of shares	
	Treasury stock	Common stock issued
Beginning of the year	640	159,227
Increase during the year	(*3) 2,850	—
Decrease during the year	(*3) 2,377	(*1) 2,250
End of the year	(*2) 1,113	156,977

(\*1) The decrease in common stock issued is due to cancellation of treasury stock.

(\*2) The Bank's stock held by the Board Benefit Trust (BBT) of 599 thousand shares were included in the treasury stock at the end of the year.

(\*3) 2,250 thousand shares were purchased from the market by the Bank, 599 thousand shares were purchased from the market by the Board Benefit Trust (BBT), and 1 thousand shares were purchased for claims by the shareholders who owned less than the trade unit. The decrease in treasury stock is due to cancellation of treasury stock of 2,250 thousand shares, execution of stock options of 127 thousand shares and claims for purchase by the shareholders who owned less than the trade unit of 0 thousand shares.

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

(\*1) The Bank's stock held by the Board Benefit Trust (BBT) of 599 thousand shares and 574 thousand shares were included in the treasury stock at the beginning and end of the year, respectively.

# Notes to the Consolidated Financial Statements

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(\*2) 1 thousand shares were purchased for claims by the shareholders who owned less than the trade unit. The decrease in treasury stock is due to execution of stock options of 167 thousand shares, stock benefit paid by BBT of 25 thousand shares and claims for purchase by the shareholders who owned less than the trade unit of 0 thousand shares.

## 13. Dividends

Year ended March 31, 2017

Dividends paid during the year are summarized as follows:

Resolution	Total dividends	Dividend per share	Base date	Effective date
The general shareholders' meeting on June 23, 2016	¥ 1,665 million	¥ 10.5	March 31, 2016	June 24, 2016
The board of directors on November 11, 2016	¥ 707 million	¥ 4.5	September 30, 2016	December 9, 2016

(\*) Total dividend resolved by the board of directors on November 11, 2016 includes ¥2 million of dividend to the shares held by Board Benefit Trust (BBT).

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

Resolution	Total dividend	Dividend per share	Base date	Effective date
The general shareholders' meeting on June 22, 2017	¥ 1,642 million	¥ 10.5	March 31, 2017	June 23, 2017

(\*) Total dividend resolved by the general shareholders' meeting on June 22, 2017 includes ¥6 million of dividend to the shares held by Board Benefit Trust (BBT).

Year ended March 31, 2018

Dividends paid during the year are summarized as follows:

Resolution	Total dividends	Dividend per share	Base date	Effective date
The general shareholders' meeting on June 22, 2017	¥ 1,642 million \$ 15,455 thousand	¥ 10.5 \$ 0.09	March 31, 2017	June 23, 2017
The board of directors on November 10, 2017	¥ 1,096 million \$ 10,316 thousand	¥ 7.0 \$ 0.06	September 30, 2017	December 8, 2017

(\*) Total dividends resolved by the general shareholders' meeting on June 22, 2017 and the board of directors on November 10, 2017 include ¥6 million (\$56 thousand) and ¥4 million (\$37 thousand) of dividends to the shares held by Board Benefit Trust (BBT), respectively.

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

Resolution	Total dividend	Dividend per share	Base date	Effective date
The general shareholders' meeting on June 26, 2018	¥ 2,975 million \$ 28,002 thousand	¥ 19.0 \$ 0.17	March 31, 2018	June 27, 2018

(\*) Total dividend resolved by the general shareholders' meeting on June 26, 2018 includes ¥10 million (\$94 thousand) of dividend to the shares held by Board Benefit Trust (BBT).

## 14. Reconciliation of Cash and Cash Equivalents

Reconciliation between cash and due from banks in the consolidated balance sheets as of March 31, 2017 and 2018 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
	2017	2018	2018
Cash and due from banks	¥ 553,638	¥ 565,961	\$5,327,193
Deposits to banks excluding the Bank of Japan	(3,730)	(3,483)	(32,784)
Cash and cash equivalents	¥ 549,907	¥ 562,478	\$5,294,408

## 15. Lease Transactions

### As a Lessee

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

### As a Lessor

Investments in lease assets as of March 31, 2017 and 2018 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Gross lease receivables	¥ 25,184	¥ 27,005	\$ 254,188
Expected residual values	1,894	2,303	21,677
Unearned interest income	(1,651)	(2,131)	(20,058)
Investments in lease assets	¥ 25,427	¥ 27,177	\$ 255,807

Maturities of gross lease receivables for finance leases as of March 31, 2018 are as follows:

Year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2019	¥ 8,398	\$ 79,047
2020	6,654	62,631
2021	5,068	47,703
2022	3,497	32,916
2023	1,791	16,858
2024 and thereafter	1,594	15,003
Total	¥ 27,005	\$ 254,188

## 16. Financial Instruments and Related Disclosures

### Disclosure of Financial Instruments

#### (1) Policy on financial instruments

The Group provides financial services including banking services such as deposit-taking, lending services and others. Accordingly, the Group is exposed to the risk of fluctuation of values and earnings of financial assets and liabilities resulting from changes in interest rates (interest rate risk) and the risk that the Group may suffer losses on collection of principal and interest on loans due to bankruptcy or deterioration of performances of counterparties (credit risk). In addition, the Group is exposed to price fluctuation risk associated with equity securities in addition to interest rate risk and credit risk for securities investment operations. The Group conducts comprehensive Asset and Liability Management (ALM) aiming at appropriate risk management and maximization of earnings and, as part of ALM, employs derivative transactions.

#### (2) Nature and risk of financial instruments

Financial assets held by the Group principally consist of loans to domestic customers, which are exposed to interest rate risk and credit risk arising from nonperformance of contractual obligations. The Group holds securities principally consisting of debt securities and equity securities which are classified into trading securities, held-to-maturity securities and other (available-for-sale) securities depending on the holding purposes. They are exposed to credit risk of issuers, interest rate risk and price fluctuation risk. Financial liabilities held by the Group principally consist of deposits accepted from domestic customers, which are exposed to interest rate risk. Borrowed money is exposed to liquidity risk that the Group may not be able to settle on the maturity date when the Group might not be able to utilize the market under certain environments.

Derivative transactions consist of forward foreign exchange contracts, currency swaps and currency options as currency related derivatives and interest rate swaps and interest rate futures as interest rate related derivatives. Interest rate swaps and forward foreign exchange contracts which qualify for hedge accounting and meet internal policy as to the application of hedge accounting are accounted for under hedge accounting.

#### (3) Risk management system for financial instruments

##### *Credit risk management*

Credit risk management of the Group consists of "Strict review and control on individual transactions (micro base credit risk management)," "Portfolio management and appropriate administration through credit risk quantification (macro base credit risk management)" and "Strict self-assessment and appropriate write-offs and provision" based on "Internal rating system."

With respect to control system on the volume of risk, status of self-assessment, internal rating, write-offs and provision, status on measurement of risk with VaR, etc., status of concentration of credit risk, status of profitability on lending and status on doubtful accounts are reported to the Loan Review (executive management meeting), the Credit Risk Control Committee and the ALM Committee on a regular basis and, if necessary, discussed in the executive management meeting. The Bank allocates capital to the credit risk exposure and monitors it to balance the volume of risk within the extent of the capacity (capital).

