



Annual Report **2020**

GUNMA BANK REPORT

Year Ended 31st March, 2020

Message from the Management



We recognize that our true value as a regional financial institution is being put to the test in these difficult circumstances, and will work as a whole in support of our customers.

Embracing the rapid changes in the environment, we will undertake a radical transformation of our profit structure and address various issues to build a strong management structure.

Akihiko Fukai
President
The Gunma Bank, Ltd.

Preface

Looking at the recent economic situation, the domestic economy, which had been in a moderate recovery trend, has rapidly deteriorated due to the impact from the novel coronavirus (COVID-19), and the situation has become extremely difficult.

The environment surrounding financial institutions is becoming increasingly severe, as evidenced by continued narrowing yields on loans and securities management due to the prolonged Negative Interest Rate Policy, as well as fluctuations in global financial and capital markets due to COVID-19. These rapid changes in the global economic situation are having an even greater domestic and global impact than the 2008 Lehman Brothers crisis, and are also having a significant impact on regional economies.

The Gunma Bank plays an indispensable role in the infrastructure for social and economic stability, and has a mission to fully fulfill our financial intermediary functions and support the regional economy in any situation. We recognize that our true value as a regional financial institution is being put to the test in these difficult circumstances, and are working as a whole in support of our customers.

The structural changes in the regional economy, including demographics, and the changes in lifestyle and business models due to the progress of digitalization, combined with the global COVID-19 pandemic, are further accelerating these changes.

Embracing these rapid changes in the environment, we aim to build a strong management structure by grappling with various challenges, such as taking the initiative for revitalizing regional economies, implementing a radical transformation of our profit structure, responding to emerging needs involving business succession and inheritance, and taking initiatives in digital transformation.

Responding to management challenges

As a regional financial institution, we have to date been able to grow mainly through accepting deposits and making loans. However, to tackle the management challenges mentioned above, we are required to redefine the businesses we are targeting. It is effective to once more consider the core competence of the Bank, namely, “Our core strength which other companies cannot imitate, and through which we can deliver value to our customers” while reducing our dependence on conventional business resources. I believe that we can create new value and contribute to customers and society through effective utilization of the Bank’s management resources upon accurately understanding and defining them.

What is our core competence?

First is the “ability to collect information” that is based on the networks and relationships with customers. Thus far, the Bank has been actively engaged in the expansion of geographical markets with notable accomplishments. We have developed networks with over 34,000 corporate and individual business customers both inside and outside Gunma Prefecture. These networks were carefully built over many years and are expected to provide us with information from which, not only conventional business in deposits and loans, but new business opportunities can arise.

Next comes the “ability to formulate proposals” that we have been fostering thus far. We have strengthened our consulting business as a pillar for marketing strategy and have been engaged in strengthening our staff’s ability to devise new ideas to be presented as proposals. For personal customers, we hold seminars over 600 times annually on asset formation, etc. led by managers from each sales branch, and are striving to provide the optimum proposals in response to customers’ various needs by strengthening collaboration of banking/securities with Gungin Securities Co., Ltd.

For corporate customers, we established Gungin Consulting Co., Ltd., and devoted efforts to solving management challenges, including through the commencement of recruitment services. In fiscal year 2019, we were able to solve 739 of customers’ management challenges that were revealed as a result of conducting business feasibility assessments.

Based on our core competence, we expect to concentrate our efforts on areas where customer and regional needs are high and which may lead to business expansion and increased profitability going forward, for example, in the areas of consulting services for business succession and inheritance.

However, it is critical to keep making efforts to periodically redefine core competence and foster new abilities since the effectiveness of practices differs depending on the market and competitive environment and, in some cases, our traditional competitive advantage may become obsolete through changes in the market environment.

Initiatives for the Mid-Term Business Plan: “Innovation New Dimension”

■ Concept of the Mid-Term Business Plan

The three-year business plan “Innovation New Dimension – Toward delivering value” launched in April 2019 and ending in March 2022 is based on the perspectives above described.

The Bank worked on the previous Mid-Term Business Plan revised twice over the past six years, and provided our unique proposals and support based on the basic concept of “value proposition” thus enabling us to grow together with the regional communities and our customers. In the new Mid-Term Business Plan, we focus on realizing proposition value based on “value proposition” and aspire to be a “regional financial group that can achieve greater value by meeting customer needs through financial service innovation.”

To achieve what we aspire to be, we set forth the basic policies of “Transforming our management platform through three reform initiatives (Process, Channel, Human Resources)” and “Realizing advanced value through evolution of our business model.” We aim to further accelerate and intensify the planned initiatives in light of the sudden change in the environment caused by COVID-19.

Strengthening of governance and capital policy

■ Issues in fiscal year 2019 and initiatives for fiscal year 2020

The consolidated quantitative targets set out in the Mid-Term Business Plan were largely on track for the first year of the plan ended March 31, 2020. However, although subsidiaries, including Gungin Securities Co., Ltd. and GUNGIN LEASING CO., LTD., made steady progress with regard to non-interest business income, the expansion of which we focused on in our goal of transformation of the profit structure, the Bank itself was slow to advance.

In fiscal year 2019, we conducted activities focused on sharing the current issues and goals facing each customer through interviews and presentations for both business succession support and inheritance-related services. In fiscal year 2020, we expect to enter a phase in which we definitively realize optimal solutions in response to individual issues and needs of each customer, while fully utilizing the system and abilities we have improved through an increase in the number of dedicated staff and also leveraging Group company functions to the maximum. We will firmly draw up timelines by backcasting from shared goals with customers and accordingly build up a process so that the necessary steps progress appropriately in order to solve customers' issues and lead to the Bank's revenue.

In addition, we aim to accelerate the pace of the three reform initiatives toward the transformation of the management platform that will make this possible. Our lifestyles, mindset and the social environment have all changed as a result of COVID-19, and online communication, paperless operations and seal-free documents have rapidly become widespread. Leveraging this opportunity, we will accelerate the "DigiCal Strategy" that was set out in the plan, and promote the digitalization of customer interface channels by improving the convenience of Internet banking, apps and online services, and engaging in online communication with customers.



Strengthening of governance and capital policy

We will also make further progress in our efforts aimed at strengthening the governance system and conducting integrated control and operation for risk, return and capital.

To date, we have made efforts to strengthen our governance system by establishing the Nomination Advisory Committee and the Compensation Advisory Committee composed of independent outside directors and representative directors, and by introducing a restricted stock remuneration system and a performance-linked stock remuneration system. By increasing the number of outside directors by one and welcoming a new outside auditor in June 2020, we have been able to build a more effective governance system. The Board of Directors now consists of at least one third outside directors, and we have achieved a balanced system also in terms of expertise in corporate management, finance and legal affairs and in terms of gender.

As a framework for business management, we promote the creation and utilization of a "Risk Appetite Framework" that is a core tool to optimally balance the levels of risk and return through maximized, effective utilization of limited capital and management resources. This framework is indispensable for financial institutions when creating a sustainable business model. While being ready to accept necessary risk for return in accordance with our financial and management strength, we will steadily work on loan promotion and establish a highly profitable loan portfolio.

In view of shareholder returns, the Bank will be engaged in strengthening the financial structure and, under the basic policy of continuously providing stable dividends, return performance-linked profits to shareholders. For the time being, we are setting a target of 40% of the non-consolidated current net income for the ratio of total payout to shareholders (dividends plus treasury stock acquisition).

In addition, as various environmental and social issues are becoming increasingly urgent, we must play a more proactive role through action programs that include the Sustainable Development Goals (SDGs). In February 2019, we formulated the “Gunma Bank Group SDGs Declaration” with an aim to contributing to the resolution of environmental and social issues through business activities based on our corporate philosophy and SDGs. In fiscal year 2020, we will establish the “SDGs and ESG Administration Office” within the Corporate Planning Department, and further strengthen our efforts by setting numerical targets that include reducing greenhouse gas emissions by at least 26%* and paper consumption by 40%* by fiscal year 2030.

By expanding on these types of initiatives and the various measures under the Mid-Term Business Plan, we will strive to realize a sustainable society and create economic value, and fulfill our responsibilities to regional communities, our customers, our employees, and each stakeholder, including shareholders and investors.

* Compared with fiscal year 2013

Conclusion

At the time of the Lehman Brothers crisis in 2008, I did my utmost to support regional customers in my role as a sales branch manager. At that time, I became convinced that as a regional financial institution we were an indispensable part of the infrastructure of the regional economy, and I learned the extent of the responsibility and role that we should fulfill.

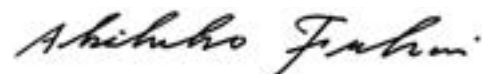
Now, once again, we are on the brink of a new crisis due to the COVID-19 pandemic. Unlike the collapse of the Lehman Brothers, however, the impact of this current crisis will be such that once it is contained, the environment will be one in which society does not return to its former state but becomes completely different, including in terms of lifestyles and common sense. Accordingly, in providing support to regional customers, we will need to provide not just financial support such as cash flow but more extensive support that incorporates changes and transformations of business models.

In order to overcome this latest crisis, we will work steadily on the initiatives I have described above. We will transform to a new dimension in our business model and create a new regional society together with our customers.

Last, I would like to express my sincere gratitude for your continued warm support.

July 2020

Akihiko Fukai
President



Consolidated Financial Review

Performance

The Group consists of six consolidated subsidiaries, two non-consolidated subsidiaries accounted by the equity method and one affiliate accounted by the equity method. Consolidated results for the fiscal year under review are as follows.

Total assets as of the consolidated fiscal year-end under review came to ¥8,416.8 billion, an increase of ¥276.7 billion compared to the previous fiscal year. The balance of total liabilities as of the fiscal year-end came to ¥7,928.8 billion, an increase of ¥320.6 billion compared to the previous fiscal year. Furthermore, the balance of total net assets as of the fiscal year-end came to ¥488.0 billion, a decrease of ¥43.9 billion compared to the previous fiscal year.

Total income amounted to ¥143,070 million, a decrease of ¥5,660 million from the previous consolidated fiscal year, mainly due to decreases in interest and dividend income and other income (gain on sales of equity securities, etc.), despite an increase in other ordinary

income (gain on sales of bonds, etc.). Total expenses amounted to ¥112,240 million, a decrease of ¥1,399 million from the previous consolidated fiscal year, mainly due to decreases in general and administrative expenses other expenses (provision of allowance for loan losses, etc.).

As a result, ordinary profit came to ¥31,523 million, a decrease of ¥4,261 million from the previous consolidated fiscal year. Furthermore, profit attributable to owners of parent came to ¥22,280 million, a decrease of ¥1,040 million from the previous consolidated fiscal year.

Consolidated Capital Adequacy Ratio (BIS Standards)

	As at March 31, 2019	As at March 31, 2020
1. Consolidated total capital ratio (4/7)	12.25%	11.95%
2. Consolidated Tier 1 ratio (5/7)	11.52%	10.74%
3. Consolidated Common Equity Tier 1 ratio (6/7)	11.45%	10.74%
4. Total capital (consolidated)	529.9	505.7
5. Tier 1 capital (consolidated)	498.4	454.5
6. Common Equity Tier 1 capital (consolidated)	495.6	454.5
7. Risk weighted assets	4,325.8	4,232.1

Billions of yen

Consolidated Balance Sheets

As at March 31,	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2020	2020
Assets			
Cash and due from banks (Note 16)	¥ 752,818	¥ 845,309	\$ 7,767,251
Monetary claims bought	9,965	9,113	83,745
Trading account securities	1,355	1,722	15,831
Money held in trust (Note 8)	5,938	6,778	62,284
Securities (Note 7 and 13)	1,701,356	1,789,364	16,441,834
Loans and bills discounted (Note 4)	5,512,182	5,543,176	50,934,268
Foreign exchanges	6,786	17,872	164,227
Lease receivables and investment assets	55,302	58,925	541,441
Other assets	46,053	93,309	857,387
Property and equipment (Note 12)	68,806	68,354	628,088
Intangible assets	10,678	9,760	89,686
Net defined benefit asset	1,471	251	2,308
Deferred tax assets (Note 18)	1,498	8,552	78,585
Customers' liabilities for acceptances and guarantees	10,638	9,790	89,956
Allowance for loan losses	(44,716)	(45,418)	(417,338)
Total assets	<u>¥8,140,134</u>	<u>¥8,416,864</u>	<u>\$77,339,558</u>
Liabilities			
Deposits (Note 13)	¥6,982,055	¥7,204,323	\$66,197,954
Payables under repurchase agreements	18,181	18,402	169,092
Payable under securities lending transactions (Note 13)	44,503	91,131	837,371
Borrowed money	417,342	481,744	4,426,575
Foreign exchanges	367	381	3,501
Bonds payable (Note 24)	30,000	50,000	459,432
Bonds with subscription rights	22,198	—	—
Borrowed money from trust account	1,984	4,899	45,018
Other liabilities	49,895	47,657	437,904
Provision for directors' bonuses	48	61	560
Net defined benefit liability	4,848	10,521	96,678
Provision for directors' retirement benefits	390	288	2,649
Provision for reimbursement of deposits	905	682	6,268
Provision for point loyalty programs	135	140	1,289
Provision for contingent loss	938	947	8,705
Reserves under special laws	0	0	3
Deferred tax liabilities	15,823	14	134
Deferred tax liabilities for land revaluation (Note 14)	7,917	7,851	72,142
Acceptances and guarantees	10,638	9,790	89,956
Total liabilities	<u>7,608,175</u>	<u>7,928,835</u>	<u>72,855,239</u>
Net assets			
Capital stock	48,652	48,652	447,048
Capital surplus	29,255	29,581	271,817
Retained earnings	376,865	383,452	3,523,409
Treasury shares	(16,977)	(9,309)	(85,542)
Total shareholders' equity	<u>437,795</u>	<u>452,377</u>	<u>4,156,732</u>
Valuation difference on available-for-sale securities	78,127	31,427	288,780
Deferred gains or losses on hedges	(179)	(330)	(3,035)
Revaluation reserve for land (Note 14)	13,929	13,778	126,608
Foreign currency translation adjustment	86	29	268
Remeasurements of defined benefit plans	(3,846)	(9,541)	(87,675)
Total accumulated other comprehensive income	<u>88,118</u>	<u>35,363</u>	<u>324,945</u>
Share subscription rights	510	287	2,639
Non-controlling interests	5,534	—	—
Total net assets	<u>531,959</u>	<u>488,028</u>	<u>4,484,318</u>
Total liabilities and net assets	<u>¥8,140,134</u>	<u>¥8,416,864</u>	<u>\$77,339,558</u>

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income

Years ended March 31,	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2020	2020
Income			
Interest income:			
Interest on loans and discounts	¥ 57,540	¥ 56,904	\$ 522,874
Interest and dividends on securities	22,901	16,094	147,888
Other interest income	1,058	1,017	9,352
Trust fees	20	36	331
Fees and commissions	20,938	20,554	188,871
Other ordinary income	28,654	37,024	340,202
Other income	17,656	11,437	105,094
Total income	148,770	143,070	1,314,619
Expenses			
Interest expenses:			
Interest on deposits	2,615	2,300	21,137
Interest on call money and borrowing	567	546	5,019
Other interest expenses	4,007	3,591	32,996
Fees and commissions payments	7,765	8,131	74,718
Other ordinary expenses	27,794	31,821	292,399
General and administrative expenses	59,111	56,438	518,590
Other expenses	11,599	9,411	86,478
Total expenses	113,462	112,240	1,031,341
Profit before income taxes	35,308	30,829	283,278
Income taxes:			
Current	12,120	8,392	77,116
Deferred	(413)	76	702
Profit	23,601	22,360	205,458
Profit attributable to non-controlling interests	280	79	727
Profit attributable to owners of parent	¥ 23,321	¥ 22,280	\$ 204,731
	Yen		U.S. dollars
Per share amounts			
Profit – primary	¥ 54.12	¥ 52.79	\$ 0.48
Profit – fully diluted	54.00	52.70	0.48

The accompanying notes are an integral part of these statements.

