



SAN-IN
GODO BANK

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



Annual Report 2020



SAN-IN GODO BANK

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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.



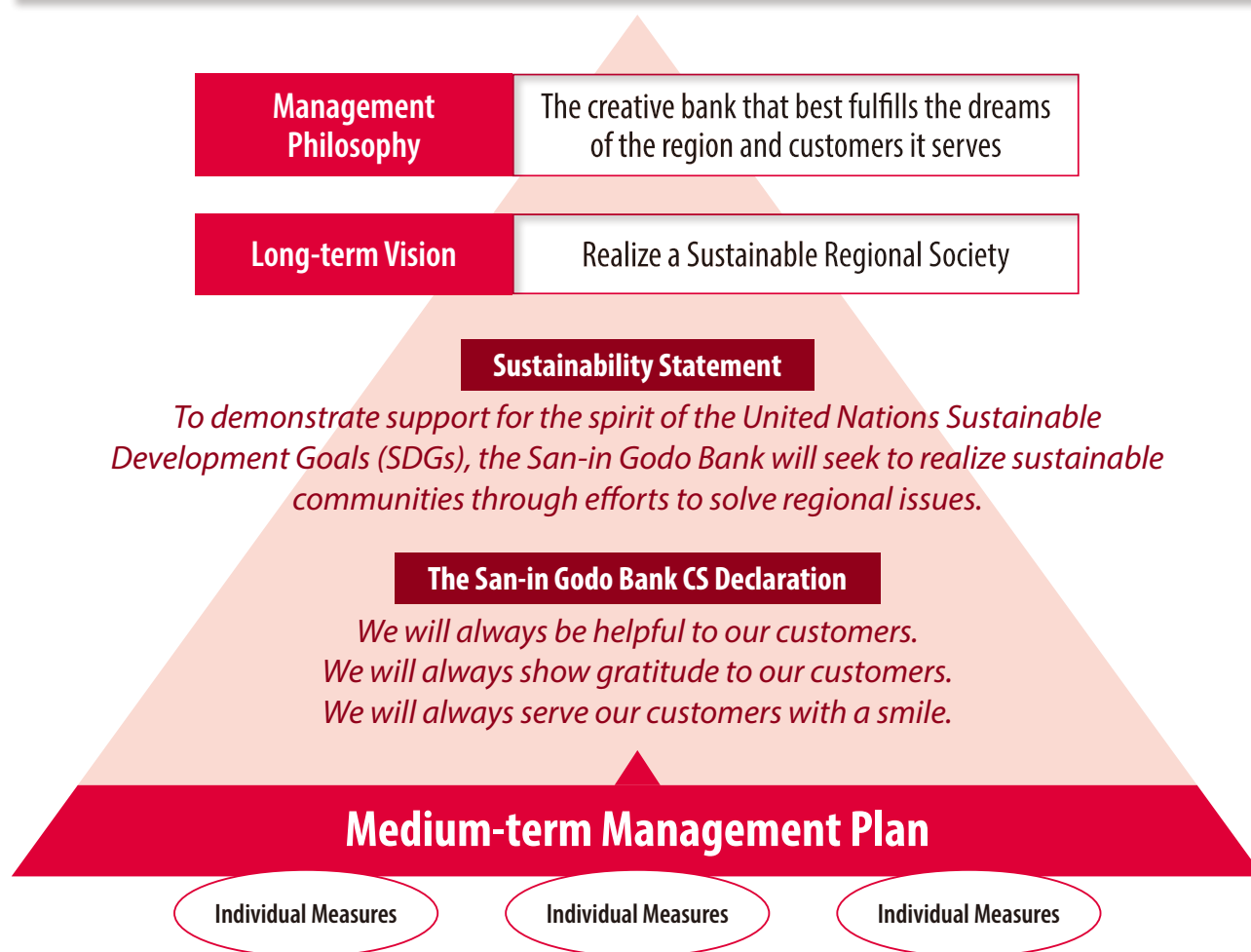
Economic Environment in the San-in Region

	Shimane	Tottori	Total
Total population	674 thousand	556 thousand	1,230 thousand
Gross prefectural product	¥2.5 trillion	¥1.8 trillion	¥4.3 trillion
Shipment value of manufactured goods	¥1,172.0 billion	¥803.9 billion	¥1,975.9 billion
Number of business establishments	34,987	25,718	60,705

Management Policies

Formulated in 1995, the management philosophy of San-in Godo Bank establishes a reputation as “The creative bank that best fulfills the dreams of the region and customers it serves.” In the years since, the Bank’s business area has expanded. As the needs of our customers change, the issues our management philosophy addresses also change with the times. What remains constant, regardless of the era, is our core commitment to being of useful value to our customers and the region.

Wherever imaginable, we create opportunities to consider our management philosophy, deepening the thinking of all Bank employees to embed this commitment even further in what we do.



Priority Efforts in the Sustainability Statement

Sustainable regional economic growth	We contribute to sustainable regional economic growth through efforts to deliver solutions to customers’ challenges and needs and by supporting regional industrial growth and increasing added value in the region and for our customers
Realizing enriched local communities	We realize enriched and dynamic communities through proactive participation in activities that contribute to the community and society
Realizing sustainable regional environments	We respond to climate change and realize sustainable regional environments by implementing more eco-conscious business activities and raising environmental awareness
Improving employee satisfaction	We seek to increase pride in work and satisfaction by developing an environment in which employees can demonstrate their abilities to the fullest
Establishing a sound and highly transparent management structure	We strive to strengthen and enhance corporate governance through the proactive and fair disclosure of information on management and other topics and cooperating appropriately with stakeholders

Trajectory of San-in Godo Bank

Growth and Development Together with the Region and Customers

In recent years, the incorporation of SDGs*1 and ESG*2 approaches into management has emerged as a vital issue. San-in Godo Bank, however, since the day it was founded has embedded itself deeply in the region to consistently address regional sustainability.

Whether in its core business or in regional contribution activities, San-in Godo Bank has for years pursued business guided by the same philosophy behind SDGs and ESG approaches.

Enabling a business model of this kind are features that define the Bank itself - stable financial foundations and significant equity.

Going forward, we are committed to steps to leverage equity passed down through the years to preserve management soundness, invest for growth and balance shareholder returns, then passing on what we accumulate for the future as our contribution to realizing a more sustainable regional society.

*1. Sustainable Development Goals (SDGs): 17 sustainable development goals adopted by the General Assembly of the United Nations in September 2015, targeted for completion by 2030. Contained within the goals are 169 targets for completion.
*2. Acronym for "Environment," "Social" and "Governance." This approach emphasizes the critical importance for a company's medium- to long-term growth of management practices that demonstrate care for the environment and society, together with more sophisticated governance.

Branch Network Expansion

On April 1, 1991, the Bank merged with Fuso Bank, a Second-tier regional bank headquartered in the city of Tottori, marking the start of the new "San-in Godo Bank." From the merger with Fuso Bank, the Bank made dramatic strides in rationalization and efficiency, resulting in the wide-ranging branch network spanning San-in, Sanyo, Hyogo and Osaka that today is one of its defining characteristics.

1991

- Merged with Fuso Bank
- Celebrated 50th anniversary

1992

- Established Gogin (Tottori/Shimane) Cultural Promotion Foundations

1993

- Founded Badminton Club

1995

- Formulated management philosophy "The creative bank that best fulfills the dreams of the region and customers it serves."

1997

- Established San-in Executive Office of "Chisana Shinsetsu" (Small Kindness) Movement
- Changed commercial name to San-in Godo Bank, adopted new CI
- Relocated to newly built current location

1990~

Focus on Relationship Banking

Driven by a firm and consistent commitment to act assertively in the region, San-in Godo Bank has continued taking steps to spur economic revitalization and regional development. In particular, the Bank has for many years focused on business support activities, reasoning that energizing the small- and medium-sized companies with whom it does business will create employment and capital circulation, fueling dynamic activity across the entire region.

Since unveiling the "Relationship Banking Function Enhancement Plan" in 2003, San-in Godo Bank has continued to position relationship banking as its universal business model, leading directly to business matching monetization and the current "Added Value Improvement Campaign."

Red: Management achievements

Blue: Core business activities

Green: Regional contribution activities

2003

- Began operating shared three-bank core system with Michinoku Bank and Higo Bank
- Formulated "Relationship Banking Function Enhancement Plan"

2006

- Started forest conservation activities
- Began handling Gogin Duo Card

2007

- Began monetizing business matching
- Opened "Gogin Challenged Matsue" employment site for individuals with intellectual disabilities

2000~

2012

- Launched new branch development and network enlargement in Hyogo and Osaka prefectures
- Opened private school "Syohuu-kan"

2015

- Launched "1 person, 1 company" campaign

2016

- Celebrated 75th anniversary

2017

- Opened "Gogin Challenged Tottori" employment site for individuals with disabilities

2018

- Launched Gogin restructuring project to reduce cost dramatically
- Launched Added Value Improvement Campaign

2019

- Formalized comprehensive business alliance with Nomura Securities Co., Ltd. in financial intermediary services

2010~

2020

- Began utilizing "Shared Regional Banking Center" as next-generation core system

(Planned Actions)

2030

- Achievement of SDGs

2041

- Celebration of 100th anniversary

Development of Unique Regional Contribution Activities

San-in Godo Bank has strived to meet its responsibility to regional society through social contribution activities focused on social welfare, education and culture. From the 2000s on, we accurately grasped rapid changes in the external environment, and pursued a host of measures based on our contention that a more customer-first perspective is critical to becoming indispensable to the region and to customers. In our regional contribution activities, the same approach has spurred the development of unique activities such as forest conservation, "Gogin Challenged" employment sites for individuals with disabilities, and the initiatives by private school "Syohuu-kan" ahead of other companies.

2020~

Added Value Process

With relationship banking positioned as a universal business model, San-in Godo Bank aims to make a sustainable regional society where the region and the Bank both prosper a reality, leveraging years of accumulated capital to proactively solve social issues.

Long-term Vision

Realize a Sustainable Regional Society

Social Issues

Regional Issues

- Ongoing population decline and aging
- Fewer business sites
- Working style diversification
- Responsiveness to environmental conservation

Customer Issues

- Corporate growth and continuity
- Asset management and formation
- Response to digitalization
- Labor and human resource shortages

Financial Institution Issues

- Continuation of very low interest rates
- New entry from other sectors
- Training human resources who can deliver high-quality financial services

Leverageable capital



Financial Capital

Leading capital adequacy ratio among regional banks



Intellectual Capital

High-quality relationship banking expertise



Social Capital

High market share and extensive branch network



Human Capital

Talented human resources committed to the region



Natural Capital

Abundant natural environment

Management Philosophy

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

SAN-IN GODO BANK

2 Build trust relationships, identify issues and needs

3 Propose and enact solutions

1 Human resource training

4 Boost added value of the region and customers

Development of Extensive Relationship Banking

5 San-in Godo Bank growth and development

Medium-term Management Plan (FY2018-FY2020)

Jointly create customer-oriented added value

Personnel management that energizes organizations

Promote restructuring through greater digitalization

Value for Stakeholders

Corporate Clients
Growth of regional industries and companies

Individual Customers
Lifestyles of comfort and great convenience

Region
Enriched, dynamic regional society

Shareholders and Investors
Proactive and stable profit returns

Employees
Improve pride in work and satisfaction

Consolidated Financial Highlights

Years ended March 31, 2018, 2019 and 2020

		Millions of yen		Thousands of U.S. dollars (Note)
	2020	2019	2018	2020
For the Year:				
Total income	¥90,352	¥97,928	¥95,824	\$830,212
Total expenses	75,063	78,748	76,139	689,727
Profit before income taxes	15,288	19,179	19,685	140,475
Profit attributable to owners of the Bank	10,467	13,205	13,692	96,177
Cash dividends paid during the year	4,070	4,072	2,739	37,397
Profit per share (¥/\$)	67.07	84.58	87.76	0.61
Cash dividends per share (¥/\$)	20.00	26.00	26.00	0.18
At year-end:				
Total assets	5,691,460	¥5,599,597	¥5,548,604	\$52,296,793
Deposits and NCDs	4,221,192	4,140,304	4,061,594	38,787,025
Loans and bills discounted	3,322,376	3,090,046	2,983,603	30,528,126
Securities	1,654,917	1,599,306	1,847,414	15,206,441
Total net assets	361,650	372,498	362,415	3,323,072
Capital adequacy ratio	12.95%	13.79%	14.06%	—

Note: U.S. dollar amounts are translated from Japanese yen, for convenience only, at ¥108.83 = U.S.\$1, the exchange rate prevailing at March 31, 2020.

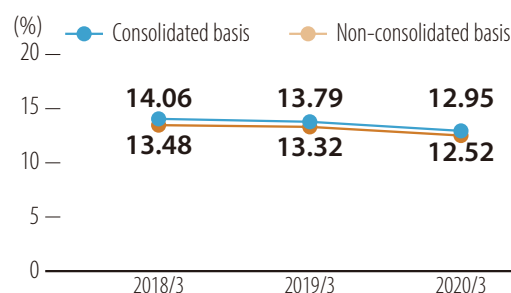
Status of Safety and Soundness

Capital adequacy ratio

Non-consolidated basis (domestic standards) **12.52%**

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

A3 (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)

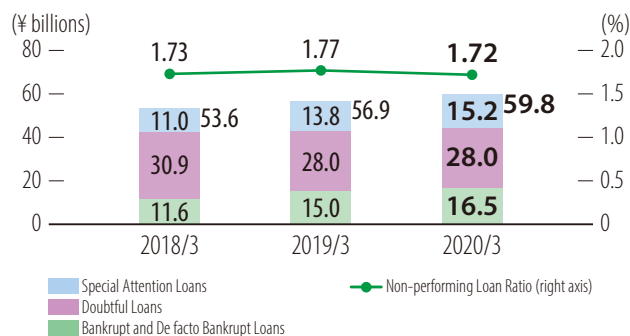
Japan Credit Rating Agency, Ltd. (JCR)

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.

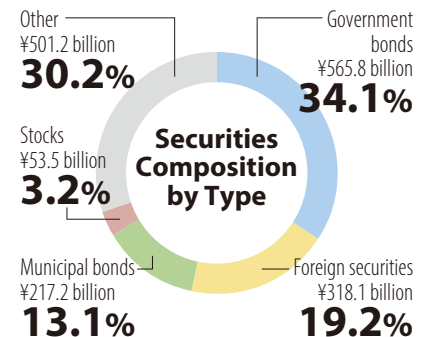
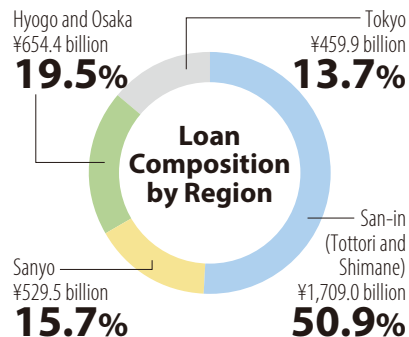
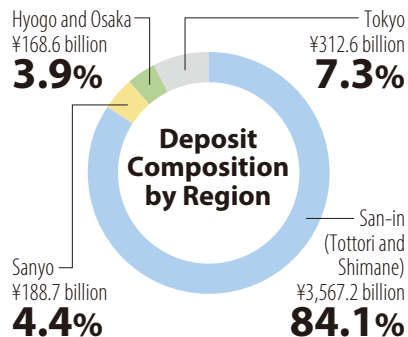
Non-performing Loans (Non-consolidated Basis)

Non-performing Loan Ratio **1.72%**



*Loans disclosed in accordance with the Financial Reconstruction Act

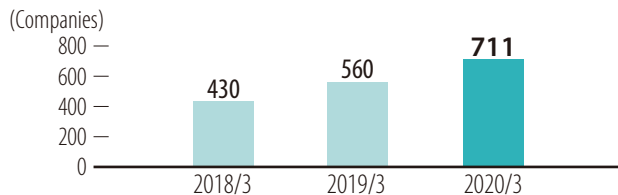
Composition of Major Accounts (End-Mar,2020)



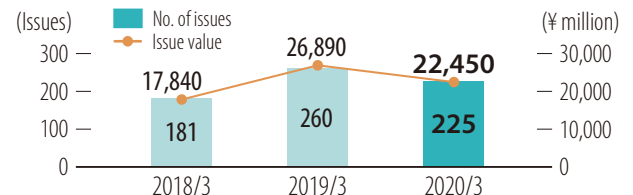
Non-financial Highlights

Featured figures from core banking operations

Sales channel expansion supported by Bank



Number and value of private-placement bond issues



Business continuation consulting



18 consulting contracts
(FY2019)

J-Credit sales supported by Bank (cumulative)



3,840 t-CO₂
(as of March 31, 2020)

M&A advisory services

24 contracts signed **9 contracts completed**
(FY2019)

Featured figures from social contributions

Percentage of female managers



22.2 %
(As of Apr. 1, 2020)

Goal for end of Mar. 2021: 25%

Percentage of disabled employees



2.52 %
(As of Apr. 1, 2020)

Number of employees with disabilities in "Gogin Challenged" Matsue:18 / Tottori:10

CO₂ emission reduction rate



-8.6 %
(FY2019, prior-year comparison)

Number of people involved in forest preservation activities



9,410 persons
(Cumulative from commencement in FY2006 to FY2019)

Message from the President

To meet our responsibilities in the region, the time to evolve through change is now.



