

Annual Report 2021

GUNMA BANK REPORT

Year Ended 31st March, 2021



Message from the Management



Building regional communities
is our key priority
We will respond to the rapidly
changing environment, and
establish a robust management
structure

Akihiko Fukai
President
The Gunma Bank, Ltd.

Preface

The spread of the novel coronavirus (COVID-19) had a huge impact on all fields around the world. The Gunma Bank has a mission to fully fulfill our financial intermediary functions and support the regional economy in any situation. We have strived wholeheartedly to provide this support. Specifically, in order to smoothly provide funding to the region, we have received around 19 thousand consultations on business funding up to March 31, 2021, and loaned ¥397.7 billion in funds related to COVID-19.

The first tenet of the Bank's corporate philosophy is to "take actions that will foster the development of regional communities," and "sustainable development of regional economy" is also the first priority issue in the Bank's SDGs Declaration. This year, through the COVID-19 pandemic, we have reaffirmed the importance of our role and the weight of our responsibility to regional communities.

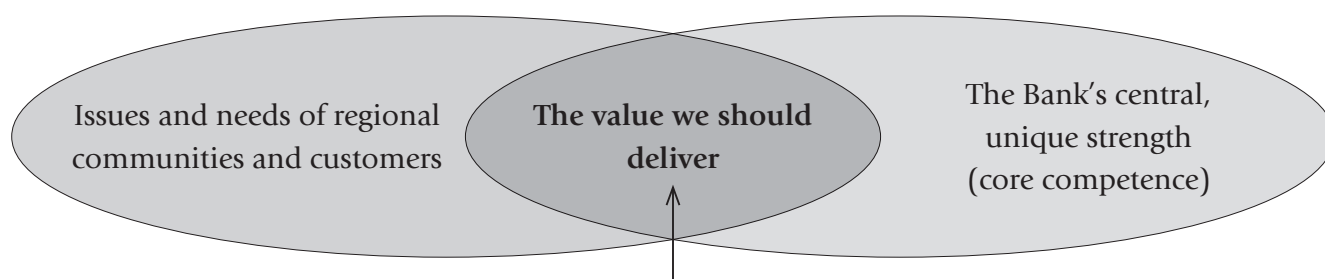
The impact of COVID-19 has not been limited to the economy. The pandemic has also brought about a variety of changes such as New Lifestyle and the acceleration of digitalization. Under these conditions, we will continue to strive wholeheartedly to provide financial support for our customers. At the same time, we believe that initiatives to provide a

greater range of support options to contribute to customers' growth and build sustainable regional communities will become even more vital.

The Bank's raison d'être

Under the Bank's Mid-Term Business Plan "Innovation New Dimension – Toward delivering value," we aim to "deliver value" for both our customers and the Bank itself. We believe that the value we should deliver for customers lies at the intersection between the following two factors.

One factor is the issues and needs of regional communities and customers. The other is the Bank's core competence: our central, unique strength. In other words, leveraging our core competence to address the issues and needs of regional communities and customers is the value that we should provide, and is the Bank's raison d'être. Correctly defining this value and effectively utilizing management resources will not only contribute to the sustainability of our customers and regional communities, but also lead to a sustainable increase in profit for the Bank.



The value we should deliver and the Bank's raison d'être lie at the intersection of the two

■ Issues faced by regions and customers

Gunma Prefecture, the Bank's main sales region, boasts attractive tourism resources thanks to its rich natural environment, as well as abundant agricultural and livestock products. Its economy is driven by the manufacturing sector, primarily transportation equipment and food. It enjoys not only easy access to Tokyo through expressways and other transportation networks completed in recent years, but also suffers relatively few natural disasters. As a result, the number of factory locations and total location area in Gunma Prefecture are both consistently ranked among the highest in Japan.

At the same time, with an aging and declining population, we regard regional sustainability as a key issue, particularly in terms of business succession, labor shortages and productivity improvements. Regarding business succession for example, in addition to a shortage of successors, customers may have a range of requirements such as wanting to consolidate company shares with the successor, wanting two family members to be joint successors, etc. There are also growing needs for human resources, such as the need for personnel to assist the company president, and managers to assume responsibility for new businesses.

■ The Bank's core competence

What is the Bank's central, unique strength: our core competence?