Consolidated Statements of Comprehensive Income

Years ended March 31,	millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2020	2020
Profit	¥ 23,601	¥ 22,360	\$ 205,458
Other comprehensive income (Note 11)			
Valuation difference on available-for-sale securities	(16,839)	(46,608)	(428,271)
Deferred gains or losses on hedges	(56)	(151)	(1,389)
Foreign currency translation adjustment	(79)	(57)	(528)
Remeasurements of defined benefit plans, net of tax	(1,182)	(5,695)	(52,333)
Share of other comprehensive income of entities accounted by the equity method	229	6	59
Total other comprehensive income	(17,928)	(52,506)	(482,463)
Comprehensive income	5,673	(30,146)	(277,004)
(Details)			
Comprehensive income attributable to owners of parent	5,435	(30,323)	(278,627)
Comprehensive income attributable to non-controlling interests	¥ 238	¥ 176	\$ 1,622

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

	Millions of yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of March 31, 2018	¥48,652	¥29,140	¥363,708	¥(17,538)	¥423,963
Changes of items during the year					
Dividends of surplus	—	—	(5,635)	—	(5,635)
Profit attributable to owners of parent	—	—	23,321	—	23,321
Purchase of treasury shares	—	—	—	(4,101)	(4,101)
Disposal of treasury shares	—	—	(13)	84	71
Retirement of treasury shares	—	—	(4,577)	4,577	—
Changes in equity interest in consolidated subsidiaries	—	114	—	—	114
Reversal of revaluation reserve for land	—	—	61	—	61
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during the year	—	114	13,156	561	13,832
Balance as of March 31, 2019	¥48,652	¥29,255	¥376,865	¥(16,977)	¥437,795

	Accumulated other comprehensive income								Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share subscription rights	Non-controlling interests	
Balance as of March 31, 2018	¥ 94,695	¥(122)	¥13,990	¥165	¥(2,663)	¥106,066	¥460	¥6,123	¥536,613
Changes of items during the year									
Dividends of surplus	—	—	—	—	—	—	—	—	(5,635)
Profit attributable to owners of parent	—	—	—	—	—	—	—	—	23,321
Purchase of treasury shares	—	—	—	—	—	—	—	—	(4,101)
Disposal of treasury shares	—	—	—	—	—	—	—	—	71
Retirement of treasury shares	—	—	—	—	—	—	—	—	—
Changes in equity interest in consolidated subsidiaries	—	—	—	—	—	—	—	—	114
Reversal of revaluation reserve for land	—	—	—	—	—	—	—	—	61
Net changes of items other than shareholders' equity	(16,568)	(56)	(61)	(79)	(1,182)	(17,948)	50	(589)	(18,486)
Total changes of items during the year	(16,568)	(56)	(61)	(79)	(1,182)	(17,948)	50	(589)	(4,654)
Balance as of March 31, 2019	¥ 78,127	¥(179)	¥13,929	¥ 86	¥(3,846)	¥ 88,118	¥510	¥5,534	¥531,959

The accompanying notes are an integral part of these statements.

	Millions of yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of March 31, 2019	¥48,652	¥29,255	¥376,865	¥(16,977)	¥437,795
Changes of items during the year					
Dividends of surplus	—	—	(5,504)	—	(5,504)
Profit attributable to owners of parent	—	—	22,280	—	22,280
Purchase of treasury shares	—	—	—	(3,000)	(3,000)
Disposal of treasury shares	—	—	(105)	434	328
Retirement of treasury shares	—	—	(10,233)	10,233	—
Changes in equity interest in consolidated subsidiaries	—	326	—	—	326
Reversal of revaluation reserve for land	—	—	150	—	150
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during the year	—	326	6,587	7,667	14,581
Balance as of March 31, 2020	¥48,652	¥29,581	¥383,452	¥ (9,309)	¥452,377

	Accumulated other comprehensive income								
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share subscription rights	Non-controlling interests	Total net assets
Balance as of March 31, 2019	¥ 78,127	¥(179)	¥13,929	¥ 86	¥(3,846)	¥ 88,118	¥ 510	¥ 5,534	¥531,959
Changes of items during the year									
Dividends of surplus	—	—	—	—	—	—	—	—	(5,504)
Profit attributable to owners of parent	—	—	—	—	—	—	—	—	22,280
Purchase of treasury shares	—	—	—	—	—	—	—	—	(3,000)
Disposal of treasury shares	—	—	—	—	—	—	—	—	328
Retirement of treasury shares	—	—	—	—	—	—	—	—	—
Changes in equity interest in consolidated subsidiaries	—	—	—	—	—	—	—	—	326
Reversal of revaluation reserve for land	—	—	—	—	—	—	—	—	150
Net changes of items other than shareholders' equity	(46,699)	(151)	(150)	(57)	(5,695)	(52,754)	(223)	(5,534)	(58,512)
Total changes of items during the year	(46,699)	(151)	(150)	(57)	(5,695)	(52,754)	(223)	(5,534)	(43,930)
Balance as of March 31, 2020	¥ 31,427	¥(330)	¥13,778	¥ 29	¥(9,541)	¥ 35,363	¥ 287	¥ —	¥488,028

The accompanying notes are an integral part of these statements.

Thousands of U.S. dollars (Note 3)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of March 31, 2019	\$447,048	\$268,814	\$3,462,878	\$(155,996)	\$4,022,745
Changes of items during the year					
Dividends of surplus	—	—	(50,580)	—	(50,580)
Profit attributable to owners of parent	—	—	204,731	—	204,731
Purchase of treasury shares	—	—	—	(27,571)	(27,571)
Disposal of treasury shares	—	—	(968)	3,991	3,022
Retirement of treasury shares	—	—	(94,033)	94,033	—
Changes in equity interest in consolidated subsidiaries	—	3,002	—	—	3,002
Reversal of revaluation reserve for land	—	—	1,381	—	1,381
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during the year	—	3,002	60,530	70,453	133,987
Balance as of March 31, 2020	\$447,048	\$271,817	\$3,523,409	\$(85,542)	\$4,156,732

Accumulated other comprehensive income

	Valuation difference On available- for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasure- ments of defined benefit plans	Total accumulated other comprehensive income	Share subscripti- on rights	Non- controlling interests	Total net assets
Balance as of March 31, 2019	\$ 717,887	\$(1,645)	\$127,990	\$ 797	\$(35,342)	\$ 809,687	\$ 4,693	\$ 50,856	\$4,887,982
Changes of items during the year									
Dividends of surplus	—	—	—	—	—	—	—	—	(50,580)
Profit attributable to owners of parent	—	—	—	—	—	—	—	—	204,731
Purchase of treasury shares	—	—	—	—	—	—	—	—	(27,571)
Disposal of treasury shares	—	—	—	—	—	—	—	—	3,022
Retirement of treasury shares	—	—	—	—	—	—	—	—	—
Changes in equity interest in consolidated subsidiaries	—	—	—	—	—	—	—	—	3,002
Reversal of revaluation reserve for land	—	—	—	—	—	—	—	—	1,381
Net changes of items other than shareholders' equity	(429,107)	(1,389)	(1,381)	(528)	(52,333)	(484,741)	(2,054)	(50,856)	(537,651)
Total changes of items during the year	(429,107)	(1,389)	(1,381)	(528)	(52,333)	(484,741)	(2,054)	(50,856)	(403,664)
Balance as of March 31, 2020	\$ 288,780	\$(3,035)	\$126,608	\$ 268	\$(87,675)	\$ 324,945	\$ 2,639	\$ —	\$4,484,318

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Years ended March 31,	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2020	2020
Cash flows from operating activities			
Profit before income taxes	¥ 35,308	¥ 30,829	\$ 283,278
Depreciation	6,761	6,899	63,399
Impairment loss	164	482	4,432
Share of (profit) loss of entities accounted by the equity method	(569)	(160)	(1,479)
Increase (decrease) in allowance for loan losses	6,019	702	6,457
Increase (decrease) in provision for directors' bonuses	(3)	13	119
Decrease (increase) in net defined benefit asset	(700)	1,220	11,214
Increase (decrease) in net defined benefit liability	2,552	5,673	52,128
Increase (decrease) in provision for directors' retirement benefits	(69)	(102)	(942)
Increase (decrease) in provision for reimbursement of deposits	(214)	(223)	(2,053)
Increase (decrease) in provision for point loyalty programs	11	5	46
Increase (decrease) in provision for contingent loss	16	8	77
Interest and dividend income	(81,500)	(74,017)	(680,116)
Interest expenses	7,190	6,437	59,154
Loss (gain) related to securities	(11,823)	(7,419)	(68,176)
Loss (gain) on money held in trust	47	(14)	(132)
Foreign exchange losses (gains)	(237)	(401)	(3,684)
Loss (gain) on disposal of non-current assets	312	212	1,949
Net decrease (increase) in trading account securities	(970)	(367)	(3,378)
Net decrease (increase) in loans and bills discounted	(38,738)	(30,993)	(284,790)
Net increase (decrease) in deposits	136,874	241,234	2,216,617
Net increase (decrease) in negotiable certificates of deposit	5,175	(18,966)	(174,276)
Net increase (decrease) in borrowed money (excluding subordinated borrowings) ...	74,208	64,401	591,763
Net decrease (increase) in due from banks (excluding deposits placed with Bank of Japan)	(834)	829	7,623
Net decrease (increase) in call loans	388	851	7,819
Net increase (decrease) in call money	18,113	220	2,028
Net increase (decrease) in payables under securities lending transactions	(98,281)	46,627	428,446
Net decrease (increase) in foreign exchanges - assets	(2,206)	(11,086)	(101,865)
Net increase (decrease) in foreign exchanges - liabilities	183	13	122
Net decrease (increase) in lease receivables and investment assets	(4,911)	(3,622)	(33,290)
Net increase(decrease) in borrowed money from trust account	1,971	2,914	26,782
Interest and dividend received	82,405	75,979	698,148
Interest paid	(7,259)	(6,709)	(61,648)
Other-net	10,794	(2,729)	(25,084)
Subtotal	140,182	328,741	3,020,690
Income taxes paid	(13,273)	(11,767)	(108,126)
Net cash provided by (used in) operating activities	126,908	316,974	2,912,563
Cash flows from investing activities			
Purchases of securities	(526,549)	(593,426)	(5,452,784)
Proceeds from sales of securities	350,360	189,844	1,744,410
Proceeds from redemption of securities	234,298	202,792	1,863,383
Increase in money held in trust	—	(840)	(7,718)
Decrease in money held in trust	630	—	—
Purchases of property and equipment	(4,964)	(3,798)	(34,902)
Purchases of intangible assets	(3,036)	(2,505)	(23,023)
Proceeds from sales of property and equipment	112	16	152
Net cash provided by (used in) investing activities	50,850	(207,917)	(1,910,482)
Cash flows from financing activities			
Issuance of subordinated bonds	10,000	20,000	183,772
Redemption of bonds with share subscription rights	—	(22,198)	(203,969)
Cash dividends paid	(5,633)	(5,504)	(50,581)
Dividends paid to non-controlling interests	(10)	(9)	(84)
Purchases of treasury shares	(4,101)	(3,000)	(27,571)
Proceeds from sales of treasury shares	71	328	3,022
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(5,293)	(48,637)
Net cash provided by (used in) financing activities	326	(15,676)	(144,047)
Effect of exchange rate change on cash and cash equivalents	(75)	(58)	(538)
Net increase (decrease) in cash and cash equivalents	178,010	93,321	857,494
Cash and cash equivalents at beginning of the year	570,054	748,064	6,873,701
Cash and cash equivalents at end of the year	¥ 748,064	¥ 841,386	\$ 7,731,196

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

a. Basis of Presentation

The accompanying consolidated financial statements of The Gunma Bank, Ltd. (the "Bank") and its consolidated subsidiaries (the "Group") have been prepared from the accounts maintained by the Bank in accordance with the provisions set forth in the Banking Law, the Financial Instruments and Exchange Act of Japan and other applicable rules and regulations and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

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.

Certain items have been reclassified from the original consolidated financial statements filed with the Prime Minister as required by the Financial Instruments and Exchange Act for the convenience of readers outside Japan. Certain prior year amounts have been reclassified to comply with the current year presentation.

b. Consolidation

The accompanying consolidated financial statements include the accounts of the Bank and its significant subsidiaries. The number of consolidated subsidiaries as of March 31, 2020 is 6.

The remaining unconsolidated subsidiaries have been excluded from the scope of consolidation because, judging from their assets, ordinary profit, net income or loss (amounts corresponding to the Bank's equity interest), retained earnings (amounts corresponding to the Bank's equity interest) and accumulated other comprehensive income (amounts corresponding to the Bank's equity interest), they do not have a material effect on the accompanying consolidated financial statements.

As of March 31, 2020, the Bank has 2 unconsolidated subsidiaries, which are accounted by the equity method, and 1 affiliate, which is accounted by the equity method.

In reference to the consolidated subsidiaries' closing dates, one company closes accounts at the end of December, while five others close at the end of March.

Consolidation is based on each subsidiary's respective financial statement on the respective closing dates.

For any significant transactions taking place between the consolidated closing date and each subsidiary's closing date, necessary adjustments are made.

c. Trading Account Securities

Trading securities purchased for trading purpose are stated at market value at the fiscal year end with its related cost of sales being determined mainly by the moving average method.

d. Securities

Securities are classified into four categories: trading, held-to-maturity bonds, equity of unconsolidated subsidiaries and affiliates or securities available for sale. Trading securities are carried at market value and held-to-maturity bonds are carried at amortized cost. Equity of unconsolidated subsidiaries and affiliates are stated at cost and accounted by the equity method, respectively. Marketable securities classified as securities available for sale are carried at market value with changes in unrealized holding gain or loss, net of the applicable income taxes, recorded as a component of net assets. Securities whose fair value is not readily determinable are stated at cost determined by the moving average method or amortized cost.

Securities comprising the trust asset in money held in trust which is solely managed primarily for the purpose of securities operations are stated at market value.

e. Derivatives

Derivatives are stated at market value.

f. Non-current assets

(1) Property and equipment

Depreciation of Property and equipment of the Bank are computed by the straight line method.

The estimated useful lives principally applied are as follows.

