

Investor Relations Meeting for the Six Months Ended September 30, 2020

December 2, 2020



SAN-IN GODO BANK

Contents

Summary of Financial Report for the Six Months Ended September 30, 2020

Summary of Earnings for the Six Months Ended September 30, 2020	3
Interest Income	4
Deposits and Loans	5
Lending Breakdown	6
Securities Portfolio	7
Redemptions of Yen-denominated Bonds/Interest Rate Risk	8
Net Fees and Commissions	9
Expenses	10
Credit Costs and NPLs	11
Earnings Forecasts	12
Capital Policy and Shareholder Return	13

COVID-19

Responding to COVID-19	15
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Medium-Term Management Plan

Medium-Term Management Plan	17
Enhancing Business Support Activities	18
Progress with Restructuring	19
State of Staff Reassignments	20
Adoption of Digital Technologies	21
Overview of Next Medium-Term Management Plan	22

Various Measures

Restructuring Operations for Assets Under Management	24
Enhanced Corporate Sales Sections	25
Enhancing Individual Loan Initiatives	26
Promoting Cashless Transactions	27

Summary of Financial Report for the Six Months Ended September 30, 2020

Summary of Earnings for the Six Months Ended September 30, 2020

Summary of earnings (non-consolidated)

(Billion yen)	Six Months Ended September 30, 2019	YoY change	Six Months Ended September 30, 2020
Gross banking profit	28.9	0.5	29.4
Net interest income	26.2	0.3	26.6
Interest on loans	16.5	0.7	17.2
Interest and dividends on securities	10.8	(1.0)	9.7
Gain on cancellation of investment trusts	1.5	(1.5)	0.0
Net fees and commissions	2.7	(0.3)	2.4
Net gains (losses) related to bond transactions	(0.2)	0.5	0.2
Expenses	18.9	(0.2)	18.6
Personnel expenses	9.7	(0.0)	9.7
Non-personnel expenses	7.8	(0.2)	7.5
Transfer to the general loan loss reserve (1)	(0.0)	(0.4)	(0.4)
Net banking profit	9.9	1.3	11.2
Adjusted net banking profit	9.9	0.8	10.7
Net core banking profit	10.2	0.2	10.4
Excl. net gains on cancellation of investment trusts	8.6	1.7	10.4
Nonrecurring gains (losses)	(0.7)	(2.4)	(3.2)
Bad debt disposals (2)	0.9	2.0	3.0
Gains on reversals from loan loss reserve (3)	—	—	—
Gains on stocks (b)	(0.0)	(0.1)	(0.1)
Ordinary profit	9.2	(1.1)	8.0
Extraordinary profit (loss)	(0.1)	(1.0)	(1.2)
Interim net income (loss)	6.3	(1.9)	4.3
Credit costs (1) + (2) – (3)	0.9	1.6	2.5

Summary of earnings (consolidated)

(Billion yen)	Six Months Ended September 30, 2019	YoY change	Six Months Ended September 30, 2020
Ordinary income	43.8	(0.7)	43.0
Ordinary profit	9.3	(1.4)	7.9
Interim profit attributable to owners of parent	6.3	(1.0)	5.3

Financial Highlights for the Six Months Ended September 30, 2020 (Non-consolidated)

Net interest income (+300 million yen YoY)

- Thanks to an increase in the average balance of loans, interest on loans grew for the third consecutive period.
- Interest and dividends on securities fell by 1 billion yen YoY due mainly to a decline of approximately 1.5 billion yen in gains on cancellation of investment trusts.
- Other factors such as lower funding costs linked to market interest rates (interest on call money and interest on payables under securities lending transactions) resulted in an increase of 300 million yen in net interest income.

Net fees and commissions (-300 million yen YoY)

- Various factors, including a decline in fee-based revenues due to restricted face-to-face sales related to COVID-19, led to a decline of 300 million yen in net fees and commissions.

Expenses (-200 million yen YoY)

- Various factors beyond lower operating costs following an update of the backbone computer system, including lower expenses due to restraints on business activities under COVID-19, led to a decrease of 200 million yen in total expenses.

Adjusted net banking profit (+800 million yen YoY)

- Increased interest on loans and decreased expenses and other factors resulted in a YoY increase in adjusted net banking profits.

Net core banking profit (+1.7 billion yen YoY excluding net gains on cancellation of investment trusts)

- Profit accounts representing core business results demonstrated stable performance.

Credit costs (+1.6 billion yen YoY)

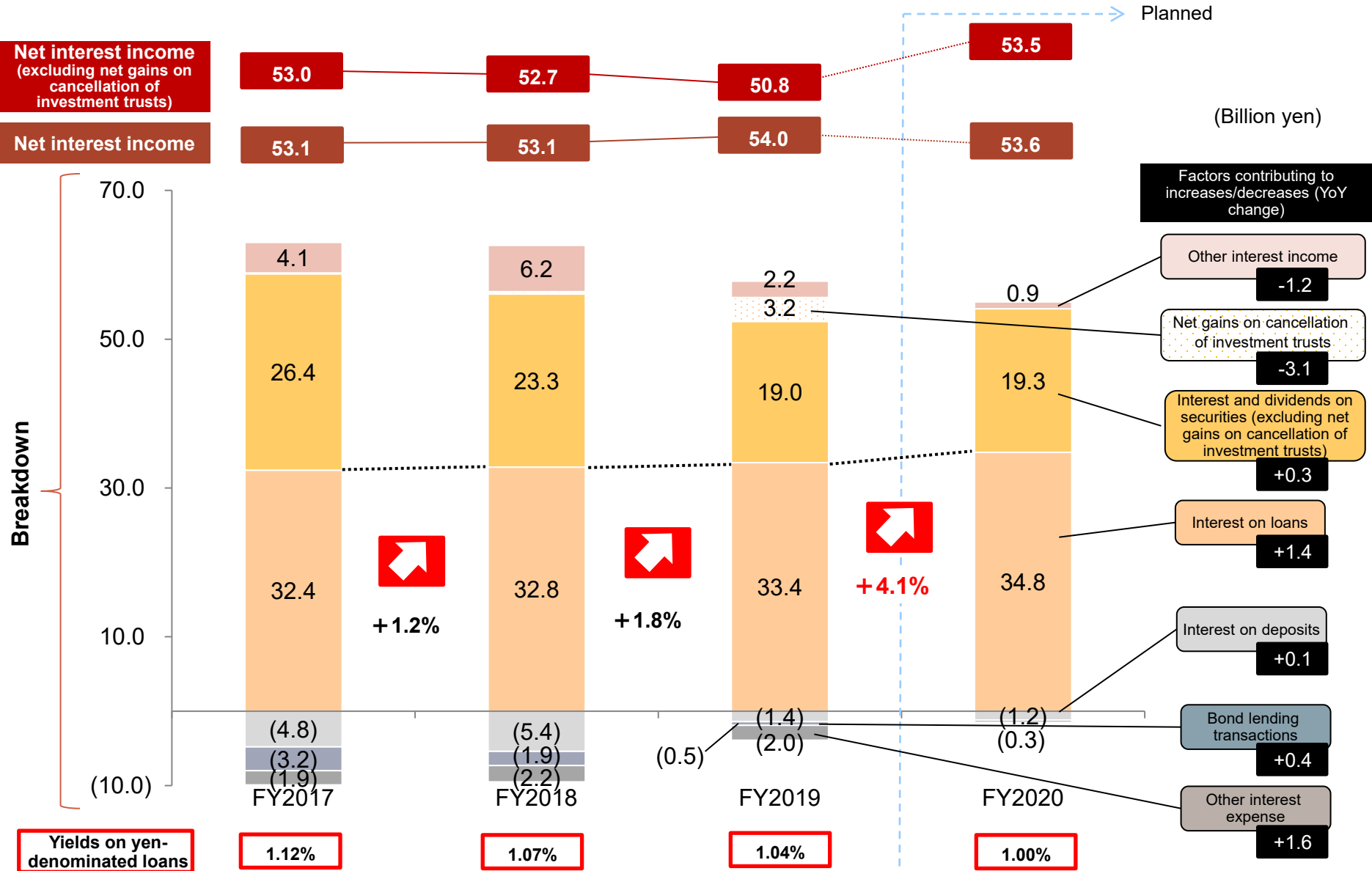
- Various factors, including worsening performance at customer firms due mainly to the COVID-19 pandemic, increased credit costs by 1.6 billion yen.

Extraordinary profit (loss) (-1 billion yen YoY)

- We recorded a loss on valuation of shares of subsidiaries (900 million yen on Gogin Securities Co., Ltd.); however, this was eliminated in the consolidated settlement of accounts.

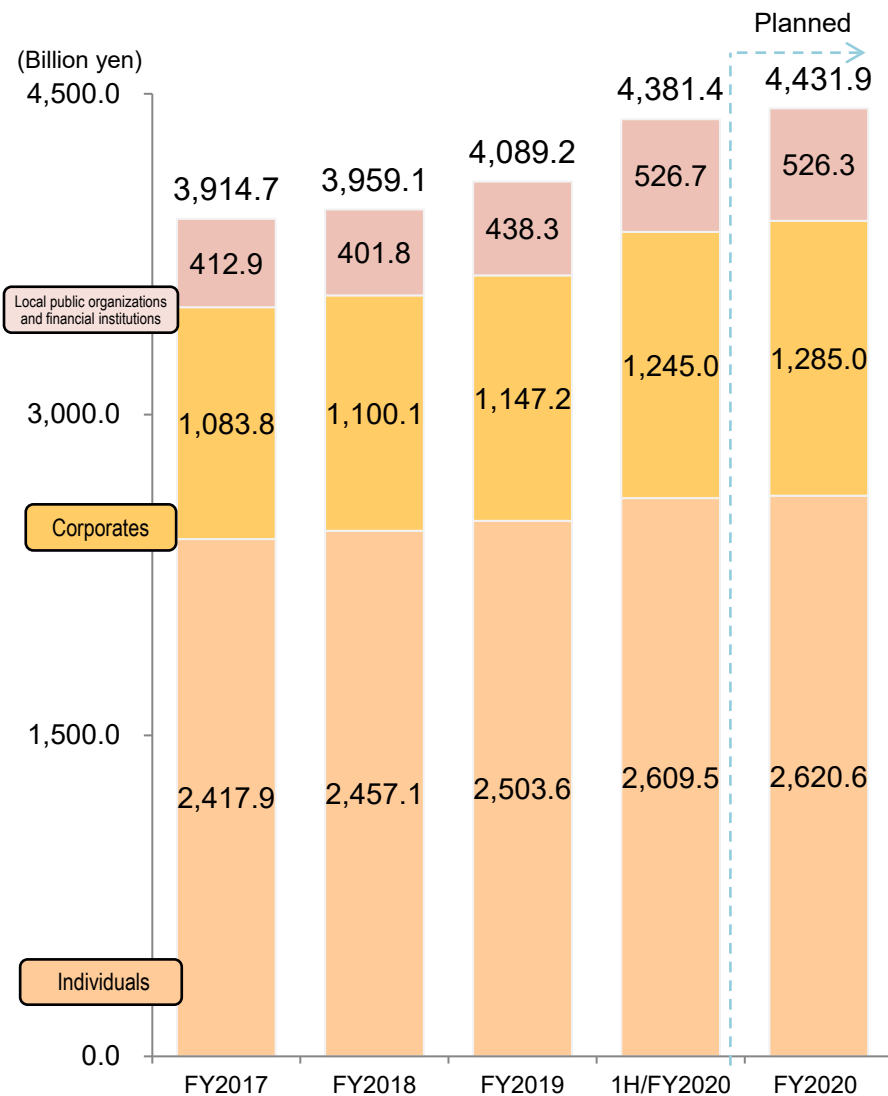
Interest Income

- Net interest income (excluding net gains on cancellation of investment trusts), an indicator of core business results, is projected to increase.
Main reasons: Higher interest on loans, lower funding costs linked to market interest rates (funding costs in USD)