I believe it is the "ability to collect information" based on networks and relationships with customers. The Bank's roots lie in The Gunma Daido Bank, established in 1932. Immediately after the Second World War, it built an extensive sales network stretching to the Tokyo metropolitan area, with branches outside the prefecture. The many years of business with customers based on this network, and the broad and profound stock of information accumulated as a result of these relationships of trust: these are the Bank's core competence. The information obtained daily from sales activities is accumulated in the CRM system. We believe that by linking this information together we can work to resolve the issues faced by customers and regions, as well as provide new value and develop new businesses through the utilization of technology such as AI. From December 2020, the Bank also participates in the TSUBASA Alliance, a broad partnership between local banks, enabling it to expand the scope of its problem-solving beyond its own network through coordination with other banks.

We are engaged in realizing the Bank's Mid-Term Business Plan "Innovation New Dimension," with the aim of leveraging these strengths to deliver value to customers.

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

■ Concept of the Mid-Term Business Plan

The Bank worked on two previous Mid-Term Business Plans over the six years to March 2019, and provided customers with our unique proposals and support based on the basic concept of “value proposition,” thus enabling us to grow together with the regional community and our customers. In the Mid-Term Business Plan spanning the three years from April 2019, we focus on “realizing” value proposition based on “propositions of value” and aspire to be a “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” and “Realizing advanced value through evolution of our business model.” Given changes in regional issues and the environment, we are expecting to delve deeper into the kinds of value we can deliver.

■ Main initiatives in fiscal year 2020

Transforming our management platform through three reform initiatives

In accordance with the basic policy of “Transforming our management platform through three reform initiatives”, we have been working on the three reforms of “Process” (the attitude and process of our daily jobs), “Channel” (customer interface channels), and “Human Resources” (work-style and career-path which enhances the motivation of staff based on our corporate philosophy).

In the area of process reform, we launched an operational reform project in May 2019 to solicit a broad range of opinions from across the Bank on operations, products and services that could be reduced or eliminated, acting on 726 of these suggestions. By March 31, 2021, 673 (93%) of these actions had been completed, achieving an annual reduction equivalent to the work of 157 people. Moreover, in June 2021 we established a Digital Innovation Group to promote digitalization within the Bank, and we are working to improve productivity and expand the Bank’s digital channel.

In the area of channel reform, we have been progressively expanding our digital channel and rebuilding the Bank’s branch network in line with changes in customer lifestyles. In terms of expanding the Bank’s digital channel, we have commenced development aimed at introducing an open API platform through the TSUBASA Alliance, and development aimed at renewing the Bank’s smartphone app. In terms of rebuilding the Bank’s branch network, we have implemented the consolidation and reorganization of five branches. In the Tatebayashi area, we designated a “flagship branch” as the core branch, and established “satellite branches” which provide a reduced range of services.

In the area of human resources reform, the talent management system introduced in April 2020 facilitates the integrated management and visualization of the skills and other attributes of the Bank’s staff. This has enabled us to achieve even more strategic deployment of human resources. We also introduced a new system of regular 1-on-1 meetings between supervisors and subordinates from October 2020, with the aim of revitalizing communication between supervisors and subordinates, and improving management by superiors.

Realizing advanced value through evolution of our business model

For the policy on “Realizing advanced value through evolution of our business model,” which is our other basic policy, we set forth five strategic themes, namely, “fostering and revitalizing regional industries as well as supporting business succession of these industries,” “supporting the growth of customers through appropriate consulting services,” “improving our operations to steadily increase customer assets,” “strengthening our management structure to adjust to changes in the environment,” and “responding to multifaceted needs through exerting our comprehensive strength.”

I previously indicated sustainability as an issue for regions, in view of an aging and declining population. The Bank is particularly focused on providing business succession support and inheritance-related services. We regard these as areas where the Bank can leverage the strength of its ability to collect information, and where there exist significant needs among regions and customers.

As part of our business succession support initiatives, we increased the number of responsible staff at our headquarters to strengthen the support structure. Under the Mid-Term Business Plan, we aim to implement business succession support, including treasury share measures and succession method proposals, for 6,000 customers with obvious business succession issues. We have already implemented this support for 5,069 customers (a progress rate of 84.5%). Over time, these accumulated activities are crystallizing into the “realization of value” for both customers and the Bank, and we are able to contribute to smooth succession in an increasing number of cases through measures such as M&A and structured covenant loans. As a result, we were able to achieve proceeds from corporate service provision exceeding ¥1.9 billion in the second half of fiscal year 2020, and we are on track to achieve the target of ¥4.2 billion for the final fiscal year of the Mid-Term Business Plan.