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## Market risk management

### (a) Qualitative information on market risk management

With respect to market risk management, the Bank identifies and controls the volume of risk using real risk subtracted holding gain or loss and realized gain or loss from VaR for internal management purpose. The Bank allocates capital to the market risk exposure and monitors it to balance the volume of risk within the extent of the capacity (capital). In addition to daily monitoring and controls of the real risk and VaR, the monthly ALM committee discusses and determines the means of appropriate risk control.

### (b) Quantitative information on market risk management

#### (i) Risk related to securities

The Bank, in principle, utilizes the historical simulation method in calculating VaR of securities held. The volume of risk associated with products for which market value is not readily available is calculated by applying a certain factor to acquisition costs, etc.

VaR is calculated on a daily basis using the following assumptions: holding period of 60 days (120 days for strategic shares), confidence level of 99%, and time horizon of one year.

As of March 31, 2018, the volume of VaR was ¥59,863 million (\$563,469 thousand) and there was no real risk because gain on valuation of securities exceeded the value of VaR.

The Bank verifies the effectiveness of the VaR model by comparing VaR and daily gains and losses. However, VaR calculates the volume of market risk with certain probability level which is statistically calculated based on the historical market changes, and it may not capture risks under extremely unusual situation where market environment changes drastically.

#### (ii) Interest rate risk related to financial instruments other than securities

The Bank utilizes the delta method in calculating VaR of financial instruments exposed to interest rate risk such as deposits and loans, except securities, and the core deposit internal model for liquid deposit. The volume of risk related to loans with embedded option is calculated by applying a certain factor to outstanding balance.

VaR is calculated on a monthly basis using the following assumptions: holding period of 60 days, confidence level of 99%, and time horizon of one year. The volume of interest rates risk related to deposits and loans as of March 31, 2018 was ¥(12,240) million (\$115,210 thousand). For risk calculation of financial instruments other than securities, an increase in subject interest rates as of the fiscal year end would result in an overall value; therefore, the volume of risk is calculated as negative value for internal management purpose.

However, VaR calculates the volume of market risk with certain probability level which is statistically calculated based on the historical interest rates changes, and it may not capture risks under extremely unusual situation where interest rate environment changes drastically.

## Liquidity risk management related to fund raising

With respect to liquidity risk management, the Bank controls the risk using limits on fund gap on a daily basis and also prepares forecast and actual results of cash management on a monthly basis and verifies the variance against the plan. Furthermore, the Bank prepares a contingency plan which contains organization plans and measures for emergency. The Bank holds sufficient high liquid debt securities such as government bonds and other high liquid assets and has established effective system against liquidity risk.

### (4) Supplementary explanation about fair values of financial instruments

The fair value of financial instruments includes, in addition to the value determined based on the market price, the value calculated on a reasonable basis if no market price is available. Since certain assumptions are used in calculating the value, the result of such calculation may vary if different assumptions are used.

## Disclosure of Fair Values of Financial Instruments

The carrying amount, the fair value and the difference between these values as of March 31, 2017 and 2018 are as follows: Note that securities of which fair value is extremely difficult to determine, such as unlisted equity securities, are not included in the following table (See Note 2 below).

	Millions of Yen		
	Carrying amount	Fair value	Difference
As of March 31, 2017			
Cash and due from banks	¥ 553,638	¥ 553,638	¥ -
Securities:			
Held-to-maturity debt securities	42,079	41,871	(207)
Other securities	1,862,298	1,862,298	-
Loans and bills discounted	2,798,238		
Reserve for possible loan losses (*1)	(35,669)		
	2,762,568	2,832,452	69,883
Total assets	5,220,585	5,290,260	69,675
Deposits	3,937,562	3,940,110	2,547
Cash collateral received under securities lending	410,793	410,793	-
Borrowed money	510,342	510,346	4
Total liabilities	4,858,698	4,861,251	2,552
Derivative transactions (*2):			
To which hedge accounting is not applied	103	103	-
To which hedge accounting is applied	(1,168)	(1,168)	-
Total derivative transactions	¥ (1,065)	¥ (1,065)	¥ -

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

As of March 31, 2018	Thousands of U.S. Dollars		
	Carrying amount	Fair value	Difference
Cash and due from banks	\$ 5,327,193	\$ 5,327,193	\$ –
Securities:			
Held-to-maturity debt securities	489,834	487,471	(2,353)
Other securities	16,713,102	16,713,102	–
Loans and bills discounted	28,083,612		
Reserve for possible loan losses (*1)	(304,085)		
	27,779,518	28,420,180	640,662
<b>Total assets</b>	<b>50,309,657</b>	<b>50,947,966</b>	<b>638,300</b>
Deposits	37,550,865	37,567,366	16,490
Negotiable certificates of deposit	679,499	679,499	–
Cash collateral received under securities lending	4,875,291	4,875,291	–
Borrowed money	4,245,576	4,245,679	94
<b>Total liabilities</b>	<b>47,351,251</b>	<b>47,367,846</b>	<b>16,594</b>
Derivative transactions (*2):			
To which hedge accounting is not applied	2,870	2,870	–
To which hedge accounting is applied	7,021	7,021	–
<b>Total derivative transactions</b>	<b>\$ 9,892</b>	<b>\$ 9,892</b>	<b>\$ –</b>

(\*1) General and specific reserves for possible loan losses corresponding to loans are deducted.

(\*2) Derivative transactions include derivatives recorded in other assets and other liabilities. Assets and liabilities arising from derivative transactions are shown on a net basis, and there were no net liabilities.

(Note 1) Determining the fair value of financial instruments

#### Assets:

##### Cash and due from banks

The carrying amount is presented as the fair value since the fair value approximates the carrying amount because these are without maturity or the remaining maturity is short (less than one year).

##### Securities

For equity securities, the fair value is determined using the price at the exchange. The fair value of debt securities is determined using firstly the published market price by the Japan Securities Dealers Association, secondly the computed price by the information vendors or thirdly the quoted price by the brokers. The fair value of investment trusts is determined using firstly the published standard quotation price or secondly the quoted price by the brokers. For privately placed bonds guaranteed by the Bank, the fair value is determined based on the present value of the aggregated principal and interest discounted at an interest rate assumed if the same issue were underwritten.

##### Loans and bills discounted

For loans with variable interest rates, the carrying amount is presented as the fair value since the fair value approximates the carrying amount, unless the credit status of the borrower has changed significantly since the loan origination. For loans with fixed interest rates, the fair value is determined based on the present value of the principal and interest aggregated by the type of loans, internal ratings, collaterals and maturities discounted at an interest rate assumed if the new loans were made. For loans with short remaining maturity (less than one year), the carrying amount is presented as the fair value since the fair value approximates the carrying value.

For receivables due from bankrupt, substantially bankrupt or bankruptcy imminent borrowers, loan loss provisions are estimated based on expected future cash flows or the expected amount to be collected from collaterals and guarantees. Therefore, carrying amount of those items, net of related loan loss provisions, is presented as the fair value.

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The fair value of interest rate swap contracts which are accounted for combined with the loans as hedged items under the hedge accounting is included in the fair value of the corresponding loans.

## Liabilities:

### Deposits

For demand deposits, the amount payable on demand as of the balance sheet date (i.e., the carrying amount) is considered to be the fair value. The fair value of time deposit is determined using the discounted present value of future cash flows grouped by types of deposits and maturity lengths. The discount rate used is the interest rate that would be applied to newly accepted deposits. For deposits whose remaining maturity is short (less than one year), the carrying amount is presented as the fair value since the fair value approximates the carrying amount.