Buildings	6 to 50 years
Equipment and furniture	3 to 20 years

Depreciation of Property and equipment of the consolidated subsidiaries are principally computed by the straight line method based on the estimated useful lives of the respective assets.

(2) Intangible assets

Intangible assets are depreciated using the straight line method. Software used internally is depreciated over its estimated useful life (mainly five years).

(3) Leased assets

Leased assets in "Property and equipment" subject to finance lease transactions other than those under which the title of the leased equipment is transferred to the lessee are depreciated using the straight line method assuming that the lease period is equal to the useful life. If a guarantee for residual value is prescribed by the lease contract, the residual value is equal to such guaranteed residual value; otherwise, the residual value is zero.

g. Foreign Currency Translation

Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the balance sheet date.

h. Allowance for loan losses

The reserve for possible loan losses is provided in accordance with the internal policies regarding write-offs and allowance for loan losses.

For credit extended to obligors that are legally bankrupt under the Bankruptcy Law, Special Liquidation under the Commercial Code or other similar laws, and to obligors that are effectively in similar conditions, reserves are maintained at 100% of amounts of claims net of the amounts recoverable from the disposal of collateral and/or the amounts recoverable under guarantees.

For credit extended to obligors that are not yet legally or substantially bankrupt but who are likely to be bankrupt, reserves are maintained at the amount deemed necessary based on overall solvency analyses of the amount of claims less the amounts recoverable from the disposal of collateral and/or the amounts recoverable under guarantees.

For credit extended to obligors with Restructured Loan as defined in Note 4 below, reserves are maintained using Discounted Cash Flow Method ("the DCF Method") if i) the exposure to the obligor exceeds a certain threshold and ii) the future cash flow from the repayment of principal and interest can be reasonably estimated. Under the DCF Method, the reserve is determined as the difference between the book value of the loan and its present value of future cash flows discounted using the contractual interest rate before the loan was classified as a Restructured Loan.

For credit extended to those other than mentioned above, either the expected loss for the next twelve months or the expected loss for the next three years is recorded. The amount of expected loss is determined by calculating the loan-loss ratio in accordance with the average value of the historical loan-loss ratio observed over specific periods based on the twelve-month or three-year historical loan-loss experience, with the addition of future projections and other necessary adjustments.

All credits are subject to asset auditing by marketing-related departments based on the standards for the self-

assessment of assets, and the results of the assessment are audited by the department in charge of asset auditing that is independent from the marketing-related departments.

The reserve for possible loan losses is provided based on the result of self assessment on quality of assets which is performed in accordance with the Bank's internal guidelines and is independently reviewed by the internal audit unit.

Other consolidated subsidiaries record a general reserve for possible loan losses by applying the historical loan-loss ratio observed over specific periods, and the specific reserve for certain loans at the estimated uncollectible amount based on an assessment of each borrower's ability to repay. (Additional Information)

The Bank expects the novel coronavirus (COVID-19) pandemic to continue having an impact on economic activity for the next six months or so. Although we recognize that it will have a major impact on the performance and cash flow of obligors, the allowance for loan losses is estimated based on the assumption that there will not be a significant increase in loan losses, owing to economic measures by the national and local governments and cash flow support from financial institutions.

However, the outlook regarding when the pandemic will be contained remains uncertain, and depending on changes in the status of infections and the impact on economic activity, there may be a significant impact on the allowance for loan losses from the next consolidated fiscal year.

i. Provision for directors' bonuses

A provision is provided for the payments of bonuses to directors and the Board of Corporate Auditors Members at the amount of the estimated bonus payments corresponding to the end of the fiscal year.

j. Accounting method for retirement benefits

In calculating retirement benefit obligation, the Bank uses the benefit formula basis for the purpose of attributing expected retirement benefit payment to the period up to the end of the fiscal year. In addition, the accounting method for actuarial gain and loss is as follows:

Actuarial gain and loss

Actuarial gain and loss are amortized from the year following the occurrence primarily by the straight line method over a fixed period (mainly 10 years) that is shorter than the average remaining service years of the eligible employees.

Meanwhile, certain consolidated subsidiaries calculate liability for retirement benefits and retirement benefit expenses by the simplified method, using the amount of retirement benefit required for voluntary resignations at the end of the fiscal year as retirement benefit obligation.

k. Provision for directors' retirement benefits

To prepare for the payment of retirement benefits to directors and the Board of Corporate Auditors Members, a reserve is provided at the amount deemed to have accrued at the end of the fiscal year (the estimated amount payable on the balance sheet date based on the bylaws) out of the estimated amount payable as retirement benefits to directors and the Board of Corporate Auditors Members.

l. Provision for reimbursement of deposits

Provision for reimbursement of deposits accounts is provided for the repayment of dormant deposits which are no longer recorded as liabilities, based on the estimated reimbursement losses that may be incurred should the deposits be withdrawn.

m. Provision for point loyalty programs

Provision for point loyalty programs is provided for the future usage of points granted to credit card members at the amount estimated to be used in the future periods.

n. Provision for Contingent Loss

The provision for contingent loss is provided for the payment of charges related to the responsibility-sharing system to Credit Guarantee Corporations at the amount expected to be paid based on the past payment experience.

o. Reserves under Special Laws

Reserves under the special laws represents a reserve for financial products transaction liabilities and is provided for compensation for losses from securities-related accidents in the amount computed in accordance with Article 46-5 of the Financial Instruments and Exchange Act and Article 175 of the related cabinet order.

p. Income Taxes

Deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax basis of the assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to be reversed.

q. Earnings Per Share

Earnings per share was computed based on the profit available for distribution to shareholders and the number of shares of common stock outstanding during the fiscal year.

r. Hedge Accounting

Hedge Accounting for Interest Rate Risks

The Bank adopted the standard treatment of the Industry Audit Committee Report No. 24, "Treatment of Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry" ("Report No. 24") issued by Japanese Institute of Certified Public Accountants ("JICPA") on February 13, 2002. Under the standard treatment of the Report No. 24, the Bank applies the deferred method of hedge accounting for qualifying derivative instruments to mitigate the interest rate risks arising from various financial assets and liabilities. Hedge effectiveness is assessed for each designated group of hedged items (such as deposits) and the corresponding group of hedging instruments (such as interest rate swaps). Both of the hedged items and hedging instruments are grouped based on their durations and compared for the testing of effectiveness.

In addition to the above, the Bank applies exceptional treatment for certain interest swap contracts that meet the criteria for the exceptional treatment, under which eligible interest rate swap contracts are accounted for on an accrual basis.

Hedge Accounting for Foreign Exchange Risks

For foreign exchange risks arising from financial assets and liabilities denominated in foreign currencies, the Bank adopted the standard treatment prescribed in the Report No. 25 issued by JICPA on July 29, 2002. Under that treatment, the Bank applies the deferred method of hedge accounting. The Bank enters into currency-swaps and foreign exchange swaps to mitigate the foreign exchange risks arising from financial assets and liabilities denominated in foreign currencies and assesses, both at the hedge's inception and on an ongoing basis, whether these derivatives are highly effective in offsetting changes in cash flows of hedged items (financial assets and liabilities). Hedge effectiveness is assessed by ensuring that the foreign currency position of the hedging instruments that are designated to hedge foreign exchange risk of the foreign currency-denominated receivables and payables exceeds that of the hedged foreign currency-denominated receivables and payables.

In addition, for available-for-sale securities (except for bonds) denominated in foreign currencies, the Bank applies the fair value hedge accounting for a portfolio hedge on the conditions that the issues of foreign currency denominated securities as hedged items are designated in advance and that the amount of foreign currency payables of spot and forward

foreign exchange contracts exceeds the amount of acquisition cost of the hedged items denominated in foreign currencies.

s. Recognition for Income and Expenses

Income and expenses associated with finance lease transactions are recognized when lease fees are receivable and payable.

t. Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of cash flows consist of cash and deposit with the Bank of Japan which are included in "Cash and due from banks" on the consolidated balance sheets.

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

(1) Overview

The objective of this standard is to disclose information that helps users of financial statements understand accounting estimates of items for which amounts recorded in the current year financial statements are based on accounting estimates and that carry a risk of having a significant impact on the financial statements for the following fiscal year.

(2) Scheduled date of application

The standard will be applied from the end of the fiscal year ending March 31, 2021.

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

(1) Overview

The objective of this standard is to provide an overview of the accounting principles and procedures adopted when the provisions of relevant accounting standards are not clear.

(2) Scheduled date of application

The standard will be applied from the end of the fiscal year ending March 31, 2021.

2. Additional Information

(New accounting standards not yet applied)

• Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020)

• Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance, No. 30, March 31, 2020)

(1) Overview

This is a comprehensive accounting standard for revenue recognition. Revenue is recognized by applying the following five steps.

Step 1: Identify the contract with the customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Calculate the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognize revenue when or as the performance obligations are satisfied.

(2) Scheduled date of application

The standard will be applied from the beginning of the fiscal year ending March 31, 2022.

(3) Impact of the application of the accounting standard

The impact of the application of the Accounting Standard for Revenue Recognition on consolidated financial statements is currently being evaluated.

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

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

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

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

(1) Overview

Accounting Standard for Fair Value Measurement and Implementation Guidance on Accounting Standard for Fair Value Measurement (hereinafter, "Fair Value Measurement Accounting Standard, etc.") were developed in order to improve comparability with the provisions of international accounting standards, while guidance and other provisions for the method of measuring fair value were also established. Fair Value Measurement Accounting Standard, etc. are applied to the fair value of the following items.

• Financial instruments falling under Accounting Standard for Financial Instruments

In addition, Implementation Guidance on Disclosures about Fair Value of Financial Instruments has been revised, and disclosure requirements for notes on the breakdown for each level of fair value of financial instruments have been established.

(2) Scheduled date of application

The standard will be applied from the beginning of the fiscal year ending March 31, 2022.

(3) Impact of the application of the accounting standard

The impact of the application of the Accounting Standard for Fair Value Measurement on consolidated financial statements is currently being evaluated.

3. Yen and U.S. Dollar Amounts

The Bank maintains its accounting records in yen. The yen amounts included in the accompanying consolidated financial statements are stated in millions of yen, truncating amounts of less than one million yen. Therefore, the totals or subtotals presented in the accompanying consolidated financial statements may not always add up to the sum of the respective account balances. "—" is used to denote nil and "0" is used to denote rounding down to zero.

Amounts in U.S. dollars are included solely for the convenience of the reader. The rate of ¥108.83 = U.S.\$1.00, the approximate exchange rate prevailing on March 31, 2020, has been used. The inclusion of such amounts is not intended to imply that yen have been or could be readily converted, realized or settled in U.S. dollars at that or any other rate.

4. Loans and Bills Discounted

(1) Loans and bills discounted at March 31, 2019 and 2020 included the following items:

Balance of loans to borrowers under bankruptcy procedures as of March 31, 2019 and 2020 were ¥5,907 million and ¥8,346 million (U.S.\$76,695 thousand), respectively.

Balance of delinquent loans as of March 31, 2019 and 2020 were ¥59,669 million and ¥58,245 million (U.S.\$535,201 thousand), respectively.

Loans to borrowers under bankruptcy procedures consist of non-accrual loans on which the payment of principal or interest is well past due or there is no prospect of recovery of the principal or interest from the borrower (excluding the written-down portion of the loan). This category also includes the loans cited in Article 96-1-3 and 96-1-4 of the Corporation Tax Law (Government Ordinance No. 97 of 1965).

Delinquent loans are non-accrual loans, which do not fall under the classifications of loans to bankrupt borrowers or financial assistance loans where interest has been suspended for the purpose of business rehabilitation or debtor assistance.

(2) Balance of loans past due for 3 months or more as of March 31, 2019 and 2020 were ¥2,757 million and ¥2,260 million (U.S.\$20,771 thousand), respectively.

Loans past due for 3 months or more are classified in this category when 3 months or more have elapsed since the due date without the payment of principal or interest. The balance

of loans to borrowers under bankruptcy procedures and the balance of delinquent loans are not included in this category.

- (3) Balance of restructured loans as of March 31, 2019 and 2020 were ¥39,383 million and ¥45,436 million (U.S.\$417,497 thousand), respectively.

Restructured loans include loans which have been restructured to support the rehabilitation of certain borrowers who are encountering financial difficulties, with the intention of ensuring recovery of the loans by providing easier repayment terms for the borrowers (such as by reducing the rate of interest or by providing a grace period for the payment of principal/interest, etc.). Excluded from this balance are the balance of loans to borrowers under bankruptcy procedures, the balance of delinquent loans and the balance of loans past due for 3 months or more.

- (4) The total balance of loans to borrowers under bankruptcy procedures, delinquent loans, loans past due for 3 months or more and restructured loans as of March 31, 2019 and 2020 were ¥107,717 million and ¥114,289 million (U.S.\$114,289 thousand), respectively.
- (5) Bills discounted are accounted for as financial transactions in accordance with JICPA industry Audit Committee Report No.24. The Bank has rights to sell or pledge bank acceptances bought, commercial bills discounted, documentary bills and foreign exchange bought without restrictions. Their total face value as of March 31, 2019 and 2020 were ¥36,551 million and ¥29,814 million (U.S.\$273,959 thousand), respectively.

5. Loan Commitments

Contracts of overdraft facilities and loan commitments are contracts that require the Bank to extend credit to customers up to the prescribed limits in response to customers' application of loan as long as there is no violation of any condition in the contracts. The unused amount relating to these contracts within the limits was ¥1,325,139 million, ¥1,306,505 million (U.S.\$12,005,014 thousand), respectively at March 31, 2019 and 2020. ¥1,259,393 million, ¥1,241,066 million (U.S.\$11,403,719 thousand), respectively, at March 31, 2019 and 2020 out of these unused balances were for the contracts of which original contractual term are one year or less, or unconditionally cancelable at any time.

Since many of these commitments expire without being drawn down, the unused amount does not necessarily represent a future cash requirement. Most of these contracts have conditions that the Bank can refuse customers' loan application or decrease the contract limits with proper reasons (e.g., changes in financial situation, deterioration in customers' creditworthiness). At the inception of contracts, the Bank obtains real estate, securities, etc. as collateral if considered to be necessary. Subsequently, the Bank performs periodic review of the customers' business results based on internal rules, and takes necessary measures to reconsider conditions in contracts and/or require additional collateral and guarantees.

6. Financial Instruments

- (1) The financial instruments and related disclosures

a. Policy for financial instruments

The Group provides mainly banking services and other financial services including leasing. The Bank engages in fund management including investment in securities and funding in the call market, in addition to the business of accepting deposits and negotiable certificates of deposit as well as provision of loans. With its financial assets and liabilities exposed to interest rate risk, the Bank adopts asset liability management (ALM) to avoid incurring unexpected loss due to fluctuations in interest rates. Thus, the Bank's derivative transactions are not only intended to provide solutions to customers' financial needs, but also to conduct

ALM within the Bank.

There are the Bank's consolidated subsidiaries that engage in securities business or banking business.

Also leasing operation is conducted by a consolidated subsidiary.

b. Nature and extent of risks arising from financial instruments

Financial assets held by the Group comprise mainly loans to clients, which are exposed to credit risk. The Group's financial assets also include securities such as stocks and bonds, which are exposed to credit risk of the issuing entities as well as the risk of market price fluctuations.