As part of our inheritance-related services, we increased the number of dedicated staff and established a weekend and holiday consultation desk at the Individual Consulting Plaza Maebashi. The number of instances of will trust and liquidation of inheritance property services provided by the Bank more than doubled from 71 in fiscal year 2019 to 167 in fiscal year 2020. However, we still believe that there is much greater potential demand in this area, and in April 2021, we established Private Banking Advisors under the Wealth Management Group of the Life Support Department. We also increased the number of Asset Succession Advisors, to strengthen our support for customers.

■ Initiatives in fiscal year 2021

Profit declined in fiscal year 2020 due to an increase in net credit costs, but consolidated non-interest business income progressed to ¥19.1 billion, or 95% of the target of ¥20.0 billion for the final fiscal year of the Mid-Term Business Plan, due partly to growth in the Group's deposited financial assets business, including Gungin Securities. We understand that the other major quantities are also largely on target.

We would like to make fiscal year 2021 a year to utilize the customer support structure that we have strengthened within the Bank, including the business succession support and inheritance-related services mentioned previously, to solve more issues faced by customers, and crystallize this into profits for the Bank. A variety of environmental changes of which we have been aware for a while have gathered pace due to the COVID-19 pandemic, and we will accelerate our efforts to implement the "three reform initiatives." In the area of process reform, we will raise the quality and productivity of work, pivoting on the progressive allocation of mobile PCs to staff, which began in January 2021. In the area of channel reform, we will engage in enhancing the digital channel, including a renewal of the Bank's app, in collaboration with the TSUBASA Alliance. At the same time, we will proceed further with the review of the Bank's branch network, and reassign staff to high value-added fields such as customer consulting services. In the area of human resources reform, we will implement a personnel system based on the degree of employee contribution, utilize the talent management system to strategically allocate human resources, and strengthen support to foster human resources through a range of training programs, self-realization support, and self-development support.

■ Towards the formulation of the next Mid-Term Business Plan

We will launch a new Mid-Term Business Plan from April 2022. We believe that, while continuing the current concept of "delivering value," it will be important to explore more deeply the kind of ways in which we can support customers. We also think that it is important to review expenses even as we enhance profitability, and we aim to further enhance the quality of management by taking on the challenge of the Special Deposit Facility to Enhance the Resilience of the Regional Financial System introduced by the Bank of Japan. In addition, in view of deregulation from the revised Banking Act, etc., we will explore initiatives in new growth areas. Specifically, we are carrying out internal discussions regarding local trading companies and registration-style temporary staffing services, based on a consideration of regional issues.

I previously stated that the value we should provide and the Bank's *raison d'être* lie at the intersection between our core competence and the issues faced by regions and customers. I would like to redefine this intersection as the Bank's "Purpose." Our corporate philosophy represents a universal concept embracing our perception of value and code of behavior: our vision of how we should be. Based on the inward-looking perspective articulated in our corporate philosophy, we will pursue an outward-looking perspective on concepts such as what we can do for society, and what value do we exist to provide. Our Purpose must be something that all of our stakeholders outside the Bank can empathize with, but more importantly, it must be embedded at the core of decision-making and behavior by the Bank's staff. To that end, we have called for voluntary submissions from all our staff regarding their opinion on the Bank's Purpose. We intend to thoroughly discuss the opinions we receive, define the Bank's Purpose, and reflect this in the next Mid-Term Business Plan beginning next fiscal year.



ESG initiatives

■ Environmental initiatives

The Bank plays a proactive role in addressing environmental and social issues as a financial institution. We think it is vital to contribute to achieving a sustainable society. In June 2021, we established the Bank's Policy on Environmentally and Socially Friendly Investment and Loans, to regulate investment and loans that may fund businesses with a high environmental burden or may lead to human rights issues or poverty, and to promote a beneficial cycle for the environment and society. At the same time, we began to offer sustainability-linked loans, strengthening our support for customers' initiatives to resolve environmental and social issues.

The Bank has also established reduction targets for greenhouse gas emissions and paper usage, as initiatives aimed at the preservation and creation of the global environment. We are progressively eliminating the use of paper in internal meetings and applications.