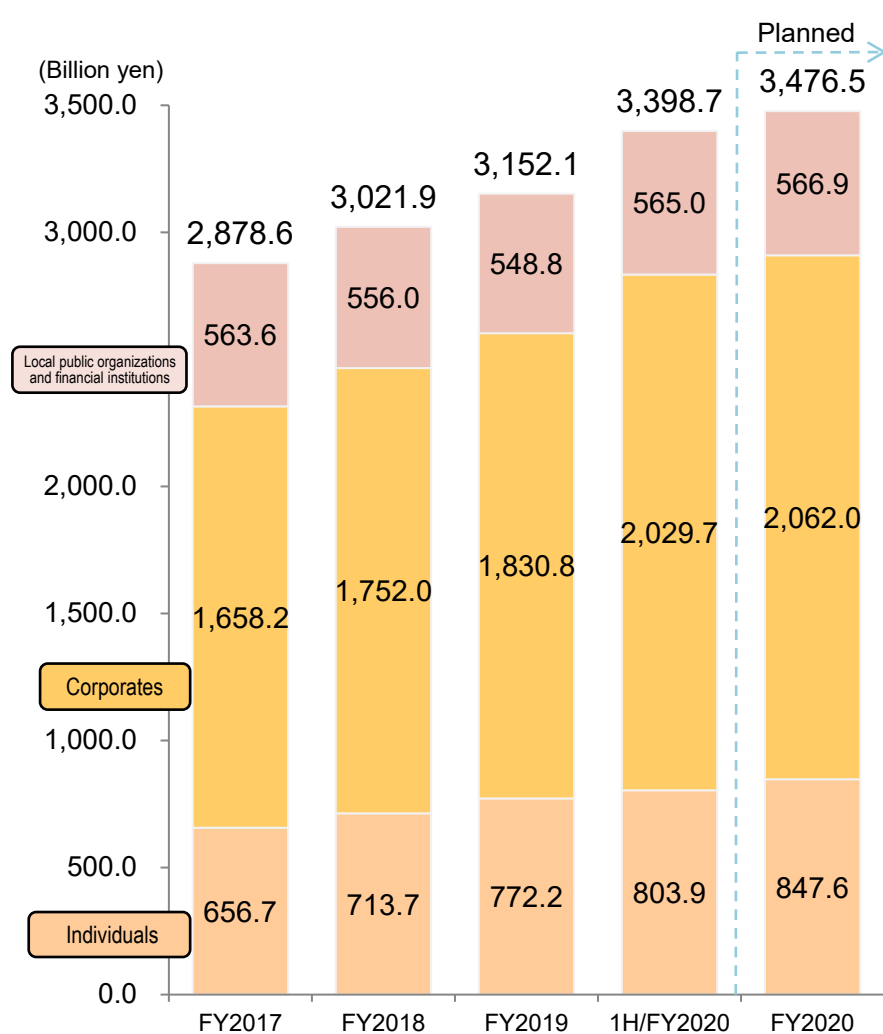


Deposits and Loans

Deposits and NCDs (average balance)



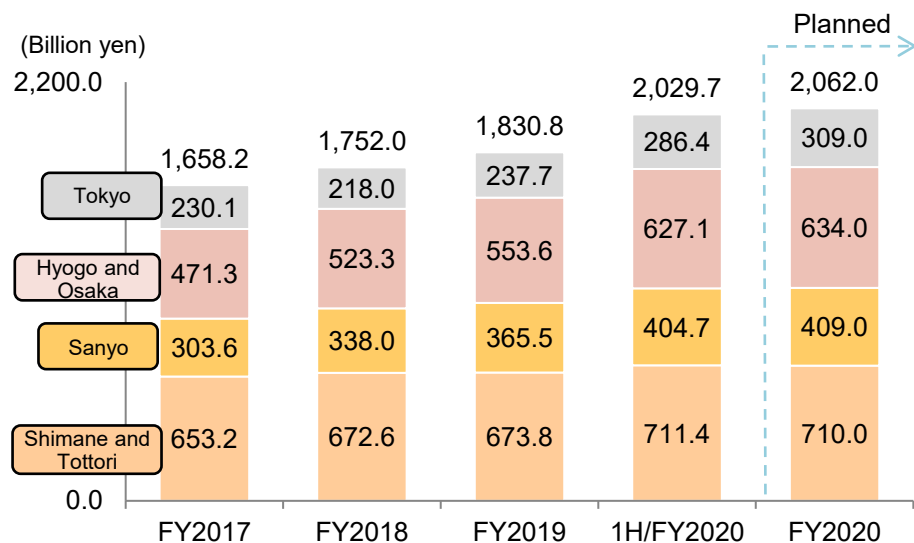
Total loans (average balance)



* Beginning in FY2020, the balance of personal loans to sole proprietorship borrowers, previously included under "Corporates," has been recorded under "Individuals" (approx. 28 billion yen).

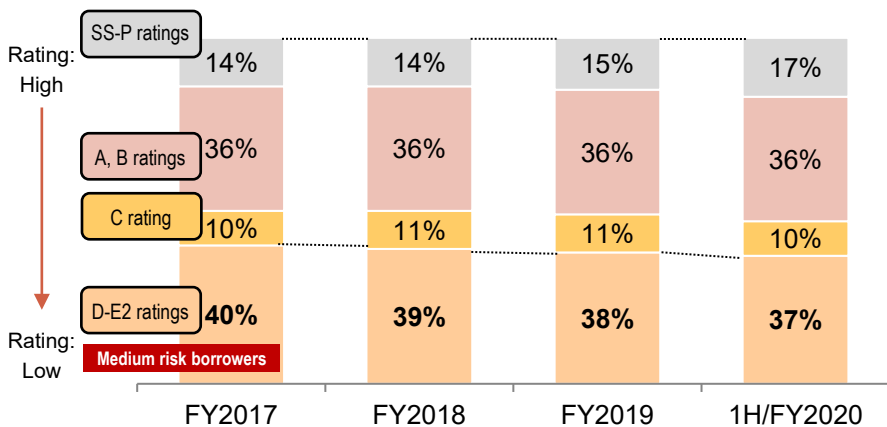
Lending Breakdown

Lending to corporates by region (average balance)



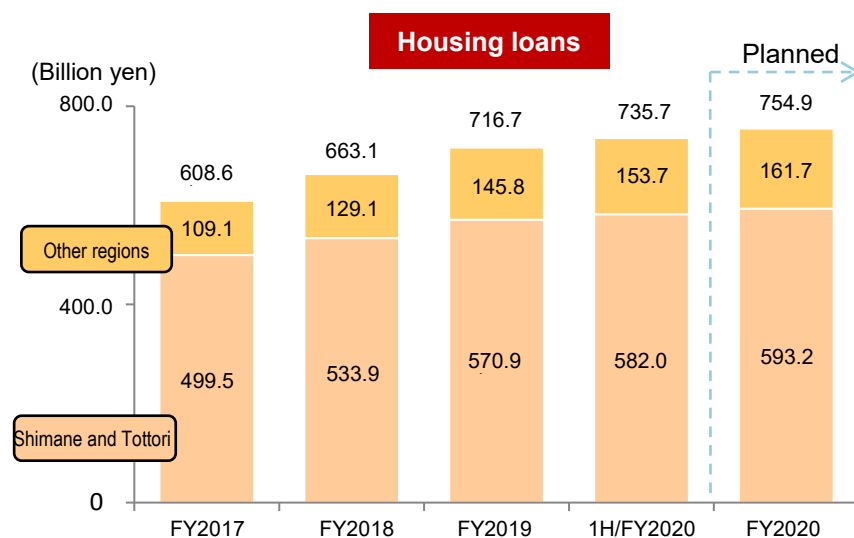
* The balance of personal loans to sole proprietorship borrowers, which had been recorded in this category through 1H/FY2020, was eliminated from calculations in FY2020 (approx. 28 billion yen).

Lending to corporates by credit rating (based on ending balances)

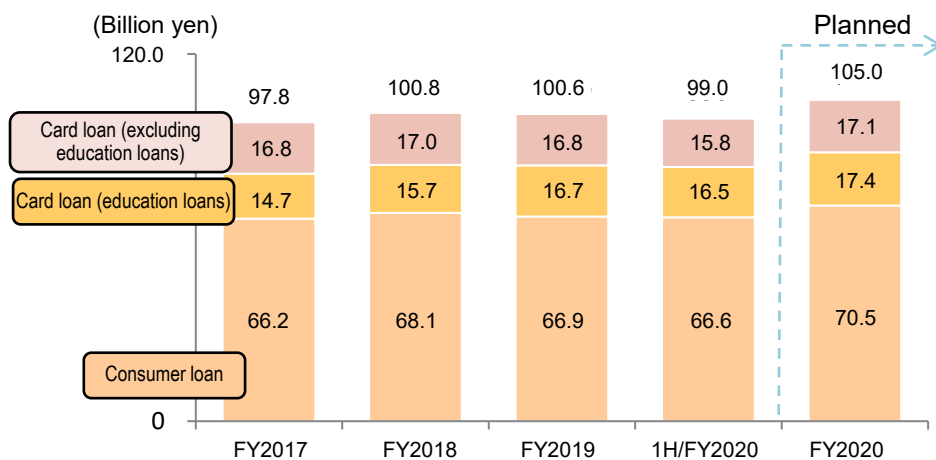


* Total balance for each credit rating included in the balance of lending to corporates, not including claims subject to risk management and claims on unrated borrowers

Individual loans (ending balances)