October 2020

Toru Yamasaki

Toru Yamasaki
President and Representative Director

Acknowledgement of Current Status and Issues

● Operating Environment Changes

As low birth rates, societal aging and population decline gain momentum, Japan's social structure is undergoing irreversible change – a point that is especially felt in the San-in region where the Bank primarily operates. What's more, as businesses push forward with digitalization, the move by IT firms and players from other industry sectors to enter the field of finance becomes more pronounced each year. As a financial institution, responding to this trend is a matter of urgent concern.

Turning an eye to the rest of the world, along with the continued spread of protectionist policies regarding commerce and trade, the standoff between the United States and China appears set to intensify politically. From these and other circumstances, uncertainty with respect to economic trends is growing globally.

● Spread of COVID-19

Alongside these changes in the domestic and global landscape, this year witnessed an historic event – a worldwide pandemic triggered by a novel coronavirus. As the virus spread, it left economies and societies across the globe badly shaken. And while governments in most countries rolled out economic measures supported by large-scale fiscal policies and monetary easing, their actual economies have been hard hit. The Bank's clients have been no exception. Business performance has fallen dramatically across numerous industries, including accommodation, tourism, all types of manufacturing, retail and bars and restaurants. With sales in some sectors dropping by more than half, many of these clients have found their businesses thrust into an extremely challenging situation.

While a vaccine and treatment are critical to controlling the infection, it is widely expected to be two to three years before these become commonplace. Until then, societies are expected to call for systems to stay in place at current levels to fight the infection, with global limitations on movement and other restrictions also set to remain unchanged to some extent.

Assuming that this coronavirus will be with us for some time going forward, this will most likely drive a push to respond to the "new normal" emerging in social activities, daily life and business, specifically in the form of new accepted wisdom, lifestyle options and working styles.

● The Role of Managers

As described, the external environment is undergoing massive changes. However, the Bank's policy – pursuing the development of a business model enabling the Bank to walk hand-in-hand with the region and customers – has not changed at all. In fact, putting the development of this business model at the helm is itself one of the most important issues for today's managers. Accordingly, we recognize that meeting customers with sincerity and never hesitating to self-improve are more necessary now than ever before.

Keywords for Management Strategy Going Forward

● Evolving Through Change

"Let's evolve through change" has been my repeated mantra to Bank employees since assuming the helm in June 2020. The Bank has found itself in a particularly severe operating environment since the introduction of negative interest rates, which had already shifted our thinking to working in a crisis mindset. It feels as if the novel coronavirus, though, has raised that crisis level to a whole other dimension, forcing us to bring a greater sense of urgency to our work than ever before.

It is widely said that the persistence for now of the coronavirus is likely to be a trigger for dramatic change in social patterns and daily life, as well as for the many companies impacted by these effects. In the financial world, too, this crisis will likely be the basis for the emergence of even further innovation at an accelerated pace. Similarly, San-in Godo Bank cannot afford to fall behind the changes happening with society, with clients or with competitors. In an operating environment where the speed of change is blistering, rather than resting easy with our current organizations, structures and customs, we must be flexible in the face of change.

Ultimately, I want us to evolve in ways that enable the Bank to cause massive waves of its own and adapt to a new era by continuing to act quickly from even the smallest of changes. While there is certainly a feeling of having assumed responsibility for management during an extremely difficult time, if we can firmly enact our forward-looking strategy, this tumultuous period can become a chance to significantly raise the Bank's corporate value.

In particular, amid this catastrophic coronavirus we recognize that there are stronger calls than ever for extensive support to sustain and develop our clients' businesses and respond to the widespread shift to digitalization. Below I will explain how "consulting," "digitalization" and "specialist human resources" will

be keywords in answering these societal demands and customer needs, which are prefaced on enacting self-reform to support our own growth.

● Improving Our Consulting Capabilities

As part of business support activities, the Bank has focused on a broad range of consulting over the years, and has enhanced the personnel system at the head office to position consulting as an earnings pillar under the current Medium-term Management Plan.

Consulting involves sharing in clients' management issues, and is a necessary and essential element in the process of solving those issues. Further, if we can deliver high-quality consulting this will encourage improvement and growth in client business, consequently leading to increases loans and better control of credit expenses. This, in turn, will contribute greatly to strengthening the Bank's core business, financial intermediary functions. For these reasons, we recognize consulting as an extremely important field in terms of business strategy. Particularly now, when the regional economy is so heavily battered, I want us to bring to the forefront the expertise the Bank has built over the years to assist in invigorating the region and customers. To this end, we have to elevate our consulting capabilities and must develop a framework for providing farther reaching and more in-depth services.

Furthermore, much attention has turned in recent years to the formation and management of individual assets in an aging society. Accordingly, the accurate delivery of necessary information to customers in the region, and assisting in extending the lifespan of assets through consulting services such as life plan design and offering approaches to asset management, have become one of the major roles expected of a regional bank.

In this context, last year the Bank entered a comprehensive business alliance with Nomura Securities Co., Ltd. This is the first alliance of its kind in Japan, but one that has the spirit to become a model for conducting a more local securities business. The Bank's advantage lies in the number and strength of its connections with customers in the region. Nomura Securities' advantage, meanwhile, is in high-valued-added financial information and financial products. The positive reaction from leveraging our mutual strengths to deliver high-quality services at low cost to meet customers' varied needs is one that you can sense.

● Accelerating Digitalization

Following the lightning-fast speed of digital technology development in recent years, IT firms and a stream of other companies are entering the financial services realm. Well ahead

Message from the President

of this trend, the Bank, too, placed solid emphasis on the move to digitalization. However, with the spread of the novel coronavirus, public consciousness with respect to digitalization has shifted from something that “should” to something that “must” occur, and my own feeling is that the use of digital technology in everyday life and business situations is unfolding at an accelerating pace.

The purpose behind digitalization is two-fold – improve services to customers and enhance the Bank’s own rationalization and cost reduction efforts. In the age of coronavirus, add to this another key component – remote action that avoids in-person meetings or physical contact. With these viewpoints in mind, we put a structure in place to organizationally promote digitalization. This included establishing system management groups and departments to realize full system optimization based on core system upgrades made in January 2020, and to ensure flexible and effective digital technology utilization. In terms of specific measures, we revamped our smartphone app in July 2020, guided by the slogan, “A bank branch is now in the palm of your hand.” These changes made it easier for customers to apply for various types of loans or submit notification of changes whenever and wherever they choose.

The San-in region, meanwhile, is home to many outstanding IT firms. We want to create a model for solving the region’s issues within the region itself by breaking down what individual clients want in ways that only we can, and matching those needs with local IT firms able to meet them.

● Training Specialist Human Resources

Until recently, the Bank’s human resource training structure was centered on developing generalists. This reflected what was needed of bank employees at the time – knowledge of a wide range of services spanning everything from deposits and exchange, to loans for business-related funding and asset management for individual customers. However, to powerfully move the consulting and digitalization work I previously mentioned forward, and to do so successfully, requires a large number of specialists well versed in respective fields.

On a different note, in step with the march of digitalization, artificial intelligence (or AI) is being widely touted as the emerging go-to for handling simple clerical work and other tasks. Once this happens, the likely requirement for human staff will be to provide what computers cannot – planning capabilities derived from flexible ways of thinking.

In other words, I believe that the structure for human resource training going forward will revolve around consulting, digitalization and planning, and will require each employee

to push one of these skill areas to the fullest extent possible. For financial institutions, building decisive difference based on the types of products handled is difficult, making human resources the best source for achieving both differentiation and competitiveness. To mark robust growth even in an adverse operating environment and to continue to be a competitive organization, I want to search for a personnel system, along with educational and training structure, that reasonably evaluates specialists and enables them to be as dynamic as they want to be.

Priority Issues

As we assemble a management strategy centered on the keywords I previously mentioned, we are taking in to account the current social situation and operating environment. In particular, the priority issues that need our response are as follows: support for business during the coronavirus catastrophe, radical restructuring and improved earnings capacity. I explain each of these below.

● Support for Business during the Coronavirus Catastrophe

First and foremost, support for financing clients hard hit by the coronavirus catastrophe and business support are our highest priority, and this is where the investment of management resources will be prioritized.

The actual economic impact of the coronavirus is enormous. Depending on the client, some cases will emerge that require not just financing but intensive business model revision. We recognize such cases as those where we are most helpful by bringing forward the Bank’s accumulated knowledge and expertise in business support in a focused way. For our employees as well, we are conveying the message to aggressively take risks and to firmly support both clients and the regional economy.

Given this unprecedented situation, in April 2020 we launched a “COVID-19 Business Support Team” at the head office in a bid to expand and enhance our support structure across the organization. The mission of this team is to get client businesses the help they need to regain their footing after the coronavirus and achieve stable business continuity well into the future. Through close ties with the head office and sales branches, as the leading bank in the region, we will properly assess each company’s management circumstances and future business prospects in implementing extensive financing and business support.

● Radical Restructuring

As I stated at the outset, in an operating environment marked by tremendous changes, developing a business model that makes

sustainable growth possible is one of my most important duties, and we will tackle structural reforms to that end.

Entering 2020, we embarked on a steady program of restructuring over the course of a few short months. These reforms included upgrading our core systems, innovation in the securities business through a business alliance with Nomura Securities, integration of our 33 branches in prefectures spanning the San-in region, and structural reforms at the head office. Similarly, in the days ahead, we will leverage the resources (human resources, capital and systems) these reforms generate to continue to meet challenges posed by the next wave of reforms centered around consulting and digitalization.

Of the reforms discussed, I believe that the business alliance with Nomura Securities represents a major test case for the Bank. Today, the boundaries, if you will, in many fields have begun to vanish. This is especially noticeable in finance, a field that players from other culture backgrounds and industries straddling this boundary have rapidly begun to enter. Business has evolved and has become so much more complex and advanced that we can no longer achieve the goal on our own but must unite with other division, company, industry, and even across the border.

Access to new information and technological collaboration, gained through interaction with people and companies from different fields and cultural backgrounds, can give rise to synergies and innovation. Meanwhile, technology and ideas that come from completely different directions are likely to lead to new concepts by stimulating thought on all sides. My hope is to use this kind of new stimuli as a catalyst for a bold attempt to move ahead to our next growth stage.

● Improved Earnings Capacity

Alongside medium- to long-term priorities of support for business during the coronavirus catastrophe and radical restructuring, we have long continued the pursuit of various measures designed to ensure earnings stability each fiscal year.

With the effects of the coronavirus more pronounced each day, we must build our own earnings capacity and remain a sustainable company well into the future if we want the reason the Bank exists at all – to support the region – to continue to shine through.

For the time being, our fields of particular focus are “the corporate consulting department,” “personal loans,” “cashless payments” and “cost control.” In corporate consulting, we are pursuing activities extensively that pivot us from quantity to quality, sustaining the momentum of the financing balance steadily grown to date while securing interest commensurate

with risk. In personal loans and cashless payments, we will roll out products and initiatives that fulfill customer needs, while addressing both improvements in customer convenience and efficient service operations built on digital technology utilization. As for cost control, we will work hard to make the very most of the benefits (cost reductions) of prior restructuring efforts.

Perspective of SDGs

Coupled with this work, we remain committed to addressing activities from the perspective of the Sustainable Development Goals (SDGs) advocated by the United Nations. Over the years, the Bank has been actively involved in the “J-Credit” system for the sale to companies of carbon dioxide (CO₂) absorbed by publicly and privately held forests, along with seminars held to promote understanding among corporations of the thinking behind SDGs. Other efforts include employment support for persons with intellectual or mental disabilities, as well as assistance to support the work of groups dedicated to areas such as culture, education and sports. In these and other ways, for many years we have put efforts into practice guided by a desire to help make a more abundant regional society a reality. Beyond clear contributions to the region from our core business, we will continue to address these and other social contribution activities going forward.

In Closing

Compared to the national average, the Bank’s share of financing for companies in the San-in region and the percentage of the region’s companies who consider us their main bank is comparatively high. This is an expression of both the support and expectations of our customers, and underscores the enormity of the Bank’s responsibility to the region.

Both companies and the region alike have been hit hard by the spread of the coronavirus pandemic, which has also caused great hardship for individual customers. I am convinced that it is precisely in a moment like this that the Bank must lean in to its responsibilities to the region.

By centering consistently around our management philosophy of “The creative bank that best fulfills the dreams of the region and customers it serves,” our directors and employees will continue working together in line with this commitment.

In closing, we ask for your ongoing support and encouragement as we look ahead.

Medium-term Management Plan (Plan Period: FY2018-FY2020)

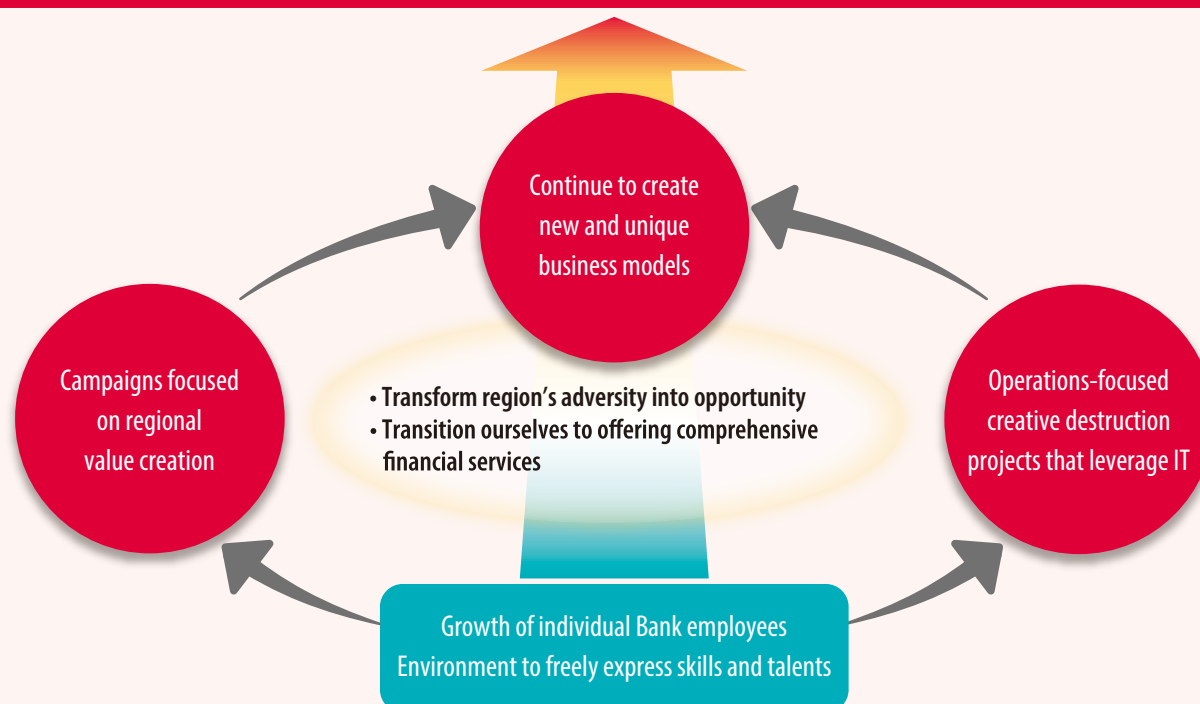
Management Philosophy

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"> Strengthen the competitiveness of regional industries and boost clients' corporate value Accelerate advancement into Hyogo and Osaka to bolster ability to serve as a bridge to the region Enhance the sophistication of consulting functions for individual customers
	Promote structural reform through greater digitalization	<ul style="list-style-type: none"> Reform the profit model by utilizing digital channels Reform the cost structure to realize strategic investment Improve productivity drastically via BPR
	Personnel management that energizes organizations	<ul style="list-style-type: none"> Cultivate specialists responsible for high-level finance and information production activities Improve employee work satisfaction and productivity through personnel reforms Reallocate human resources to best fulfill customers' needs
Priority Measures - Others	Strengthen securities operations	<ul style="list-style-type: none"> Sophisticate market risk management Diversify investment allocation
	Efficient and effective management	<ul style="list-style-type: none"> Enhance group governance and ties Improve capital efficiency and appropriate shareholder returns