### Negotiable certificates of deposit

The carrying amount is presented as the fair value since the fair value approximates the carrying amount because the remaining maturity is short (less than one year).

### Cash collateral received under securities lending

The carrying amount is presented as the fair value since the fair value approximates the carrying amount because the remaining contractual term is short (less than one year).

### Borrowed money

For borrowed money with variable interest rates reflecting the market interest rates in a short-term period, the carrying amount is presented as the fair value since the fair value approximates the carrying amount. For borrowed money with fixed interest rates, the fair value is determined using the present value discounted at an interest rate assumed if the new borrowing were made. For borrowed money with short contractual term (less than one year), the carrying amount is presented as the fair value since the fair value approximates the carrying amount.

## Derivative transactions:

The fair value of derivatives is described in note "20. Derivatives."

(Note 2) Securities whose fair value is extremely difficult to determine as of March 31, 2017 and 2018

	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Unlisted equity securities (*1) (*2)	¥ 2,446	¥ 2,802	\$ 26,374
Investment in partnerships (*3)	7,011	10,177	95,792
Others	6,822	6,793	63,940
Total	¥ 16,280	¥ 19,773	\$ 186,116

(\*1) The fair value of unlisted equity securities is not disclosed since it is extremely difficult to identify their fair value.

(\*2) The Group recognized impairment losses on unlisted equity securities in an amount of ¥6 million and ¥0 million (\$0 thousand) for the years ended March 31, 2017 and 2018, respectively.

(\*3) The fair value of investment in partnerships whose assets consist of securities such as unlisted equity securities whose fair value is extremely difficult to identify is not disclosed.

(Note 3) Repayment schedule of monetary receivables and securities with contractual maturities as of March 31, 2017 and 2018

	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, 2017						
Due from banks	¥ 506,555	¥ —	¥ —	¥ —	¥ —	¥ —
Securities:	160,091	441,825	316,920	266,780	323,595	159,525
Held-to-maturity debt securities:	6,773	17,034	16,536	1,530	200	—
Government bonds	400	—	—	—	—	—
Corporate bonds	6,358	17,034	16,536	1,530	200	—
Other securities with maturity:	153,317	424,791	300,384	265,250	323,395	159,525
Government bonds	96,500	246,000	184,000	170,000	40,000	117,000
Municipal bonds	31,431	72,382	38,083	25,665	40,690	3,000
Corporate bonds	18,923	62,290	22,062	17,734	6,844	28,609
Loans and bills discounted	726,429	525,199	458,054	249,311	296,851	542,391
Total	¥1,393,076	¥967,025	¥774,974	¥516,091	¥620,446	¥701,916

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

Thousands of U.S. Dollars						
As of March 31, 2018	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Due from banks	\$ 4,939,269	\$ –	\$ –	\$ –	\$ –	\$ –
Securities:	3,008,396	3,457,633	2,596,489	963,817	2,233,904	2,233,734
Held-to-maturity debt securities:	68,505	191,923	212,980	14,495	1,882	–
Corporate bonds	68,505	191,923	212,914	14,495	1,882	–
Other securities with maturity:	2,939,890	3,265,709	2,383,499	949,322	2,232,021	2,233,734
Government bonds	1,948,418	2,099,021	1,553,087	47,063	376,506	1,101,280
Municipal bonds	451,477	456,494	288,149	287,528	437,867	23,531
Corporate bonds	364,740	392,413	150,141	73,653	105,741	278,482
Loans and bills discounted	6,952,814	5,423,785	4,474,679	2,586,935	2,893,222	5,752,155
Total	\$14,900,489	\$8,881,419	\$7,071,169	\$3,550,762	\$5,127,127	\$7,985,890

(Note 4) Repayment schedule of borrowed money and other interest bearing liabilities as of March 31, 2017 and 2018

Millions of Yen						
As of March 31, 2017	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Deposits (*1)	¥3,406,954	¥478,029	¥ 52,578	¥ –	¥ –	¥ –
Cash collateral received under securities lending	410,793	–	–	–	–	–
Borrowed money	34,767	100,270	375,305	–	–	–
Total	¥3,852,515	¥578,299	¥427,883	¥ –	¥ –	¥ –

Millions of Yen						
As of March 31, 2018	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Deposits (*1)	¥3,492,835	¥445,404	¥ 51,165	¥ –	¥ –	¥ –
Negotiable certificates of deposit	72,190	–	–	–	–	–
Cash collateral received under securities lending	517,951	–	–	–	–	–
Borrowed money	9,880	94,275	346,895	–	–	–
Total	¥4,092,857	¥539,679	¥398,060	¥ –	¥ –	¥ –

Thousands of U.S. Dollars						
As of March 31, 2018	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Deposits (*1)	\$32,876,835	\$4,192,432	\$ 481,598	\$ –	\$ –	\$ –
Negotiable certificates of deposit	679,499	–	–	–	–	–
Cash collateral received under securities lending	4,875,291	–	–	–	–	–
Borrowed money	92,996	887,377	3,265,201	–	–	–
Total	\$38,524,632	\$5,079,809	\$3,746,799	\$ –	\$ –	\$ –

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

# Notes to the Consolidated Financial Statements

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

## 17. Fair Value of Securities

### (1) Trading securities

Net holding gain (loss) resulting from revaluation of trading securities as of March 31, 2017 and 2018 were ¥(2) million and ¥(0) million (\$ (0) thousand), respectively.

### (2) Held-to-maturity securities

The carrying value and fair value of held-to-maturity securities and the related unrealized gain (loss) as of March 31, 2017 and 2018 are summarized as follows:

As of March 31, 2017	Millions of Yen				
	Carrying value	Fair value	Difference	Gains	Losses
Government bonds	¥ 400	¥ 400	¥ 0	¥ 0	¥ –
Corporate bonds	41,663	41,455	(208)	46	(254)
Others	15	15	(0)	–	(0)
Total	¥ 42,079	¥ 41,871	¥ (207)	¥ 46	¥(254)

As of March 31, 2018	Millions of Yen				
	Carrying value	Fair value	Difference	Gains	Losses
Corporate bonds	¥ 52,032	¥ 51,782	¥ (250)	¥ 31	¥(282)
Others	7	7	(0)	–	(0)
Total	¥ 52,040	¥ 51,789	¥ (250)	¥ 31	¥(282)

As of March 31, 2018	Thousands of U.S. Dollars				
	Carrying value	Fair value	Difference	Gains	Losses
Corporate bonds	\$489,759	\$487,405	\$ (2,353)	\$291	\$ (2,654)
Others	65	65	(0)	–	(0)
Total	\$489,834	\$487,471	\$ (2,353)	\$291	\$ (2,654)

### (3) Other securities

The carrying value and acquisition cost of other securities as of March 31, 2017 and 2018 are summarized as follows:

As of March 31, 2017	Millions of Yen				
	Carrying value	Acquisition cost	Difference	Gains	Losses
Equity securities	¥ 54,504	¥ 32,913	¥ 21,590	¥ 23,502	¥ (1,911)
Debt securities:	1,278,258	1,226,889	51,369	51,713	(344)
Government bonds	902,970	858,581	44,389	44,389	–
Municipal bonds	215,097	211,525	3,571	3,899	(327)
Corporate bonds	160,191	156,783	3,408	3,424	(16)
Others	529,535	522,706	6,829	11,719	(4,890)
Total	¥1,862,298	¥1,782,509	¥ 79,789	¥ 86,935	¥ (7,145)