Copy paper usage in fiscal year 2020 was down 30.2% compared to fiscal year 2013, achieving our reduction target of 30% for fiscal year 2025 well ahead of time. We are currently working to further reduce paper usage, progressively digitalizing customer deposit receipts, contracts and other documents.

■ Initiatives for regional sustainability

In December 2020, we established the specialized investment subsidiary Gunma Regional Advanced Solution Partners Co., Ltd., building a structure enabling us to provide regional companies with support for business rehabilitation, business succession and business ventures, together with capital support. In March 2021, we concluded the Gunma Partnership Agreement on the Creation and Development of Next-generation Industries, a joint industry, university, government and financial collaboration agreement, and we will actively engage in creating and developing next-generation industries with the aim of enhancing regional vitality.

The main industries in Gunma Prefecture include manufacturing, specifically the manufacturing of automobiles and other transportation equipment, and tourism. These industries are anticipated to undergo environmental changes such as CASE, as well as significant changes in industry structure driven by the COVID-19 pandemic. In this context, we intend to explore the kind of roles that the Bank can play, as a regional financial institution, in partnership with local governments and external companies.

■ Initiatives to strengthen governance

Securing diversity is a prerequisite for ensuring the effectiveness of the Board of Directors. To this end, we formulated a skills matrix, which we have provided in the Notice of Convocation of the General Meeting of Shareholders, and in the Integrated Report. Through the skills matrix, we will further enhance the disclosure of information regarding the expected roles of Directors and Audit & Supervisory Board Members, and the appropriateness of the composition of the Board of Directors and the Audit & Supervisory Board.

Conclusion

Through the initiatives that I have just described, we will leverage our various forms of capital to work towards achieving sustainable regional societies and creating economic value, by providing value to all our stakeholders.

We regard human capital as particularly important in building a beneficial cycle. I presented our initiatives for human resources reform in Initiatives in fiscal year 2021 above. I personally emphasize sense-making – or getting our employees to find meaning and satisfaction in all their work – and talk directly to our staff at branch manager meetings and the Staff IR sessions we have established as a forum for conveying to staff the significance of measures decided.

Of course, we will push ahead even more swiftly with investment in digitalization, but we also think that the advance of digitalization will further increase the importance of the unique value that only humans can provide. Each and every one of us at the Gunma Bank Group will work to create new regional societies together with our customers, using digital technology to link together various kinds of information, and providing a broad range of value in areas not limited to finance.

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

July 2021

Akihiko Fukai
President



Consolidated Financial Review

Performance

The Group consists of seven 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 ended March 31, 2021 are as follows.

Total assets as of fiscal year-end came to ¥10,615.7 billion, an increase of ¥2,198.8 billion compared to the previous fiscal year. The balance of total liabilities as of the fiscal year-end came to ¥10,067.6 billion, an increase of ¥2,138.8 billion compared to the previous fiscal year. Furthermore, the balance of total net assets as of the fiscal year-end came to ¥548.0 billion, an increase of ¥60.0 billion compared to the previous fiscal year.

Ordinary income amounted to ¥143,316 million, an increase of ¥246 million from the previous fiscal year, mainly due to an increase in other ordinary income (gain on sales of equity securities, etc.), despite a decrease in interest income. Ordinary expenses amounted to ¥123,233 million, an increase of ¥11,687 million from

the previous fiscal year, mainly due to an increase in other ordinary expenses (provision of allowance for loan losses, etc.), despite a decrease in interest expenses.

As a result, ordinary profit came to ¥20,082 million, a decrease of ¥11,440 million from the previous fiscal year. Furthermore, profit attributable to owners of parent came to ¥13,501 million, a decrease of ¥8,779 million from the previous fiscal year.