Assets and liabilities in the forms of loans, bonds and deposits are exposed to interest rate risk, which is partially hedged by interest rate swap transactions. Likewise foreign currency denominated loans and bonds involve foreign currency exchange fluctuation risk, which is mitigated by making it a rule to match the currency of investment and financing, or hedged by the use of currency swap transactions.

Call money and borrowed money, etc. are exposed to cash flow risk, involving inability to settle payments on due dates as a result of the unavailability of market under certain circumstances.

The Bank conducts derivative transactions including interest rate swaps and currency-swaps in an effort to accommodate clients' financial needs, and as part of the Bank's ALM effort. Besides, the Bank engages in proprietary derivative trading with the purpose to earn short-term spread, subject to risk management including the setting of certain position limits and maximum allowable losses, in an effort to prevent losses in excess of certain threshold.

The Bank applies hedge accounting. The Bank confirms that for hedges of interest rate to which exceptional treatment of interest rate swap is applied, the conditions for exceptional treatment are met and that for hedges of the foreign currency exchange fluctuation risk, foreign currency position exceeds the hedged instruments.

c. Risk management for financial instruments

The Bank has formulated the Basic Policies of Risk Management and ancillary rules concerning risks, along with the following structure to enforce adequate risk management.

1) *Credit risk management*

The Bank has established its credit management structure based on the internal rules concerning credit risks, including the Credit Policy and the Basic Rules for Credit Risk Management.

Provision of loans and other credit facilities involves credit risk management such as individual credit review, post-origination credit control including the utilization of Borrower Rating System and self assessment, handling of problem loans and monitoring of the credit concentration in particular sectors in loan portfolios.

Credit risks associated with securities investment and market transactions are managed by capturing fair value and credit rating.

Primary credit risk management tools such as credit rating system, self-assessment of the Bank's asset, write-off /reserve provisioning, are developed and examined by Risk Management Department which is independent of the business promotion division and the screening division, and checked by Inspection & Audit Department, for the purpose of proper check and balance. Executive Committee and the Board of Directors are updated on the latest risk situation regularly and as appropriate.

2) *Market risk management*

Risk management structure is in place, based on the internal rules concerning market risks including the Basic Rules of Market Risk Management.

For market transactions, the department in charge of

market transactions is structured in such a way that they check each other: the Treasury & Securities Department serves as the front office department in charge of transactions, whereas the Financial Markets & International Department serves as the middle-office and back-office department in charge of risk management and administrative processing.

In addition, the Bank establishes the risk tolerance and the risk management criteria, conducts monitoring, and reports the monitored information to the ALM & Profit Management Committee via the Risk Management Department.

The principal financial instruments that expose the Bank to market risk include loans, deposits, securities and derivative transactions. In order to monitor the degree of market risk exposure of these financial instruments and financial obligations, the Bank employs the VaR technique as a uniform indicator tool.

It applies the historical-simulation method to the computation of VaR. Its VaR model uses a 99.9% confidence level and a 5-years observation period, with various holding periods depending on the holding purposes.

The total amount of value at risk (VaR) for the Bank as of March 31, 2020 and 2019 was ¥92,918 million ¥78,980 million (U.S. \$ 853,790 thousand), respectively.

The Bank conducts back tests by comparing the VaR derived from its measuring model and actual gains or losses, in order to confirm that its measuring model captures the market risk with sufficient adequacy. It should be noted that the VaR represents the amount of market risk under the condition of a certain event probability which was statistically calculated based on historical market fluctuations; therefore the model may not be able to capture sufficiently the risk associated with financial instruments in market turmoil that exceeds historical levels of market fluctuations.

3) *Liquidity risk management*

Risk management structure is in place, based on the internal rules concerning liquidity risks including the Basic Rules of Liquidity Risk Management.

With respect to liquidity risk, the ALM & Profit Management Committee, which is convened each month, takes every precaution by identifying and analyzing the cash flow status, the balance between investing and funding, interest rate movements and other factors. With respect to cash flow risk, the Bank determines the department in charge of cash flow management, which rigorously manages cash flow periodically (e.g., daily, weekly, monthly) including its overseas bases.

We have also prepared a Contingency Plan to prepare against emergencies, and are taking every precaution including developing systems that enable us to respond appropriately to a wide range of scenarios.

d. Supplementary explanations on fair value of financial instruments

Fair value of financial instruments are measured based on the quoted market price, if a quoted market price is available, or are measured based on the reasonably estimated value if a quoted market price is not available. Fair value of financial instruments whose quoted market price is not available is calculated based on certain assumptions, and the value might differ if different assumptions are used. In addition, the contract amount of the derivative transactions does not represent the market risk of the derivative transactions.

(2) Fair value of financial instruments

The carrying value on the consolidated balance sheet and fair value of financial instruments as of March 31, 2019 and 2020 as well as the differences between these values are described below. Financial instruments such as non-listed shares whose fair value is not readily determinable are not included in the table.

	Millions of yen		
	2019		
	Carrying Value	Market Value	Differences
1. Due from Banks	¥ 752,818	¥ 752,818	¥ —
2. Securities			
Held-to-maturity bonds	8,651	8,602	(49)
Available-for-sale	1,685,710	1,685,710	—
3. Loans and bills discounted	5,512,182		
Allowance for loan losses	(41,933)		
	<u>5,470,249</u>	<u>5,503,010</u>	<u>32,761</u>
Total asset	<u>¥7,917,430</u>	<u>¥7,950,142</u>	<u>¥32,711</u>
1. Deposits	¥6,798,874	¥6,798,962	¥ 87
2. Negotiable certificates of deposit	183,181	183,181	—
3. Payable under securities lending transaction	44,503	44,503	—
4. Borrowed money	417,342	417,342	—
Total liability	<u>¥7,443,901</u>	<u>¥7,443,989</u>	<u>¥ 87</u>
Derivative transaction			
Derivatives to which hedge accounting is not applied	¥ 404	¥ 404	¥ —
Derivatives to which hedge accounting is applied	(1,246)	(1,246)	—
Total derivatives	<u>¥ (842)</u>	<u>¥ (842)</u>	<u>¥ —</u>

	Millions of yen		
	2020		
	Carrying Value	Market Value	Differences
1. Due from Banks	¥ 845,309	¥ 845,309	¥ —
2. Securities			
Held-to-maturity bonds	2,633	2,664	31
Available-for-sale	1,783,841	1,783,841	—
3. Loans and bills discounted	5,543,176		
Allowance for loan losses	(42,414)		
	<u>5,500,761</u>	<u>5,531,306</u>	<u>30,544</u>
Total asset	<u>¥8,132,546</u>	<u>¥8,163,121</u>	<u>¥30,575</u>
1. Deposits	¥7,040,108	¥7,040,163	¥ 54
2. Negotiable certificates of deposit	164,214	164,214	—
3. Payable under securities lending transaction	91,131	91,131	—
4. Borrowed money	481,744	481,744	—
Total liability	<u>¥7,777,198</u>	<u>¥7,777,253</u>	<u>¥ 54</u>
Derivative transaction			
Derivatives to which hedge accounting is not applied	¥ 490	¥ 490	¥ —
Derivatives to which hedge accounting is applied	(456)	(456)	—
Total derivatives	<u>¥ 33</u>	<u>¥ 33</u>	<u>¥ —</u>

	Thousands of U.S. dollars		
	2020		
	Carrying Value	Market Value	Differences
1. Due from Banks	\$ 7,767,251	\$ 7,767,251	—
2. Securities			
Held-to-maturity bonds	24,196	24,483	286
Available-for-sale	16,391,079	16,391,079	—
3. Loans and bills discounted	50,934,268		
Allowance for loan losses	(389,732)		
	<u>50,544,536</u>	<u>50,825,195</u>	<u>280,659</u>
Total asset	<u>\$74,727,062</u>	<u>\$75,008,009</u>	<u>\$280,946</u>
1. Deposits	\$64,689,045	\$64,689,549	\$ 504
2. Negotiable certificates of deposit	1,508,909	1,508,909	—
3. Payables under securities lending transactions	837,371	837,371	—
4. Borrowed money	4,426,575	4,426,575	—
Total liability	<u>\$71,461,901</u>	<u>\$71,462,406</u>	<u>\$ 504</u>
Derivative transaction			
Derivatives to which hedge accounting is not applied	\$ 4,503	\$ 4,503	—
Derivatives to which hedge accounting is applied	\$ (4,198)	\$ (4,198)	—
Total derivatives	<u>\$ 305</u>	<u>\$ 305</u>	<u>—</u>

(Note 1)

Method of estimating fair value

Assets

1) Cash and due from banks

For due from banks without maturity, book value is reported as their fair value. Due from banks with maturity has short-term maturity (1 year or less), and thus book value is recorded as its fair value because of the proximity between the two.

2) Securities

Stocks are stated at prices quoted on stock exchanges, while bonds are stated at the reference prices for over-the-counter bond transactions (average) published by Japan Securities Dealers Association. Investment trusts are stated at the official reference price.

Privately-placed bonds with the Bank's guarantee are stated at the fair value, calculated by discounting the expected cash flows estimated to reflect the issuing entity's credit risk as of the closing date, using the market interest rate. Notes to securities by holding purpose are stated in "Securities."

3) Loans and bills discounted

Interest rates of variable interest rate loans reflect market interest rate at short intervals, and thus their fair values are stated at book value because of their proximity to fair value, unless there are significant changes of the borrowers' credit conditions. Fixed interest rate loans are stated at their fair value as calculated by discounting their cash flows, of which those with OTC interest rate are stated at fair value as calculated by discounting their scheduled cash flow using the interest rate that would be applicable to similar new loans, and are determined by category and by term. Loans not with OTC interest rate are stated at fair value as calculated for each credit rating group, by discounting their future cash flow estimated to reflect the credit risk of each such group, using market interest rate. For loans with short-term maturity (1 year or less), book value is recorded as its fair value because of the proximity between the two.

In addition, receivables to borrowers that are Bankrupt borrowers, virtually bankrupt borrowers, or at Borrowers threatened with bankruptcy are stated at book value which are deemed to approximate their fair values on the consolidated balance sheets as of the consolidated closing date, minus the current amount of estimated loan losses, which are estimated based upon the current values of estimated future cash flows, collateral, guarantees, or estimated collectible amounts.

Loans undated due to their specific attributes such as loan amount being limited within the value of collateral assets, are stated at book value which are deemed to approximate their fair value in consideration of factors including estimated payment periods and interest rates conditions.

Liabilities

1) Deposits and 2) Negotiable certificates of deposits

For demand deposit, fair value is deemed to be the amount payable on demand at year end date (book value). For time deposits and negotiable certificates of deposit, fair value is calculated by discounting future cash flows, using interest rates applicable to new deposits and market interest rate, respectively. For loans with short-term maturity (1 year or less), book value is recorded as its fair value because of the proximity between the two.

3) Payables under securities lending transactions

As collateral related to securities lending has short-term contractual maturity (1 year or less), book value is recorded as its fair value because of the proximity between the two.

4) Borrowed Money

The carrying amount of borrowed money with floating interest rates approximates fair value because the market rates are promptly reflected in the floating interest rate and the credit risks of the Bank and its consolidated subsidiaries have not changed significantly after borrowing. The fair value of borrowed money with fixed interest rates is determined by discounting future cash flows at the rate that would be applied for similar new contracts. The carrying amount of borrowed money with maturity of less than one year approximates fair value because of its short maturity period.

Derivative Transaction

Derivative transactions are described in "Derivative Financial Instruments Transactions."

(Note 2)

Financial instruments whose fair value is not readily determinable are as follows: These are not included in "Assets 2) Securities" of the information on the fair values of financial instruments.

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Non-listed stocks	¥2,506	¥2,303	\$21,163
Equity of subsidiaries and affiliates	¥4,486	¥ 587	\$ 5,394
Total	¥6,993	¥2,890	\$26,558

(Note 3)

Redemption schedules for monetary claims and securities with maturity after the fiscal year-end

	Millions of yen					
	2019					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 year to 5 years	Due from 5 year to 7 years	Due from 7 year to 10 years	Due after 10 years
Due from banks	¥ 700,450	—	—	—	—	—
Securities	189,189	373,374	254,040	121,748	407,235	91,530
Held-to-maturity securities	2,993	2,009	2,058	482	1,110	—
National government bonds	1,700	—	—	—	—	—
Local government bonds	—	—	—	—	—	—
Corporate bonds	960	1,454	504	38	—	—
Others	333	555	1,554	444	1,110	—
Available-for-sale securities with maturity	186,196	371,365	251,981	121,265	406,125	91,530
National government bonds	65,100	140,900	27,000	—	—	46,000
Local government bonds	57,654	163,197	134,730	91,396	188,469	2,895
Corporate bonds	45,011	37,531	26,722	7,502	82,533	—
Others	18,430	29,736	63,528	22,367	135,121	42,635
Loans and bills discounted	1,291,693	923,296	686,222	404,058	484,716	1,620,880
Total	¥2,181,333	¥1,296,670	¥940,263	¥525,806	¥891,951	¥1,712,410

	Millions of yen					
	2020					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 year to 5 years	Due from 5 year to 7 years	Due from 7 year to 10 years	Due after 10 years
Due from banks	¥ 779,426	—	—	—	—	—
Securities	185,628	301,431	200,760	131,005	516,922	226,728
Held-to-maturity securities	897	1,304	431	4	—	—
National government bonds	—	—	—	—	—	—
Local government bonds	—	—	—	—	—	—
Corporate bonds	897	1,304	431	4	—	—
Others	—	—	—	—	—	—
Available-for-sale securities with maturity	184,730	300,126	200,329	131,000	516,922	226,728
National government bonds	54,900	90,500	2,000	—	—	167,000
Local government bonds	98,438	131,601	128,224	102,239	224,771	7,485
Corporate bonds	23,300	40,576	22,349	11,173	107,416	—
Others	8,091	37,448	47,754	17,587	184,734	52,243
Loans and bills discounted	1,388,954	906,353	654,651	396,049	477,996	1,617,263
Total	¥2,354,009	¥1,207,784	¥855,412	¥527,054	¥994,919	¥1,843,992

Thousands of U.S. dollars						
2020						
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 year to 5 years	Due from 5 year to 7 years	Due from 7 year to 10 years	Due after 10 years
Due from banks	\$ 7,161,870	—	—	—	—	—
Securities	1,705,673	2,769,743	1,844,718	1,203,760	4,749,817	2,083,326
Held-to-maturity securities	8,247	11,985	3,964	44	—	—
National government bonds	—	—	—	—	—	—
Local government bonds	—	—	—	—	—	—
Corporate bonds	8,247	11,985	3,964	44	—	—
Others	—	—	—	—	—	—
Available-for-sale securities with maturity	1,697,425	2,757,758	1,840,754	1,203,716	4,749,817	2,083,326
National government bonds	504,456	831,572	18,377	—	—	1,534,503
Local government bonds	904,515	1,209,241	1,178,211	939,441	2,065,348	68,778
Corporate bonds	214,099	372,841	205,363	102,670	987,009	—
Others	74,354	344,103	438,802	161,604	1,697,458	480,044
Loans and bills discounted	12,762,609	8,328,154	6,015,361	3,639,153	4,392,140	14,860,459
Total	<u>\$21,630,153</u>	<u>\$11,097,898</u>	<u>\$7,860,080</u>	<u>\$4,842,914</u>	<u>\$9,141,958</u>	<u>\$16,943,785</u>