As of March 31, 2018	Millions of Yen				
	Carrying value	Acquisition cost	Difference	Gains	Losses
Equity securities	¥ 62,228	¥ 32,798	¥ 29,430	¥ 31,107	¥ (1,677)
Debt securities:	1,155,838	1,113,665	42,173	42,541	(368)
Government bonds	798,691	761,653	37,037	37,037	–
Municipal bonds	209,260	206,785	2,475	2,836	(361)
Corporate bonds	147,887	145,226	2,660	2,667	(7)
Others	557,532	552,950	4,582	11,265	(6,682)
Total	¥1,775,600	¥1,699,413	¥ 76,186	¥ 84,914	¥ (8,728)

As of March 31, 2018	Thousands of U.S. Dollars				
	Carrying value	Acquisition cost	Difference	Gains	Losses
Equity securities	\$ 585,730	\$ 308,716	\$277,014	\$292,799	\$ (15,785)
Debt securities:	10,879,499	10,482,539	396,959	400,423	(3,463)
Government bonds	7,517,799	7,169,173	348,616	348,616	–
Municipal bonds	1,969,691	1,946,394	23,296	26,694	(3,397)
Corporate bonds	1,392,008	1,366,961	25,037	25,103	(65)
Others	5,247,853	5,204,725	43,128	106,033	(62,895)
Total	\$16,713,102	\$15,995,980	\$717,112	\$799,265	\$ (82,153)

The components of net unrealized gain on other securities ~~are~~ as of March 31, 2017 and 2018 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Gross valuation difference	¥ 79,789	¥ 76,186	\$ 717,112
Deferred tax assets	(23)	(3)	(28)
Deferred tax liabilities	(24,250)	(22,794)	(214,551)
Net unrealized gain on other securities before adjustment for non-controlling interests	55,514	53,387	502,513
Non-controlling interests	(64)	(159)	(1,496)
Net unrealized gain on other securities	¥ 55,449	¥ 53,227	\$ 501,007

When the decline in fair value is 50% or more of the carrying value of securities, loss on impairment is recognized at the amount of the decline without exception. When a decline in fair value is less than 50% but 30% or more of the carrying value and one of the following conditions is met, a loss on impairment is recognized:

- 1) For equity securities or investment trusts, fair value has never been above 70% of the acquisition cost for the past one year, or
  - 2) For equity securities, the company issuing the equity securities has reported negative net assets or has recorded a net loss for the past two consecutive years, or
  - 3) For debt securities, a decline in fair value is attributable to an increase in credit risk, not an increase in the interest rate.
- For the year ended March 31, 2017, there was no loss on impairment of such securities.  
For the year ended March 31, 2018, loss on impairment of ¥49 million (\$461 thousand), all for debt securities, was recorded.

#### 18. Held to Maturity and Other Securities Sold

Held-to-maturity securities sold during the years ended March 31, 2017 and 2018 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Cost of sales	¥ 1,040	¥ 990	\$ 9,318
Proceeds from sales	1,044	991	9,327
Gain on sales	4	1	9

The securities were sold due to redemption by the issuer during the years ended March 31, 2017 and 2018.

Other securities sold during the years ended March 31, 2017 and 2018 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Proceeds from sales	¥118,877	¥235,549	\$2,217,140
Gain on sales	3,385	3,702	34,845
Loss on sales	5,315	4,307	40,540

#### 19. Money Held in Trust

The carrying value of money held in trust for the purpose of securities trading as of March 31, 2017 and 2018 and the related net holding gain (loss) for the years then ended are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Carrying value	¥ 3,996	¥ 4,000	\$ 37,650
Net holding gain (loss)	—	—	—

#### 20. Derivatives

##### Derivatives to which Hedge Accounting is Not Applied

With respect to derivatives to which hedge accounting is not applied, contract amount or notional principal, fair value and related gains or losses and calculation method of the fair value are as follows:

Note that the contract amount does not represent the market risk exposure associated with the derivative transactions.

- (1) Interest-related transactions

As of March 31, 2017

Not applicable.

# Notes to the Consolidated Financial Statements

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

As of March 31, 2018	Millions of Yen			
	Contract amount		Fair value	Gains (losses)
	Total	Over one year		
Over-the-counter				
Interest-rate swaps				
Receive fixed/pay floating	¥ 2,500	¥ 2,500	¥ 273	¥ 273
Receive floating/pay fixed	2,500	2,500	(37)	(37)
Total			¥ 235	¥ 235

As of March 31, 2018	Thousands of U.S. Dollars			
	Contract amount		Fair value	Gains (losses)
	Total	Over one year		
Over-the-counter				
Interest-rate swaps				
Receive fixed/pay floating	\$ 23,531	\$ 23,531	\$ 2,569	\$ 2,569
Receive floating/pay fixed	23,531	23,531	(348)	(348)
Total			\$ 2,211	\$ 2,211

Notes: 1. Above transactions are stated at fair value and the related gains (losses) are reported in the consolidated statements of income.  
2. The fair value of above transactions is determined using the discounted present value or option pricing models, etc.

## (2) Currency-related transactions

As of March 31, 2017	Millions of Yen			
	Contract amount		Fair value	Gains (losses)
	Total	Over one year		
Over-the-counter				
Currency swaps	¥26,785	¥19,533	¥ 77	¥ 77
Forward foreign exchange contracts:				
Sold	623	—	2	2
Bought	1,033	—	(0)	(0)
Currency options:				
Sold	26,053	—	(479)	215
Bought	26,053	—	479	(190)
Total			¥ 79	¥ 103

As of March 31, 2018	Millions of Yen			
	Contract amount		Fair value	Gains (losses)
	Total	Over one year		
Over-the-counter				
Currency swaps	¥26,029	¥10,953	¥ 66	¥ 66
Forward foreign exchange contracts:				
Sold	3,590	—	12	12
Bought	5,491	—	(15)	(15)
Currency options:				
Sold	67,637	—	(1,263)	(425)
Bought	67,637	—	1,262	432
Total			¥ 61	¥ 69

As of March 31, 2018	Thousands of U.S. Dollars			
	Contract amount		Fair value	Gains (losses)
	Total	Over one year		
Over-the-counter				
Currency swaps	\$245,001	\$103,096	\$ 621	\$ 621
Forward foreign exchange contracts:				
Sold	33,791	—	112	112
Bought	51,684	—	(141)	(141)
Currency options:				
Sold	636,643	—	(11,888)	(4,000)
Bought	636,643	—	11,878	4,066
Total			\$ 574	\$ 649

Notes: 1. Above transactions are stated at fair value and the related gains (losses) are reported in the consolidated statements of income.  
2. The fair value is determined using the discounted present value.

## Derivatives to which Hedge Accounting is Applied

With respect to derivatives to which hedge accounting is applied, contract amount or notional principal, fair value and calculation method of the fair value are as follows:

Note that the contract amount does not represent the market risk exposure associated with the derivative transactions.