Consolidated Capital Adequacy Ratio (BIS Standards)

	As at March 31, 2020	As at March 31, 2021
1. Consolidated total capital ratio (4/7)	11.95%	12.78%
2. Consolidated Tier 1 ratio (5/7)	10.74%	11.58%
3. Consolidated Common Equity Tier 1 ratio (6/7)	10.74%	11.58%
4. Total capital (consolidated)	505.7	564.9
5. Tier 1 capital (consolidated)	454.5	513.8
6. Common Equity Tier 1 capital (consolidated)	454.5	513.8
7. Risk weighted assets	4,232.1	4,433.4
8. Total Capital requirements (consolidated)	338.5	354.6
9. Consolidated leverage ratio	5.35%	6.09%

Billions of yen

Consolidated Balance Sheets

As at March 31,	Millions of yen		Thousands of U.S. dollars (Note 3)
	2020	2021	2021
Assets			
Cash and due from banks (Note 15)	¥ 845,309	¥ 2,326,681	\$ 21,015,998
Monetary claims bought	9,113	5,621	50,779
Trading account securities	1,722	823	7,440
Money held in trust (Note 7)	6,778	11,268	101,783
Securities (Note 6 and 12)	1,789,364	2,402,460	21,700,481
Loans and bills discounted (Note 3)	5,543,176	5,688,847	51,385,125
Foreign exchanges	17,872	14,947	135,017
Lease receivables and investment assets	58,925	59,528	537,700
Other assets	93,309	71,348	644,467
Property and equipment (Note 11)	68,354	69,463	627,439
Intangible assets	9,760	9,956	89,937
Net defined benefit asset	251	6,631	59,899
Deferred tax assets (Note 17)	8,552	1,571	14,198
Customers' liabilities for acceptances and guarantees	9,790	9,632	87,006
Allowance for loan losses	(45,418)	(63,028)	(569,313)
Total assets	<u>¥8,416,864</u>	<u>¥10,615,756</u>	<u>\$95,887,962</u>
Liabilities			
Deposits (Note 12)	¥7,204,323	¥ 7,909,335	\$ 71,441,923
Call money and bills sold	—	37,807	335,000
Payables under repurchase agreements (Note 12)	18,402	4,992	45,093
Payable under securities lending transactions (Note 12)	91,131	669,024	6,043,040
Borrowed money (Note 12)	481,744	1,291,081	11,661,828
Foreign exchanges	381	162	1,469
Bonds payable (Note 24)	50,000	50,000	451,630
Borrowed money from trust account	4,899	8,953	80,877
Other liabilities	47,657	66,683	602,325
Provision for directors' bonuses	61	56	512
Net defined benefit liability	10,521	368	3,325
Provision for directors' retirement benefits	288	244	2,211
Provision for reimbursement of deposits	682	533	4,819
Provision for point loyalty programs	140	144	1,305
Provision for contingent loss	947	900	8,132
Reserves under special laws	0	0	4
Deferred tax liabilities	14	10,636	96,079
Deferred tax liabilities for land revaluation (Note 13)	7,851	7,823	70,666
Acceptances and guarantees	9,790	9,632	87,006
Total liabilities	<u>7,928,835</u>	<u>10,067,663</u>	<u>90,937,252</u>
Net assets			
Capital stock	48,652	48,652	439,456
Capital surplus	29,581	29,581	267,201
Retained earnings	383,452	391,382	3,535,208
Treasury shares	(9,309)	(8,838)	(79,836)
Total shareholders' equity	<u>452,377</u>	<u>460,778</u>	<u>4,162,030</u>
Valuation difference on available-for-sale securities	31,427	71,541	646,208
Deferred gains or losses on hedges	(330)	(231)	(2,092)
Revaluation reserve for land (Note 13)	13,778	13,715	123,885
Foreign currency translation adjustment	29	(98)	(888)
Remeasurements of defined benefit plans	(9,541)	2,387	21,565
Total accumulated other comprehensive income	<u>35,363</u>	<u>87,314</u>	<u>788,679</u>
Share subscription rights	287	—	—
Total net assets	<u>488,028</u>	<u>548,093</u>	<u>4,950,709</u>
Total liabilities and net assets	<u>¥8,416,864</u>	<u>¥10,615,756</u>	<u>\$95,887,962</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 2)
	2020	2021	2021
Income			
Interest income:			
Interest on loans and discounts	¥ 56,904	¥ 54,034	\$ 488,072
Interest and dividends on securities	16,094	14,596	131,844
Other interest income	1,017	1,159	10,470
Trust fees	36	53	480
Fees and commissions	20,554	21,379	193,109
Other ordinary income	37,024	38,152	344,612
Other income	11,437	14,220	128,445
Total income	<u>143,070</u>	<u>143,594</u>	<u>1,297,034</u>
Expenses			
Interest expenses:			
Interest on deposits	2,300	675	6,103
Interest on call money and borrowing	546	239	2,167
Other interest expenses	3,591	1,615	14,589
Fees and commissions payments	8,131	8,208	74,148
Other ordinary expenses	31,821	29,020	262,131
General and administrative expenses	56,438	57,461	519,025
Other expenses	9,411	26,564	239,945
Total expenses	<u>112,240</u>	<u>123,786</u>	<u>1,118,111</u>
Profit before income taxes	30,829	19,808	178,923
Income taxes:			
Current	8,392	11,436	103,297
Deferred	76	(5,128)	(46,328)
Profit	<u>22,360</u>	<u>13,501</u>	<u>121,953</u>
Profit attributable to non-controlling interests	79	—	—
Profit attributable to owners of parent	<u>¥ 22,280</u>	<u>¥ 13,501</u>	<u>\$ 121,953</u>
	Yen		U.S. dollars
Per share amounts			
Profit – primary	¥ 52.79	¥ 32.14	\$ 0.29
Profit – fully diluted	52.70	—	—