Target Management Indicators

		Item	FY2019 Results	FY2020 Forecast (Pre-pandemic)	FY2020 Forecast (Post-revision)	Final Year (FY2020) Targets
Profitability	Consolidated	1.Net income	¥10.4 billion	¥11.6 billion	¥8.7 billion	¥13.8 billion
		2.Non-interest revenue ratio (gross core banking profit basis)	14.47%	—	14.38%	19% or higher
Capital efficiency		3. ROE (shareholders' equity basis)	3.25%	—	2.68%	4.2% or higher
Cost efficiency	Non-consolidated	4. OHR (gross core banking profit basis)	62.85%	62.83%	64.06%	63% or lower
Soundness		5. Capital adequacy ratio	12.52%	approx.12.5%	approx.12%	13% or higher

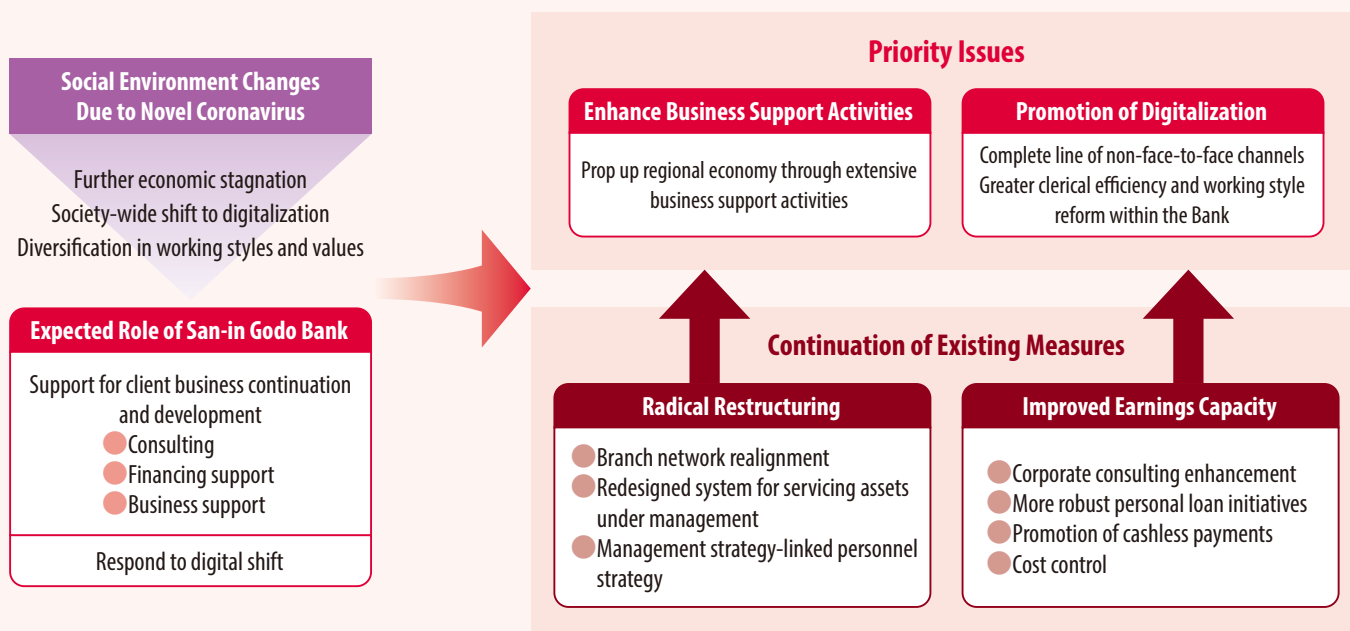
Preconditions

The Bank's performance in fiscal 2020 is expected to be partially affected by stagnation in economic and corporate activity and sudden volatility in the market environment attributable to the coronavirus pandemic. While offering a future outlook is difficult at this time, the Bank has established business targets based on an assumption that effects from the coronavirus pandemic will persist until around September 2020. However, these targets could change significantly based on the actual timeline of the pandemic and the degree to which the economy is impacted.

The primary anticipated impacts of the coronavirus pandemic are reductions in fees and commissions related to assets under management and business support due to restrictions on in-person sales, as well as increased credit expenses due to worsening business performance at client companies. Accordingly, on a consolidated basis, we revised the pre-coronavirus pandemic target of ¥11.6 billion for net income to ¥8.7 billion.

Furthermore, in light of the impact on clients of the novel coronavirus, the Bank's policy is to allow the capital adequacy ratio to decline to around 12%, having determined now to be the best time to leverage its robust standing with respect to shareholders' equity.

Initiatives for Year Ending March 31, 2021



Initiatives for Shaping a Sustainable Regional Society

Revitalize the regional economy and contribute to regional development through 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.

Of these, we view regional economic revitalization in particular as the mission of San-in Godo Bank. Through extensive efforts in this area, we work to realize a society where sustainable growth for both the region and the Bank is possible.

Core Business Realizable as the core business of the Bank

SDGs to Address		Specific San-in Godo Bank Initiatives	
Social	Regional economic revitalization	8 DECENT WORK AND ECONOMIC GROWTH	Initiatives for Corporate Clients
		9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	
		11 SUSTAINABLE CITIES AND COMMUNITIES	Initiatives for Individual Customers
		12 RESPONSIBLE CONSUMPTION AND PRODUCTION	
Environment	Regional environmental preservation	3 GOOD HEALTH AND WELL-BEING	Core Business
		4 QUALITY EDUCATION	
		11 SUSTAINABLE CITIES AND COMMUNITIES	
		13 CLIMATE ACTION	
Governance	Improved employee satisfaction Establishment of a sound and highly transparent management structure	7 AFFORDABLE AND CLEAN ENERGY	Core Business
		14 LIFE BELOW WATER	
		15 LIFE ON LAND	
		16 PEACE, JUSTICE AND STRONG INSTITUTIONS	

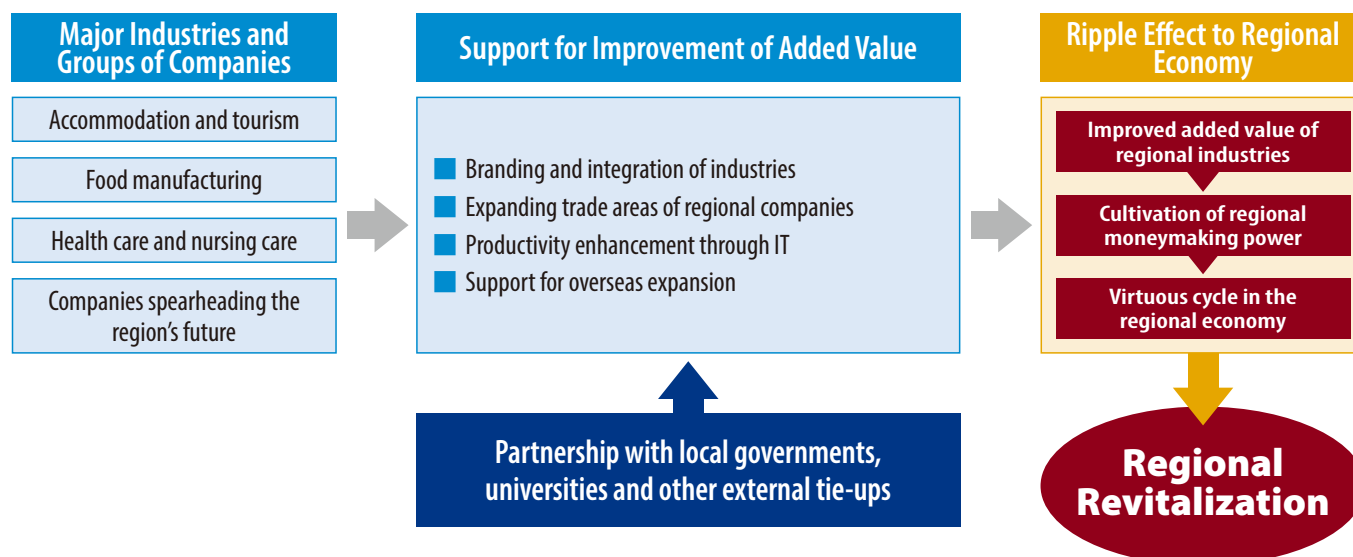
*SDGs (Sustainable Development Goals): 17 sustainable development goals adopted by the United Nations, targeted for completion by 2030.

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 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

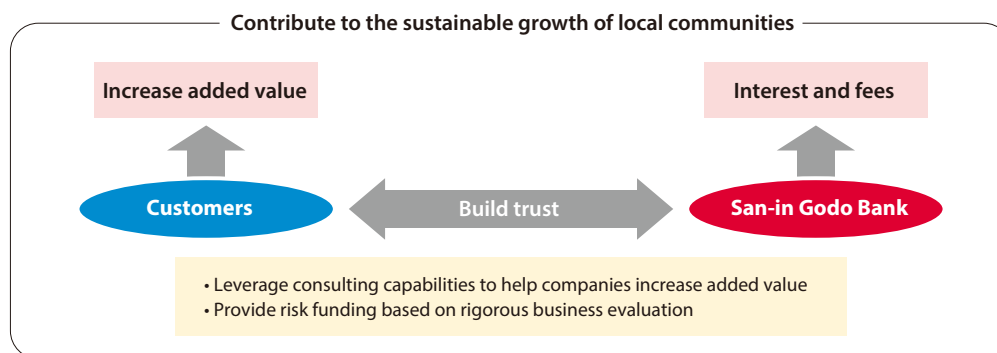
We have built a branch network covering the San-in, Sanyo and Hyogo / Osaka regions. Using this network, we have created a business matching support network, provided head office support to the bank branches and promoted alliances with external experts and institutions.

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.

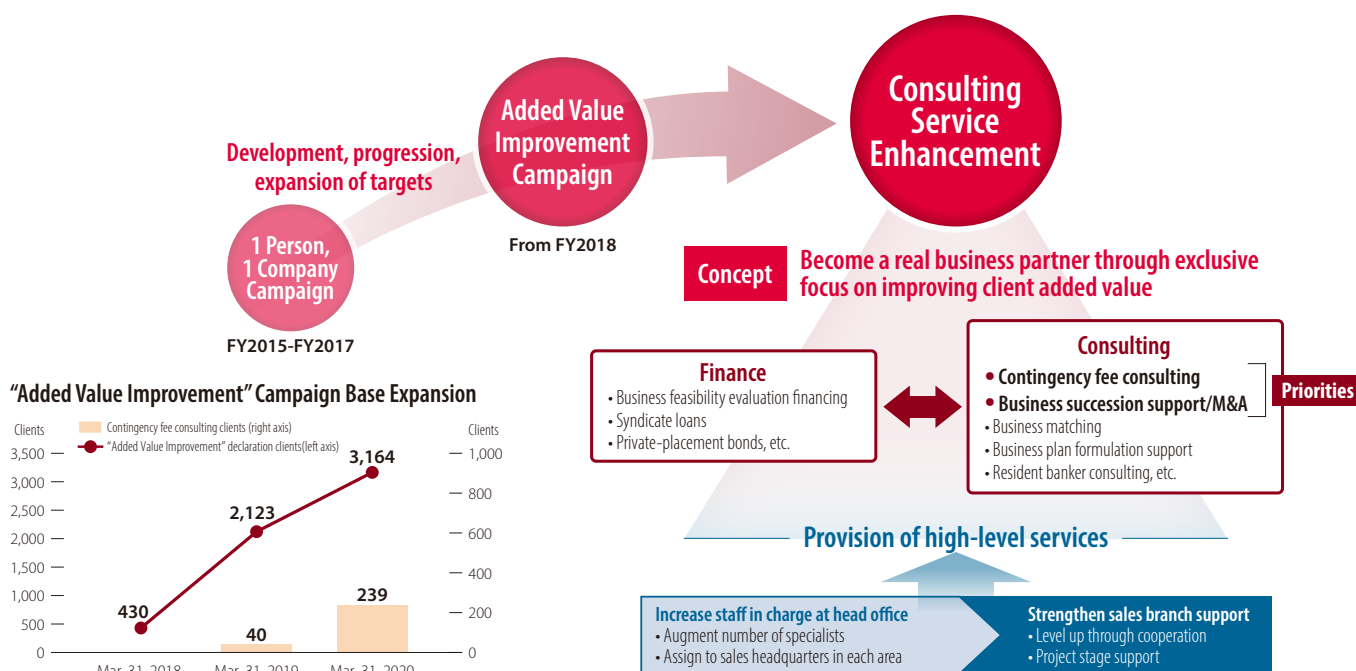
Grow earnings through relationship banking



"Added Value Improvement Campaign" Overview

At San-in Godo Bank, we view relationship banking as a universal business model that we engage head on. Since fiscal 2018, we have launched the "Added Value Improvement Campaign" and using as a base relationship banking expertise gained to date through the "1 person, 1 company" campaign, have focused in on activities tied to improved added value for our clients. For all clients, our aim is to be a real business partner anchored by long-term relationships of trust.

As we put more emphasis on consulting, including in areas such as contingency fee consulting, business succession support and M&A work, we seek to establish a sustainable business model that enables clients and San-in Godo Bank alike to grow.



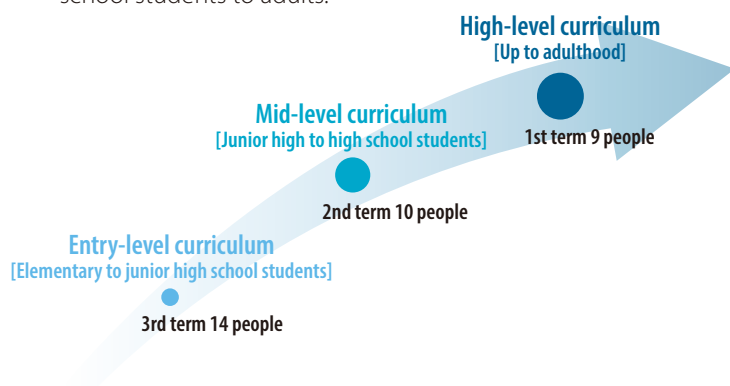
Regional Support Activities

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, "Syohuu-kan" provides integrated education from elementary school students to adults.



Promoting Sports

Energizing the region through sports promotion

Gogin Women's Badminton Team

The Gogin Women's Badminton Team was established in 1993 to promote sports in Shimane Prefecture. To raise the level of play in the region, athletes from the team hold technique training 3 days a week for elementary and junior high school students, coupled with participation in regional sports events and other dynamic interaction with the community.

The Gogin Women's Badminton Team competes in the S/J League, Japan's top league in the sport, giving San-in residents the chance to see top-level play up close during home games. Looking ahead, the team hopes to spark interest in badminton among more children as it brings the excitement and energy of the sport to the region.



S/J League Matsue Tournament (Dec. 15, 2019, Matsue City General Gymnasium)
Many residents made their way to the venue to vigorously cheer the team on, turning fan seating and the team bench into a giant cheering section.

Environmental Protection Activities

Working together with the region and our clients to pursue activities to protect and nurture the regional and global environment

The San-in Godo Bank Group cannot exist without the healthy development of society as a whole, and fully recognizes a sustainable society as fundamental to this end. Working together with society as a good corporate citizen, the Group conducts proactive and ongoing environment protection activities in order to pass on an abundant natural environment to future generations.