(Note 4)

Repayment schedules for deposits and other interest-bearing debt after the fiscal year-end

Millions of yen						
2019						
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 year to 5 years	Due from 5 year to 7 years	Due from 7 year to 10 years	Due after 10 years
Deposit	¥6,320,488	¥437,915	¥30,902	¥6,636	¥2,931	¥—
Negotiable certificates of deposit	183,181	—	—	—	—	—
Payable under securities lending transaction	44,503	—	—	—	—	—
Borrowed money	415,011	1,331	1,000	—	—	—
Total	<u>¥6,963,183</u>	<u>¥439,246</u>	<u>¥31,902</u>	<u>¥6,636</u>	<u>¥2,931</u>	<u>¥—</u>

Millions of yen						
2020						
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 year to 5 years	Due from 5 year to 7 years	Due from 7 year to 10 years	Due after 10 years
Deposit	¥6,586,281	¥410,011	¥ 35,911	¥4,175	¥3,729	¥—
Negotiable certificates of deposit	164,214	—	—	—	—	—
Payable under securities lending transaction	91,131	—	—	—	—	—
Borrowed money	121,730	270,714	89,300	—	—	—
Total	<u>¥6,963,357</u>	<u>¥680,725</u>	<u>¥125,211</u>	<u>¥4,175</u>	<u>¥3,729</u>	<u>¥—</u>

Thousands of U.S. dollars						
2020						
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 year to 5 years	Due from 5 year to 7 years	Due from 7 year to 10 years	Due after 10 years
Deposit	\$60,518,990	\$3,767,446	\$ 329,974	\$38,366	\$34,267	—
Negotiable certificates of deposit	1,508,909	—	—	—	—	—
Payable under securities lending transaction	837,371	—	—	—	—	—
Borrowed money	1,118,535	2,487,494	820,545	—	—	—
Total	<u>\$63,983,807</u>	<u>\$6,254,941</u>	<u>\$1,150,519</u>	<u>\$38,366</u>	<u>\$34,267</u>	<u>—</u>

7. Securities

(1) Market Value of Securities

Market value and valuation differences of securities as of March 31, 2019 and 2020 and other related information were as follows. Securities below include trading securities classified as trading account securities, negotiable certificates of deposits classified as Cash and due from banks. The same definition was applied in the following tables (a) to (g).

(a) Trading account securities

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Valuation gain included in income for the year	¥0	¥(2)	\$(26)

(b) Held-to-maturity bonds

The Bank's and its consolidated subsidiaries' investments in held-to-maturity bonds as of March 31, 2019 and 2020 were summarized as follows.

		Millions of yen		
		2019		
		Carrying Value	Market Value	Differences
Securities of which market value exceed carrying value	National government bonds	¥ 1,700	¥ 1,702	¥ 1
	Local government bonds	—	—	—
	Corporate bonds	2,943	2,983	40
	Other securities	989	1,002	12
	Foreign bonds	989	1,002	12
	Other securities	—	—	—
	Sub total	¥ 5,632	¥ 5,688	¥ 55
Securities of which market value does not exceed carrying value	National government bonds	¥ —	¥ —	¥ —
	Local government bonds	—	—	—
	Corporate bonds	15	15	—
	Other securities	6,646	6,542	(104)
	Foreign bonds	3,003	2,899	(104)
	Other securities	3,642	3,642	—
	Sub total	¥ 6,661	¥ 6,557	¥(104)
	Total	¥12,294	¥12,245	¥ (49)

		Millions of yen		
		2020		
		Carrying Value	Market Value	Differences
Securities of which market value exceed carrying value	National government bonds	¥ —	¥ —	¥—
	Local government bonds	—	—	—
	Corporate bonds	2,613	2,644	31
	Other securities	—	—	—
	Foreign bonds	—	—	—
	Other securities	—	—	—
	Sub total	¥2,613	¥2,644	¥31
Securities of which market value does not exceed carrying value	National government bonds	¥ —	¥ —	¥—
	Local government bonds	—	—	—
	Corporate bonds	20	20	—
	Other securities	3,000	3,000	0
	Foreign bonds	—	—	—
	Other securities	3,000	3,000	—
	Sub total	¥3,020	¥3,020	¥ 0
	Total	¥5,633	¥5,664	¥31

		Thousands of U.S. dollars		
		2020		
		Carrying Value	Market Value	Differences
Securities of which market value exceed carrying value	National government bonds	\$ —	\$ —	\$ —
	Local government bonds	—	—	—
	Corporate bonds	24,012	24,299	286
	Other securities	—	—	—
	Foreign bonds	—	—	—
	Other securities	—	—	—
	Sub total	\$24,012	\$24,299	\$286
Securities of which market value does not exceed carrying value	National government bonds	\$ —	\$ —	\$ —
	Local government bonds	—	—	—
	Corporate bonds	183	183	—
	Other securities	27,565	27,565	—
	Foreign bonds	—	—	—
	Other securities	27,565	27,565	—
	Sub total	\$27,749	\$27,749	\$ —
	Total	\$51,762	\$52,048	\$286

(c) Available-for-sale securities

		Millions of yen		
		2019		
		Carrying Value	Cost	Differences
Securities of which market value exceed cost	Stocks	¥ 141,271	¥ 53,507	¥ 87,764
	Bonds	1,122,451	1,104,683	17,768
	National government bonds	293,368	287,476	5,891
	Local government bonds	643,449	633,951	9,497
	Corporate bonds	185,634	183,255	2,378
	Other securities	302,391	291,671	10,719
	Foreign bonds	113,103	111,748	1,354
	Other securities	189,287	179,922	9,365
	Sub total	¥1,566,114	¥1,449,862	¥116,252
Securities of which market value does not exceed cost	Stocks	¥ 16,031	¥ 18,280	¥ (2,248)
	Bonds	20,369	20,446	(77)
	National government bonds	—	—	—
	Local government bonds	4,388	4,388	—
	Corporate bonds	15,980	16,058	(77)
	Other securities	83,428	86,029	(2,601)
	Foreign bonds	11,985	12,026	(41)
	Other securities	71,443	74,003	(2,559)
	Sub total	¥ 119,829	¥ 124,756	¥ (4,927)
Total	¥1,685,943	¥1,574,619	¥111,324	

		Millions of yen		
		2020		
		Carrying Value	Cost	Differences
Securities of which market value exceed cost	Stocks	¥ 98,366	¥ 35,655	¥ 62,710
	Bonds	977,903	967,538	10,364
	National government bonds	230,292	227,569	2,722
	Local government bonds	590,999	584,840	6,158
	Corporate bonds	156,611	155,128	1,483
	Other securities	168,197	162,779	5,418
	Foreign bonds	124,398	121,096	3,302
	Other securities	43,799	41,682	2,116
	Sub total	¥1,244,467	¥1,165,973	¥ 78,493
Securities of which market value does not exceed cost	Stocks	¥ 24,835	¥ 30,124	¥ (5,289)
	Bonds	273,264	275,824	(2,559)
	National government bonds	116,254	118,168	(1,913)
	Local government bonds	107,665	107,916	(250)
	Corporate bonds	49,344	49,739	(395)
	Other securities	241,401	267,770	(26,368)
	Foreign bonds	48,738	50,538	(1,799)
	Other securities	192,663	217,232	(24,569)
	Sub total	¥ 539,501	¥ 573,719	¥ (34,217)
Total	¥1,783,969	¥1,739,693	¥ 44,276	

		Thousands of U.S. dollars		
		2020		
		Carrying Value	Cost	Differences
Securities of which market value exceed cost	Stocks	\$ 903,856	\$ 327,629	\$ 576,226
	Bonds	8,985,601	8,890,366	95,235
	National government bonds	2,116,074	2,091,056	25,018
	Local government bonds	5,430,480	5,373,893	56,586
	Corporate bonds	1,439,047	1,425,416	13,631
	Other securities	1,545,509	1,495,719	49,790
	Foreign bonds	1,143,056	1,112,713	30,342
	Other securities	402,453	383,005	19,447
	Sub total	<u>\$11,434,968</u>	<u>\$10,713,715</u>	<u>\$ 721,252</u>
Securities of which market value does not exceed cost	Stocks	\$ 228,203	\$ 276,805	\$ (48,601)
	Bonds	2,510,933	2,534,452	(23,518)
	National government bonds	1,068,219	1,085,803	(17,584)
	Local government bonds	989,304	991,606	(2,302)
	Corporate bonds	453,410	457,042	(3,632)
	Other securities	2,218,153	2,460,447	(242,294)
	Foreign bonds	447,840	464,376	(16,536)
	Other securities	1,770,312	1,996,071	(225,758)
	Sub total	<u>\$ 4,957,290</u>	<u>\$ 5,271,706</u>	<u>\$(314,415)</u>
Total	<u>\$16,392,259</u>	<u>\$15,985,421</u>	<u>\$ 406,837</u>	

(d) Available-for-sale securities sold

		Millions of yen		
		2019		
		Proceeds from sales	Gains	Losses
Stocks		¥ 50,004	¥15,861	¥1,652
Bonds		79,798	549	86
National government bonds		76,112	547	85
Local government bonds		2,795	0	1
Corporate bonds		890	1	—
Other securities		170,596	382	3,226
Foreign bonds		154,781	35	3,198
Other securities		15,814	347	27
Total		<u>¥300,399</u>	<u>¥16,793</u>	<u>¥4,965</u>

		Millions of yen		
		2020		
		Proceeds from sales	Gains	Losses
Stocks		¥ 26,500	¥ 8,232	¥1,501
Bonds		37,938	164	115
National government bonds		34,025	149	115
Local government bonds		2,001	1	—
Corporate bonds		1,912	13	—
Other securities		46,838	5,394	3,540
Foreign bonds		3,138	69	—
Other securities		43,700	5,325	3,540
Total		<u>¥111,277</u>	<u>¥13,791</u>	<u>¥5,157</u>

	Thousands of U.S. dollars		
	2020		
	Proceeds from sales	Gains	Losses
Stocks	\$ 243,504	\$ 75,643	\$13,797
Bonds	348,603	1,514	1,059
National government bonds	312,644	1,373	1,059
Local government bonds	18,390	13	—
Corporate bonds	17,568	126	—
Other securities	430,383	49,571	32,535
Foreign bonds	28,838	634	—
Other securities	401,545	48,936	32,535
Total	<u>\$1,022,491</u>	<u>\$126,729</u>	<u>\$47,391</u>

(e) Securities whose holding purpose was reclassified

Foreign bonds of ¥3,612 million that were classified as held-to-maturity bonds have been reclassified into available-for-sale securities in the consolidated fiscal year under review.

The reclassification is attributable to the resolution to dissolve the Bank's consolidated subsidiary Gunma Finance (Hong Kong) Ltd. After the reclassification, the Group is selling said bonds in phases to dispose of the assets due to the resolution, and the impact of this reclassification on the consolidated financial statements is immaterial.

(f) Guarantee obligations for bonds in private placement

Guarantee obligations for bonds in private placement (defined in Article 2 (3) of the Financial Instruments and Exchange Act) included in Corporate Bonds were ¥54,822 million and ¥53,094 million (U.S.\$487,864 thousand) as of March 31, 2019 and 2020, respectively.

8. Money Held in Trust

Money Held in Trust for Trading Purposes

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Consolidated Balance Sheet Amount	¥4,368	¥4,368	\$40,139
Unrealized Gains Included in the Consolidated Statements of Income	(16)	6	63

Money Held in Trust for Holding Purposes..... Nil (as of March, 2019 and 2020)

Money Held in Trust for Other Purposes

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Consolidated Balance Sheet Amount	¥1,570	¥2,410	\$22,144
Cost	1,570	2,410	22,144
Differences	—	—	—
Gains	—	—	—
Losses	—	—	—

9. Valuation Difference on Available-for-sale Securities

Valuation difference on available-for-sale Securities as of March 31, 2019 and 2020 consisted of the following

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Valuation Difference	¥111,324	¥44,276	\$406,837
Available-for-sale Securities	111,324	44,276	406,837
Money Held in Trust for Other Purposes	—	—	—
Deferred Tax Liabilities	33,801	13,361	122,773
Valuation Difference, Net of Taxes	77,523	30,914	284,063
Amount Attributable to Non-controlling interests	80	178	1,637
Net Unrealized Gains on Available-for-sale Securities Owned by Affiliates, which is Attributable to the Parent	685	691	6,354
Valuation Difference on Available-for-sale Securities	78,127	31,427	288,780

10. Derivative Financial Instruments Transactions

(1) Derivatives to which hedge accounting is not applied

With respects to the derivatives to which hedge accounting is not applied, contract amount or notional amount set out in the contract, fair value, valuation gain or loss and calculation method of such fair value, by class of underlying asset at the end of the year are as described below. The whole contract amounts and other amounts shown here are not indicative of the market risks associated with these derivative transactions.

(a) Interest Rate Related Transactions

As of March 31,	Millions of yen							
	2019				2020			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit	Contract amounts	Due after 1 year	Fair Value	Valuation profit
Interest rate futures:								
Written	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Purchased	—	—	—	—	—	—	—	—
	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>

Thousands of U.S. dollars

As of March 31,	2020			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit
	Interest rate futures:			
Written	\$ —	\$ —	\$ —	\$ —
Purchased	—	—	—	—
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

As of March 31,	Millions of yen							
	2019				2020			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit	Contract amounts	Due after 1 year	Fair Value	Valuation profit
Interest rate swaps:								
Receipt fixed								
payments floating ..	¥31,647	¥25,993	¥ 329	¥ 334	¥30,780	¥26,098	¥285	¥285
Receipt floating								
payments fixed	31,647	25,993	(185)	(185)	30,780	26,098	(80)	(80)
	<u>¥63,294</u>	<u>¥51,986</u>	<u>¥ 144</u>	<u>¥ 149</u>	<u>¥61,561</u>	<u>¥52,196</u>	<u>¥205</u>	<u>¥205</u>

Thousands of U.S. dollars

As of March 31,	2020			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit
	Interest rate swaps:			
Receipt fixed				
payments floating	\$282,833	\$239,807	\$2,622	\$2,622
Receipt floating				
payments fixed	282,833	239,807	(735)	(735)
	<u>\$565,666</u>	<u>\$479,614</u>	<u>\$1,886</u>	<u>\$1,886</u>

For the years ended March 31,	Millions of yen							
	2019				2020			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit	Contract amounts	Due after 1 year	Fair Value	Valuation profit
Interest cap trading:								
Written	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Purchased	—	—	—	—	—	—	—	—
	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —

For the year ended March 31,	Thousands of U.S. dollars			
	2020			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit
Interest cap trading:				
Written	\$ —	\$ —	\$ —	\$ —
Purchased	—	—	—	—
	\$ —	\$ —	\$ —	\$ —

1. Transactions above are stated at the fair value and the related valuation gain or loss is reported in the consolidated statements of income.