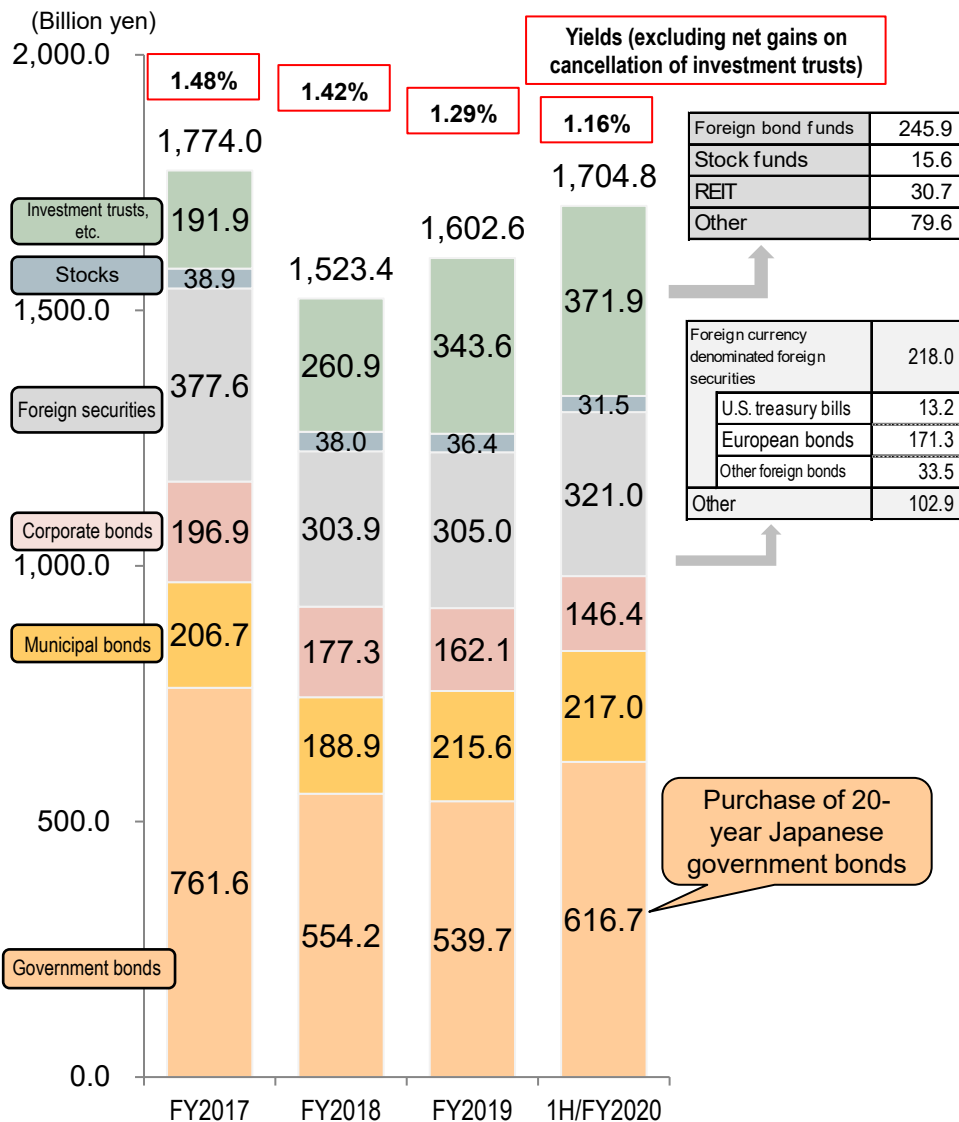


Consumer loans



Securities Portfolio

Securities balances and yields (acquisition cost-based)

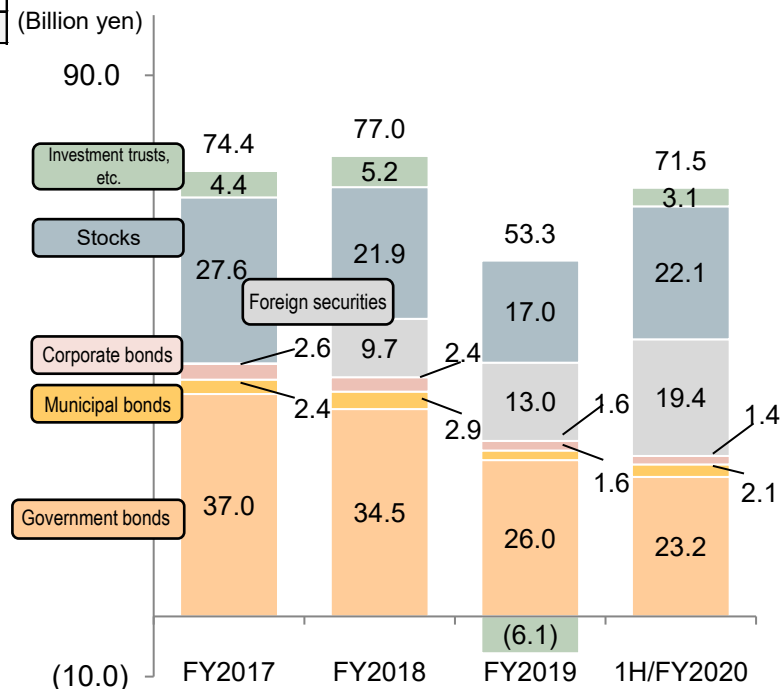


Securities balances (risk-based)

Yen bonds	1,003.5
Of which Japanese government bonds, municipal bonds, government-guaranteed bonds, etc.	892.8
Other yen bonds	110.6
Foreign bonds	518.9
Of which sovereign bonds, etc.	475.4
Other foreign bonds	43.5
Stocks	47.1
REITs	30.7
Balance	67.4
Other	36.8
Total	1,704.8

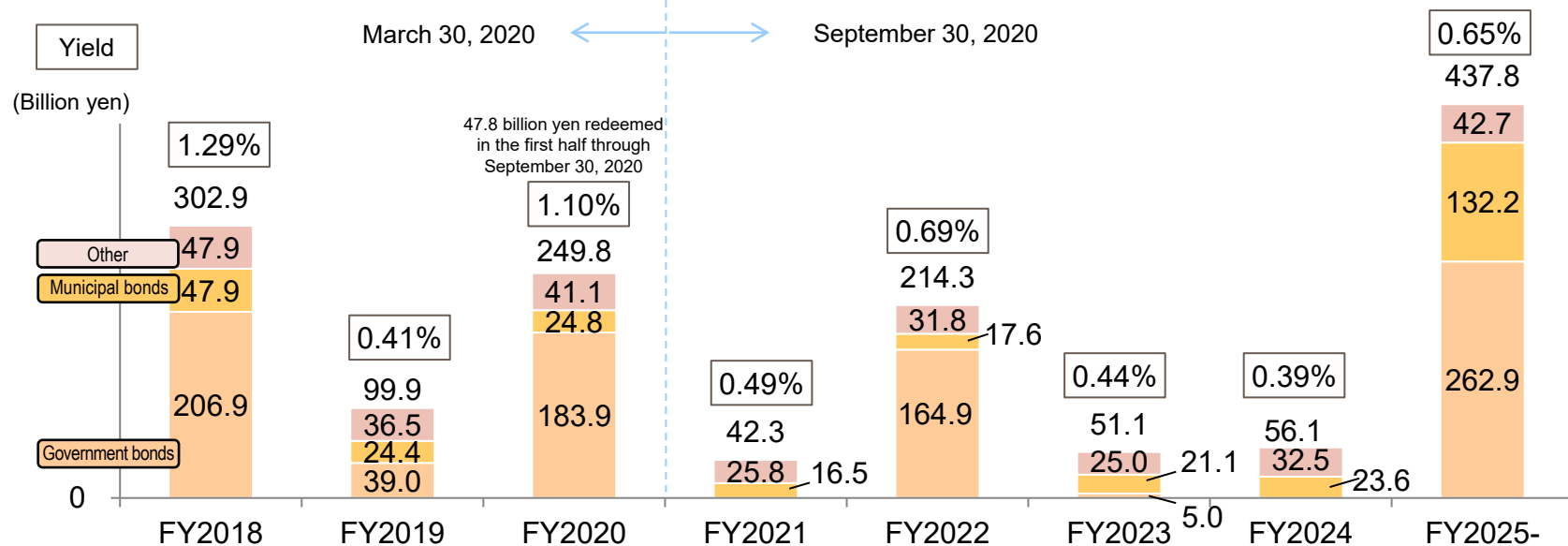
(September 30, 2020; unit: billion yen)

Revaluation gains/losses on securities

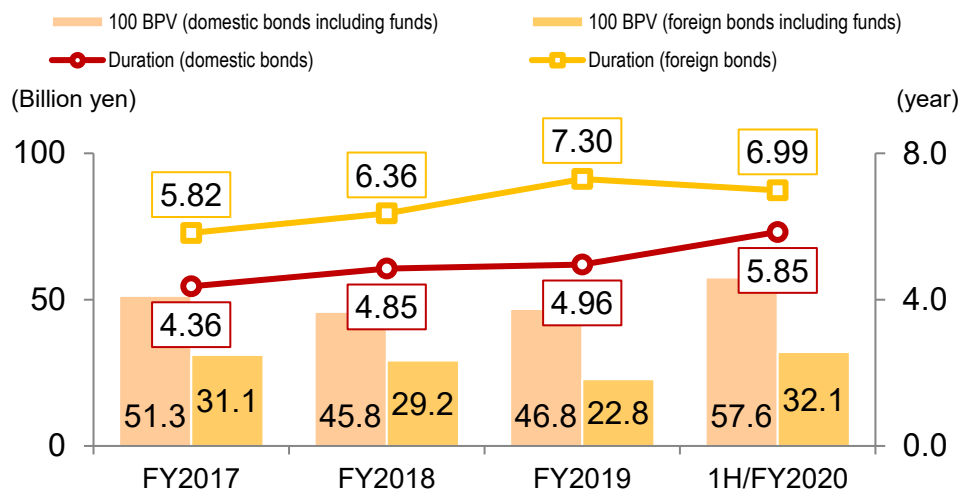


Redemptions of Yen-denominated Bonds/Interest Rate Risk

Composition of redemptions of yen-denominated bonds



Interest rate risk / duration

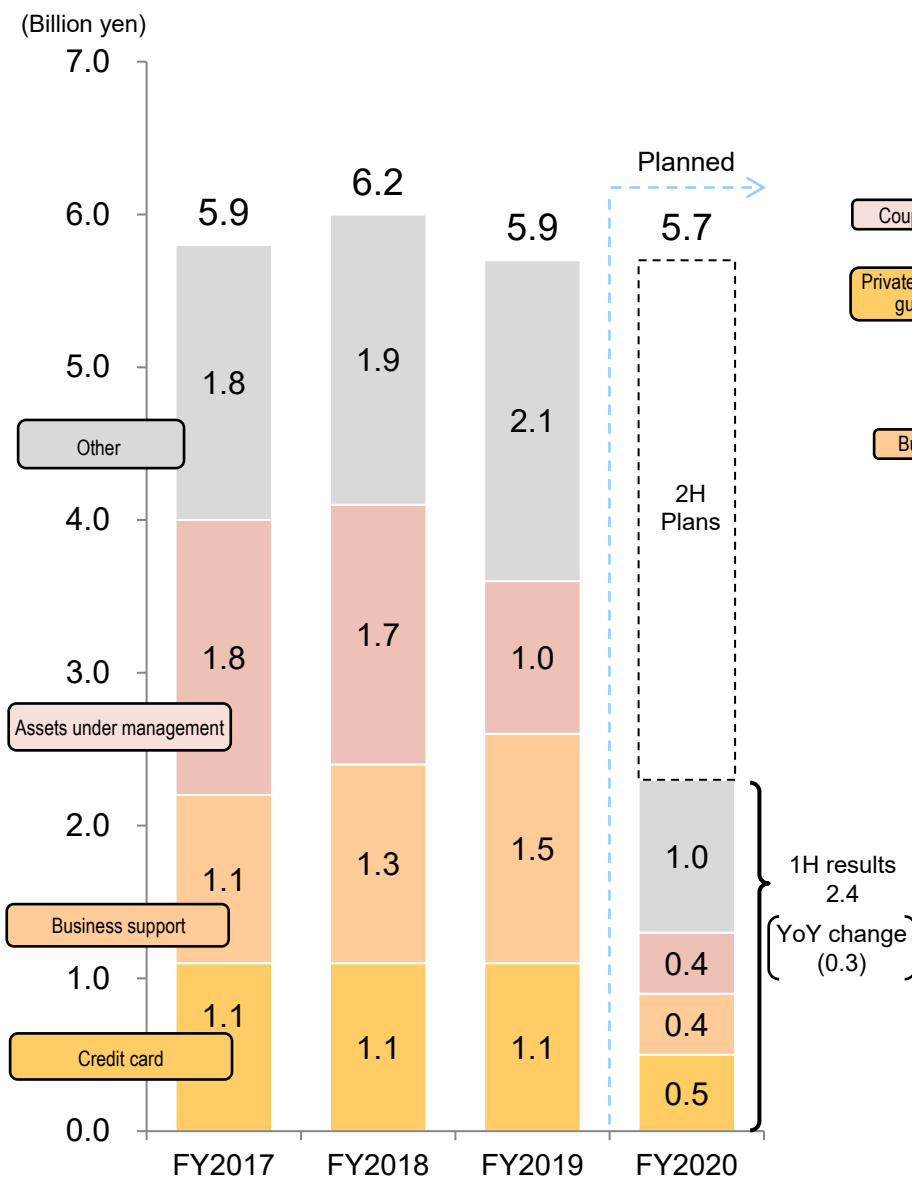


Interest rate risk in the banking book (IRRBB)