Environmental policies

1. Compliance with environmental laws and regulations

We will comply with all applicable environmental laws, regulations, and agreements.

2. Promoting environmental protection activities through financial products and services

We will help protect the environment by providing financial products and services that contribute to environmental protection.

3. Promoting resource conservation, energy conservation, and recycling activities

We will strive to lessen the environmental impact of our business activities through promotion of resource conservation, energy conservation, and recycling activities.

4. Promoting environmental protection activities in cooperation with local communities

We will proactively carry out environmental protection activities in cooperation with local communities.

5. Implementing environmental education and awareness-raising activities

We will strive to enable each and every employee and member of management to carry out environmental protection activities autonomously and proactively through comprehensive efforts to promote this policy.

Resource and Energy Conservation and Recycling Activities

We strive to minimize the environmental impact of business activities by promoting resource conservation, energy conservation and recycling activities.

Improving Energy Conservation Awareness

We are raising consciousness regarding energy conservation within the Bank by demanding measures for conserving energy and limiting electricity use.

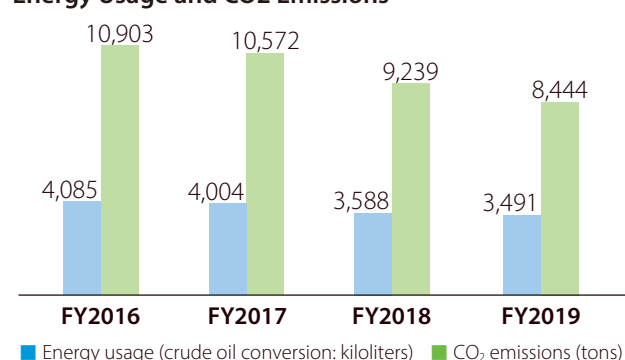
Adoption of Energy-saving and Eco-conscious Products

We are adopting a range of energy-saving and eco-conscious products, including energy-saving air conditioners, LED lighting, solar power generation systems and electric cars.

Shift to Paperless and Recycling

We are making strides in becoming paperless within the Bank by moving to electronic documents and reducing the number of paper copies and printed material. We are also recycling waste documents into toilet paper and recycling trash into solid fuel material.

Energy Usage and CO2 Emissions



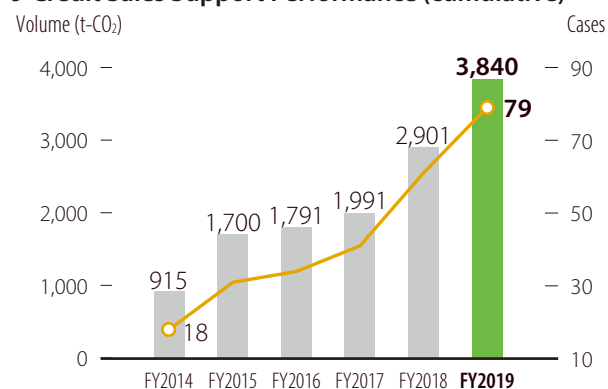
* Based on Ministry of Economy, Trade and Industry (METI) report

Environmental Protection Activities through Financial Products and Services

J-Credit Trading Support

San-in Godo Bank is a longtime supporter of carbon offset initiatives utilizing J-Credits, which also contributes to the achievement of SDG targets. The Bank itself utilizes J-Credits, which hold environmental value based on reductions in greenhouse gas emissions or volume increases in greenhouse gas absorption through forest resources and other means, and promotes understanding with respect to regional environmental protection. The Bank also works with regional public entities and other bodies to promote forest management using proceeds from J-Credit trading, as well as greenhouse gas reduction initiatives. Beyond measures to combat climate change and the conservation of abundant forest resources through aggressive support for the sale of J-Credits and intermediary services for credit trading, our goal is to provide support for sustainable business by supporting the environmental activities and improvements in added value of our corporate clients.

J-Credit Sales Support Performance (cumulative)



Personnel Strategies

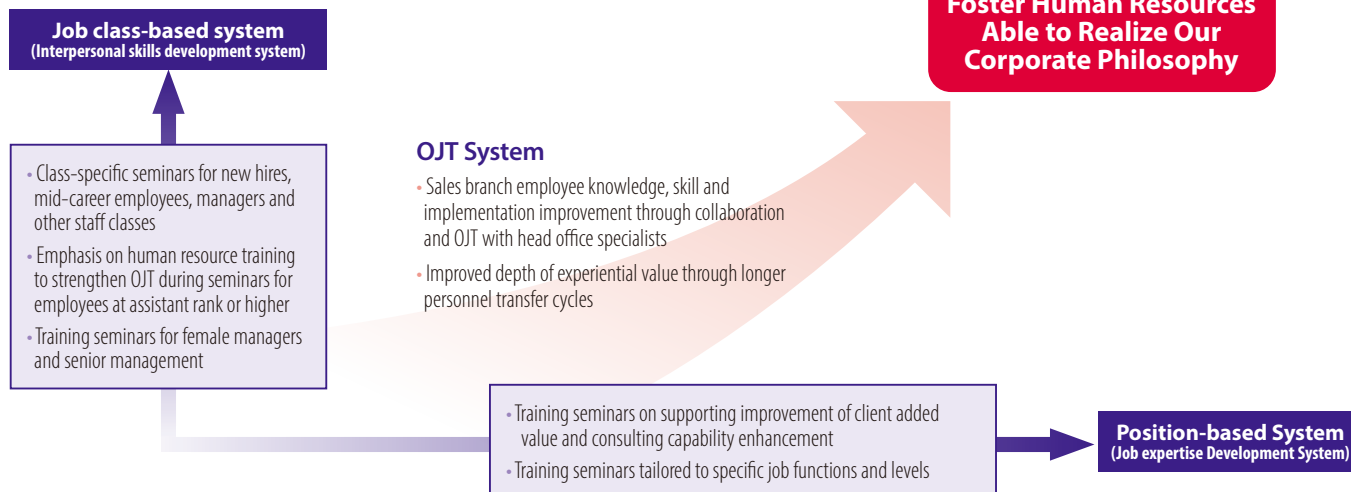
Training human resources ready for the challenge of resolving issues the region and customers face

We train specialist human resources able to offer high-quality financial services, while helping employees find pride and greater satisfaction in their work through our useful value to customers.

Strengthening Human Resource Training

Alongside a well-developed human resource training system with OJT, seminars and other features, we strive through career formation support and greater career path options to provide every employee with growth opportunities that take advantage of their strengths and highlight their skills.

Human Resource System for Highlighting Skills



Diversity

Striving for organization creation that integrates personality and lifestyle in showcasing abilities

■ Employment of individuals with disabilities

San-in Godo Bank actively recruits persons with disabilities, creating opportunities that showcase their individual skills in an effort to become an organization where everyone can thrive.

Gogin Challenged Matsue - Opened September 2007

Employees with disabilities: 18 (as of April 1, 2020; number when opened: 6)

Gogin Challenged Matsue, a business site specializing in employing people with intellectual disabilities, recruits individuals who love to create art. Work and operations there include painting, the production of promotional giveaways using paintings, enclosing brochures and rubber-stamping.

Gogin Challenged Tottori - Opened September 2017

Employees with disabilities: 10 (as of April 1, 2020; number when opened: 5)

Gogin Challenged Tottori, which primarily employs individuals with mental or developmental disabilities, is responsible for a wide range of banking operations, including data entry and document filing.

■ Empowering women and older employees

By expanding opportunities where women and seniors can flourish, we are spurring a strong desire for work among employees and striving to prepare working environments that they find worthwhile.

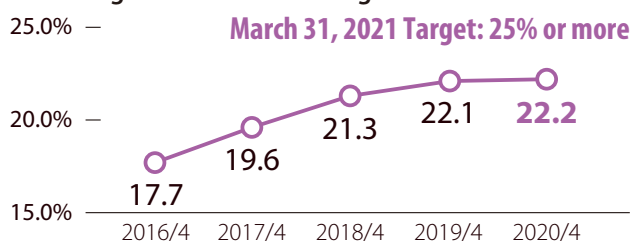
Active Recruitment of Female Employees as Managers

We are preparing an environment with more diverse pathways for career advancement for women and a full range of training and seminar programs as we vigorously recruit female employees into management positions.

Expanding Opportunities Where Seniors 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 Women in Management



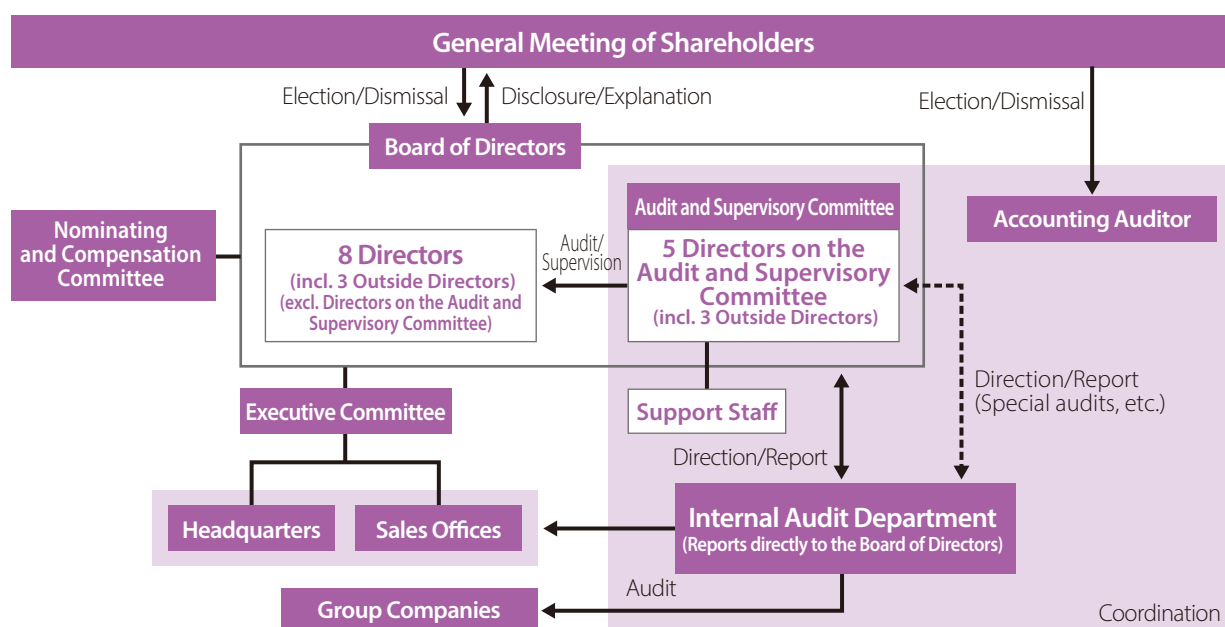
Corporate Governance

Basic Policies Regarding Corporate Governance

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

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

Corporate Governance System



Board of Directors

The Board of Directors is comprised of eight Directors, three of whom are Outside Directors, and five additional Directors who are Audit and Supervisory Committee members (of whom three are Outside Directors). The Board of Directors is responsible for important decision-making pertaining to management, as well as the supervision of Directors and executives in the performance of their duties. The Board of Directors holds regular monthly meetings and, when necessary, emergency meetings in response to urgent matters requiring the Board’s attention.

Audit and Supervisory Committee

The Bank has an Audit and Supervisory Committee-based governance structure. The Committee is comprised of five Directors who are Audit and Supervisory Committee members (three of whom are Outside Directors). In conjunction with the Board of Directors, the Committee is responsible for oversight functions, and works in collaboration with the accounting auditor and Internal Audit Department, in accordance with laws, the Bank’s articles of incorporation and regulations set forth by the Audit and Supervisory Committee, to monitor and inspect the execution of duties by Directors as a fundamental step in observing that the Bank’s internal control system is functioning properly.

Executive Committee

The Executive Committee, comprised of executive officers of the rank Managing Executive Officer and above, is flexibly convened from time to time as a deliberative body on important management matters.

Internal Audit Department

The Bank has established an Internal Audit Department, which reports directly to the Board of Directors and is independent of departments responsible for operational execution. The Internal Audit Department conducts audits of overall activities of the departments responsible for operational execution based on the internal audit policy and plan approved by the Board of Directors, and regularly reports to the Board of Directors and the Audit and Supervisory Committee on the audit results, matters indicated and other issues.

Accounting Auditor

Ernst & Young ShinNihon LLC serves as the Bank’s accounting auditor.

Nominating and Compensation Committee

As a voluntary advisory body to the Board of Directors, the Bank has established a Nominating and Compensation Committee to ensure a highly objective and transparent selection process for Directors and to enhance the effectiveness of related compensation systems, which function as incentives for improving corporate value.

(As of July 1, 2020)

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, accurately identifying and managing such risk has become a vital element with respect to bank management.

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



To accurately assess the status of credit risks, we regularly hold loan review meetings to report the details of credit portfolios and discuss details.

We established the Credit Risk Management Committee to deliberate and review various measures for credit risk management, as well as analysis and review of credit risk status. In parallel, we are striving to enhance and reinforce the credit risk management system.

For the comprehensive management of assets and liabilities held by the Bank, we hold ALM Committee meetings every month in an effort to secure stable profits through risk control commensurate with management vitality (capital adequacy).

In order to accurately assess the status of operational risk at San-in Godo Bank, we periodically report on policies designed to identify, assess, manage and reduce risks. For significant risk matters, the Operational Risk Management Committee convenes whenever necessary, with each department responsible for managing risk sharing information and deliberating response policies, as part of a commitment to ensuring proper risk control.

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

Corporate Data

(As of March 31, 2020)

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 1,992

Number of Shares

Authorized 495,021,000

Issued and Outstanding 156,977,472

Number of Shareholders 14,760

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

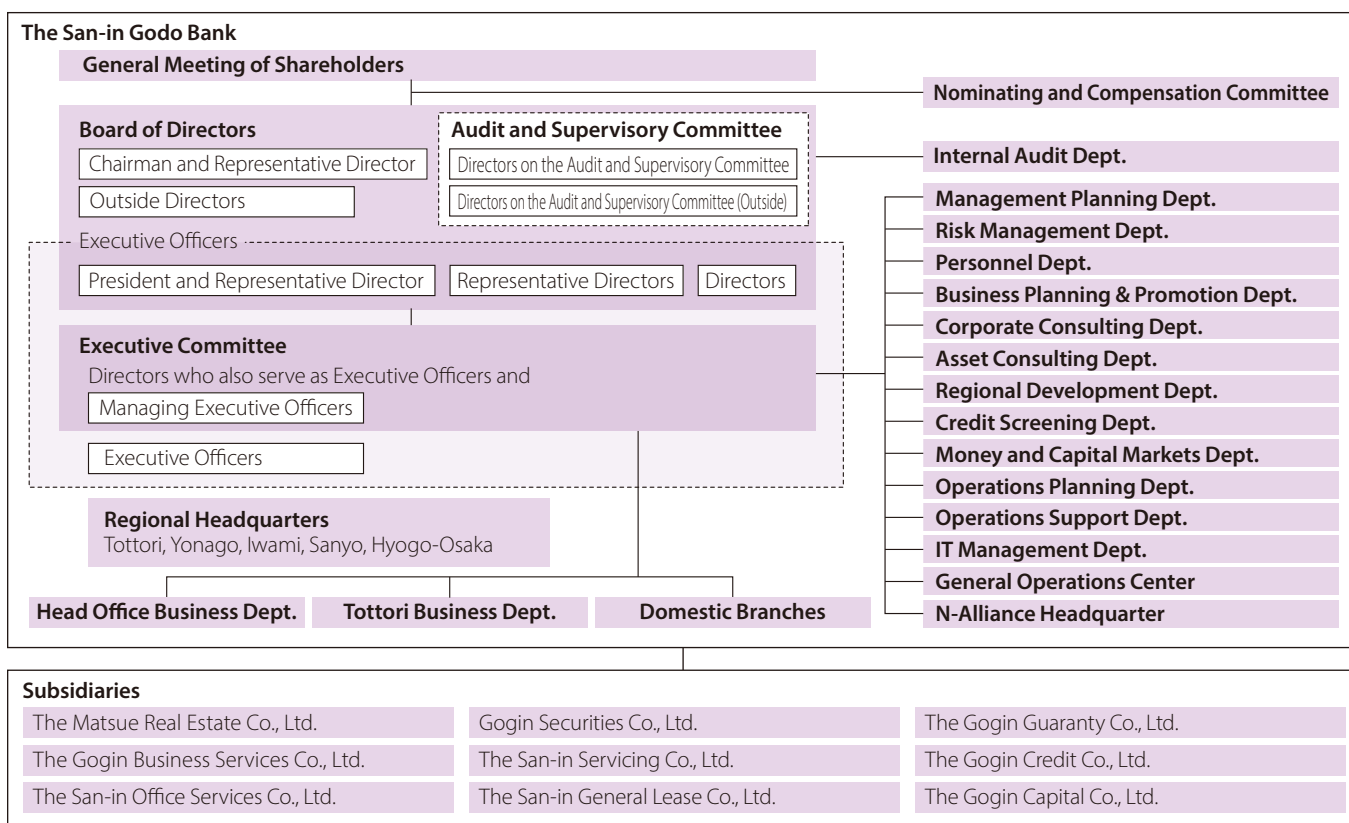
Bangkok Overseas Representative Office

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

Consolidated Subsidiaries (As of July 1, 2020)