### (1) Interest-related transactions

As of March 31, 2017			Millions of Yen		
			Contract amount		Fair value
Hedge accounting method	Type of derivatives	Major hedged items	Total	Over one year	
Special treatment for interest rate swaps	Interest rate swaps: Receive-floating/ Pay-fixed	Loans	¥31,997	¥20,461	(Note 3)
Total					¥

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

As of March 31, 2018			Thousands of U.S. Dollars		
			Contract amount		Fair value
Hedge accounting method	Type of derivatives	Major hedged items	Total	Over one year	
Special treatment for interest rate swaps	Interest rate swaps: Receive-floating/ Pay-fixed	Loans	\$192,592	\$162,923	(Note 3)
Total					\$

Notes: 1. These transactions are principally accounted for under the deferral hedge method in accordance with JICPA Industry Audit Committee Report No. 24 issued on February 13, 2002.  
2. The fair value of above transactions is determined using the discounted present value or option pricing models, etc.  
3. The fair value of interest rate swaps which qualify for hedge accounting and meet specific matching criteria (special treatment for interest rate swaps) is calculated together with the fair value of loans. Therefore, the fair value of such interest rate swaps is not presented here, but is included in the fair value of loans.

### (2) Currency-related transactions

As of March 31, 2017			Millions of Yen		
			Contract amount		Fair value
Hedge accounting method	Type of derivatives	Major hedged items	Total	Over one year	
Normal method	Currency swaps	Deposits and securities	¥ 8,975	¥ 8,975	¥ 78
	Forward foreign exchange contracts		239,602	—	(1,247)
Total					¥ (1,168)

As of March 31, 2018			Millions of Yen		
			Contract amount		Fair value
Hedge accounting method	Type of derivatives	Major hedged items	Total	Over one year	
Normal method	Currency swaps	Deposits, call money and call loans	¥ 8,499	¥ 5,312	¥ 150
	Forward foreign exchange contracts		327,249	—	595
Total					¥ 746

As of March 31, 2018			Thousands of U.S. Dollars		
			Contract amount		Fair value
Hedge accounting method	Type of derivatives	Major hedged items	Total	Over one year	
Normal method	Currency swaps	Deposits, call money and call loans	\$ 79,998	\$ 50,000	\$ 1,411
	Forward foreign exchange contracts		3,080,280	—	5,600
Total					\$ 7,021

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

# Notes to the Consolidated Financial Statements

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

## 21. Employees' Retirement Benefits

The Group has funded and unfunded defined benefit plans and defined contribution plans.

Under the defined benefit pension plans (all of which are funded), a lump-sum payment or pension is determined based on the salary and years of service and paid to the eligible employees.

Regarding the defined pension benefit plans, cash balance plans are introduced and there is a notional account for each eligible employee which represents funded amount and principal of the pension amount. The balance in the notional account accumulates principal credits, which are determined based on salary level, and interest credits, which are determined based on the 10-year Government bond yields to subscribers.

Under the lump-sum payment plans (all of which are unfunded), a lump-sum payment is determined based on the salary and years of service and paid to eligible employees.

For lump-sum payment plans maintained by certain consolidated subsidiaries, liability for retirement benefits and retirement benefit expenses are determined by using the simplified method.

### (1) Defined benefit plans

#### (a) Reconciliation of projected benefit obligations from beginning to ending balances for the years ended March 31, 2017 and 2018

	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Projected benefit obligations at the beginning of the year	¥ 42,667	¥ 41,730	\$ 392,789
Service cost	972	961	9,045
Interest cost	253	301	2,833
Actuarial gains or losses incurred	88	400	3,765
Benefits paid	(2,259)	(2,269)	(21,357)
Prior service cost incurred	—	198	1,863
Others	8	—	—
Projected benefit obligations at the end of the year	¥ 41,730	¥ 41,324	\$ 388,968

#### (b) Reconciliation of plan assets from beginning to ending balances for the years ended March 31, 2017 and 2018

	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Plan assets at the beginning of the year	¥ 29,925	¥ 29,207	\$ 274,915
Expected return on plan assets	837	1,022	9,619
Actuarial gains or losses incurred	(547)	(111)	(1,044)
Contribution from the Bank	433	1,355	12,754
Benefits paid	(1,442)	(1,534)	(14,439)
Others	1	1	9
Plan assets at the end of the year	¥ 29,207	¥ 29,941	\$ 281,824

#### (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, 2017 and 2018

	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Projected benefit obligations of funded plans	¥ 31,151	¥ 30,688	\$ 288,855
Plan assets	(29,207)	(29,941)	(281,824)
	1,943	747	7,031
Projected benefit obligations of unfunded plans	10,579	10,636	100,112
Net amount of liability	¥ 12,522	¥ 11,383	\$ 107,144

	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Net defined benefit liability	¥ 12,522	¥ 11,383	\$ 107,144
Net defined benefit asset	—	—	—
Net amount of liability	¥ 12,522	¥ 11,383	\$ 107,144

(d) Components of net retirement benefit expense for the years ended March 31, 2017 and 2018

	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Service cost	¥ 972	¥ 961	\$ 9,045
Interest cost	253	301	2,833
Expected return on plan assets	(837)	(1,022)	(9,619)
Amortization of actuarial gains or losses	1,769	1,788	16,829
Amortization of prior service cost	(52)	(35)	(329)
Others	(1)	(1)	(9)
Net retirement benefit expense	¥ 2,104	¥ 1,993	\$ 18,759

(e) Components of remeasurements of defined benefit plans (before income taxes) for the years ended March 31, 2017 and 2018

	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Prior service cost	¥ (52)	¥ (234)	\$ (2,202)
Actuarial gains or losses	1,133	1,276	12,010
Total	¥ 1,081	¥ 1,042	\$ 9,807

(f) Accumulated other comprehensive income for remeasurements of defined benefit plans (before income taxes) as of March 31, 2017 and 2018

	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Unrecognized prior service cost	¥ 330	¥ 96	\$ 903
Unrecognized actuarial gains or losses	(7,799)	(6,523)	(61,398)
Total	¥ (7,469)	¥ (6,427)	\$ (60,495)

(g) Component ratio of plan assets as of March 31, 2017 and 2018

	2017	2018
Bonds	66.42%	64.94%
Stocks	13.32%	15.50%
Cash and deposits	0.12%	0.40%
Others	20.12%	19.14%
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, 2017 and 2018

	2017	2018
Discount rate	0.72%	0.62%
Long-term expected rate of return on plan assets	2.80%	3.50%
Expected salary increase rate	3.00%	3.00%

(2) Defined contribution plans

Contribution paid to the plans by the Group during the year ended March 31, 2017 and 2018 were ¥139 million and ¥149 million (\$1,402 thousand), respectively.

## 22. Stock Options

- (1) Operating expenses related to stock option plans for the year ended March 31, 2017 was ¥34 million and there was no operating expenses related to stock options for the year ended March 31, 2018.