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 2)
	2020	2021	2021
Profit	¥ 22,360	¥13,501	\$121,953
Other comprehensive income (Note 10)			
Valuation difference on available-for-sale securities	(46,608)	39,755	359,098
Deferred gains or losses on hedges	(151)	98	891
Foreign currency translation adjustment	(57)	(127)	(1,152)
Remeasurements of defined benefit plans, net of tax	(5,695)	11,929	107,752
Share of other comprehensive income of entities accounted by the equity method	6	358	3,233
Total other comprehensive income	<u>(52,506)</u>	<u>52,014</u>	<u>469,823</u>
Comprehensive income	<u>(30,146)</u>	<u>65,515</u>	<u>591,777</u>
(Details)			
Comprehensive income attributable to owners of parent	(30,323)	65,515	591,777
Comprehensive income attributable to non-controlling interests	¥ 176	—	—

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, 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.

	Millions of yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of March 31, 2020	¥48,652	¥29,581	¥383,452	¥(9,309)	¥452,377
Changes of items during the year					
Dividends of surplus	—	—	(5,408)	—	(5,458)
Profit attributable to owners of parent	—	—	13,501	—	13,501
Purchase of treasury shares	—	—	—	(0)	(0)
Disposal of treasury shares	—	—	(175)	471	295
Retirement of treasury shares	—	—	—	—	—
Changes in equity interest in consolidated subsidiaries	—	—	—	—	—
Reversal of revaluation reserve for land	—	—	63	—	63
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during the year	—	—	7,930	470	8,401
Balance as of March 31, 2021	¥48,652	¥29,581	¥391,382	¥(8,838)	¥460,778

	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, 2020	¥31,427	¥(330)	¥13,778	¥ 29	¥(9,541)	¥ 35,363	¥ 287	¥—	¥488,028
Changes of items during the year									
Dividends of surplus	—	—	—	—	—	—	—	—	(5,458)
Profit attributable to owners of parent	—	—	—	—	—	—	—	—	13,501
Purchase of treasury shares	—	—	—	—	—	—	—	—	(0)
Disposal of treasury shares	—	—	—	—	—	—	—	—	295
Retirement of treasury shares	—	—	—	—	—	—	—	—	—
Changes in equity interest in consolidated subsidiaries	—	—	—	—	—	—	—	—	—
Reversal of revaluation reserve for land	—	—	—	—	—	—	—	—	63
Net changes of items other than shareholders' equity	40,113	98	(63)	(127)	11,929	51,950	(287)	—	51,663
Total changes of items during the year	40,113	98	(63)	(127)	11,929	51,950	(287)	—	60,064
Balance as of March 31, 2021	¥71,541	¥(231)	¥13,715	¥ (98)	¥ 2,387	¥ 87,314	¥ —	¥—	¥548,093

The accompanying notes are an integral part of these statements.