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	Settlement and sorting of cash, management of supplies, sorting of mail
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, 2020)



Board of Directors and Executive Officers (As of July 1, 2020)

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

Fumio Ishimaru Chairman and Representative Director	Nobuharu Sugihara Director and Representative Director	Shuichi Ida Director	Choemon Tanabe Director (Outside Director)
Toru Yamasaki President and Representative Director	Mutsuto Seida Director and Representative Director	Hideto Tago Director (Outside Director/Independent)	Yasuyuki Kuratsu Director (Outside Director/Independent)

Directors on the Audit and Supervisory Committee

Takashi Yoshida Audit and Supervisory Committee Members
Koji Miyauchi Audit and Supervisory Committee Members
Michihiro Kawamoto Audit and Supervisory Committee Members (Outside/Independent)
Shoichi Imaoka Audit and Supervisory Committee Members (Outside/Independent)
Tamaki Adachi Audit and Supervisory Committee Members (Outside/Independent)

Executive Officers

Toru Yamasaki President and Chief Executive Officer	Shuichi Ida Managing Executive Officer (General Manager, Management Planning Dept.)	Tomofumi Kanaya Executive Officer (General Manager, Head Office Business Dept.)
Nobuharu Sugihara Senior Managing Executive Officer (Chief of Tottori Headquarters)	Soichi Akishita Managing Executive Officer	Shinji Ito Executive Officer (Chief of Iwami Headquarters)
Mutsuto Seida Senior Managing Executive Officer	Toshimitsu Akaki Executive Officer (General Manager, Corporate Consulting Dept.)	Eiji Kikkawa Executive Officer (General Manager, Kobe Branch)
Hideaki Furuyama Managing Executive Officer (Chief of Hyogo-Osaka Headquarters)	Hirohisa Ikuta Executive Officer (General Manager, Risk Management Dept.)	Yuzuru Yasuda Executive Officer (General Manager, IT Management Dept.)
Tetsuya Anjiki Managing Executive Officer (Chief of Yonago Headquarters)	Hiroshi Yoshikawa Executive Officer (Chief of Sanyo Headquarters)	Hidetoshi Kageyama Executive Officer (General Manager, N-Alliance Headquarter)
Yuji Funo Managing Executive Officer		

Consolidated Balance Sheets

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

As of March 31, 2019 and 2020	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Assets:			
Cash and due from banks (Notes 15 and 17)	¥ 769,410	¥ 571,248	\$ 5,248,993
Call loans and bills purchased	332	—	—
Debt purchased	10,801	11,230	103,188
Trading securities (Note 18)	57	89	817
Money held in trust (Note 20)	4,000	4,955	45,529
Securities (Notes 6, 17, 18 and 19)	1,599,306	1,654,917	15,206,441
Loans and bills discounted (Notes 5, 8 and 17)	3,090,046	3,322,376	30,528,126
Foreign exchange	5,957	6,324	58,108
Lease receivables and investments in lease assets (Notes 6 and 16)	28,997	30,392	279,261
Other assets (Notes 6 and 17)	69,972	71,585	657,768
Tangible fixed assets (Notes 9 and 10):	36,245	35,259	323,982
Buildings	12,476	12,105	111,228
Land	20,786	20,044	184,177
Construction in process	23	7	64
Others	2,959	3,102	28,503
Intangible fixed assets:	5,327	5,596	51,419
Software	5,058	5,328	48,957
Others	268	268	2,462
Deferred tax assets (Note 24)	262	3,663	33,657
Customers' liabilities for acceptances and guarantees (Note 7)	16,441	14,323	131,608
Reserve for possible loan losses	(37,517)	(40,465)	(371,818)
Reserve for devaluation of securities	(46)	(39)	(358)
Total assets	¥ 5,599,597	¥ 5,691,460	\$ 52,296,793
Liabilities:			
Deposits (Notes 6 and 17)	¥ 3,818,934	¥ 3,911,792	\$ 35,944,059
Negotiable certificates of deposit (Note 17)	321,370	309,400	2,842,966
Call money and bills sold	75,973	108,793	999,660
Cash collateral received under securities lending (Notes 6 and 17)	468,440	443,097	4,071,460
Borrowed money (Notes 6 and 17)	447,367	447,717	4,113,911
Foreign exchange	7	24	220
Other liabilities (Notes 6, 17 and 25)	56,969	78,222	718,754
Reserve for bonuses to employees	1,008	970	8,912
Net defined benefit liability (Note 22)	11,258	11,195	102,866
Reserve for stock benefits	315	388	3,565
Reserve for directors' and corporate auditors' retirement benefits	88	77	707
Reserve for reimbursement of deposits	414	350	3,216
Reserve for contingencies	969	981	9,014
Reserve under special laws	0	0	0
Deferred tax liabilities (Note 24)	5,244	312	2,866
Deferred tax liabilities for land revaluation excess (Note 9)	2,293	2,161	19,856
Acceptances and guarantees (Note 7)	16,441	14,323	131,608
Total liabilities	¥ 5,227,098	¥ 5,329,809	\$ 48,973,711
Net assets (Note 29):			
Common stock:			
Authorized — 495,021,000 shares in 2019 and 2020			
Issued and outstanding — 156,977,472 shares in 2019 and 2020	¥ 20,705	¥ 20,705	\$ 190,250
Capital surplus	21,381	21,385	196,499
Retained earnings	276,800	283,495	2,604,934
Treasury stock, at cost — 957,176 shares in 2019 and 1,417,865 shares in 2020	(724)	(947)	(8,701)
Total shareholders' equity	318,162	324,637	2,982,973
Net unrealized gain on other securities (Note 18)	54,697	38,191	350,923
Net deferred gain (loss) on hedging instruments	(8)	8	73
Land revaluation excess (Note 9)	2,820	2,522	23,173
Remeasurements of defined benefit plans (Note 22)	(4,792)	(5,314)	(48,828)
Total accumulated other comprehensive income	52,716	35,407	325,342
Subscription rights to new shares (Note 23)	292	281	2,582
Non-controlling interests	1,326	1,323	12,156
Total net assets	¥ 372,498	¥ 361,650	\$ 3,323,072
Total liabilities and net assets	¥ 5,599,597	¥ 5,691,460	\$ 52,296,793

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

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

Years Ended March 31, 2019 and 2020	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Income:			
Interest income:	¥ 62,697	¥ 57,957	\$ 532,546
Interest on loans and discounts	32,761	33,384	306,753
Interest and dividends on securities	23,706	22,276	204,686
Other interest income	6,228	2,295	21,087
Fees and commissions	11,462	11,248	103,353
Other operating income	18,223	17,165	157,723
Other income	5,544	3,981	36,579
Total income	97,928	90,352	830,212
Expenses:			
Interest expenses:	9,714	4,010	36,846
Interest on deposits and NCDs	5,453	1,435	13,185
Interest on call money and bills sold	1,505	1,679	15,427
Interest on payables under repurchase agreements	41	—	—
Interest on securities lending with cash collateral	1,967	516	4,741
Interest on borrowed money	89	45	413
Other interest expenses	656	333	3,059
Fees and commissions	4,111	4,196	38,555
Other operating expenses	19,348	15,847	145,612
General and administrative expenses	40,867	41,057	377,258
Provision for reserve for possible loan losses	3,645	4,924	45,244
Other expenses (Note 11)	1,060	5,026	46,182
Total expenses	78,748	75,063	689,727
Profit before income taxes	19,179	15,288	140,475
Income taxes (Note 24):	5,946	4,791	44,022
Current	6,819	5,904	54,249
Deferred	(872)	(1,112)	(10,217)
Profit	13,232	10,496	96,443
Profit attributable to non-controlling interests	27	29	266
Profit attributable to owners of the Bank	¥ 13,205	¥ 10,467	\$ 96,177

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, 2019 and 2020	Millions of Yen		Thousands of
	2019	2020	U.S. Dollars
Profit	¥ 13,232	¥ 10,496	\$ 96,443
Other comprehensive income:			
Net unrealized gain (loss) on other securities	1,374	(16,537)	(151,952)
Net deferred gain (loss) on hedging instruments	(34)	17	156
Remeasurements of defined benefit plans	(322)	(522)	(4,796)
Total other comprehensive income (Note 12)	1,018	(17,042)	(156,592)
Comprehensive income	¥ 14,251	¥ (6,545)	\$ (60,139)
Comprehensive income attributable to owners of the Bank	¥ 14,318	¥ (6,543)	\$ (60,121)
Comprehensive income attributable to non-controlling interests	(67)	(1)	(9)

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, 2019 and 2020	Millions of Yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' Equity
Net assets as of April 1, 2018	¥ 20,705	¥ 21,381	¥ 267,604	¥ (697)	¥ 308,993
Dividends			(4,072)		(4,072)
Profit attributable to owners of the Bank			13,205		13,205
Purchases of treasury stock				(118)	(118)
Sales of treasury stock		—	(8)	91	83
Transfer from land revaluation excess			72		72
Net changes of items other than shareholders' equity					
Total changes during the year	—	—	9,196	(27)	9,168
Net assets as of April 1, 2019	20,705	21,381	276,800	(724)	318,162
Dividends			(4,070)		(4,070)
Profit attributable to owners of the Bank			10,467		10,467
Purchases of treasury stock				(268)	(268)
Sales of treasury stock		3	—	45	48
Transfer from land revaluation excess			297		297
Net changes of items other than shareholders' equity					
Total changes during the year	—	3	6,694	(223)	6,474
Balance as of March 31, 2020	¥ 20,705	¥ 21,385	¥ 283,495	¥ (947)	¥ 324,637

Years Ended March 31, 2019 and 2020	Millions of Yen							
	Accumulated other comprehensive income							
	Net unrealized gain (loss) on other securities	Net deferred gain (loss) on hedging instruments	Land revaluation excess	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to new shares	Non-controlling interests	Total net assets
Net assets as of April 1, 2018	¥ 53,227	¥ 25	¥ 2,892	¥ (4,470)	¥ 51,674	¥ 349	¥ 1,396	¥ 362,415
Dividends								(4,072)
Profit attributable to owners of the Bank								13,205
Purchases of treasury stock								(118)
Sales of treasury stock								83
Transfer from land revaluation excess								72
Net changes of items other than shareholders' equity	1,469	(34)	(72)	(322)	1,041	(57)	(69)	914
Total changes during the year	1,469	(34)	(72)	(322)	1,041	(57)	(69)	10,083
Net assets as of April 1, 2019	54,697	(8)	2,820	(4,792)	52,716	292	1,326	372,498
Dividends								(4,070)
Profit attributable to owners of the Bank								10,467
Purchases of treasury stock								(268)
Sales of treasury stock								48
Transfer from land revaluation excess								297
Net changes of items other than shareholders' equity	(16,506)	17	(297)	(522)	(17,308)	(11)	(2)	(17,323)
Total changes during the year	(16,506)	17	(297)	(522)	(17,308)	(11)	(2)	(10,848)
Balance as of March 31, 2020	¥ 38,191	¥ 8	¥ 2,522	¥ (5,314)	¥ 35,407	¥ 281	¥ 1,323	¥ 361,650

Year Ended March 31, 2020	Thousands of U.S. Dollars				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Net assets as of April 1, 2019	\$190,250	\$196,462	\$2,543,416	\$(6,652)	\$2,923,476
Dividends			(37,397)		(37,397)
Profit attributable to owners of the Bank			96,177		96,177
Purchases of treasury stock				(2,462)	(2,462)
Sales of treasury stock		27	—	413	441
Transfer from land revaluation excess			2,729		2,729
Net changes of items other than shareholders' equity					
Total changes during the year	—	27	61,508	(2,049)	59,487
Balance as of March 31, 2020	\$190,250	\$196,499	\$2,604,934	\$(8,701)	\$2,982,973

Year Ended March 31, 2020	Thousands of U.S. Dollars							
	Accumulated other comprehensive income							
	Net unrealized gain (loss) on other securities	Net deferred gain (loss) on hedging instruments	Land revaluation excess	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to new shares	Non-controlling interests	Total net assets
Net assets as of April 1, 2019	\$502,591	\$(73)	\$25,911	\$(44,031)	\$484,388	\$2,683	\$12,184	\$3,422,751
Dividends								(37,397)
Profit attributable to owners of the Bank								96,177
Purchases of treasury stock								(2,462)
Sales of treasury stock								441
Transfer from land revaluation excess								2,729
Net changes of items other than shareholders' equity	(151,667)	156	(2,729)	(4,796)	(159,037)	(101)	(18)	(159,174)
Total changes during the year	(151,667)	156	(2,729)	(4,796)	(159,037)	(101)	(18)	(99,678)
Balance as of March 31, 2020	\$350,923	\$73	\$23,173	\$(48,828)	\$325,342	\$2,582	\$12,156	\$3,323,072

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, 2019 and 2020	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Cash flows from operating activities:			
Profit before income taxes	¥ 19,179	¥ 15,288	\$ 140,475
Depreciation	2,317	2,433	22,355
Loss on impairment of fixed assets	186	812	7,461
Increase (decrease) in reserve for possible loan losses	2,682	2,948	27,088
Increase (decrease) in reserve for devaluation of securities	20	(7)	(64)
Increase (decrease) in reserve for bonuses to employees	(28)	(38)	(349)
Increase (decrease) in net defined benefit liability	(124)	(62)	(569)
Increase (decrease) in reserve for stock benefits	103	73	670
Increase (decrease) in reserve for directors' and corporate auditors' retirement benefits	(27)	(11)	(101)
Increase (decrease) in reserve for reimbursement of deposits	25	(63)	(578)
Increase (decrease) in reserve for contingencies	103	12	110
Interest and dividend income	(62,697)	(57,957)	(532,546)
Interest expenses	9,714	4,010	36,846
Net (gain) loss on securities transactions	(604)	(504)	(4,631)
Net (gain) loss on money held in trust	(27)	39	358
Net foreign exchange (gain) loss	(439)	(281)	(2,582)
Net (gain) loss on disposals of fixed assets	(72)	155	1,424
Net (increase) decrease in loans and bills discounted	(106,443)	(232,329)	(2,134,788)
Net increase (decrease) in deposits	(170,470)	92,858	853,238
Net increase (decrease) in negotiable certificates of deposit	249,180	(11,970)	(109,988)
Net increase (decrease) in borrowed money	(3,683)	350	3,216
Net (increase) decrease in due from banks (exclusive of the Bank of Japan)	(1,037)	909	8,352
Net (increase) decrease in call loans	2,812	(96)	(882)
Net increase (decrease) in call money	19,798	32,820	301,571
Net increase (decrease) in cash collateral received under securities lending	(49,511)	(25,342)	(232,858)
Net (increase) decrease in foreign exchange assets	(1,400)	(367)	(3,372)
Net increase (decrease) in foreign exchange liabilities	(16)	16	147
Interest and dividends received	64,330	59,325	545,116
Interest paid	(11,024)	(4,325)	(39,740)
Others	(20,666)	21,846	200,735
Subtotal	(57,819)	(99,457)	(913,874)
Income taxes paid	(5,529)	(7,794)	(71,616)
Net cash provided by (used in) operating activities	(63,349)	(107,251)	(985,491)
Cash flows from investing activities:			
Purchases of securities	(284,316)	(340,299)	(3,126,885)
Proceeds from sales of securities	206,629	53,009	487,080
Proceeds from redemption of securities	352,163	206,284	1,895,469
Increase in money held in trust	(1,000)	(1,000)	(9,188)
Decrease in money held in trust	1,000	—	—
Purchases of tangible fixed assets	(1,528)	(1,290)	(11,853)
Purchases of intangible fixed assets	(3,246)	(2,694)	(24,754)
Proceeds from sales of tangible fixed assets	251	62	569
Net cash provided by (used in) investing activities	269,952	(85,927)	(789,552)
Cash flows from financing activities:			
Purchases of treasury stock	(118)	(0)	(0)
Proceeds from sales of treasury stock	0	0	0
Dividends paid	(4,072)	(4,070)	(37,397)
Dividends paid to non-controlling shareholders	(2)	(1)	(9)
Net cash provided by (used in) financing activities	(4,193)	(4,072)	(37,416)
Effect of changes in exchange rates on cash and cash equivalents	1	(0)	(0)
Net increase (decrease) in cash and cash equivalents	202,411	(197,252)	(1,812,478)
Cash and cash equivalents at the beginning of the year	562,478	764,889	7,028,291
Cash and cash equivalents at the end of the year (Note 15)	¥ 764,889	¥ 567,637	\$ 5,215,813

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 ¥108.83 to U.S. \$1, prevailing at the end of March 2020, 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, 2019 and 2020 was 9.