Maximum Δ EVE (Economic Value of Equity)	39.2 billion yen
Equity capital	315.0 billion yen
Materiality test (Max. Δ EVE \div equity capital)	12.4% < 20%

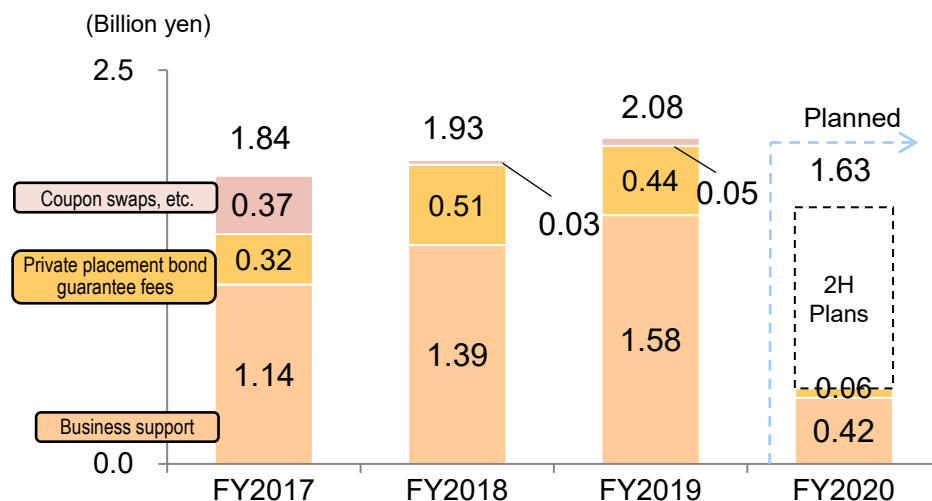
Net Fees and Commissions

Fees and commissions



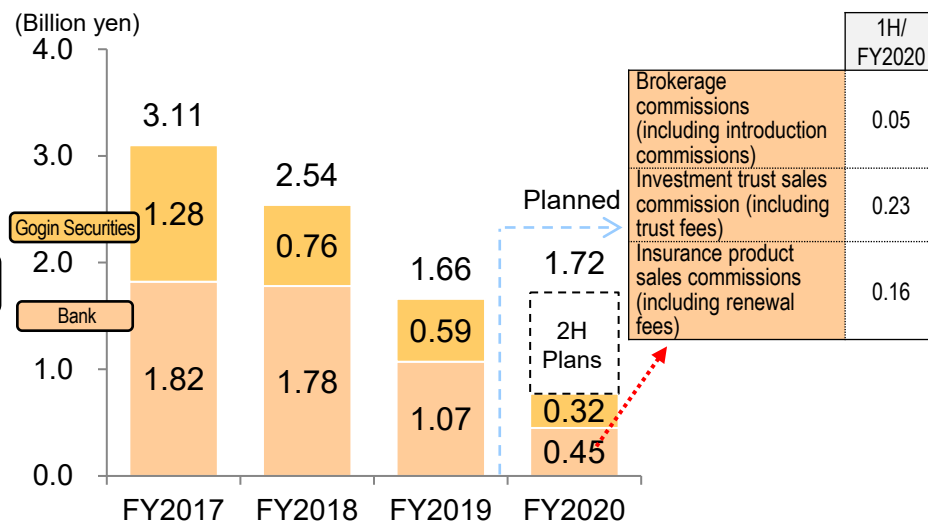
* Credit card and other fees are net of commissions and expenses.

Business support fees and commissions



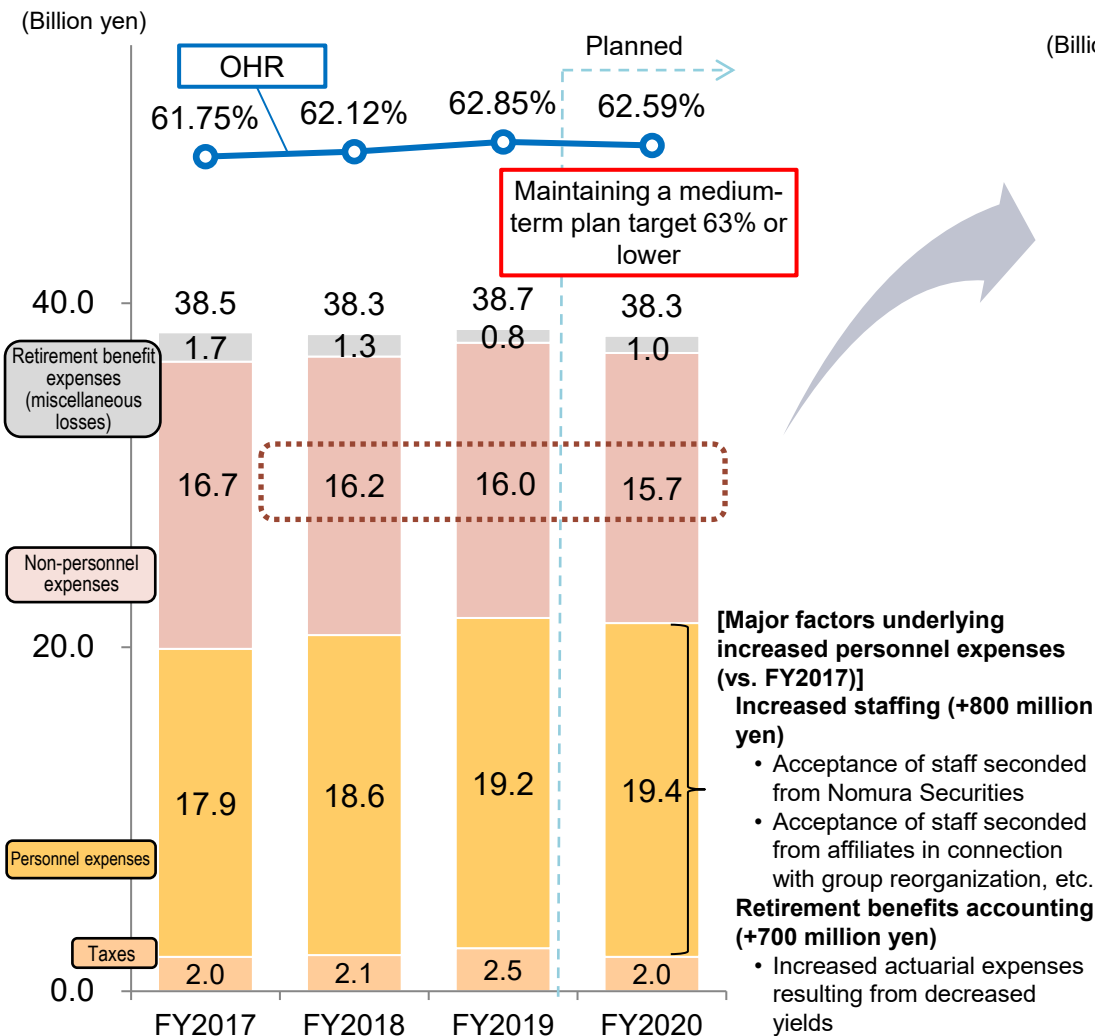
* Expected profits for the entire periods for private placement bond guarantee fees and coupon swaps are included.