2. Calculation of fair value

The fair values of transactions listed on exchanges are based on the last quoted market price at the Tokyo Financial Exchange Inc. or others.

The fair values of over-the-counter transactions are based on the discounted present value, option pricing models or others.

(b) Foreign Exchange Related Transactions

As of March 31,	Millions of yen							
	2019				2020			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit	Contract amounts	Due after 1 year	Fair Value	Valuation profit
Currency swaps	¥177,277	¥169,237	¥260	¥518	¥207,096	¥194,402	¥266	¥624

As of March 31,	Thousands of U.S. dollars			
	2020			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit
Currency swaps	\$1,902,936	\$1,786,295	\$2,446	\$5,737

For the years ended March 31,	Millions of yen							
	2019				2020			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit	Contract amounts	Due after 1 year	Fair Value	Valuation profit
Forward exchange contracts:								
Written	¥ 5,616	¥ —	¥ (46)	¥ (46)	¥ 8,332	¥ —	¥ (84)	¥ (84)
Purchased	5,285	—	46	46	8,602	—	102	102
	¥10,902	¥ —	¥ 0	¥ 0	¥16,934	¥ —	¥ 18	¥ 18
Currency options:								
Written	¥106,909	¥ 89,444	¥(4,616)	¥3,160	¥121,941	¥102,949	¥(4,540)	¥ 4,080
Purchased	106,909	89,444	4,616	(1,967)	121,941	102,949	4,540	(2,712)
	¥213,818	¥178,888	¥ —	¥1,192	¥243,882	¥205,898	¥ —	¥ 1,367

Thousands of U.S. dollars				
2020				
For the year ended March 31,	Contract amounts	Due after 1 year	Fair Value	Valuation profit
Forward exchange contracts:				
Written	\$ 76,561	\$ —	\$(772)	\$(772)
Purchased	79,044	—	942	942
	<u>\$155,605</u>	<u>\$ —</u>	<u>\$ 170</u>	<u>\$ 170</u>
Currency options:				
Written	\$1,120,475	\$ 945,965	\$(41,722)	\$ 37,491
Purchased	1,120,475	945,965	41,722	(24,923)
	<u>\$2,240,950</u>	<u>\$1,891,930</u>	<u>\$ —</u>	<u>\$ 12,567</u>

1. Transactions above are stated at the fair value and the related valuation gain or loss is reported in the consolidated statements of income.

2. Calculations of fair value

The fair values are based on factors such as the discounted present value.

(c) Other

Millions of yen								
2020								
For the years ended March 31,	Contract amounts	Due after 1 year	Fair Value	Valuation profit	Contract amounts	Due after 1 year	Fair Value	Valuation profit
Earthquake derivative								
Written	¥ —	¥ —	¥ —	¥ —	¥2,000	¥ —	¥(27)	¥ —
Purchased	—	—	—	—	2,000	—	27	—
	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>

Thousands of U.S. dollars				
2020				
For the year ended March 31,	Contract amounts	Due after 1 year	Fair Value	Valuation profit
Earthquake derivative				
Written	\$18,377	\$ —	\$(254)	\$ —
Purchased	18,377	—	254	—
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

(d) Equity Related Transactions Nil

(e) Bond Related Transactions Nil

(f) Commodity Related Transactions ... Nil

(g) Credit Derivatives Nil

(2) Derivatives to which hedge accounting is applied

With respects to the derivatives to which hedge accounting is applied, contract amount or notional amount set out in the contract and the fair value at the end of the year along with the calculation method of such fair value, by class of underlying asset and by method of hedge accounting, are as follows. The whole contract amounts and other amounts shown here are not indicative of the market risks associated with these derivative transactions.

(a) Interest Rate Related Transactions

Millions of yen							
2020							
As of March 31,	Hedged items	Contract amounts	Due after 1 year	Fair Value	Contract amounts	Due after 1 year	Fair Value
Standard treatment:	Interest rate swaps:	—	¥ —	¥ —	¥ —	¥ —	¥ —
	Interest rate futures:	—	—	—	—	—	—
	Interest rate options:	—	—	—	—	—	—
	Others	—	—	—	—	—	—
	Total	<u>—</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>

Thousands of U.S. dollars				
2020				
As of March 31,	Hedged items	Contract amounts	Due after 1 year	Fair Value
Standard treatment:	Interest rate swaps:	\$ —	\$ —	\$ —
	Interest rate futures:	—	—	—
	Interest rate options:	—	—	—
	Others	—	—	—
	Total	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

		Hedged items	Millions of yen					
			2019		2020			
As of March 31,			Contract amounts	Due after 1 year	Fair Value	Contract amounts	Due after 1 year	Fair Value
Exceptional treatment:	Interest rate swaps:	Loan	¥23,232	¥20,190		¥23,815	¥21,133	
	Receipt fixed payments floating		—	—	*note	—	—	*note
	Receipt floating payments fixed		23,232	20,190		23,815	21,133	
	Total							

(Note) As the swaps that qualify for exceptional treatment for interest rate swaps are treated as one combined with hedged loans, fair value of the former is included in that of the latter in the "Financial Instruments".

		Hedged items	Thousands of U.S. dollars		
			2020		
As of March 31,			Contract amounts	Due after 1 year	Fair Value
Exceptional treatment:	Interest rate swaps:	Loan	\$218,829	\$194,184	
	Receipt fixed payments floating		—	—	*note
	Receipt floating payments fixed		218,829	194,184	
	Total				

1. The Bank mainly treats them under the deferred method of hedge accounting based on JIPCA Industry Audit Committee Report No. 24.
2. Calculation of fair value

The fair values of transactions listed on exchanges are based on the last quoted market price at the Tokyo Financial Exchange Inc. or others.

The fair values of over-the-counter transactions are based on the discounted present value, option pricing models or others.

(b) Foreign Exchange Related Transactions

		Hedged items	Millions of yen					
			2019		2020			
As of March 31,			Contract amounts	Due after 1 year	Fair Value	Contract amounts	Due after 1 year	Fair Value
Standard treatment:	Currency swaps:	Call loans, Loans,	¥88,792	¥61,044	¥(1,230)	¥114,271	¥59,856	¥(489)
	Forward exchange contracts:	Bonds and Foreign exchange	638	—	(15)	3,309	0	32
Deferred method:	Currency swap:	—	—	—	—	—	—	—
	Forward exchange contracts:	—	—	—	—	—	—	—
	Total				¥(1,246)			¥(456)

		Hedged items	Thousands of U.S. dollars		
			2020		
As of March 31,			Contract amounts	Due after 1 year	Fair Value
Standard treatment:	Currency swaps:	Call loans, Loans,	\$1,050,000	\$550,000	\$(4,499)
	Forward exchange contracts:	Bonds and Foreign exchange	30,408	—	301
Deferred method:	Currency swap:	—	—	—	—
	Forward exchange contracts:	—	—	—	—
	Total				\$(4,198)

1. The Bank mainly applies the deferred method of hedge accounting based on JIPCA Industry Audit Committee Report No. 25.
2. Calculation of fair value

The fair values are based on the discounted present value or others.

- (c) Equity Related Transactions Nil
(d) Bond Related Transactions Nil
(e) Equity Related Transactions Nil (as of March 31, 2020)
(f) Bond Related Transactions Nil (as of March 31, 2020)

11. Comprehensive income

Amounts of recycling and tax effects on other comprehensive income

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Net unrealized gains (losses) on securities, net of tax:			
Items recognized during the year	¥ (5,926)	¥(58,608)	\$(538,536)
Amounts of recycling	(18,214)	(8,439)	(77,550)
Before tax effect adjustment	(24,141)	(67,048)	(616,087)
Tax effects	7,301	20,440	187,816
Net unrealized gains (losses) on securities, net of tax	(16,839)	(46,608)	(428,271)
Deferred hedge gains (losses):			0
Items recognized during the year	(2,522)	(2,937)	(26,991)
Amounts of recycling	2,441	2,719	24,992
Before tax effect adjustment	(80)	(217)	(1,999)
Tax effects	24	66	609
Deferred hedge gains (losses)	(56)	(151)	(1,389)
Foreign currency translation adjustments:			
Items recognized during the year	(79)	(57)	(528)
Amounts of recycling	—	—	—
Before tax effect adjustment	(79)	(57)	(528)
Tax effects	—	—	—
Foreign currency translation adjustments	(79)	(57)	(528)
Remeasurements of defined benefit plans			
Items recognized during the year	(3,144)	(8,358)	(76,803)
Amounts of recycling	1,441	163	1,503
Before tax effect adjustment	(1,702)	(8,194)	(75,299)
Tax effects	519	2,499	22,966
Remeasurements of defined benefit plans	(1,182)	(5,695)	(52,333)
Share of other comprehensive income of entities and affiliates accounted by the equity method			
Items recognized during the year	229	6	59
Amounts of recycling	—	—	—
Before tax effect adjustment	229	6	59
Tax effects	—	—	—
Share of other comprehensive income of entities and affiliates accounted by the equity method	229	6	59
Total other comprehensive income	¥(17,928)	¥(52,506)	\$(482,463)

12. Property and equipment

Depreciation was computed using the declining-balance method. Property and equipment as of March 31, 2019 and 2020 were expressed at net of the following accumulated depreciation.

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
	¥65,992	¥67,953	\$624,404

Deferred gain on real estate deductible for tax purposes amounted to ¥3,823 million and ¥3,823 million (U.S. \$35,136 thousand) on March 31, 2019 and 2020, respectively.

13. Assets Pledged

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

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Securities	¥564,965	¥656,443	\$6,031,825
Other	—	1,000	9,188
Total	564,965	657,443	6,041,013

Liabilities related to the above pledged assets as of March 31, 2019 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Deposits	¥ 75,440	¥ 94,950	\$ 872,467
Payables under repurchase agreements	18,181	18,402	169,092
Payables under securities lending transactions	44,503	91,131	837,371
Borrowed money	412,862	479,171	4,402,939
Other	207	242	2,223

In addition, the following was pledged as collateral for settlements of exchange or margins for futures transactions as of March, 2019 and 2020.

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Securities	¥31,391	¥31,205	\$286,737
Other	9,972	10,549	96,933

Guarantee deposits of ¥1,430 and ¥1,554 million (U.S.\$14,288 thousand) were included in Other Assets as of March 31, 2019 and 2020, respectively.

14. Revaluation Reserve for Land

Pursuant to the Law concerning Land Revaluation, premises used for business operations have been revalued as of March 31, 1998. Premises revaluation gain was included as Revaluation Reserve for Land in Net Assets, net of income taxes.

Date of the revaluation: March 31, 1998

Revaluation method stipulated in paragraph 3, Article 3 of the Law concerning Land Revaluation Calculated by applying reasonable adjustments to the roadside values such as adjustments for the shape of the land, based on Item 4, Article 2 of the Enforcement Ordinance of the Law concerning Land Revaluation (Enforcement Ordinance No. 119, effective March 31 1998).

The difference between the revalued carrying amount and the fair value of premises revalued pursuant to Article 10 of the Law was ¥18,056 million and ¥17,164 million (U.S.\$157,718 thousand) as of March 31, 2019 and 2020, respectively

15. Retirements Benefits

Retirement benefit plans

Retirement benefit plans adopted by the Bank and its consolidated subsidiaries
The Bank and its domestic consolidated subsidiaries have established defined benefit plans comprising a retirement lump-sum payment plan and defined benefit welfare pension plan (funded type), as well as defined contribution plan namely defined contribution pension plan. In addition, premium retirement benefits may be payable in certain circumstance at an employees' retirement. The Bank has a retirement benefit trust in place.

The changes in the retirement benefit obligation during the year ended March 31, 2019 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Balance at the beginning of the year	¥89,116	¥90,557	\$832,103
Service cost	2,187	2,292	21,065
Interest cost	525	360	3,309
Actuarial loss	3,277	1,592	14,631
Retirement benefits paid	(2,966)	(3,123)	(28,698)
Prior service cost	—	—	—
Other	(1,583)	—	—
Balance at the end of the year	¥90,557	¥91,679	\$842,411

(Note)

Consolidated subsidiaries use the simplified method in calculating retirement benefit obligations.

The changes in plan assets during the year ended March 31, 2019 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Balance at the beginning of the year	¥87,591	¥87,181	\$801,075
Expected return on plan assets	2,039	2,031	18,663
Actuarial loss	(1,449)	(6,766)	(62,172)
Contributions by the Bank	974	966	8,879
Retirement benefits paid	(1,974)	(2,003)	(18,405)
Other	—	—	—
Balance at the end of the year	<u>¥87,181</u>	<u>¥81,409</u>	<u>\$748,040</u>

Reconciliation of ending balances of retirement benefit obligations and plan assets, and net defined liability and net defined asset recorded on the consolidated balance sheets was as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Funded retirement benefit obligation	¥ 90,557	¥ 91,679	\$ 842,411
Plan assets at fair value	(87,181)	(81,409)	(748,040)
	<u>3,376</u>	<u>10,270</u>	<u>94,370</u>
Unfunded retirement benefit obligation	—	—	—
Net liability (asset) for retirement benefits in the balance sheets	<u>3,376</u>	<u>10,270</u>	<u>94,370</u>
Net defined liability	¥ 4,848	¥ 10,521	\$ 96,678
Net defined asset	(1,471)	(251)	(2,308)
Net liability (asset) for retirement benefits in the balance sheets	<u>¥ 3,376</u>	<u>¥ 10,270</u>	<u>\$ 94,370</u>

Components of retirement benefit expense for the year ended March 31, 2019 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Service cost	¥ 2,187	¥ 2,292	\$ 21,065
Interest cost	525	360	3,309
Expected return on plan assets	(2,039)	(2,031)	(18,663)
Amortization of actuarial loss	1,441	163	1,503
Amortization of prior service costs	—	—	—
Other	29	17	162
Retirement benefit expense associated with defined benefit plans	<u>¥ 2,144</u>	<u>¥ 802</u>	<u>\$ 7,377</u>

(Note)

Retirement benefit expense at consolidated subsidiaries using the simplified method is collectively included in "Service cost."

Remeasurements of defined benefit plans on other comprehensive income (before tax effect adjustment) were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Prior service cost	¥ —	¥ —	\$ —
Actuarial gain	(1,702)	(8,194)	(75,299)
Other	—	—	—
Total	<u>¥(1,702)</u>	<u>¥(8,194)</u>	<u>\$(75,299)</u>

Remeasurements of defined benefit plans were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Unrecognized prior service cost	¥ —	¥ —	\$ —
Unrecognized actuarial loss	5,534	13,729	126,152
Other	—	—	—
Total	¥5,534	¥13,729	\$126,152

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2019 and 2020 were as follows:

	2019	2020
Bonds	18.9%	20.5%
Stock	45.0%	39.9%
Life insurance company general accounts	19.3%	21.0%
Cash and due from banks	3.4%	11.3%
Other	13.4%	7.3%
Total	100.0%	100.0%

(Note)

Total plan assets included retirement benefit trust of 35.7% and 35.6% as of March 31, 2020 and 2019, respectively, which were set for corporate pension plans and retirement lump-sum payment plan.