(ii) Unconsolidated subsidiaries

The number of unconsolidated subsidiaries due to less materiality as of March 31, 2019 and 2020 was 11. 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 March 17, 2020).

A reserve is provided for "Normally Performing Loans" and "Loans to Borrowers under Close Observation", mainly based on the expected loan losses for the next one or three years. Expected loan losses are computed by using the loan loss ratios or bankruptcy ratios derived from the average of historical loan loss ratios or bankruptcy ratios for the one or three years, and making modifications deemed necessary considering future prospects.

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 (excluding directors who are members of the Audit and Supervisory Committee) 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. Accounting Standards Not Yet Applied

(1) Accounting Standards for Fair Value Measurement

"Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019)

"Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019)

"Accounting Standard for Financial Instruments" (ASBJ Statement No.10, July 4, 2019)

"Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No.19, March 31, 2020)

(a) Overview

To improve the comparability with international accounting standards, "Accounting Standard for Fair Value Measurement" and "Implementation Guidance on Accounting Standard for Fair Value " (together, Accounting standards for fair value measurement) were developed and provide the guidance of fair value measurement. The accounting standards for fair value measurement are applied to the fair value of followings.

- Financial instruments under "Accounting Standard for Financial Instruments"

In addition, "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" was revised and notes for breakdown by level of the fair value of financial instruments are introduced.

(b) Scheduled date of application

The Group is going to apply the accounting standards from the beginning of the fiscal year ending March 31, 2022.

(c) Effects of application

Effects of application of the accounting standards are currently being examined.

Notes to the Consolidated Financial Statements

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

(2) Accounting Standard for Disclosure of Accounting Estimates

"Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020)

(a) Overview

Purpose of the accounting standard is to disclose information relating to the accounting estimates which are recognized on the consolidated financial statements of current fiscal year and have risk of significant impact on the consolidated financial statements of the following year, and to contribute to further understanding of the consolidated financial statement users.

(b) Scheduled date of application

The Group is going to apply the accounting standard from the end of the fiscal year ending March 31, 2021.

(3) Accounting Standard for Accounting Policy Disclosure, Accounting Changes and Error Corrections

"Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections" (ASBJ Statement No. 24, March 31, 2020)

(a) Overview

Purpose of the accounting standard is to provide the outline of adopted accounting policies and procedures if provisions of the related accounting standards are not clarified.

(b) Scheduled date of application

The Group is going to apply the accounting standard from the end of the fiscal year ending March 31, 2021.

4. Additional Information

(1) Accounting Estimates for the impact of COVID-19 spread

The Group estimates recoverability of deferred tax assets by assuming the impact of the spread of COVID-19 will continue until around September 2020, and provided a reserve for possible loan losses for companies temporally deteriorated in earnings by considering the impact individually.

However, if the impact of the spread of COVID-19 continues for long time, the consolidated financial statement will be affected significantly through increase of a reserve for possible loan losses and decrease of deferred tax assets.

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

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

(a) Overview of the transaction

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

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

(b) The Bank's shares in the trust

The Bank's shares in the trust are recognized as treasury stock in net assets at carrying amount of the trust. The amounts of treasury stock in the trust were ¥386 million and ¥616 million (\$5,660 thousand) and the numbers of those shares were 537 thousand and 1,007 thousand as of March 31, 2019 and 2020, respectively.

5. Loans and Bills Discounted

Loans and bills discounted as of March 31, 2019 and 2020 include the following risk managed loans.

	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Loans to borrowers under bankruptcy proceedings (*1)	¥ 2,422	¥ 3,870	\$ 35,560
Non-accrual past due loans (*2)	40,250	40,353	370,789
Loans past due for three months or more (*3)	—	—	—
Loans with altered lending conditions (*4)	13,895	15,218	139,832
Total	¥ 56,567	¥ 59,442	\$ 546,191

(*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.

(*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, 2019 and 2020, the face value of discounted bills and foreign bills purchased which can be sold or repledged by the Bank amounted to ¥14,060 million and ¥9,860 million (\$90,600 thousand), respectively. These discounted bills include banker’s acceptances, commercial bills, documentary bills and bills purchased in connection with foreign exchange transactions.

6. Assets Pledged

Assets pledged as collateral as of March 31, 2019 and 2020 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Assets pledged as collateral:			
Securities	¥ 942,966	¥ 759,886	\$ 6,982,321
Loans and bills discounted	—	262,817	2,414,931
Lease receivables and investments in lease assets	13,271	13,844	127,207
Other assets	733	1,622	14,903
Liabilities secured by the above assets:			
Deposits	139,901	98,068	901,111
Call money and bills sold	—	10,883	100,000
Cash collateral received under securities lending	468,440	443,097	4,071,460
Borrowed money	443,942	444,887	4,087,907
Other liabilities	118	680	6,248

Other than the items presented above, securities of ¥51 million as of March 31, 2019, and other assets of ¥40,017 million and ¥40,017 million (\$367,701 thousand) as of March 31, 2019 and 2020, 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 ¥659 million and ¥655 million (\$6,018 thousand) as of March 31, 2019 and 2020, respectively.

7. 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.

8. 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, 2019 and 2020 totaled ¥847,442 million and ¥862,156 million (\$7,922,043 thousand), respectively, of which ¥804,640 million and ¥788,667 million (\$7,246,779 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.

9. 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, 2019 and 2020 resulted in unrealized loss of ¥8,721 million and ¥8,289 million (\$76,164 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.

10. Accumulated Depreciation and Deferred Revenue on Tangible Fixed Assets

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The amounts of accumulated depreciation of tangible fixed assets were ¥48,221 million and ¥48,762 million (\$448,056 thousand) as of March 31, 2019 and 2020, respectively. The amounts of deferred revenue of tangible fixed assets were ¥1,285 million and ¥1,265 million (\$11,623 thousand) as of March 31, 2019 and 2020, respectively. There was no deferred revenue on tangible fixed assets incurred for the years ended March 31, 2019 and 2020.

11. Other Expenses

For the year ended March 31, 2019, other expenses included loss on impairment of fixed assets of ¥186 million, loss on write-offs of loans of ¥14 million, loss on write-offs of stocks of ¥199 million, and loss on sales of loans of ¥152 million.

For the year ended March 31, 2020, other expenses included loss on impairment of fixed assets of ¥812 million (\$7,461 thousand), loss on write-offs of loans of ¥20 million (\$183 thousand), loss on write-offs of stocks of ¥1,124 million (\$10,328 thousand), loss on sales of loans of ¥216 million (\$1,984 thousand), and one-time cost associated with migration of core system of ¥1,712 million (\$15,730 thousand).

12. Other Comprehensive Income

Reclassification adjustment and tax effect of other comprehensive income for the years ended March 31, 2019 and 2020 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Net unrealized gain (loss) on other securities:			
Amount incurred during the year	¥ 3,636	¥ (19,113)	\$ (175,622)
Reclassification adjustment	(1,105)	(4,555)	(41,854)
Amount before tax effect	2,531	(23,668)	(217,476)
Tax effect	(1,157)	7,131	65,524
Net unrealized gain (loss) on other securities	1,374	(16,537)	(151,952)
Net deferred gain (loss) on hedging instruments:			
Amount incurred during the year	4,961	1,481	13,608
Reclassification adjustment	(5,010)	(1,456)	(13,378)
Amount before tax effect	(48)	25	229
Tax effect	14	(7)	(64)
Net deferred gain (loss) on hedging instruments	(34)	17	156
Remeasurements of defined benefit plans:			
Amount incurred during the year	(1,799)	(1,643)	(15,096)
Reclassification adjustment	1,336	892	8,196
Amount before tax effect	(463)	(750)	(6,891)
Tax effect	141	228	2,095
Net remeasurements of defined benefit plans	(322)	(522)	(4,796)
Total other comprehensive income	¥ 1,018	¥ (17,042)	\$ (156,592)

13. Shares Issued

The numbers of shares issued and changes during the years ended March 31, 2019 and 2020 are summarized as follows:

Year ended March 31, 2019	Thousands of shares	
	Treasury stock	Common stock issued
Beginning of the year	(^{(*)1}) 921	156,977
Increase during the year	(^{(*)2}) 151	—
Decrease during the year	(^{(*)2}) 116	—
End of the year	(^{(*)1}) 957	156,977

(^{(*)1}) The Bank's stock held by the Board Benefit Trust (BBT) of 574 thousand shares and 537 thousand shares were included in the treasury stock at the beginning and end of the year, respectively.

(^{(*)2}) The increase in treasury stock is due to acquisition from the market of 150 thousand shares and purchase of odd-lot shares of 1 thousand shares. The decrease in treasury stock is due to execution of stock options of 79 thousand shares, stock benefit paid by BBT of 36 thousand shares and sales of odd-lot shares of 0 thousand shares.

Year ended March 31, 2020	Thousands of shares	
	Treasury stock	Common stock issued
Beginning of the year	(^{(*)1}) 957	156,977
Increase during the year	(^{(*)2}) 522	—
Decrease during the year	(^{(*)2}) 61	—
End of the year	(^{(*)1}) 1,417	156,977

(^{(*)1}) The Bank's stock held by the Board Benefit Trust (BBT) of 537 thousand shares and 1,007 thousand shares were included in the treasury stock at the beginning and end of the year, respectively.

(^{(*)2}) The increase in treasury stock is due to acquisition by the Board Benefit Trust (BBT) from the market of 520 thousand shares and purchase of odd-lot shares of 1 thousand shares. The decrease in treasury stock is due to execution of stock options of 9 thousand shares, stock benefit paid by BBT of 51 thousand shares and sales of odd-lot shares of 0 thousand shares.

14. Dividends

Year ended March 31, 2019

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 26, 2018	¥ 2,975 million	¥ 19.0	March 31, 2018	June 27, 2018
The board of directors on November 12, 2018	¥ 1,096 million	¥ 7.0	September 30, 2018	December 7, 2018

(*) Total dividends resolved by the general shareholders' meeting on June 26, 2018 and the board of directors on November 12, 2018 include ¥10 million and ¥3 million of dividends to the shares held by Board Benefit Trust (BBT), respectively.

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

Resolution	Total dividend	Dividend per share	Base date	Effective date
The general shareholders' meeting on June 25, 2019	¥ 2,974 million	¥ 19.0	March 31, 2019	June 26, 2019

(*) Total dividend resolved by the general shareholders' meeting on June 25, 2019 includes ¥10 million of dividend to the shares held by Board Benefit Trust (BBT).

Year ended March 31, 2020

Dividends paid during the year are summarized as follows:

Resolution	Total dividends	Dividend per share	Base date	Effective date
The general shareholders' meeting on June 25, 2019	¥ 2,974 million \$ 27,327 thousand	¥ 19.0 \$ 0.17	March 31, 2019	June 26, 2019
The board of directors on November 11, 2019	¥ 1,095 million \$ 10,061 thousand	¥ 7.0 \$ 0.06	September 30, 2019	December 6, 2019

(*) Total dividends resolved by the general shareholders' meeting on June 26, 2019 and the board of directors on November 11, 2019 include ¥10 million (\$91 thousand) and ¥3 million (\$27 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 25, 2020	¥ 2,035 million \$ 18,698 thousand	¥ 13.0 \$ 0.11	March 31, 2020	June 26, 2020

(*) Total dividend resolved by the general shareholders' meeting on June 25, 2020 includes ¥13 million (\$119 thousand) of dividend to the shares held by Board Benefit Trust (BBT).

15. Reconciliation of Cash and Cash Equivalents

Reconciliation between cash and due from banks in the consolidated balance sheets as of March 31, 2019 and 2020 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
	2019	2020	2020
Cash and due from banks	¥ 769,410	¥ 571,248	\$5,248,993
Deposits to banks excluding the Bank of Japan	(4,520)	(3,611)	(33,180)
Cash and cash equivalents	¥ 764,889	¥ 567,637	\$5,215,813

16. 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, 2019 and 2020 are summarized as follows:

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	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Gross lease receivables	¥ 29,214	¥ 30,445	\$ 279,748
Expected residual values	2,412	2,676	24,588
Unearned interest income	(2,629)	(2,729)	(25,075)
Investments in lease assets	¥ 28,997	¥ 30,392	\$ 279,261

Maturities of gross lease receivables for finance leases as of March 31, 2020 are as follows:

Year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2021	¥ 9,151	\$ 84,085
2022	7,589	69,732
2023	5,821	53,487
2024	4,000	36,754
2025	2,183	20,058
2026 and thereafter	1,700	15,620
Total	¥ 30,445	\$ 279,748

17. 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).

Market risk management

(a) Qualitative information on market risk management

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

(b) Quantitative information on market risk management

(i) Risk related to securities

The Bank, in principle, utilizes the historical simulation method in calculating VaR of securities held. The volume of risk associated with products for which market value is not readily available, such as CMO, other securities except for investment trusts and unlisted equity securities, is calculated by applying a certain factor to acquisition costs, etc.

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

As of March 31, 2020, the volume of VaR was ¥57,870 million (\$531,746 thousand) and the real risk was ¥3,422 million (\$31,443 thousand), respectively.