Assets under management commissions



Expenses

Operating expenses

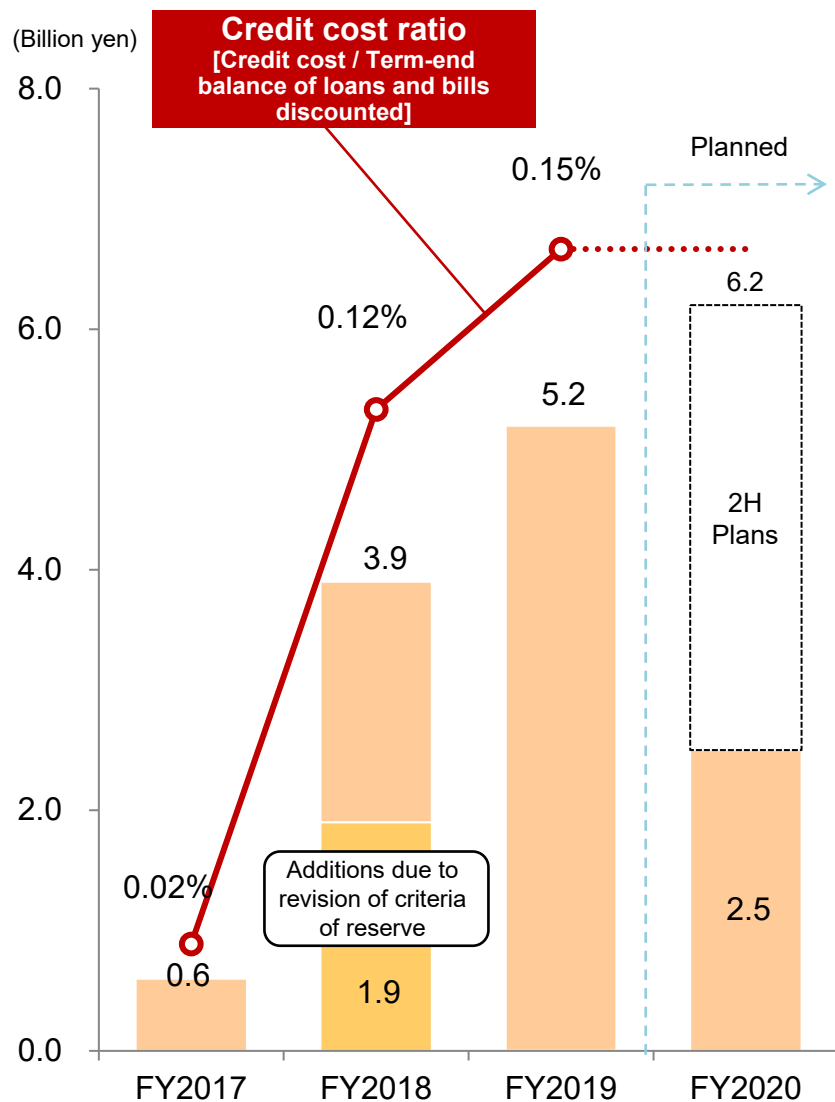


Non-personnel expenses

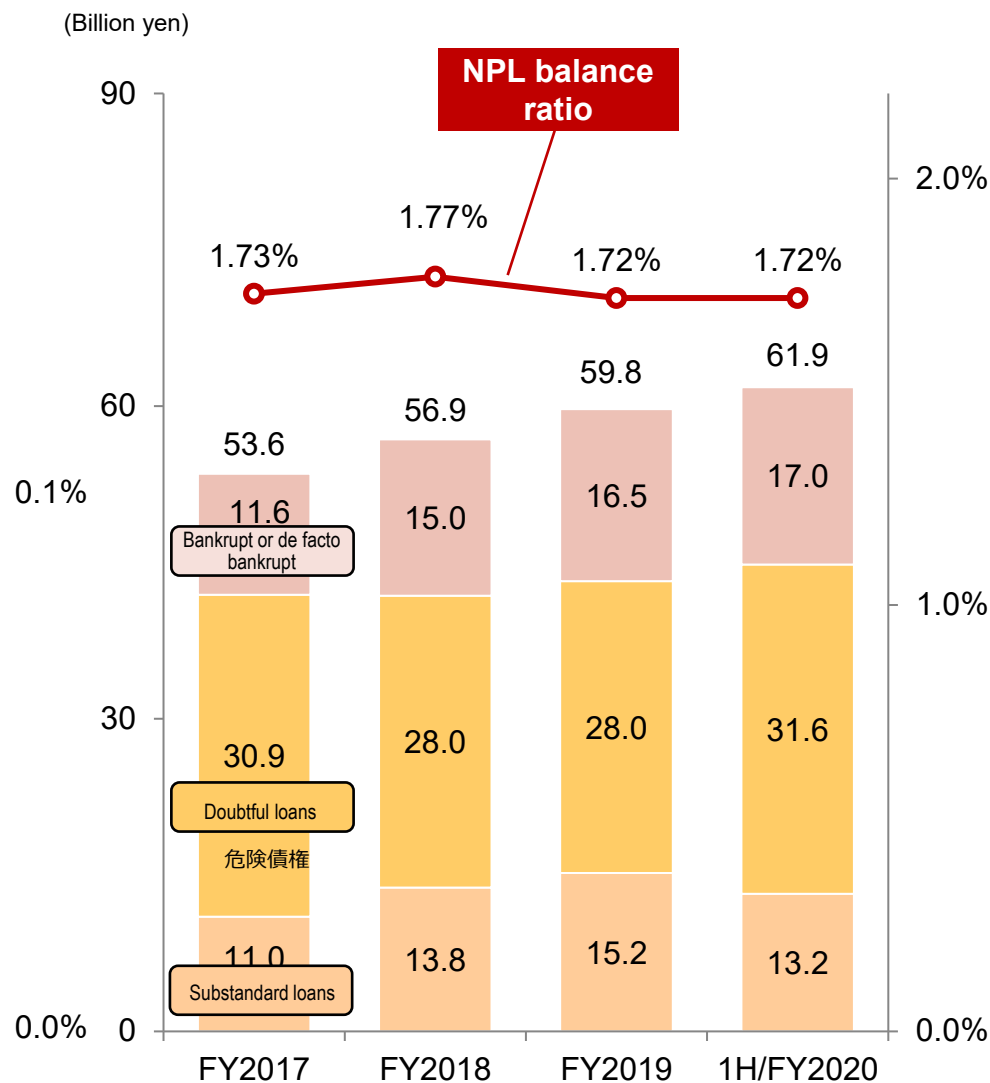


Credit Costs and NPLs

Credit costs



Loans based on the financial reconstruction act



Earnings Forecasts

Consolidated

(Billion yen)	FY2019	1H/FY2020	FY2020	
			Change from Mar. 2020	Target
Ordinary income	90.3	43.0	(3.7)	86.6
Ordinary profit	16.2	7.9	(3.0)	13.2
Interim profit attributable to owners of parent	10.4	5.3	(1.7)	8.7
Non-interest income ratio	14.47%	12.49%	(0.88)%	13.59%
ROE (Shareholders' equity basis)	3.25%	3.24%	(0.58)%	2.67%

Non-consolidated

(Billion yen)	FY2019	1H/FY2020	FY2020	
			Change from Mar. 2020	Target
Gross core banking profit	60.3	29.1	(0.7)	59.5
Net interest income	54.0	26.6	(0.4)	53.6
Net fees and commissions	5.9	2.4	(0.1)	5.7
Expenses	37.9	18.6	(0.6)	37.2
Personnel expenses	19.2	9.7	0.1	19.4
Non-personnel expenses	16.0	7.5	(0.3)	15.7
Net core banking profit	22.4	10.4	(0.1)	22.2
Gains (losses) on securities	0.5	0.1	(2.1)	(1.6)
Credit costs	5.2	2.5	0.9	6.2
Net income	10.4	4.3	(2.9)	7.5
OHR	62.85%	64.04%	(0.26)%	62.59%

Assumptions on which plans are based

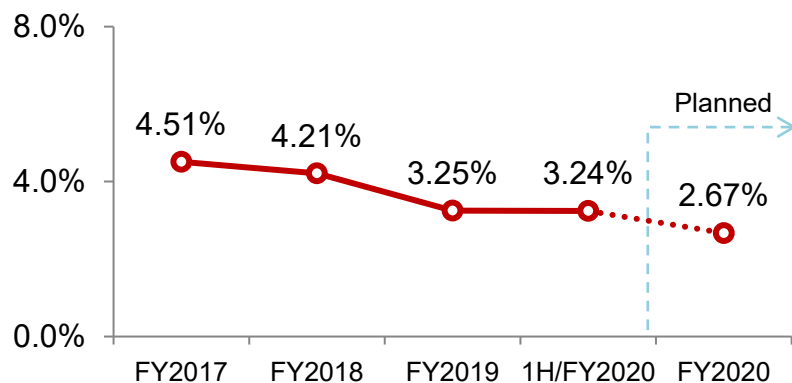
- The plans now assume that the impact of COVID-19 is gradually brought under control from March 2021 and beyond.
- In consideration of conditions during the six months ended September 30, 2020, credit costs associated with worsening performance at customer firms are projected to total 6.2 billion yen on a full-year basis (vs. initial forecast: +100 million yen).

Capital Policy and Shareholder Return

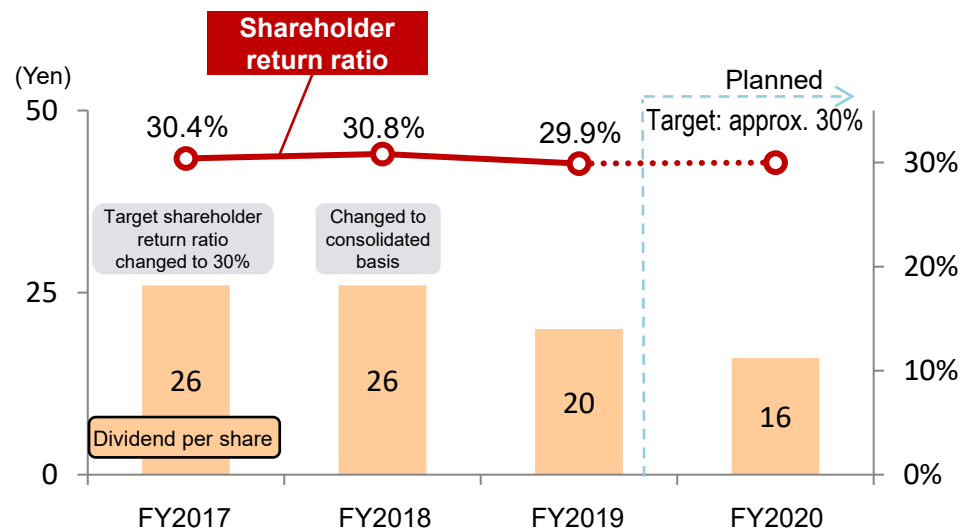
ROE (Consolidated and shareholders' equity basis)

$$\text{ROE} = \frac{\text{Profit attributable to owners of parent}}{\text{Average balance of shareholders' equity}} \times 100$$

(shareholders' equity basis) (Average of balance at beginning and end of the term)



Trend of shareholder returns



Dividend table

Levels of profit (consolidated basis) (Billion yen)	Dividend			Payout ratio
	Stable dividend	Performance-linked dividend	Annual dividend	
Over 15.0	14 yen	16 yen	30 yen	31.3% or less
More than 14.0 to 15.0		14 yen	28 yen	31.3% to 27.8%
More than 13.0 to 14.0		12 yen	26 yen	
More than 12.0 to 13.0		10 yen	24 yen	
More than 11.0 to 12.0		8 yen	22 yen	
More than 10.0 to 11.0		6 yen	20 yen	
More than 9.0 to 10.0		4 yen	18 yen	
More than 8.0 to 9.0		2 yen	16 yen	
8.0 or less		0 yen	14 yen	27.4% or more

COVID-19

Responding to COVID-19

Assistance

Lending initiatives

- Since the start of the pandemic, the Bank has addressed cash flow support in response to COVID-19 as a top priority.
- The policy for the future is to provide thoroughgoing support for management improvements and business needs.

	Loans executed (loans)			Amount executed (billion yen)		
	Shimane and Tottori	Other regions	Total	Shimane and Tottori	Other regions	Total
Proper lending	773	383	1,156	51.6	107.5	159.1
Lending with credit guarantees	5,457	360	5,817	125.8	10.9	136.8
Total	6,230	743	6,973	177.4	118.5	296.0

(Results for February 1 – September 30, 2020)

Ascertaining conditions

- An independent survey of projected results for this term (loss or profit) among companies in Shimane and Tottori prefectures chosen based on certain conditions (approx. 1,200 firms)

Since the impact varies from industry to industry, business assistance will be accelerated by prioritizing industries most affected.

Most recent settlement of accounts	Profitable		Loss-making		① + ②
	Profit	Loss ①	Profit	Loss ②	
Projections for this term					
Food service	24%	35%	5%	35%	70%
Transport, delivery	43%	19%	7%	31%	50%
Construction	80%	6%	10%	4%	10%
Lodging	18%	38%	0%	44%	82%
Consumer services, leisure	37%	27%	10%	25%	53%
Manufacturing	49%	16%	12%	23%	39%
Real estate	70%	9%	10%	11%	20%
Other	57%	10%	11%	20%	30%
Total	56%	13%	11%	20%	33%

Share of total balance of business lending

1.8%

10.7%

5.8%

1.8%

3.2%

21.9%

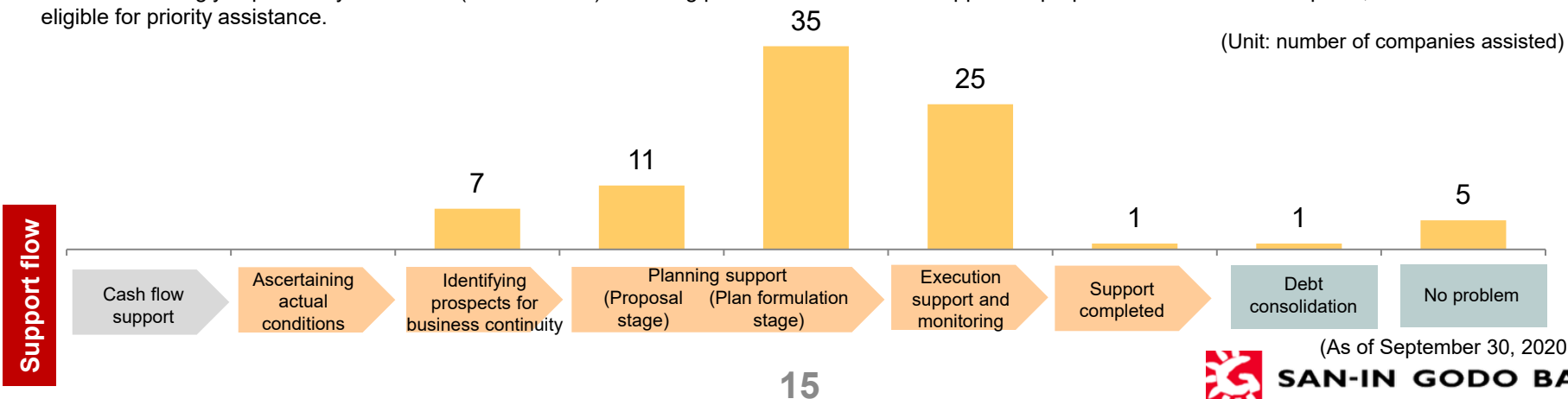
16.9%

37.9%

(September 30, 2020)

COVID-19 Business Support Team

- Established in April 2020, this team is providing support activities through a structure consisting of 50 staff, including those with concurrent positions. This staff has been augmented by adding eight Bank employees with business revitalization experience within the Credit Screening Department.
- Borrowers strongly impacted by COVID-19 (85 borrowers) are being provided with intensive support for preparation of rehabilitation plans, as borrowers eligible for priority assistance.