# Notes to the Consolidated Financial Statements

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

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

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

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Vesting Conditions and Service Period	Exercise Period
2008 Stock Option	17 directors 5 corporate auditors	163,500 shares of common stock	Jul. 25, 2008	N/A	From Jul. 26, 2008 to Jul. 25, 2033
2009 Stock Option	17 directors 5 corporate auditors	180,700 shares of common stock	Jul. 23, 2009	N/A	From Jul. 24, 2009 to Jul. 23, 2034
2010 Stock Option	17 directors 5 corporate auditors	224,000 shares of common stock	Jul. 23, 2010	N/A	From Jul. 24, 2010 to Jul. 23, 2035
2011 Stock Option	8 directors 5 corporate auditors 10 executive officers	258,000 shares of common stock	Jul. 26, 2011	N/A	From Jul. 27, 2011 to Jul. 26, 2036
2012 Stock Option	8 directors 5 corporate auditors 10 executive officers	281,800 shares of common stock	Jul. 27, 2012	N/A	From Jul. 28, 2012 to Jul. 27, 2037
2013 Stock Option	8 directors 5 corporate auditors 10 executive officers	202,100 shares of common stock	Jul. 26, 2013	N/A	From Jul. 27, 2013 to Jul. 26, 2038
2014 Stock Option	8 directors 5 corporate auditors 11 executive officers	231,800 shares of common stock	Jul. 25, 2014	N/A	From Jul. 26, 2014 to Jul. 25, 2039
2015 Stock Option	8 directors 5 corporate auditors 10 executive officers	122,000 shares of common stock	Jul. 24, 2015	N/A	From Jul. 25, 2015 to Jul. 24, 2040

(b) The stock option volume and activity

(i) Number of stock options (shares)

Year Ended March 31, 2018	2008 Stock Option	2009 Stock Option	2010 Stock Option	2011 Stock Option	2012 Stock Option	2013 Stock Option	2014 Stock Option	2015 Stock Option
<b>Non-vested:</b>								
March 31, 2017—outstanding	21,700	33,600	54,100	84,900	105,700	102,400	133,100	107,800
Granted	—	—	—	—	—	—	—	—
Forfeited	—	—	—	—	—	—	—	—
Vested	—	7,500	19,800	20,800	25,100	28,300	40,200	26,000
March 31, 2018—outstanding	21,700	26,100	34,300	64,100	80,600	74,100	92,900	81,800
<b>Vested:</b>								
March 31, 2017—outstanding	—	—	—	—	—	—	—	—
Vested	—	7,500	19,800	20,800	25,100	28,300	40,200	26,000
Exercised	—	7,500	19,800	20,800	25,100	28,300	40,200	26,000
Forfeited	—	—	—	—	—	—	—	—
March 31, 2018—outstanding	—	—	—	—	—	—	—	—

(ii) Unit price information

	2008 Stock Option	2009 Stock Option	2010 Stock Option	2011 Stock Option	2012 Stock Option	2013 Stock Option	2014 Stock Option	2015 Stock Option
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average stock price at the time of exercise	842	844	868	905	934	998	1,013	828
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	7.92	7.94	8.17	8.51	8.79	9.39	9.53	7.79
Fair value at the date of grant	8.26	7.56	5.73	5.35	4.70	6.68	6.37	11.12

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

Since it is difficult to estimate the number of forfeiture 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, 2017 and 2018 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Deferred tax assets:			
Reserve for possible loan losses	¥ 11,200	¥ 10,317	\$ 97,110
Depreciation	1,172	1,080	10,165
Impairment loss on fixed assets	2,525	2,523	23,748
Write-offs of securities	672	691	6,504
Net defined benefit liability	3,820	3,471	32,671
Tax loss carry-forwards	195	193	1,816
Others	2,295	2,614	24,604
Subtotal	21,882	20,892	196,649
Valuation allowances	(2,880)	(2,757)	(25,950)
Total deferred tax assets	19,002	18,134	170,689
Deferred tax liabilities:			
Reserve for deferred revenue of tangible fixed assets	(92)	(90)	(847)
Net unrealized gain on other securities	(24,250)	(22,794)	(214,551)
Net deferred gain on hedging instruments	(16)	(11)	(103)
Others	(56)	(57)	(536)
Total deferred tax liabilities	(24,416)	(22,953)	(216,048)
Net deferred tax assets (liabilities)	¥ (5,414)	¥ (4,818)	\$ (45,350)

Reconciliation of the statutory tax rate to the actual effective tax rate for the years ended March 31, 2017 and 2018 are as follows:

	2017	2018
Statutory tax rate	30.69%	—%
Adjustment:		
Entertainment and other permanently non-deductible expenses	0.31	—
Dividend and other permanently non-taxable income	(0.57)	—
Changes in valuation allowances	(0.77)	—
Others	2.73	—
Actual effective tax rate	32.38%	—%

Note: Since the difference between statutory tax rate and actual effective tax rate is less than 5% of statutory tax rate, reconciliation between the tax rates is omitted for the year ended March 31, 2018.

### 24. Asset Retirement Obligations

The Group's asset retirement obligations consist primarily of obligations to remove hazardous material (asbestos) used in construction of the buildings and obligations pursuant to real estate rental agreement to restore the property to its original state. The asset retirement obligations are calculated using the expected useful lives of the buildings of 2 to 39 years and discount rate of 0.00% to 2.26%.

Changes of asset retirement obligations during the years ended March 31, 2017 and 2018 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Balance at the beginning of the year	¥ 372	¥ 421	\$ 3,962
Increase due to purchase of tangible fixed assets	44	26	244
Changes due to the passage of time	4	5	47
Decrease due to fulfillment of obligations	—	1	9
Balance at the end of the year	¥ 421	¥ 450	\$ 4,235

### 25. Segment Information

The Group has two reportable segments based on the service: "Banking" and "Leasing". "Banking" is the main segment of the Group and consists of deposit business, loan business, securities investment business, exchange business, etc. "Leasing" consists of leasing business conducted by The San-in General Lease Co., Ltd., a consolidated subsidiary.

The accounting policies applied in calculating ordinary income, profit or loss, assets and liabilities, etc. by segment are generally the same as those described in note "2. Summary of Significant Accounting Policies." The inter-segment income is based on the arm's length price.

Ordinary income, profit or loss, assets and liabilities, etc. by segment for the years ended March 31, 2017 and 2018 are as follows:

# Notes to the Consolidated Financial Statements

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

Year ended March 31, 2017	Millions of Yen						Consolidated
	Reportable segments			Others (Note 2)	Total	Adjustments (Note 3)	
	Banking	Leasing	Total				
Ordinary income:							
Customers	¥ 77,306	¥ 14,637	¥ 91,944	¥ 1,802	¥ 93,746	¥ –	¥ 93,746
Inter-segment	591	1,368	1,959	3,568	5,527	(5,527)	–
Total	77,898	16,005	93,903	5,370	99,273	(5,527)	93,746
Segment profit	19,450	1,936	21,386	1,114	22,501	(1,938)	20,562
Segment assets	5,387,459	45,464	5,432,924	18,515	5,451,440	(39,967)	5,411,472
Segment liabilities	5,048,411	40,879	5,089,291	5,800	5,095,091	(36,466)	5,058,625
Other items:							
Depreciation	2,183	371	2,554	109	2,664	–	2,664
Interest income	63,357	26	63,384	15	63,400	(197)	63,202
Interest expenses	8,995	180	9,176	13	9,190	(144)	9,045
Extraordinary gains:	72	–	72	7	79	–	79
Gain on disposals of fixed assets	72	–	72	7	79	–	79
Extraordinary losses:	274	–	274	0	275	–	275
Loss on disposals of fixed assets	31	–	31	0	32	–	32
Impairment loss	242	–	242	0	243	–	243
Tax expenses	5,861	454	6,316	306	6,622	(26)	6,595