The Bank verifies the effectiveness of the VaR model by comparing VaR and daily gains and losses. However, VaR calculates the volume of market risk with certain probability level which is statistically calculated based on the historical market changes, and it may not capture risks under extremely unusual 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, 2020 was ¥(15,975) million (\$146,788 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, 2019 and 2020 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		
As of March 31, 2019	Carrying amount	Fair value	Difference
Cash and due from banks	¥ 769,410	¥ 769,410	¥ -
Securities:			
Held-to-maturity debt securities	71,220	71,039	(181)
Other securities	1,504,166	1,504,166	-
Loans and bills discounted	3,090,046		
Reserve for possible loan losses (*1)	(35,292)		
	3,054,754	3,140,989	86,235
Total assets	5,399,551	5,485,605	86,054
Deposits	3,818,934	3,820,374	1,440
Negotiable certificates of deposit	321,370	321,370	-
Call money and bills sold	75,973	75,973	-
Cash collateral received under securities lending	468,440	468,440	-
Borrowed money	447,367	447,368	1
Total liabilities	5,132,084	5,133,526	1,441
Derivative transactions (*2):			
To which hedge accounting is not applied	212	212	-
To which hedge accounting is applied	417	417	-
Total derivative transactions	¥ 629	¥ 629	¥ -

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As of March 31, 2020	Millions of Yen		
	Carrying amount	Fair value	Difference
Cash and due from banks	¥ 571,248	¥ 571,248	¥ –
Securities:			
Held-to-maturity debt securities	82,736	82,357	(378)
Other securities	1,546,423	1,546,423	–
Loans and bills discounted	3,322,376		
Reserve for possible loan losses (*1)	(38,343)		
	3,284,033	3,349,325	65,292
Total assets	5,484,442	5,549,356	64,913
Deposits	3,911,792	3,912,639	847
Negotiable certificates of deposit	309,400	309,400	–
Call money and bills sold	108,793	108,793	–
Cash collateral received under securities lending	443,097	443,097	–
Borrowed money	447,717	447,711	(5)
Total liabilities	5,220,800	5,221,642	841
Derivative transactions (*2):			
To which hedge accounting is not applied	322	322	–
To which hedge accounting is applied	1,177	1,177	–
Total derivative transactions	¥ 1,499	¥ 1,499	¥ –

As of March 31, 2020	Thousands of U.S. Dollars		
	Carrying amount	Fair value	Difference
Cash and due from banks	\$ 5,248,993	\$ 5,248,993	\$ –
Securities:			
Held-to-maturity debt securities	760,231	756,749	(3,473)
Other securities	14,209,528	14,209,528	–
Loans and bills discounted	30,528,126		
Reserve for possible loan losses (*1)	(352,320)		
	30,175,806	30,775,751	599,944
Total assets	50,394,578	50,991,050	596,462
Deposits	35,944,059	35,951,842	7,782
Negotiable certificates of deposit	2,842,966	2,842,966	–
Call money and bills sold	999,660	999,660	–
Cash collateral received under securities lending	4,071,460	4,071,460	–
Borrowed money	4,113,911	4,113,856	(45)
Total liabilities	47,972,066	47,979,803	7,727
Derivative transactions (*2):			
To which hedge accounting is not applied	2,958	2,958	–
To which hedge accounting is applied	10,815	10,815	–
Total derivative transactions	\$ 13,773	\$ 13,773	\$ –

(*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.

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).

Call money and bills sold

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

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, 2019 and 2020

	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Unlisted equity securities (*1) (*2)	¥ 2,709	¥ 2,717	\$ 24,965
Investment in partnerships (*3)	14,415	15,945	146,512
Others	6,793	7,093	65,175
Total	¥ 23,919	¥ 25,757	\$ 236,671

(*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 ¥58million and ¥27 million (\$248 thousand) for the years ended March 31, 2019 and 2020, 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, 2019 and 2020

	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, 2019						
Due from banks	¥ 728,802	¥ –	¥ –	¥ –	¥ –	¥ –
Securities:	121,981	297,336	280,503	96,701	218,199	206,703
Held-to-maturity debt securities:	10,696	29,295	27,445	3,680	100	–
Corporate bonds	10,696	29,295	27,445	3,680	100	–
Other securities with maturity:	111,285	268,040	253,058	93,021	218,099	206,703
Government bonds	39,000	184,000	170,000	20,000	20,000	117,000
Municipal bonds	24,417	39,866	34,513	32,721	55,397	2,000
Corporate bonds	23,672	22,062	16,918	5,526	11,118	27,037
Loans and bills discounted	751,523	623,614	431,811	314,610	297,887	670,598
Total	¥1,602,307	¥920,951	¥712,315	¥411,311	¥516,087	¥877,301

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Millions of Yen						
As of March 31, 2020	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	¥ 527,166	¥ –	¥ –	¥ –	¥ –	¥ –
Securities:	247,718	271,262	127,399	100,800	219,287	253,361
Held-to-maturity debt securities:	11,212	36,516	29,875	5,030	100	–
Corporate bonds	11,212	36,516	29,875	5,030	–	–
Other securities with maturity:	236,506	234,746	97,524	95,770	219,187	253,361
Government bonds	184,000	165,000	5,000	40,000	–	142,000
Municipal bonds	24,756	33,992	42,819	35,562	77,018	1,500
Corporate bonds	18,150	15,951	8,319	3,634	10,200	23,529
Loans and bills discounted	868,819	629,843	435,700	342,270	303,936	741,805
Total	¥1,643,704	¥ 901,106	¥ 563,100	¥ 443,071	¥ 523,223	¥ 995,166

Thousands of U.S. Dollars						
As of March 31, 2020	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	\$ 4,843,940	\$ –	\$ –	\$ –	\$ –	\$ –
Securities:	2,276,192	2,492,529	1,170,623	926,215	2,014,949	2,328,043
Held-to-maturity debt securities:	103,023	335,532	274,510	46,218	918	–
Corporate bonds	103,023	335,532	274,510	46,218	–	–
Other securities with maturity:	2,173,169	2,156,997	896,113	879,996	2,014,031	2,328,043
Government bonds	1,690,710	1,516,126	45,943	367,545	–	1,304,787
Municipal bonds	227,474	312,340	393,448	326,766	707,690	13,782
Corporate bonds	166,773	146,568	76,440	33,391	93,724	216,199
Loans and bills discounted	7,983,267	5,787,402	4,003,491	3,144,996	2,792,759	6,816,181
Total	\$15,103,408	\$ 8,279,941	\$ 5,174,124	\$ 4,071,221	\$ 4,807,709	\$ 9,144,224

(Note 4) Repayment schedule of borrowed money and other interest bearing liabilities as of March 31, 2019 and 2020

Millions of Yen						
As of March 31, 2019	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)	¥3,303,160	¥478,305	¥ 37,468	¥ –	¥ –	¥ –
Negotiable certificates of deposit	321,370	–	–	–	–	–
Call money and bills sold	75,973	–	–	–	–	–
Cash collateral received under securities lending	468,440	–	–	–	–	–
Borrowed money	6,525	177,055	263,787	–	–	–
Total	¥4,175,468	¥655,360	¥301,255	¥ –	¥ –	¥ –

Thousands of U.S. Dollars						
As of March 31, 2020	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)	¥3,442,975	¥427,141	¥ 41,675	¥ –	¥ –	¥ –
Negotiable certificates of deposit	309,400	–	–	–	–	–
Call money and bills sold	108,793	–	–	–	–	–
Cash collateral received under securities lending	443,097	–	–	–	–	–
Borrowed money	6,990	268,522	172,205	–	–	–
Total	¥4,311,256	¥695,663	¥213,880	¥ –	¥ –	¥ –

Thousands of U.S. Dollars						
As of March 31, 2020	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)	\$31,636,267	\$3,924,846	\$ 382,936	\$ –	\$ –	\$ –
Negotiable certificates of deposit	2,842,966	–	–	–	–	–
Call money and bills sold	999,660	–	–	–	–	–
Cash collateral received under securities lending	4,071,460	–	–	–	–	–
Borrowed money	64,228	2,467,352	1,582,330	–	–	–
Total	\$39,614,591	\$6,392,198	\$1,965,266	\$ –	\$ –	\$ –

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

18. Fair Value of Securities

(1) Trading securities

Net holding gain (loss) resulting from revaluation of trading securities as of March 31, 2019 and 2020 were ¥0 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 and for the years ended March 31, 2019 and 2020 are as follows:

	Millions of Yen		
	Carrying value	Fair value	Difference
As of March 31, 2019			
Fair value exceeding amount on consolidated balance sheet:			
Corporate bonds	¥ 25,444	¥ 25,501	¥ 57
Fair value below amount on consolidated balance sheet:			
Corporate bonds	45,776	45,537	(239)
Total	¥ 71,220	¥ 71,039	¥ (181)
As of March 31, 2020			
Fair value exceeding amount on consolidated balance sheet:			
Corporate bonds	¥ 21,124	¥ 21,168	¥ 44
Fair value below amount on consolidated balance sheet:			
Corporate bonds	61,512	61,092	(420)
Other	100	97	(2)
Sub total	61,612	61,189	(422)
Total	¥ 82,736	¥ 82,357	¥ (378)

	Thousands of U.S. Dollars		
	Carrying value	Fair value	Difference
As of March 31, 2020			
Fair value exceeding amount on consolidated balance sheet:			
Corporate bonds	\$ 194,100	\$ 194,505	\$ 404
Fair value below amount on consolidated balance sheet:			
Corporate bonds	565,211	561,352	(3,859)
Other	918	891	(18)
Sub total	566,130	562,243	(3,877)
Total	\$ 760,231	\$ 756,749	\$ (3,473)

(3) Other securities

The carrying value and acquisition cost of other securities as of March 31, 2019 and 2020 are summarized as follows:

	Millions of Yen		
	Carrying value	Acquisition cost	Difference
As of March 31, 2019			
Amount on consolidated balance sheet exceeding acquisition cost:			
Equity securities	¥ 42,062	¥ 16,462	¥ 25,600
Debt securities:			
Government bonds	588,758	554,201	34,556
Municipal bonds	182,481	179,482	2,998
Corporate bonds	108,022	105,538	2,484
Others	421,885	402,367	19,517
Sub total	1,343,210	1,258,052	85,157
Amount on consolidated balance sheet below acquisition cost:			
Equity securities	13,508	15,436	(1,927)
Debt securities:			
Municipal bonds	9,461	9,487	(25)
Corporate bonds	876	878	(2)
Others	137,109	141,594	(4,484)
Sub total	160,955	167,395	(6,440)
Total	¥ 1,504,166	¥ 1,425,448	¥ 78,717

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As of March 31, 2020	Millions of Yen		
	Carrying value	Acquisition cost	Difference
Amount on consolidated balance sheet exceeding acquisition cost:			
Equity securities	¥ 41,859	¥ 21,067	¥ 20,791
Debt securities:			
Government bonds	550,852	524,718	26,133
Municipal bonds	150,781	148,933	1,847
Corporate bonds	79,951	78,291	1,660
Others	396,445	375,958	20,486
Sub total	1,219,889	1,148,969	70,919
Amount on consolidated balance sheet below acquisition cost:			
Equity securities	7,171	9,200	(2,028)
Debt securities:			
Government bonds	14,971	15,028	(56)
Municipal bonds	66,503	66,729	(226)
Corporate bonds	1,505	1,508	(2)
Others	236,382	249,938	(13,556)
Sub total	326,534	342,405	(15,870)
Total	¥ 1,546,423	¥ 1,491,375	¥ 55,048

As of March 31, 2020	Thousands of U.S. Dollars		
	Carrying value	Acquisition cost	Difference
Amount on consolidated balance sheet exceeding acquisition cost:			
Equity securities	\$ 384,627	\$ 193,577	\$ 191,041
Debt securities:			
Government bonds	5,061,582	4,821,446	240,126
Municipal bonds	1,385,472	1,368,492	16,971
Corporate bonds	734,641	719,388	15,253
Others	3,642,791	3,454,543	188,238
Sub total	11,209,124	10,557,465	651,649
Amount on consolidated balance sheet below acquisition cost:			
Equity securities	65,891	84,535	(18,634)
Debt securities:			
Government bonds	137,563	138,086	(514)
Municipal bonds	611,072	613,148	(2,076)
Corporate bonds	13,828	13,856	(18)
Others	2,172,029	2,296,591	(124,561)
Sub total	3,000,404	3,146,237	(145,823)
Total	\$14,209,528	\$13,703,712	\$ 505,816

The components of net unrealized gain (loss) on other securities as of March 31, 2019 and 2020 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Gross valuation difference	¥ 78,717	¥ 55,048	\$ 505,816
Deferred tax assets	(2)	—	—
Deferred tax liabilities	(23,952)	(16,824)	(154,589)
Net unrealized gain on other securities before adjustment for non-controlling interests	54,761	38,224	351,226
Non-controlling interests	(64)	(32)	(294)
Net unrealized gain on other securities	¥ 54,697	¥ 38,191	\$ 350,923

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, 2019, loss on impairment of ¥163 million, including ¥22 million for debt securities and ¥141 million for equity securities, was recorded.

For the year ended March 31, 2020, loss on impairment of ¥1,196 million (\$10,989 thousand), including ¥99 million (\$909 thousand) for debt securities and ¥1,096 million (\$10,070 thousand) for equity securities, was recorded.

19. Held to Maturity and Other Securities Sold

Held-to-maturity securities sold during the years ended March 31, 2019 and 2020 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Cost of sales	¥ 507	¥ 157	\$ 1,442
Proceeds from sales	557	180	1,653
Gain on sales	49	22	202

For the year ended March 31, 2019, the securities were sold due to redemption by the issuer and liquidation of consolidated subsidiary. For the year ended March 31, 2020, the securities were sold due to redemption by the issuer.

Other securities sold during the years ended March 31, 2019 and 2020 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Proceeds from sales	¥ 195,601	¥ 52,829	\$ 485,426
Gain on sales	6,020	3,724	34,218
Loss on sales	4,705	1,361	12,505

20. Money Held in Trust

The carrying value of money held in trust for the purpose of securities trading as of March 31, 2019 and 2020 and the related net holding gain (loss) for the years then ended are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Carrying value	¥ 4,000	¥ 4,955	\$ 45,529
Net holding gain (loss)	—	—	—

21. Derivatives

Derivatives to which Hedge Accounting is Not Applied

With respect to derivatives to which hedge accounting is not applied, contract amount or notional principal, fair value and related gains or losses 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

	Millions of Yen			
	Contract amount		Fair value	Gains (losses)
	Total	Over one year		
As of March 31, 2019				
Over-the-counter				
Interest-rate swaps				
Receive fixed/pay floating	¥ 2,500	¥ 2,500	¥ 336	¥ 336
Receive floating/pay fixed	2,500	2,500	(95)	(95)
Total			¥ 240	¥ 240
As of March 31, 2020				
Over-the-counter				
Interest-rate swaps				
Receive fixed/pay floating	¥ 2,500	¥ 2,500	¥ 425	¥ 425
Receive floating/pay fixed	2,500	2,500	(180)	(180)
Total			¥ 245	¥ 245

	Thousands of U.S. Dollars			
	Contract amount		Fair value	Gains (losses)
	Total	Over one year		
As of March 31, 2020				
Over-the-counter				
Interest-rate swaps				
Receive fixed/pay floating	\$ 22,971	\$ 22,971	\$ 3,905	\$ 3,905
Receive floating/pay fixed	22,971	22,971	(1,653)	(1,653)
Total			\$ 2,251	\$ 2,251

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.

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(2) Currency-related transactions

	Millions of Yen			
	Contract amount		Fair value	Gains (losses)
	Total	Over one year		
As of March 31, 2019				
Over-the-counter				
Currency swaps	¥14,090	¥12,585	¥ 56	¥ 56
Forward foreign exchange contracts:				
Sold	1,047	—	(3)	8
Bought	12,190	—	(56)	(56)
Currency options:				
Sold	55,707	—	(870)	(179)
Bought	55,707	—	869	143
Total			¥ (4)	¥ (27)
As of March 31, 2020				
Over-the-counter				
Currency swaps	¥17,639	¥15,973	¥ 79	¥ 79
Forward foreign exchange contracts:				
Sold	11,047	—	(17)	(17)
Bought	31,895	—	10	10
Currency options:				
Sold	44,846	—	(727)	(163)
Bought	44,846	—	727	167
Total			¥ 72	¥ 77

	Thousands of U.S. Dollars			
	Contract amount		Fair value	Gains (losses)
	Total	Over one year		
As of March 31, 2020				
Over-the-counter				
Currency swaps	\$162,078	\$146,770	\$ 725	\$ 725
Forward foreign exchange contracts:				
Sold	101,506	—	(156)	(156)
Bought	293,071	—	91	91
Currency options:				
Sold	412,073	—	(6,680)	(1,497)
Bought	412,073	—	6,680	1,534
Total			\$ 661	\$ 707

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

Hedge accounting method	Type of derivatives	Major hedged items	Millions of Yen		Fair value
			Contract amount		
			Total	Over one year	
As of March 31, 2019					
Special treatment for interest rate swaps	Interest rate swaps: Receive-floating/ Pay-fixed	Loans	¥17,309	¥14,255	(Note 3)
Total					¥ –
As of March 31, 2020					
Special treatment for interest rate swaps	Interest rate swaps: Receive-floating/ Pay-fixed	Loans	¥14,255	¥10,512	(Note 3)
Total					¥ –

As of March 31, 2020			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	\$130,984	\$96,591	(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

			Millions of Yen		
			Contract amount		
Hedge accounting method	Type of derivatives	Major hedged items	Total	Over one year	Fair value
As of March 31, 2019					
Normal method	Currency swaps	Securities, Deposits and call money	¥ 5,549	¥ 5,549	¥ (104)
	Forward foreign exchange contracts		84,041	—	521
Total					¥ 417
As of March 31, 2020					
Normal method	Currency swaps	Securities and call money	¥ 5,441	—	¥ 17
	Forward foreign exchange contracts		103,587	—	1,160
Total					¥ 1,177

			Thousands of U.S. Dollars		
			Contract amount		
Hedge accounting method	Type of derivatives	Major hedged items	Total	Over one year	Fair value
As of March 31, 2020					
Normal method	Currency swaps	Securities and call money	\$ 49,995	—	\$ 156
	Forward foreign exchange contracts		951,823	—	10,658
Total					\$ 10,815

- 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.