The expected long-term return on plan assets has been estimated based on the current and anticipated allocation of plan assets and the current and expected long-term return on various assets which are the components of plan assets.

The assumptions used in accounting for the above plans were as follows:

	2019	2020
1) Discount rates		
Welfare pension plan	0.4%	0.3%
Retirement lump-sum payment plan	0.2%	0.2%
2) Expected long-term return on plan assets		
Welfare pension fund	2.5%	2.5%
Retirement benefit trust	1.8%~2.5%	1.8%~2.5%
3) Other assumptions		
Expected rate of salary raises	4.2%	3.9%

Defined contribution plan

Amount of contributions required for defined contribution plans at consolidated subsidiaries for the year ended March 31, 2019 and 2020 is ¥11 million and ¥11 million (U.S.\$102 thousand), respectively.

16. Cash and Cash Equivalents

The reconciliation of cash and due from banks in the consolidated balance sheets to the cash and cash equivalents as of March 31 2019 and 2020 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Cash and Due from Banks	¥752,818	¥845,309	\$7,767,251
Interest-bearing Deposits included in Due from Banks (excluding Due from BO)	(4,753)	(3,923)	(36,055)
Cash and Cash Equivalents	¥748,064	¥841,386	\$7,731,196

17. Lease Transactions

a. Lessee

Operating leases

Total future lease payments under non-cancelable operating leases at March 31, 2019 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
With one year	¥ 84	¥ 86	\$ 796
Over one year	510	423	3,887
Total	¥594	¥ 509	\$4,683

b. Lessor

Leased investment asset at March 31, 2019 and 2020 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Lease receivables	¥43,621	¥46,164	\$424,189
Estimated residual value	6,672	7,244	66,571
Interest income	(4,838)	(5,400)	(49,622)
Total	¥45,456	¥48,009	\$441,138

The lease receivable amount at March 31, 2019 and 2020, and the amount of lease fees receivable on investment assets, which is scheduled to be collected after the fiscal year-end, were summarized as follows:

	Lease receivables	Lease investment assets
	Millions of yen	Millions of yen
	2019	2019
within 1 year	¥2,740	¥13,116
over 1 year and within 2 years	2,296	10,615
over 2 years and within 3 years	1,791	8,289
over 3 years and within 4 years	1,273	5,661
over 4 years and within 5 years	691	3,258
over 5 years	766	2,680

	Lease receivables		Lease investment assets	
	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
	2020	2020	2020	2020
within 1 year	¥3,033	\$27,873	¥13,665	\$125,571
over 1 year and within 2 years	2,540	23,341	11,270	103,563
over 2 years and within 3 years	1,994	18,324	8,579	78,836
over 3 years and within 4 years	1,382	12,701	6,113	56,178
over 4 years and within 5 years	763	7,016	3,409	31,325
over 5 years	873	8,030	3,124	28,713

18. Income Taxes

Income taxes applicable to the Bank and its consolidated subsidiaries include corporation tax, inhabitants' tax and enterprise tax. Income taxes of the foreign consolidated subsidiaries are based generally on the tax rates applicable in their countries of incorporation. Deferred tax assets and liabilities as of March 31, 2019 and 2020 consisted of:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Deferred tax assets:			
Allowance for loan losses	¥ 12,073	¥ 12,064	\$ 110,860
Net defined benefit liability	4,897	4,935	45,350
Devaluation loss on securities	523	513	4,716
Depreciation	462	486	4,468
Other	7,829	10,075	92,575
Subtotal	25,787	28,075	257,971
Valuation allowance	(3,789)	(3,240)	(29,772)
Total: Deferred tax assets	21,997	24,834	228,198
Deferred tax liabilities:			
Net unrealized gains on securities available for sale	(33,801)	(13,361)	(122,773)
Retirement benefit trust	(2,055)	(2,467)	(22,673)
Other	(466)	(467)	(4,299)
Total: Deferred tax liabilities	(36,323)	(16,297)	(149,747)
Net: Deferred tax assets (liabilities)	¥(14,325)	¥ 8,537	\$ 78,450

The reconciliation between the Japanese statutory tax rate and the Bank's effective tax rate for the year ended March 31, 2019 and 2020 is as follows:

	2019	2020
Japanese statutory tax rate	30.5%	30.5%
(Adjustment)		
Items permanently non-deductible, including entertainment expenses	0.3	0.4
Items permanently excluded from profit, including dividend income	(0.9)	(1.9)
Increase (decrease) in valuation allowance	3.2	(1.8)
Other	0.1	0.3
Ratio of income taxes after tax effective accounting	33.2%	27.5%

19. Business Combinations

Transactions under common control

Acquisition of treasury shares by a consolidated subsidiary

1. Outline of transaction

- (1) Name and business of concerned company
GUNGIN LEASING CO., LTD. (leasing business)
- (2) Date of business combination
October 1, 2019
- (3) Legal form of business combination
Acquisition of shares from non-controlling interests
- (4) Name of the company after combination
No change to company name
- (5) Other matters concerning transaction outline

The objective of the acquisition of shares held by non-controlling interests is to increase the ratio of ownership interests within the Group to 100% and promote the strengthening of Group management.

2. Outline of accounting treatment

Based on Accounting Standard for Business Combinations (ASBJ Statement No. 21, January 16, 2019) and Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, January 16, 2019), the Bank treated the business combination as transactions with non-controlling interests which fall under transactions under common control.

3. Matters to be stated in the event of the additional acquisition of subsidiary shares

Acquisition cost and related details

Acquisition price	Cash and due from banks	¥5,293 million
Acquisition cost		¥5,293 million

4. Matters concerning changes in the Bank's equity relating to transactions with non-controlling interests

- (1) Main reasons for fluctuations in capital surplus
Additional acquisition of subsidiary shares
- (2) Amount of capital surplus increased through transactions with non-controlling interests
¥326 million

20. Segment Information

a. Segment information by category of business

Segment information by category of business for the years ended or as of March 31, 2019 and 2020 is summarized as follows:

Year ended or as of March 31, 2019	Millions of yen						
	Banking	Lease	Sub total	Others	Total	Adjustment	Consolidated
Ordinary income generated from businesses with							
External customers	¥ 119,150	¥ 26,253	¥ 145,404	¥ 3,326	¥ 148,730	¥ —	¥ 148,730
Internal units	587	518	1,105	1,244	2,350	(2,350)	—
	119,738	26,771	146,509	4,571	151,080	(2,350)	148,730
Segment profit	32,600	1,146	33,747	2,222	35,969	(184)	35,785
Segment assets	8,124,975	78,617	8,203,592	33,666	8,237,258	(97,124)	8,140,134
Segment liabilities	7,616,504	66,068	7,682,572	16,001	7,698,574	(90,398)	7,608,175
Others							
Depreciation	5,916	681	6,597	109	6,707	54	6,761
Interest and dividend income	81,727	24	81,751	27	81,778	(278)	81,500
Interest expenses	7,174	284	7,459	—	7,459	(268)	7,190
Equity in earnings of unconsolidated subsidiaries and associated companies	570	—	570	—	570	(1)	569
Extraordinary profit	39	—	39	—	39	—	39
(Gains on disposal of noncurrent assets)	(39)	(—)	(39)	(—)	(39)	(—)	(39)
Extraordinary loss	515	—	515	1	516	—	516
(Losses on disposal of noncurrent assets)	(350)	(—)	(350)	(1)	(352)	(—)	(352)
(Impairment losses on of fixed assets)	(164)	(—)	(164)	(—)	(164)	(—)	(164)
Tax	10,538	391	10,930	770	11,700	5	11,706
Investment of unconsolidated subsidiaries and associated companies	3,988	—	3,988	—	3,988	—	3,988
Increase of property and equipment and intangible assets	6,935	872	7,808	34	7,842	157	8,000

Year ended or as of March 31, 2020	Millions of yen						
	Banking	Lease	Sub total	Others	Total	Adjustment	Consolidated
Ordinary income generated from businesses with							
External customers	¥ 106,589	¥ 32,285	¥ 138,875	¥ 4,193	¥ 143,069	¥ —	¥ 143,069
Internal units	709	346	1,055	1,347	2,403	(2,403)	—
	107,299	32,632	139,931	5,541	145,473	(2,403)	143,069
Segment profit	25,573	2,963	28,536	2,998	31,535	(11)	31,523
Segment assets	8,408,465	84,367	8,492,833	36,266	8,529,099	(112,235)	8,416,864
Segment liabilities	7,942,986	70,019	8,013,006	16,602	8,029,608	(100,772)	7,928,835
Others							
Depreciation	6,067	672	6,740	96	6,836	63	6,899
Interest and dividend income	74,258	33	74,291	21	74,313	(296)	74,017
Interest expenses	6,426	297	6,723	0	6,724	(286)	6,437
Equity in earnings of unconsolidated subsidiaries and associated companies	162	—	162	—	162	(1)	160
Extraordinary profit	0	—	0	—	0	—	0
(Gains on disposal of noncurrent assets)	(0)	(—)	(0)	(—)	(0)	(—)	(0)
Extraordinary loss	694	—	694	0	694	—	694
(Loss on disposal of noncurrent assets)	(212)	(—)	(212)	(0)	(212)	(—)	(212)
(Impairment loss of fixed assets)	(482)	(—)	(482)	(—)	(482)	(—)	(482)
Tax	6,780	688	7,468	998	8,467	1	8,469
Investment of unconsolidated subsidiaries and associated companies	207	—	207	—	207	—	207
Increase of property and equipment and intangible assets	5,027	1,048	6,075	26	6,102	201	6,304

Year ended or as of March 31, 2020	Thousands of U.S. dollars						
	Banking	Lease	Sub total	Others	Total	Adjustment	Consolidated
Ordinary income generated from businesses with							
External customers	\$ 979,416	\$ 296,663	\$ 1,276,080	\$ 38,535	\$ 1,314,616	\$ —	\$ 1,314,616
Internal units	6,520	3,180	9,700	12,382	22,083	(22,083)	—
	985,937	299,844	1,285,781	50,918	1,336,699	(22,083)	1,314,616
Segment profit	234,983	27,232	262,216	27,552	289,768	(107)	289,660
Segment assets	77,262,390	775,223	78,037,614	333,238	78,370,853	(1,031,295)	77,339,558
Segment liabilities	72,985,266	643,386	73,628,653	152,549	73,781,203	(925,963)	72,855,239
Others							
Depreciation	55,753	6,178	61,931	882	62,814	584	63,399
Interest and dividend income	682,335	304	682,639	199	682,838	(2,722)	680,116
Interest expenses	59,051	2,729	61,781	5	61,786	(2,632)	59,154
Equity in earnings of unconsolidated subsidiaries and associated companies	1,492	—	1,492	—	1,492	(13)	1,479
Extraordinary profit	2	—	2	—	2	—	2
(Gains on disposal of noncurrent assets)	(2)	(—)	(2)	(—)	(2)	(—)	(2)
Extraordinary loss	6,383	—	6,383	1	6,385	—	6,385
(Losses on disposal of noncurrent assets)	(1,951)	(—)	(1,951)	(0)	(1,952)	(—)	(1,952)
(Impairment losses on of fixed assets)	(4,432)	(—)	(4,432)	(—)	(4,432)	(—)	(4,432)
Tax	62,300	6,328	68,628	9,177	77,805	13	77,819
Investment of unconsolidated subsidiaries and associated companies	1,907	—	1,907	—	1,907	—	1,907
Increase of property and equipment and intangible assets	46,196	9,633	55,829	244	56,074	1,851	57,925

(Notes)

- Total income is presented in lieu of sales of companies in other industries.
- "Others" include business segments not included in the reportable segments, such as the delivery of goods, etc., the maintenance of ATMs and operations of securities and guarantees.
- Adjustments are as follows:
 - Adjustment for segment profit of ¥(11) million (U.S.\$(107) thousand) was elimination of intersegment transactions.
 - Adjustment for segment assets of ¥(112,235) million (U.S.\$(1,031,295) thousand) was elimination of intersegment transactions.
 - Adjustment for segment liabilities of ¥(100,772) million (U.S.\$(925,963) thousand) was elimination of intersegment transactions.
 - Adjustment for depreciation of ¥63 million (U.S.\$584 thousand) was elimination of intersegment transactions and the depreciation related to lease investment assets classified as "property and equipment" and "intangible assets" on a consolidated basis.
 - Adjustment for interest and dividend income of ¥(296) million (U.S.\$(2,722) thousand), adjustment for interest expenses of ¥(286) million (U.S.\$(2,632) thousand), adjustment for equity in earnings of unconsolidated subsidiaries and associated companies of ¥(1) million (U.S.\$(13) thousand) and adjustment for tax of ¥1 million (U.S.\$13 thousand) were elimination of intersegment transactions.
 - Adjustment for increase of tangible fixed asset and intangible fixed asset of ¥201 million (U.S.\$1,851 thousand) were transferred from lease investment assets.
- Segment profit was adjusted with reference to ordinary profit as stated in the consolidated statements of income.

b. Segment information by geographical area

Segment information by geographical area has not been disclosed because the income and total assets of Japan area constituted more than 90% of the consolidated total.

c. Operating income from foreign operations

Operating income from foreign operations has not been disclosed because it constituted less than 10% of the consolidated income.

21. Related parties

Transactions between the Bank and its executives or major (individual) shareholders, etc. in the year ended March 31, 2020 were as follows:

Type	Name	Description of business or occupation	Voting rights ownership ratio	Relationship with related party	Transaction detail	Transaction amount		Account name	Balance at the end of the year
						Millions of yen	Thousands of dollars		
Executive	Kazuo Saito	Chairman of the Bank	Directly owns 0.0% of the Bank's voting rights	—	Capital contribution in kind of monetary remuneration claims (Note)	¥12	\$110	—	—
Executive	Akihiko Fukai	President of the Bank	Directly owns 0.0% of the Bank's voting rights	—	Capital contribution in kind of monetary remuneration claims (Note)	12	110	—	—

(Note)

Capital contribution in kind of monetary remuneration claims based on the restricted stock remuneration plan.

22. Earnings per Share

	Yen		U.S. Dollars
	2019	2020	2020
Net Assets per Share of Common Stock	¥1,232.16	¥1,162.64	\$10.68
Earnings per Share of Common Stock	54.12	52.79	0.48
Diluted Earnings per Share of Common Stock	54.00	52.70	0.48

1. Basis on calculating Net Assets per share was follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Consolidated Net Assets	¥531,959	¥488,028	\$4,484,318
Deduction from Net Assets	¥ 6,045	¥ 287	\$ 2,639
Less: Subscription Rights to Shares	510	287	2,639
Less: Non-controlling Interests	5,534	0	0
Consolidated Net Assets Attributable to Common Shareholders	525,913	487,741	4,481,678

	Thousands of Stocks	
	2019	2020
Number of Shares of Common Stock. Used for Calculating Net Assets per Share	426,822	419,512

2. Basis of calculating Earnings per share was follows:

	Millions of yen	Thousands of Stocks	Yen	U.S. Dollars
	Net income	Weighted average stocks	EPS	
For the year ended March 31, 2020				
Basic EPS				
Earnings available to Common Shareholders	¥22,280	422,087	¥52.79	\$0.48
Effect of Dilutive Warrants		666		
Diluted EPS	¥22,280		¥52.70	\$0.48

	Millions of yen	Thousands of Stocks	Yen	U.S. Dollars
	Net income	Weighted average stocks	EPS	
For the year ended March 31, 2019				
Basic EPS				
Earnings available to Common Shareholders	¥23,321	430,936	¥54.12	\$0.49
Effect of Dilutive Warrants		929		
Diluted EPS	¥23,321		¥54.00	\$0.49

23. Consumption tax

Consumption tax is excluded from transactions reported by Bank and its consolidated subsidiaries.