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

Year ended March 31, 2018	Thousands of U.S. Dollars						Consolidated
	Reportable segments			Others (Note 2)	Total	Adjustments (Note 3)	
	Banking	Leasing	Total				
Ordinary income:							
Customers	\$ 733,414	\$ 141,688	\$ 875,103	\$ 26,675	\$ 901,788	\$ –	\$ 901,788
Inter-segment	10,551	3,633	14,184	24,388	38,582	(38,582)	–
Total	743,966	145,331	889,297	51,073	940,370	(38,582)	901,788
Segment profit	181,306	1,863	183,170	8,113	191,283	(4,282)	187,001
Segment assets	52,057,699	520,905	52,578,614	183,650	52,762,264	(535,193)	52,227,070
Segment liabilities	48,783,603	475,141	49,258,753	59,054	49,317,808	(502,023)	48,815,785
Other items:							
Depreciation	18,514	3,143	21,658	1,025	22,693	–	22,693
Interest income	594,719	527	595,246	188	595,434	(4,979)	590,455
Interest expenses	94,484	1,440	95,933	94	96,027	(1,110)	94,917
Extraordinary gains:	94	–	94	75	169	–	169
Gain on disposals of fixed assets	94	–	94	75	169	–	169
Extraordinary losses:	1,863	–	1,863	18	1,891	–	1,891
Loss on disposals of fixed assets	216	–	216	9	235	–	235
Impairment loss	1,647	–	1,647	–	1,647	–	1,647
Tax expenses	53,802	640	54,442	1,910	56,362	(84)	56,268

- Notes: 1. Ordinary income is presented instead of sales of general companies.  
2. "Others" include business segments other than reportable segments such as credit guarantee business and securities services.  
3. "Adjustments" include as follows:  
(1) Adjustments for segment profit of ¥(1,938) million and ¥(455) million (\$ (4,282) thousand) for the years ended March 31, 2017 and 2018, respectively, represent elimination of inter-segment transactions.  
(2) Adjustments for segment assets of ¥(39,967) million and ¥(56,859) million (\$ (535,193) thousand) as of March 31, 2017 and 2018, respectively, represent elimination of inter-segment balances.  
(3) Adjustments for segment liabilities of ¥(36,466) million and ¥(53,335) million (\$ (502,023) thousand) as of March 31, 2017 and 2018, respectively, represent elimination of inter-segment balances.  
(4) Adjustments for interest income of ¥(197) million and ¥(529) million (\$ (4,979) thousand) for the years ended March 31, 2017 and 2018, respectively, represent elimination of inter-segment transactions.  
(5) Adjustments for interest expenses of ¥(144) million and ¥(118) million (\$ (1,110) thousand) for the years ended March 31, 2017 and 2018, respectively, represent elimination of inter-segment transactions.  
(6) Adjustments for tax expenses of ¥(26) million and ¥(9) million (\$ (84) thousand) for the years ended March 31, 2017 and 2018, respectively, represent income taxes deferred related to elimination of inter-segment transactions.

## Related Information

### (1) Information by service

Income from customers	Millions of Yen				
	Loans	Securities investment	Leasing	Others	Total
Year ended March 31, 2017	¥ 33,461	¥ 31,306	¥ 14,637	¥ 14,341	¥ 93,746
Year ended March 31, 2018	¥ 33,284	¥ 31,039	¥ 15,053	¥ 16,428	¥ 95,806

Income from customers	Thousands of U.S. Dollars				
	Loans	Securities investment	Leasing	Others	Total
Year ended March 31, 2018	\$ 313,290	\$ 292,159	\$ 141,688	\$ 154,631	\$ 901,788

### (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.

# Notes to the Consolidated Financial Statements

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

## Information on Impairment Loss on Fixed Assets by Reportable Segment

Impairment loss	Millions of Yen				
	Reportable segments			Others	Total
	Banking	Leasing	Total		
Year ended March 31, 2017	¥ 242	¥ –	¥ 242	¥ 0	¥ 243
Year ended March 31, 2018	¥ 175	¥ –	¥ 175	¥ –	¥ 175

Impairment loss	Thousands of U.S. Dollars				
	Reportable segments			Others	Total
	Banking	Leasing	Total		
Year ended March 31, 2018	\$ 1,647	\$ –	\$ 1,647	\$ –	\$ 1,647

## 26. Related Party Transactions

Transactions with the Bank's directors, corporate auditors, executive officers and their relatives include loan receivables, guarantees and securities. These transactions totaled ¥5,341 million and ¥2,707 million (\$25,480 thousand) for the years ended March 31, 2017 and 2018, respectively. The balances of loan receivables from these parties totaled ¥2,565 million and ¥3,313 million (\$31,184 thousand) as of March 31, 2017 and 2018, respectively. The balances of securities (corporate bonds of these parties) totaled ¥110 million (\$1,035 thousand) as of March 31, 2018. The terms of these transactions were determined on an arm's-length basis.

## 27. Amounts per Share

	Yen		U.S. Dollars
	2017	2018	2018
Net assets per share	¥ 2,252.53	¥ 2,311.15	\$ 21.75
Profit per share:			
Basic	¥ 85.27	¥ 87.76	\$ 0.82
Diluted	84.91	87.47	0.82

The basis for the calculation of net assets per share as of March 31, 2017 and 2018 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Net assets	¥ 352,846	¥ 362,415	\$ 3,411,285
Deduction:			
Subscription rights to shares	470	349	3,285
Non-controlling interests	1,287	1,396	13,140
Net assets attributable to shares of common stock	351,088	360,668	3,394,841
Number of shares of common stock outstanding	155,864 thousand	156,055 thousand	

Regarding the calculation of net assets per share, the shares of the Bank owned by Board Benefit Trust ("BBT") and recognized as treasury stock (599 thousand shares and 574 thousand shares as of March 31, 2017 and 2018, 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, 2017 and 2018 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2018	2018
Profit attributable to owners of the Bank	¥ 13,399	¥ 13,692	\$128,878
Amount not attributable to common shareholders	–	–	–
Profit attributable to common shareholders	13,399	13,692	128,878
Average number of shares of common stock outstanding	157,131 thousand	156,010 thousand	
Average number of shares of dilutive common stock	662 thousand	513 thousand	

Regarding the calculation of profit per share, the shares of the Bank owned by Board Benefit Trust ("BBT") and recognized as treasury stock (300 thousand shares and 582 thousand shares in average number for the years ended March 31, 2017 and 2018, respectively) are deducted from the average number of shares of common stock outstanding.

## 28. Shareholders' Equity and Net Assets

In accordance with the Banking Act of Japan, the Bank has provided a legal reserve by appropriation of retained earnings. The Banking Act of Japan provides that an amount equivalent to at least 20% of the amount to be disbursed as distributions of earnings be appropriated to the legal reserve until the total of such reserve and the capital surplus equals 100% of the common stock.

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The Act provides that neither additional paid-in capital nor the legal reserve are available for dividends, but both may be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to common stock by resolution of the Board of Directors. The Act also provides that if the total amount of additional paid-in capital and the legal reserve exceeds 100% of the amount of common stock, the excess may be distributed to the shareholders either as a return of capital or as dividends subject to the approval at the shareholders' meeting.

## Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of The San-in Godo Bank., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2018, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The San-in Godo Bank., Ltd. and its consolidated subsidiaries as at March 31, 2018, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

### *Convenience Translation*

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

*Ernst & Young ShinNihon LLC*

June 26, 2018  
Tokyo, Japan

# Corporate Data

(As of March 31, 2018)

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

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

**Number of Employees** ..... 2,003

## Number of Shares

**Authorized** ..... 495,021,000

**Issued and Outstanding** ..... 156,977,472

**Number of Shareholders** ..... 13,834

**Paid-in Capital** ..... ¥20,705 million

**Stock Listings** ..... Tokyo Stock Exchange

## Overseas Representative Offices

### Dalian Overseas Representative Office

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

### Shanghai Overseas Representative Office

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

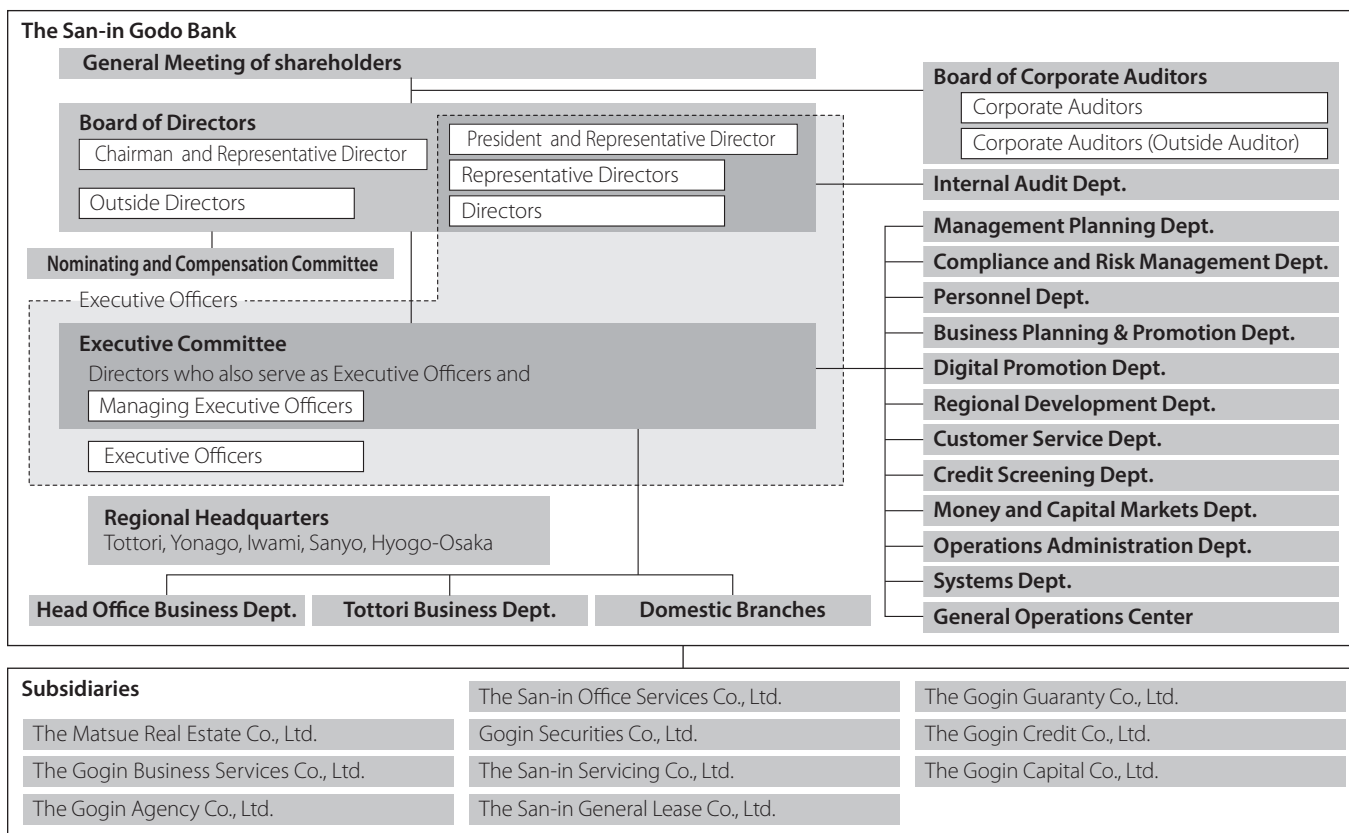
### Bangkok Overseas Representative Office

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

## Consolidated Subsidiaries (As of July 1, 2018)

Name of Company	Capital (¥ million)	Equity (%)	Line of Business
The Matsue Real Estate Co., Ltd.	150	100.0	Real estate leasing services
The Gogin Business Services Co., Ltd.	10	100.0	Collection, delivery, sorting and safekeeping of cash/ checks; maintenance and management of ATMs
The Gogin Agency Co., Ltd.	50	100.0	Bank agency service
The San-in Office Services Co., Ltd.	10	100.0	Integrated processing associated with deposits, loans, public funds, currency exchanges and account transfer
Gogin Securities Co., Ltd.	3,000	100.0	Securities business
The San-in Servicing Co., Ltd.	500	95.0	Bad loan collection
The San-in General Lease Co., Ltd.	30	94.9	Leasing
The Gogin Guaranty Co., Ltd.	30	100.0	Credit guarantee service
The Gogin Credit Co., Ltd.	70	100.0	Credit guarantee service and service for card member stores
The Gogin Capital Co., Ltd.	150	5.0	Consulting on the acquisition, safekeeping and sale of securities; corporate diagnosis and management consulting

## Organization Chart (As of July 1, 2018)



## Directors, Corporate Auditors and Executive Officers (As of July 1, 2018)

## Directors

**Ichiro Kubota**  
Chairman and  
Representative Director

**Toru Yamasaki**  
Director and  
Representative Director

**Yasuhiro Imawaka**  
Director

**Choemon Tanabe**  
Director (Outside Director)

**Fumio Ishimaru**  
President and  
Representative Director

**Nobuharu Sugihara**  
Director and  
Representative Director

**Hideto Tago**  
Director (Outside Director/  
Independent)

**Yasuyuki Kuratsu**  
Director (Outside Director/  
Independent)

## Corporate Auditors

**Ikuo Amano**  
Corporate Auditor

**Takashi Yoshida**  
Corporate Auditor

**Michihiro Kawamoto**  
Corporate Auditor (Outside Auditor/Independent)

**Shoichi Imaoka**  
Corporate Auditor (Outside Auditor/Independent)

**Tamaki Adachi**  
Corporate Auditor (Outside Auditor/Independent)

## Executive Officers

**Fumio Ishimaru**  
President and  
Chief Executive Officer

**Toru Yamasaki**  
Vice President and  
Executive Officer

**Nobuharu Sugihara**  
Senior Managing Executive  
Officer

**Yasuhiro Imawaka**  
Senior Managing Executive  
Officer

**Mutsuto Seida**  
Managing Executive Officer

**Tsukasa Obara**  
Managing Executive Officer

**Hideaki Furuyama**  
Managing Executive Officer

**Tsukasa Inuyama**  
Managing Executive Officer

**Yasuharu Yano**  
Executive Officer

**Tetsuya Anjiki**  
Executive Officer

**Ichiro Yamane**  
Executive Officer

**Yoshiaki Yata**  
Executive Officer

**Yuji Funo**  
Executive Officer

**Koji Miyauchi**  
Executive Officer

**Shuichi Ida**  
Executive Officer



Uga Bridge, near Matsue Castle



**SAN-IN GODO BANK**

**THE SAN-IN GODO BANK, LTD.**

**Management Planning Department**

10, Uomachi, Matsue, Shimane 690-0062, Japan

Tel. 81-852-55-1000 Fax. 81-852-27-3398

**URL. <http://www.gogin.co.jp>**

#### **About the Cover**

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