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22. 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, 2019 and 2020

	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Projected benefit obligations at the beginning of the year	¥ 41,324	¥ 41,225	\$ 378,801
Service cost	973	976	8,968
Interest cost	259	207	1,902
Actuarial gains or losses incurred	1,003	469	4,309
Benefits paid	(2,335)	(2,351)	(21,602)
Prior service cost incurred	—	—	—
Others	—	—	—
Projected benefit obligations at the end of the year	¥ 41,225	¥ 40,527	\$ 372,388

(b) Reconciliation of plan assets from beginning to ending balances for the years ended March 31, 2019 and 2020

	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Plan assets at the beginning of the year	¥ 29,941	¥ 29,967	\$ 275,356
Expected return on plan assets	928	719	6,606
Actuarial gains or losses incurred	(796)	(1,174)	(10,787)
Contribution from the Bank	1,447	1,442	13,250
Benefits paid	(1,555)	(1,623)	(14,913)
Others	1	0	0
Plan assets at the end of the year	¥ 29,967	¥ 29,331	\$ 269,512

(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, 2019 and 2020

	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Projected benefit obligations of funded plans	¥ 30,659	¥ 30,129	\$ 276,844
Plan assets	(29,967)	(29,331)	(269,512)
	692	797	7,323
Projected benefit obligations of unfunded plans	10,566	10,397	95,534
Net amount of liability	¥ 11,258	¥ 11,195	\$ 102,866

	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Net defined benefit liability	¥ 11,258	¥ 11,195	\$ 102,866
Net defined benefit asset	—	—	—
Net amount of liability	¥ 11,258	¥ 11,195	\$ 102,866

(d) Components of net retirement benefit expense for the years ended March 31, 2019 and 2020

	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Service cost	¥ 973	¥ 976	\$ 8,968
Interest cost	259	207	1,902
Expected return on plan assets	(928)	(719)	(6,606)
Amortization of actuarial gains or losses	1,371	927	8,517
Amortization of prior service cost	(35)	(35)	(321)
Others	(1)	(0)	(0)
Net retirement benefit expense	¥ 1,639	¥ 1,356	\$ 12,459

(e) Components of remeasurements of defined benefit plans (before income taxes) for the years ended March 31, 2019 and 2020

	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Prior service cost	¥ (35)	¥ (35)	\$ (321)
Actuarial gains or losses	(428)	(715)	(6,569)
Total	¥ (463)	¥ (750)	\$ (6,891)

(f) Accumulated other comprehensive income for remeasurements of defined benefit plans (before income taxes) as of March 31, 2019 and 2020

	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Unrecognized prior service cost	¥ 60	¥ 25	\$ 229
Unrecognized actuarial gains or losses	(6,951)	(7,667)	(70,449)
Total	¥ (6,890)	¥ (7,641)	\$ (70,210)

(g) Component ratio of plan assets as of March 31, 2019 and 2020

	2019	2020
Bonds	65.79%	66.26%
Stocks	14.41%	13.34%
Cash and deposits	0.40%	0.40%
Others	19.38%	19.98%
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, 2019 and 2020

	2019	2020
Discount rate	0.50%	0.50%
Long-term expected rate of return on plan assets	3.10%	2.40%
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, 2019 and 2020 were ¥156 million and ¥158 million (\$1,451 thousand), respectively.

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23. Stock Options

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

(a) The stock options outstanding as of March 31, 2020

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, 2020	2008 Stock Option	2009 Stock Option	2010 Stock Option	2011 Stock Option	2012 Stock Option	2013 Stock Option	2014 Stock Option	2015 Stock Option
Non-vested:								
March 31, 2019—outstanding	21,700	26,100	34,300	50,600	66,300	55,500	72,500	68,900
Granted	—	—	—	—	—	—	—	—
Forfeited	—	—	—	—	—	—	—	—
Vested	—	—	—	—	—	—	—	9,800
March 31, 2020—outstanding	21,700	26,100	34,300	50,600	66,300	55,500	72,500	59,100
Vested:								
March 31, 2019—outstanding	—	—	—	—	—	—	—	—
Vested	—	—	—	—	—	—	—	9,800
Exercised	—	—	—	—	—	—	—	9,800
Forfeited	—	—	—	—	—	—	—	—
March 31, 2020—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	—	—	—	—	—	—	—	676
Fair value at the date of grant	878	804	609	569	500	710	677	1,182
	2008 Stock Option	2009 Stock Option	2010 Stock Option	2011 Stock Option	2012 Stock Option	2013 Stock Option	2014 Stock Option	2015 Stock Option
Exercise price	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Average stock price at the time of exercise	—	—	—	—	—	—	—	6.21
Fair value at the date of grant	8.06	7.38	5.59	5.22	4.59	6.52	6.22	10.86

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

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

24. Income Taxes

Income taxes consist of corporation tax, inhabitant tax and enterprise tax. Major components of deferred tax assets and liabilities as of March 31, 2019 and 2020 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Deferred tax assets:			
Reserve for possible loan losses	¥ 11,005	¥ 11,778	\$ 108,223
Depreciation	1,009	789	7,249
Impairment loss on fixed assets	2,457	2,468	22,677
Write-offs of securities	697	716	6,579
Net defined benefit liability	3,432	3,413	31,360
Tax loss carry-forwards	268	437	4,015
Net deferred loss on hedging instruments	3	—	—
Others	3,002	3,469	31,875
Subtotal	21,877	23,073	212,009
Valuation allowances	(2,759)	(2,745)	(25,222)
Total deferred tax assets	19,117	20,328	186,786
Deferred tax liabilities:			
Reserve for deferred revenue of tangible fixed assets	(87)	(85)	(781)
Net unrealized gain on other securities	(23,952)	(16,830)	(154,644)
Net deferred gain on hedging instruments	—	(3)	(27)
Others	(58)	(57)	(523)
Total deferred tax liabilities	(24,099)	(16,978)	(156,004)
Net deferred tax assets (liabilities)	¥ (4,981)	¥ 3,350	\$ 30,781

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 years ended March 31, 2019 and 2020.

25. 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, 2019 and 2020 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Balance at the beginning of the year	¥ 450	¥ 487	\$ 4,474
Increase due to purchase of tangible fixed assets	31	—	—
Changes due to the passage of time	5	5	45
Decrease due to transfer of tangible fixed assets	—	7	64
Balance at the end of the year	¥ 487	¥ 485	\$ 4,456

26. 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, 2019 and 2020 are as follows:

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Year ended March 31, 2019	Millions of Yen						Consolidated
	Reportable segments			Others (Note 2)	Total	Adjustments (Note 3)	
	Banking	Leasing	Total				
Ordinary income:							
Customers	¥ 80,399	¥ 15,534	¥ 95,933	¥ 2,055	¥ 97,989	¥ (156)	¥ 97,833
Inter-segment	1,112	300	1,412	1,877	3,290	(3,290)	–
Total	81,512	15,834	97,346	3,933	101,279	(3,446)	97,833
Segment profit	19,259	643	19,902	58	19,960	(666)	19,294
Segment assets	5,579,242	53,519	5,632,762	18,681	5,651,443	(51,845)	5,599,597
Segment liabilities	5,221,028	48,306	5,269,335	6,114	5,275,450	(48,351)	5,227,098
Other items:							
Depreciation	1,894	302	2,197	120	2,317	–	2,317
Interest income	62,815	6	62,821	28	62,849	(151)	62,697
Interest expenses	9,672	145	9,817	7	9,825	(111)	9,714
Extraordinary gains:	95	–	95	–	95	–	95
Gain on disposals of fixed assets	95	–	95	–	95	–	95
Extraordinary losses:	203	–	203	6	209	–	209
Loss on disposals of fixed assets	20	–	20	2	22	–	22
Impairment loss	182	–	182	3	186	–	186
Tax expenses	5,654	226	5,881	74	5,955	(9)	5,946

Year ended March 31, 2020	Millions of Yen						Consolidated
	Reportable segments			Others (Note 2)	Total	Adjustments (Note 3)	
	Banking	Leasing	Total				
Ordinary income:							
Customers	¥ 72,925	¥ 15,769	¥ 88,695	¥ 1,656	¥ 90,352	¥ –	¥ 90,352
Inter-segment	424	248	673	999	1,673	(1,673)	–
Total	73,350	16,017	89,368	2,656	92,025	(1,673)	90,352
Segment profit	15,906	516	16,423	(137)	16,286	(29)	16,256
Segment assets	5,668,979	53,489	5,722,468	19,543	5,742,012	(50,552)	5,691,460
Segment liabilities	5,321,601	47,920	5,369,522	7,344	5,376,866	(47,057)	5,329,809
Other items:							
Depreciation	2,048	265	2,314	119	2,433	–	2,433
Interest income	58,031	6	58,037	46	58,084	(127)	57,957
Interest expenses	3,970	138	4,108	8	4,117	(106)	4,010
Extraordinary gains:	0	–	0	–	0	–	0
Gain on disposals of fixed assets	0	–	0	–	0	–	0
Extraordinary losses:	859	–	859	108	968	–	968
Loss on disposals of fixed assets	155	–	155	0	156	–	156
Impairment loss	704	–	704	107	812	–	812
Tax expenses	4,568	185	4,754	37	4,792	(0)	4,791

Year ended March 31, 2020	Thousands of U.S. Dollars						Consolidated
	Reportable segments			Others (Note 2)	Total	Adjustments (Note 3)	
	Banking	Leasing	Total				
Ordinary income:							
Customers	\$ 670,081	\$ 144,895	\$ 814,986	\$ 15,216	\$ 830,212	\$ –	\$ 830,212
Inter-segment	3,895	2,278	6,183	9,179	15,372	(15,372)	–
Total	673,986	147,174	821,170	24,405	845,584	(15,372)	830,212
Segment profit	146,154	4,741	150,905	(1,258)	149,646	(266)	149,370
Segment assets	52,090,223	491,491	52,581,714	179,573	52,761,297	(464,504)	52,296,793
Segment liabilities	48,898,290	440,319	49,338,619	67,481	49,406,101	(432,389)	48,973,711
Other items:							
Depreciation	18,818	2,434	21,262	1,093	22,355	–	22,355
Interest income	533,226	55	533,281	422	533,713	(1,166)	532,546
Interest expenses	36,478	1,268	37,746	73	37,829	(973)	36,846
Extraordinary gains:	0	–	0	–	0	–	0
Gain on disposals of fixed assets	0	–	0	–	0	–	0
Extraordinary losses:	7,893	–	7,893	992	8,894	–	8,894
Loss on disposals of fixed assets	1,424	–	1,424	0	1,433	–	1,433
Impairment loss	6,468	–	6,468	983	7,461	–	7,461
Tax expenses	41,973	1,699	43,682	339	44,031	(0)	44,022

- 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 ordinary income for customers of ¥(156) million for the year ended March 31, 2019 represents reversal of reserve for possible loan losses for Leasing segment.
 (2) Adjustments for segment profit of ¥(666) million and ¥(29) million (\$ (266) thousand) for the years ended March 31, 2019 and 2020, respectively, represent elimination of inter-segment transactions.
 (3) Adjustments for segment assets of ¥(51,845) million and ¥(50,552) million (\$ (464,504) thousand) as of March 31, 2019 and 2020, respectively, represent elimination of inter-segment balances.
 (4) Adjustments for segment liabilities of ¥((48,351) million and ¥(47,057) million (\$ (432,389) thousand) as of March 31, 2019 and 2020, respectively, represent elimination of inter-segment balances.
 (5) Adjustments for interest income of ¥(151) million and ¥(127) million (\$ (1,166) thousand) for the years ended March 31, 2019 and 2020, respectively, represent elimination of inter-segment transactions.
 (6) Adjustments for interest expenses of ¥(111) million and ¥(106) million (\$ (973) thousand) for the years ended March 31, 2019 and 2020, respectively, represent elimination of inter-segment transactions.
 (7) Adjustments for tax expenses of ¥(9) million and ¥(0) million (\$ (0) thousand) for the years ended March 31, 2019 and 2020, respectively, represent income taxes deferred related to elimination of inter-segment transactions.

Related Information

(1) Information by service

Millions of Yen					
Income from customers	Loans	Securities investment	Leasing	Others	Total
Year ended March 31, 2019	¥ 33,603	¥ 30,945	¥ 15,534	¥ 17,750	¥ 97,833
Year ended March 31, 2020	¥ 34,353	¥ 27,241	¥ 15,769	¥ 12,987	¥ 90,352

Thousands of U.S. Dollars					
Income from customers	Loans	Securities investment	Leasing	Others	Total
Year ended March 31, 2020	\$ 315,657	\$ 250,307	\$ 144,895	\$ 119,332	\$ 830,212

(2) Geographical information

(a) Ordinary income

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

(b) Tangible fixed assets

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

(3) Information by major customers

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

Information on Impairment Loss on Fixed Assets by Reportable Segment

Millions of Yen					
Impairment loss	Reportable segments			Others	Total
	Banking	Leasing	Total		
Year ended March 31, 2019	¥ 182	¥ –	¥ 182	¥ 3	¥ 186
Year ended March 31, 2020	¥ 704	¥ –	¥ 704	¥ 107	¥ 812

Thousands of U.S. Dollars					
Impairment loss	Reportable segments			Others	Total
	Banking	Leasing	Total		
Year ended March 31, 2020	\$ 6,468	\$ –	\$ 6,468	\$ 983	\$ 7,461

27. Related Party Transactions

Transactions with the Bank's directors, corporate auditors, executive officers and their relatives include loan receivables, guarantees and securities. These transactions totaled ¥2,043 million and ¥1,918million (\$17,623 thousand) for the years ended March 31, 2019 and 2020, respectively. The balances of loan receivables from these parties totaled ¥2,919 million and ¥2,710 million (\$24,901 thousand) as of March 31, 2019 and 2020, respectively. The balances of securities (corporate bonds of these parties) totaled ¥450 million and ¥400 million (\$3,675 thousand) as of March 31, 2019 and 2020, respectively. The terms of these transactions were determined on an arm's-length basis.

28. Amounts per Share

	Yen		U.S. Dollars
	2019	2020	2020
Net assets per share	¥ 2,377.12	¥ 2,314.51	\$ 21.26
Profit per share:			
Basic	¥ 84.58	¥ 67.07	\$ 0.61
Diluted	84.35	66.91	0.61

The basis for the calculation of net assets per share as of March 31, 2019 and 2020 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Net assets	¥ 372,498	¥ 361,650	\$ 3,323,072
Deduction:			
Subscription rights to shares	292	281	2,582
Non-controlling interests	1,326	1,323	12,156
Net assets attributable to shares of common stock	370,879	360,045	3,308,324
Number of shares of common stock outstanding	156,020 thousand	155,559 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 (537 thousand shares and 1,007 thousand shares as of March 31, 2019 and 2020, 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, 2019 and 2020 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Profit attributable to owners of the Bank	¥ 13,205	¥ 10,467	\$ 96,177
Amount not attributable to common shareholders	—	—	—
Profit attributable to common shareholders	13,205	10,467	96,177
Average number of shares of common stock outstanding	156,119 thousand	156,043 thousand	
Average number of shares of dilutive common stock	414 thousand	388 thousand	

Regarding the calculation of profit per share, the shares of the Bank owned by Board Benefit Trust ("BBT") and recognized as treasury stock (549 thousand shares and 523 thousand shares in average number for the years ended March 31, 2019 and 2020, respectively) are deducted from the average number of shares of common stock outstanding.

29. 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.

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.



About the Cover

The cover illustration was designed using artwork 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.



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