Medium-Term Management Plan

Medium-Term Management Plan

Overview of the Medium-Term Management Plan

Concept

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

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
- Promote structural reform through greater digitalization
- Personnel management that energizes organizations

Continuing to create new and unique business models

Campaigns focused on regional value creation

Operations-focused creative destruction projects that leverage IT

Target management indicators

		Item	FY2017 results	Final year (FY2020) targets	FY2020 plan	
Profitability	Consolidated	Net income *1	13.6 billion yen	13.8 billion yen or more	8.7 billion yen	↘
Capital efficiency		Non-interest income ratio *2	16.93%	19% or higher	13.59%	↘
Cost efficiency		Return on equity (ROE) *3	4.51%	4.2% or higher	2.67%	↘
Soundness	Non-consolidated	Overhead ratio (OHR) *4	61.75%	63% or lower	62.59%	↗
		Capital adequacy ratio	13.48%	13% or higher	12.35%	↘

*1 Profit attributable to owners of parent

*2 (Net fees and commissions + other operating income (excluding profit/loss related to Japanese government bonds, etc.))/consolidated gross core banking profit

*3 Shareholder equity basis

*4 Gross core banking profit basis

Enhancing Business Support Activities

State of enhanced business support activities

Deployment of one-person-one-company program
(FY2015-2017 Medium-Term Management Plan)

Individual
level



**Toward the
Bankwide
initiative**

Results

- Firm establishment of the awareness that relationship banking is a revenue source
- Diffusion of customer understanding

Migration to program to increase added value
(FY2018-2020 Medium-Term Management Plan)

Bank staff
development



**Contributing
to
customers**

Topics

- Establishing an operational structure
- Improving Bank staff consulting skills

Future developments

Aiming to be a **pacesetting consulting organization** capable of resolving the issues customers truly face by implementing measures needed to address the topics above

Reforms in organizational structure

- Priority assignment of human resources

**Corporate consulting:
+23 staff**

**Corporate sales
sections: +85 staff**

*1) Actual results during the current Medium-Term Management Plan period

*2) Corporate consulting staff includes eight members of the COVID-19 Business Support Team.

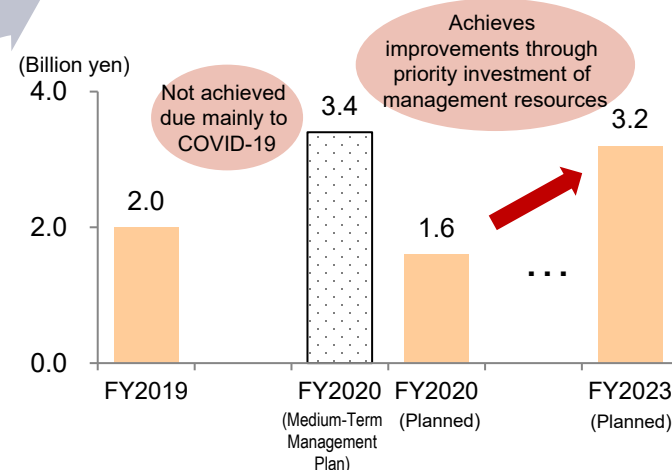
Enhancing strategic consulting

- Adopting a new support menu
 - ICT, HR recruitment, HR strategy, management strategy/planning, etc.

Expanding fee-based revenues

- Enhancing business continuity, M&As
 - Alliance with Nomura Securities
- Enhancing finance
 - Syndicated loans, private placement bonds, derivatives

Corporate solutions revenue plan



Progress with Restructuring

State of progress with various measures

Area	Measures	Main results (overview)			
		Revenues	Costs	Staff availability generated	
Individual consulting	<ul style="list-style-type: none"> Comprehensive business alliance with Nomura Securities Restructuring of asset management business 	Balance of assets under management: +300 billion yen (5-year target)	-300 million yen/year	150 persons (During the next Medium-Term Management Plan period)	P.24
Branches	<ul style="list-style-type: none"> Office consolidation and closures (33 offices) Review of office forms (10 offices) Adopting closure during lunch hour (49 offices) 		-300 million yen/year	200 persons	Reassigned to strategic sections P.20
ATMs	<ul style="list-style-type: none"> Reducing numbers of ATMs (approx. 100 ATMs) 		-200 million yen/year		
Restructuring affiliates	<ul style="list-style-type: none"> Enhancing Group coordination Insourcing operations, etc. 		-500 million yen/year		
Reviewing fees	<ul style="list-style-type: none"> Reviewing various fees 	+300 million yen/year			
Computer system migration	<ul style="list-style-type: none"> Migration of accounting system to the Regional Bank Integrated Services Center 		-800 million yen/year (Full-year contribution in FY2025 and beyond)		
Other forms of restructuring	<ul style="list-style-type: none"> Reviewing transactions with local public organizations Discontinuation of funds collection/distribution operations Various business process reforms, etc. 	+100 million yen/year	-100 million yen/year	140 persons	
Total contributions in the first fiscal year of the next Medium-Term Management Plan and beyond		+400 million yen/year	-1.4 billion yen/year	<p>*1) Some measures are generating partial results during the current Medium-Term Management Plan period.</p> <p>*2) Figures do not reflect consideration for the initial cost of implementing each measure.</p>	

State of Staff Reassignments

State of staff reassignments (overview)

Medium-Term Management Plan (FY2018-2020)

Generated

Assigned

Approx. 340 persons

Approx. 190 persons

Strategic HR reassignment

Approx. 40 persons
Planned for reassignment

Approx. 110 persons

Bank staff Approx. 60 persons

Quasi-employees, part-time employees Approx. 50 persons

Staffing reductions (due course reductions)

March 31, 2018

March 31, 2021 (projected)

Total staff Approx. 3,000 persons

-110 persons

Approx. 2,890 persons

Bank staff included above Approx. 2,000 persons

-60 persons

Approx. 1,940 persons

Determining the staff suitable for reassignment of approx. 10% of total staff

Overview of reassignments

Area	Number reassigned	Notes
Corporate sales, structured finance	85	Sales offices: 80; Head Office: 5
Corporate consulting, COVID-19 business support team	23	Corporate Sales Dept. COVID-19 business support team
Individual consulting, etc.	50	Related to business alliance with Nomura Securities, etc.
Digital promotion	19	Enhancing staffing in IT Management Dept. Expanding non face-to-face operations and centralization
Other	13	Securities management, public sector sales, etc.
Total	190	—

Overview of reassignment strategy for the next Medium-Term Management Plan

Determining the staff available for reassignment to roughly the same extent as under the current Medium-Term Management Plan
(Including carryover from the current Medium-Term Management Plan)

Continuing to promote conversion of assignments while drawing down human resources

Approx. 400 persons

- Review of sales structure
- Restructuring
- Business efficiency improvements, etc.

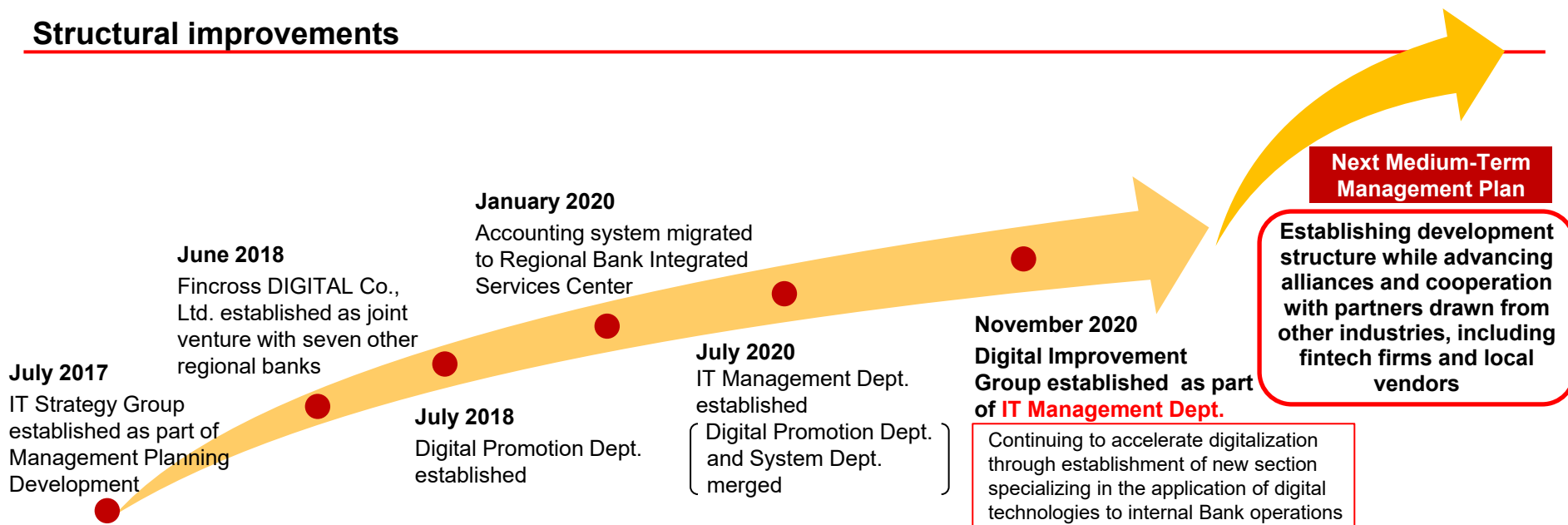
Approx. 50%
Strategic HR reassignment

Approx. 50%
Staffing reductions (Natural reductions)

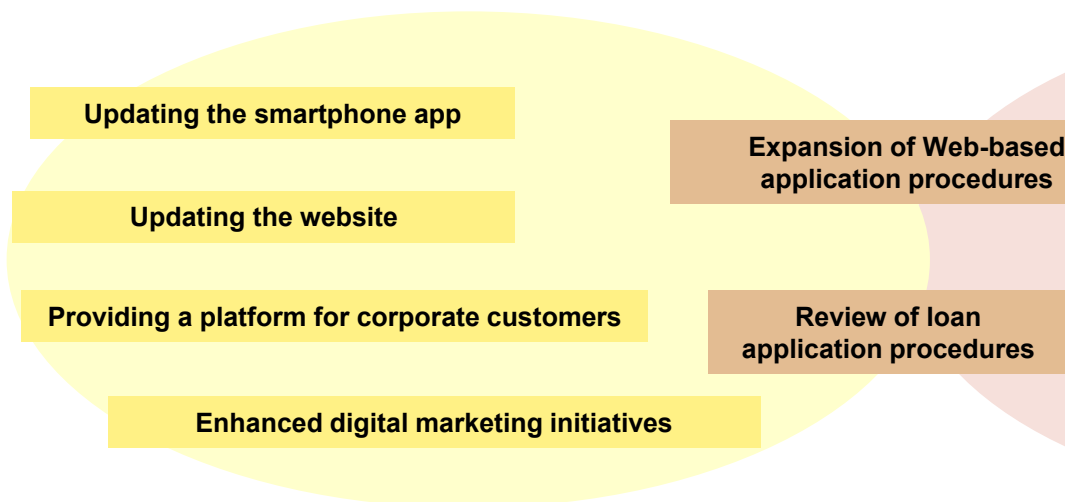
* Staff count as of March 31, 2021 excludes staff reassigned from affiliates in connection with Group restructuring (90 persons).