24. Changes in Net Assets

a. Information on type and number of shares issued and treasury shares

Type and number of shares issued and treasury shares in the year ended March 31, 2020 were as follows:

	in thousands			
	Number of shares as of the previous fiscal year-end	Number of shares increased during the accounting period	Number of shares decreased during the accounting period	Number of shares as of the fiscal year-end
Shares issued				
Common stock	453,888	—	18,000	435,888
Total	453,888	—	18,000	435,888
Treasury shares				
Common stock	27,065	8,005	18,695	16,375
Total	27,065	8,005	18,695	16,375

Type and number of shares issued and treasury shares in the year ended March 31, 2019 were as follows:

	in thousands			
	Number of shares as of the previous fiscal year-end	Number of shares increased during the accounting period	Number of shares decreased during the accounting period	Number of shares as of the fiscal year-end
Shares issued				
Common stock	460,888	—	7,000	453,888
Total	460,888	—	7,000	453,888
Treasury shares				
Common stock	26,805	7,389	7,129	27,065
Total	26,805	7,389	7,129	27,065

b. Information on dividends

The following dividends were paid in the year ended March 31, 2020:

Date of resolution	Type of shares	Amount of dividends		Cash dividends per share		Record date	Effective date
		Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Annual meeting of shareholders held on June 25, 2019	Common stock	¥2,987	\$27,453	¥7.0	\$0.06	March 31, 2019	June 26, 2019
Directors' meeting held on November 8, 2019	Common stock	¥2,516	\$23,127	¥6.0	\$0.06	September 30, 2019	December 6, 2019

The following dividends were paid in the year ended March 31, 2019:

Date of resolution	Type of shares	Amount of dividends		Cash dividends per share		Record date	Effective date
		Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Annual meeting of shareholders held on June 26, 2018	Common stock	¥3,038	\$28,453	¥7.0	\$0.06	March 31, 2018	June 27, 2018
Directors' meeting held on November 6, 2018	Common stock	¥2,596	\$23,983	¥6.0	\$0.06	September 30, 2018	December 6, 2018

Dividends whose record date is attributable to the year ended March 31, 2020 but which are effective after March 31, 2020

Date of resolution	Type of shares	Amount of dividends		Source of dividends	Cash dividends per share		Record date	Effective date
		Millions of yen	Thousands of U.S. dollars		Yen	U.S. dollars		
Annual meeting of shareholders held on June 24, 2020	Common stock	¥2,936	\$26,983	Retained earnings	¥7.0	\$0.06	March 31, 2020	June 25, 2020

Dividends whose record date is attributable to the year ended March 31, 2019 but which are effective after March 31, 2019

Date of resolution	Type of shares	Amount of dividends		Source of dividends	Cash dividends per share		Record date	Effective date
		Millions of yen	Thousands of U.S. dollars		Yen	U.S. dollars		
Annual meeting of shareholders held on June 25, 2019	Common stock	¥2,987	\$27,453	Retained earnings	¥7.0	\$0.06	March 31, 2019	June 26, 2019

25. Stock Options

1. Line item where Stock Options is presented and the amount

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
General and administrative expenses	¥122	—	—

2. Details of Stock Option

(1) Outline of the Stock Option

1st equity warrant		
Title and numbers of grantees	Directors (Exclude outside directors)	11
Number of stock options	Common stock	290,900
Date of grant		July 26, 2012
Vesting condition		Not fixed
Service period		Not fixed
Exercise period		From July 27, 2012 to July 26, 2042
2nd equity warrant		
Title and numbers of grantees	Directors (Exclude outside directors)	12
Number of stock options	Common stock	217,000
Date of grant		July 25, 2013
Vesting condition		Not fixed
Service period		Not fixed
Exercise period		From July 26, 2013 to July 25, 2043
3rd equity warrant		
Title and numbers of grantees	Executive Officers	11
Number of stock options	Common stock	59,900
Date of grant		July 25, 2013
Vesting condition		Not fixed
Service period		Not fixed
Exercise period		From July 26, 2013 to July 25, 2043
4th equity warrant		
Title and numbers of grantees	Directors (Exclude outside directors)	12
Number of stock options	Common stock	189,400
Date of grant		July 28, 2014
Vesting condition		Not fixed
Service period		Not fixed
Exercise period		From July 29, 2014 to July 28, 2044
5th equity warrant		
Title and numbers of grantees	Executive Officers	9
Number of stock options	Common stock	38,700
Date of grant		July 28, 2014
Vesting condition		Not fixed
Service period		Not fixed
Exercise period		From July 29, 2014 to July 28, 2044
6th equity warrant		
Title and numbers of grantees	Directors (Exclude outside directors)	11
Number of stock options	Common stock	109,400
Date of grant		July 29, 2015
Vesting condition		Not fixed
Service period		Not fixed
Exercise period		From July 30, 2015 to July 29, 2045
7th equity warrant		
Title and numbers of grantees	Executive Officers	10
Number of stock options	Common stock	27,000
Date of grant		July 29, 2015
Vesting condition		Not fixed
Service period		Not fixed
Exercise period		From July 30, 2015 to July 29, 2045
8th equity warrant		
Title and numbers of grantees	Directors (Exclude outside directors)	9
Number of stock options	Common stock	247,400
Date of grant		July 29, 2016
Vesting condition		Not fixed
Service period		Not fixed
Exercise period		From July 30, 2016 to July 29, 2046

9th equity warrant			
Title and numbers of grantees	Executive Officers		11
Number of stock options	Common stock		69,300
Date of grant			July 29,2016
Vesting condition			Not fixed
Service period			Not fixed
Exercise period			From July 30, 2016 to July 29, 2046

10th equity warrant			
Title and numbers of grantees	Directors(Exclude outside directors)		7
Number of stock options	Common stock		116,800
Date of grant			July 28,2017
Vesting condition			Not fixed
Service period			Not fixed
Exercise period			From July 29, 2017 to July 28, 2047

11th equity warrant			
Title and numbers of grantees	Executive Officers		16
Number of stock options	Common stock		78,800
Date of grant			July 28,2017
Vesting condition			Not fixed
Service period			Not fixed
Exercise period			From July 29, 2017 to July 28, 2047

12th equity warrant			
Title and numbers of grantees	Directors(Exclude outside directors)		7
Number of stock options	Common stock		118,800
Date of grant			July 30,2018
Vesting condition			Not fixed
Service period			Not fixed
Exercise period			From July 31, 2018 to July 30, 2048

13th equity warrant			
Title and numbers of grantees	Executive Officers		17
Number of stock options	Common stock		89,000
Date of grant			July 30,2018
Vesting condition			Not fixed
Service period			Not fixed
Exercise period			From July 31, 2018 to July 30, 2048

(2) Size and situation of the Stock Option
(a) The number of the Stock Option

	Number of Shares						
	1st equity warrant	2nd equity warrant	3rd equity warrant	4th equity warrant	5th equity warrant	6th equity warrant	7th equity warrant
Non-vested							
As of March 31, 2019	94,300	78,400	5,100	105,300	17,200	65,600	10,800
Granted	—	—	—	—	—	—	—
Forfeited	—	—	—	—	—	—	—
Vested	27,500	19,600	5,100	42,000	17,200	26,200	10,800
Outstanding	66,800	58,800	—	63,300	—	39,400	—
Vested							
As of March 31, 2019	—	—	—	—	—	—	—
Vested	27,500	19,600	5,100	42,000	17,200	26,200	10,800
Exercised	27,500	19,600	5,100	42,000	17,200	26,200	10,800
Forfeited	—	—	—	—	—	—	—
Outstanding	—	—	—	—	—	—	—

	Number of Shares					
	8th	9th	10th	11th	12th	13th
	equity warrant	equity warrant	equity warrant	equity warrant	equity warrant	equity warrant
Non-vested						
As of March 31, 2019	177,700	44,100	102,700	57,600	118,800	89,000
Granted	—	—	—	—	—	—
Forfeited	—	—	—	—	—	—
Vested	83,600	31,500	44,300	31,000	45,000	35,000
Outstanding	94,100	12,600	58,400	26,600	118,800	54,000
Vested						
As of March 31, 2019	—	—	—	—	—	—
Vested	83,600	31,500	44,300	31,000	45,000	35,000
Exercised	83,600	31,500	44,300	31,000	45,000	35,000
Forfeited	—	—	—	—	—	—
Outstanding	—	—	—	—	—	—

(b) Price information

	Yen						
	1st	2nd	3rd	4th	5th	6th	7th
	equity warrant	equity warrant	equity warrant	equity warrant	equity warrant	equity warrant	equity warrant
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average price at exercise	¥389	¥389	¥389	¥389	¥380	¥389	¥380
Fair value at grant date	¥311	¥542	¥585	¥545	¥591	¥851	¥893

	Yen					
	8th	9th	10th	11th	12th	13th
	equity warrant	equity warrant	equity warrant	equity warrant	equity warrant	equity warrant
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average price at exercise	¥389	¥382	¥389	¥382	¥389	¥382
Fair value at grant date	¥363	¥396	¥609	¥632	¥582	¥595

	U.S. dollars						
	1st	2nd	3rd	4th	5th	6th	7th
	equity warrant	equity warrant	equity warrant	equity warrant	equity warrant	equity warrant	equity warrant
Exercise price	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Average price at exercise	\$3.57	\$3.57	\$3.57	\$3.57	\$3.49	\$3.57	\$3.49
Fair value at grant date	\$2.85	\$4.98	\$5.37	\$5.00	\$5.43	\$7.81	\$8.20

	U.S. dollars					
	8th	9th	10th	11th	12th	13th
	equity warrant	equity warrant	equity warrant	equity warrant	equity warrant	equity warrant
Exercise price	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Average price at exercise	\$3.57	\$3.51	\$3.57	\$3.51	\$3.57	\$3.51
Fair value at grant date	\$3.33	\$3.63	\$5.59	\$5.80	\$5.34	\$5.46

3. *Estimated number of Stock Options to be vested*

The actual number of forfeited stock options alone is reflected because the number of stock options that will be forfeited in the future cannot be readily estimated.

26. Corporate bonds

Corporate bonds include subordinated corporate bonds in the amount of ¥30,000 million and ¥50,000 million (U.S.\$459,432 thousand) as of March 31, 2019 and 2020, respectively.

27. Subsequent events

Subsequent events Nil

Independent Auditor's Report

The Board of Directors
The Gunma Bank, Ltd.

Opinion

We have audited the accompanying consolidated financial statements of The Gunma Bank, Ltd. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2020, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

June 19, 2020

岩部俊夫 印

/s/Toshio Iwabu
Designated Engagement Partner
Certified Public Accountant

川口輝明 印

/s/Teruaki Kawaguchi
Designated Engagement Partner
Certified Public Accountant

日下部恵美 印

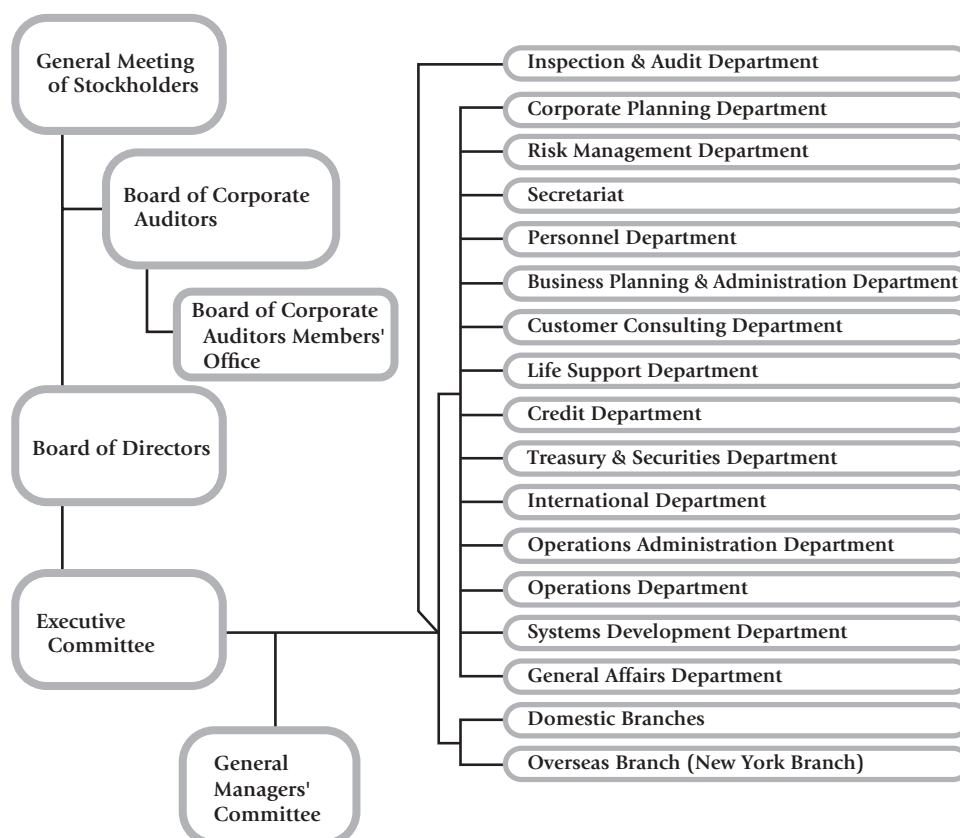
/s/Emi Kusakabe
Designated Engagement Partner
Certified Public Accountant

Major Shareholders

(As of 31st March, 2020)

	Number of shares held (in thousands)	%
The Master Trust Bank of Japan, Ltd. (Trust Account)	22,404	5.34
Japan Trustee Services Bank, Ltd. (Trust Account)	19,998	4.76
The Gunma Bank Employees' Stockholdings Association	12,633	3.01
Japan Trustee Services Bank, Ltd. (Trust Account 9)	11,815	2.81
Meiji Yasuda Life Insurance Company	11,056	2.63
Sumitomo Life Insurance Company	10,657	2.54
Japan Trustee Services Bank, Ltd. (Trust Account 5)	7,887	1.88
Japan Trustee Services Bank, Ltd. (Trust Account 4)	7,747	1.84
Nippon Life Insurance Company	7,608	1.81
JP MARGAN CHASE BANK 385151	7,380	1.75
Total	119,188	28.41

Organization Chart



(As of 24th June, 2020)



The Gunma Bank, Ltd.

194, Motosojamachi, Maebashi,
Gunma 371-8611, Japan

<http://www.gunmabank.co.jp/>