Adoption of Digital Technologies

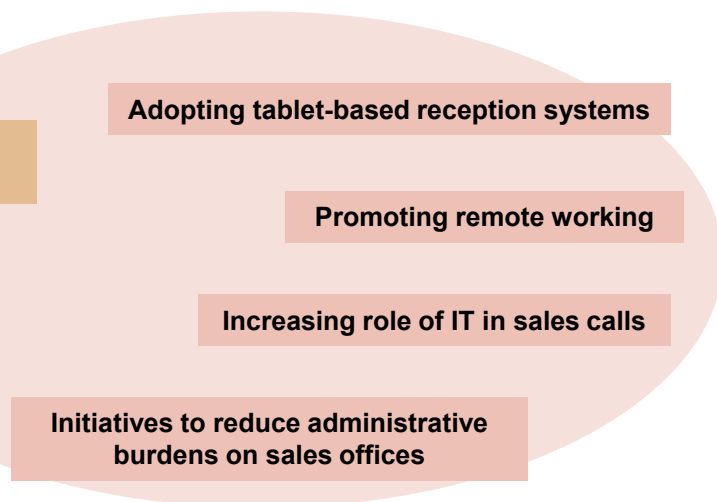
Structural improvements



Enhanced non face-to-face channels

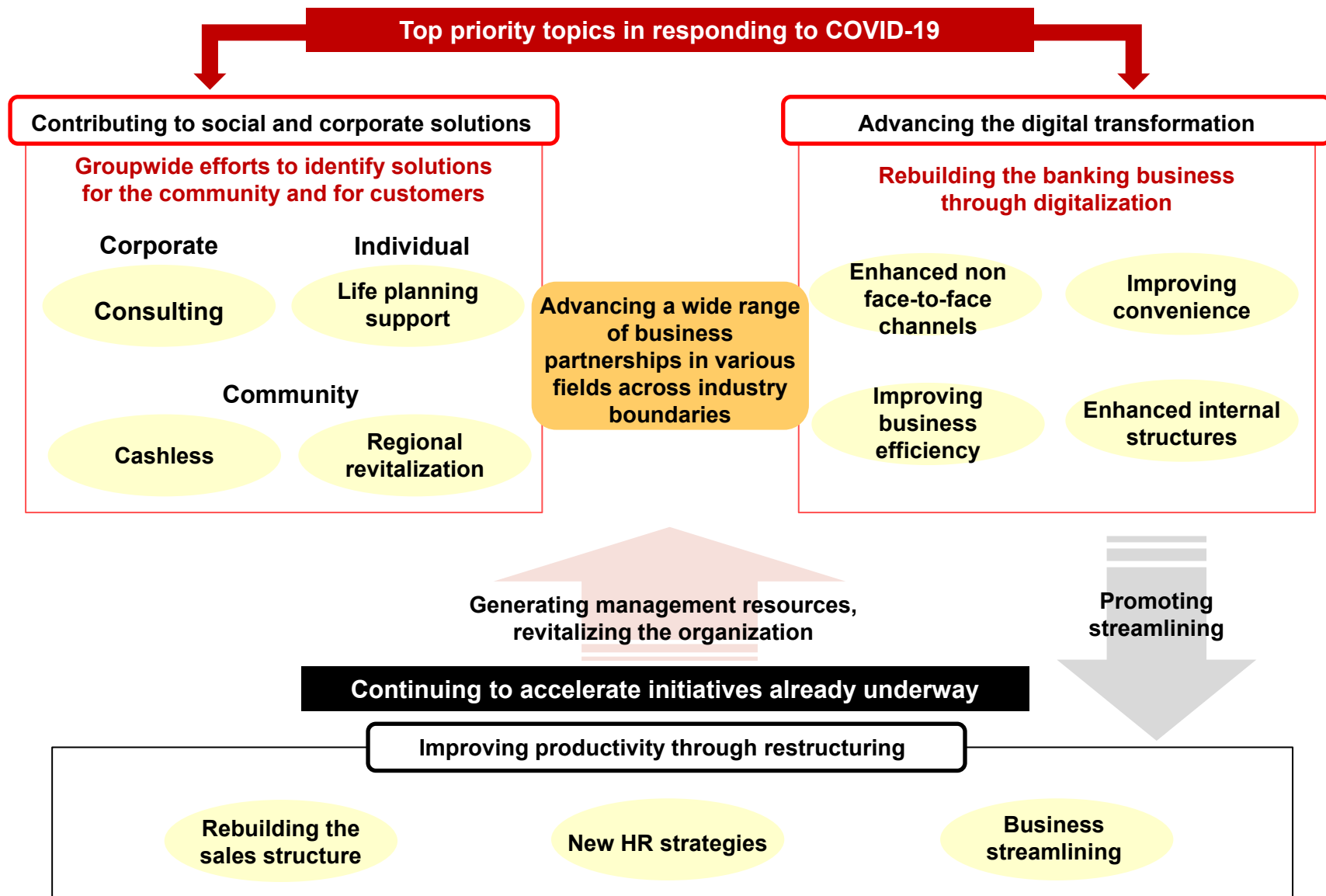


Efficiency improvements/work style reforms in Bank internal administration



Overview of Next Medium-Term Management Plan

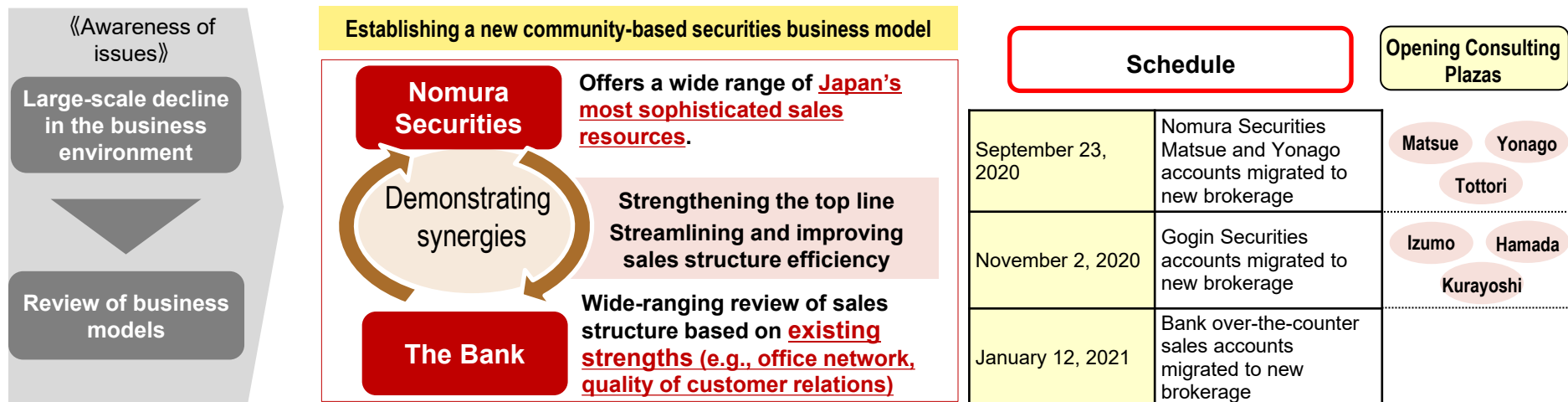
Dramatically strengthening the Bank's solutions-finding capabilities and accelerating digitalization, spurred by response to changes associated with COVID-19



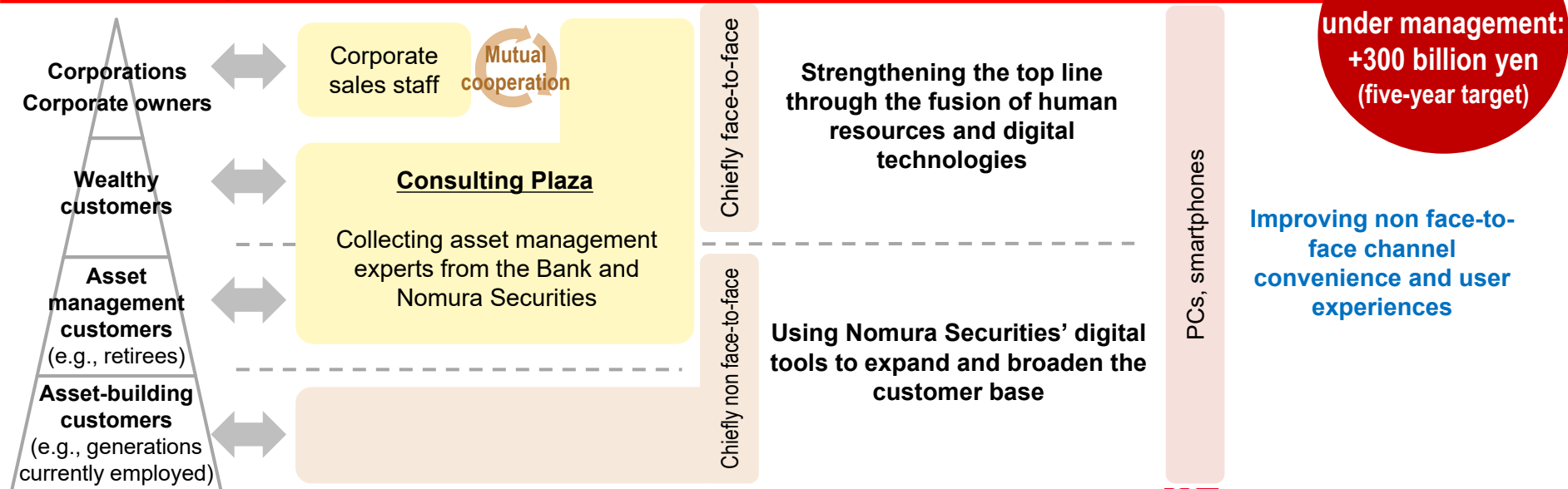
Various Measures

Restructuring Operations for Assets Under Management

Comprehensive business alliance with Nomura Securities



New consulting structure

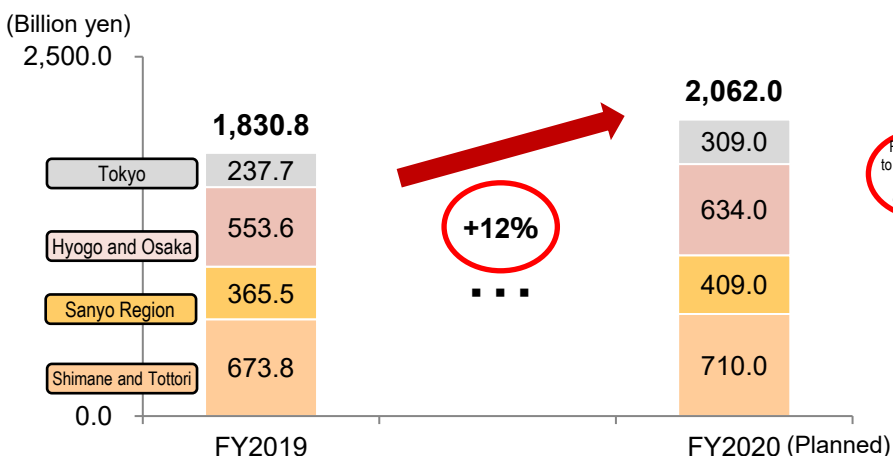


Enhanced Corporate Sales Sections

Basic strategy

Common	<ul style="list-style-type: none"> ■ Thoroughgoing support for customer sales strategies through appropriate resource provision ■ Uncovering business continuity and M&A needs
Shimane and Tottori	<ul style="list-style-type: none"> ■ Building an efficient sales structure ■ Supporting startups and entrepreneurs
Sanyo Region Hyogo and Osaka	<ul style="list-style-type: none"> ■ New business development targeting second-tier firms and SMEs ■ Building on transactions with existing customers in deposits and lending through sales of comprehensive consulting services
Tokyo	<ul style="list-style-type: none"> ■ Increasing portfolio yields (initiatives centered on structured finance)

Planned average balances of business lending



Initiatives toward accumulating high-quality loan assets

Responding
to the needs of
individual
companies

Enhanced consulting functions

- Improving customer business conditions through in-depth assessments of business potential and value-added solutions

Structural
improvements

Credit risk countermeasures

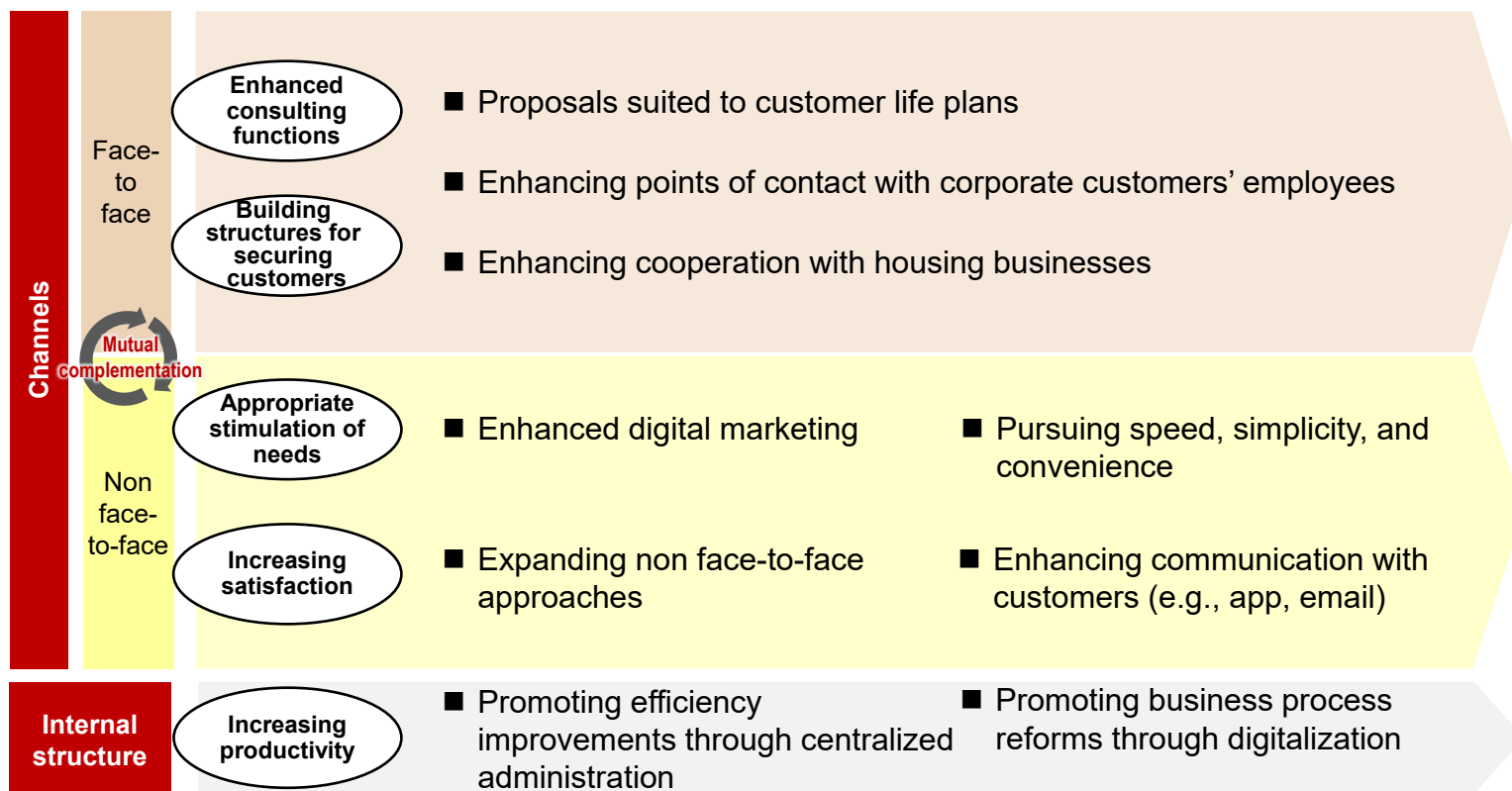
- Advancing credit review by improving alarm detection levels via AI

Minimizing credit costs

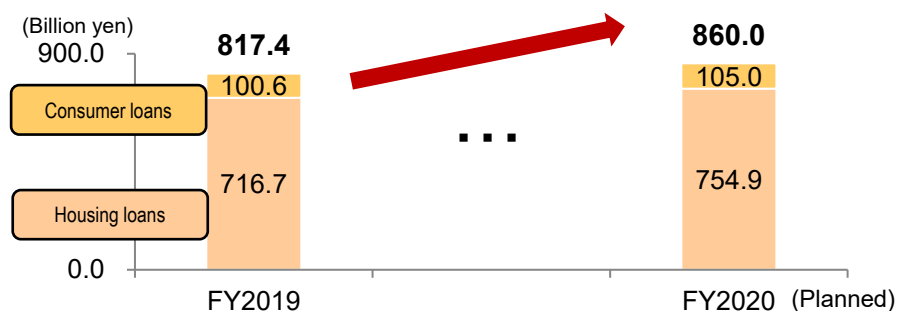
* FY2020 figures exclude the balance of personal loans to sole proprietorship borrowers (approx. 28 billion yen); this had been included up to September 30, 2020.

Enhancing Individual Loan Initiatives

Basic strategy



Individual loan balance plans

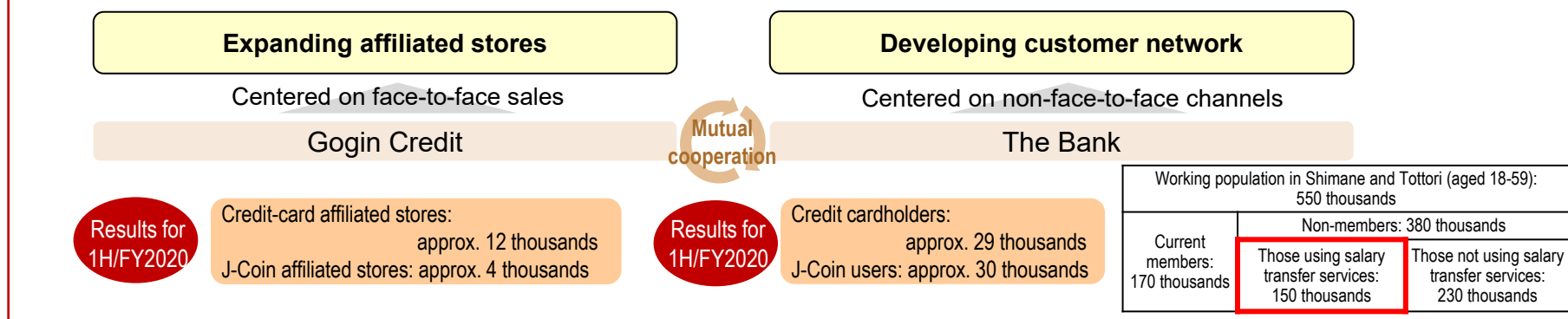


Promoting Cashless Transactions

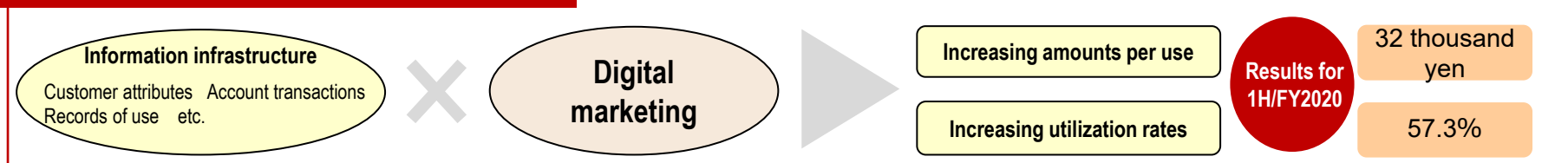
Basic strategy

Growing business scales through coordination among face-to-face and non-face-to-face operations Groupwide, driven by our established infrastructure and organization

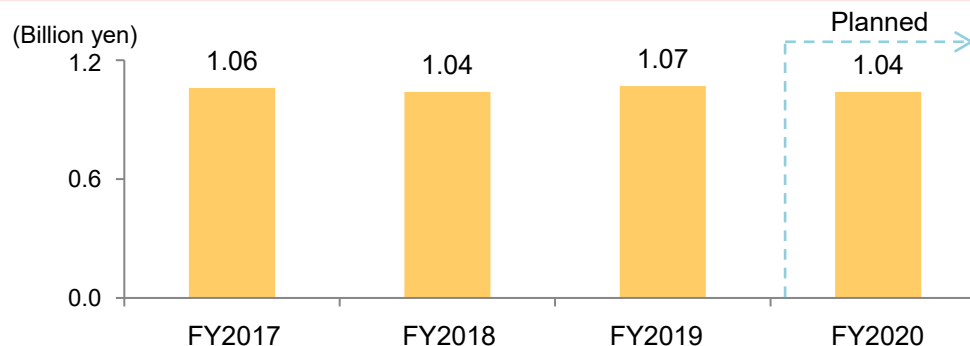
Further enhancing the business infrastructure



Thoroughgoing use of the business infrastructure



Gains from cashless transactions



For inquiries relating to this material,
please contact:

Planning Group
Management Planning Development
The San-in Godo Bank, Ltd.

Phone: +81-852-55-1015
Fax: +81-852-27-3398
Email: soki@gogin.co.jp

Forward-looking statements are included in this material. These statements do not provide a guarantee of the San-in Godo Bank's future performance, and actual results are subject to risks and uncertainties. Please note that future performance may differ from the views presented herein owing to changes in the operating environment and other factors.



SAN-IN GODO BANK



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