Thousands of U.S. dollars (Note 2)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of March 31, 2020	\$439,456	\$267,201	\$3,463,577	\$(84,089)	\$4,086,145
Changes of items during the year					
Dividends of surplus	—	—	(49,305)	—	(49,305)
Profit attributable to owners of parent	—	—	121,953	—	121,953
Purchase of treasury shares	—	—	—	(7)	(7)
Disposal of treasury shares	—	—	(1,588)	4,260	2,671
Retirement of treasury shares	—	—	—	—	—
Changes in equity interest in consolidated subsidiaries	—	—	—	—	—
Reversal of revaluation reserve for land	—	—	572	—	572
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during the year	—	—	71,631	4,253	75,884
Balance as of March 31, 2021	\$439,456	\$267,201	\$3,535,208	\$(79,836)	\$4,162,030

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, 2020	\$283,876	\$(2,983)	\$124,458	\$ 264	\$(86,186)	\$319,427	\$ 2,594	\$—	\$4,408,168
Changes of items during the year									
Dividends of surplus	—	—	—	—	—	—	—	—	(49,305)
Profit attributable to owners of parent	—	—	—	—	—	—	—	—	121,953
Purchase of treasury shares	—	—	—	—	—	—	—	—	(7)
Disposal of treasury shares	—	—	—	—	—	—	—	—	2,671
Retirement of treasury shares	—	—	—	—	—	—	—	—	—
Changes in equity interest in consolidated subsidiaries	—	—	—	—	—	—	—	—	—
Reversal of revaluation reserve for land	—	—	—	—	—	—	—	—	572
Net changes of items other than shareholders' equity	362,332	891	(572)	(1,152)	107,752	469,251	(2,594)	—	466,656
Total changes of items during the year	362,332	891	(572)	(1,152)	107,752	469,251	(2,594)	—	542,541
Balance as of March 31, 2021	\$646,208	\$(2,092)	\$123,885	\$ (888)	\$ 21,565	\$788,679	\$ —	\$—	\$4,950,709

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 2)
	2020	2021	2021
Cash flows from operating activities			
Profit before income taxes	¥ 30,829	¥ 19,808	\$ 178,923
Depreciation	6,899	6,497	58,691
Impairment loss	482	282	2,547
Gain on reversal of share subscription rights	—	(274)	(2,476)
Share of (profit) loss of entities accounted by the equity method	(160)	(131)	(1,189)
Increase (decrease) in allowance for loan losses	702	17,609	159,061
Increase (decrease) in provision for directors' bonuses	13	(4)	(38)
Decrease (increase) in net defined benefit asset	1,220	(6,380)	(57,630)
Increase (decrease) in net defined benefit liability	5,673	(10,153)	(91,711)
Increase (decrease) in provision for directors' retirement benefits	(102)	(43)	(393)
Increase (decrease) in provision for reimbursement of deposits	(223)	(148)	(1,342)
Increase (decrease) in provision for point loyalty programs	5	4	38
Increase (decrease) in provision for contingent loss	8	(47)	(424)
Interest and dividend income	(74,017)	(69,790)	(630,387)
Interest expenses	6,437	2,530	22,861
Loss (gain) related to securities	(7,419)	(12,638)	(114,162)
Loss (gain) on money held in trust	(14)	(7)	(69)
Foreign exchange losses (gains)	(401)	(302)	(2,732)
Loss (gain) on disposal of non-current assets	212	266	2,405
Net decrease (increase) in trading account securities	(367)	899	8,122
Net decrease (increase) in loans and bills discounted	(30,993)	(145,670)	(1,315,787)
Net increase (decrease) in deposits	241,234	701,552	6,336,848
Net increase (decrease) in negotiable certificates of deposit	(18,966)	3,459	31,248
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	64,401	809,336	7,310,422
Net decrease (increase) in due from banks (excluding deposits placed with Bank of Japan)	829	2,146	19,386
Net decrease (increase) in call loans	851	3,492	31,543
Net increase (decrease) in call money	220	23,677	213,872
Net increase (decrease) in payables under securities lending transactions	46,627	577,893	5,219,888
Net decrease (increase) in foreign exchanges - assets	(11,086)	2,925	26,421
Net increase (decrease) in foreign exchanges - liabilities	13	(218)	(1,972)
Net decrease (increase) in lease receivables and investment assets	(3,622)	(603)	(5,453)
Net increase(decrease) in borrowed money from trust account	2,914	4,054	36,623
Interest and dividend received	75,979	73,013	659,498
Interest paid	(6,709)	(2,884)	(26,050)
Other-net	(2,729)	(7,767)	(70,162)
Subtotal	328,741	1,992,383	17,996,418
Income taxes paid	(11,767)	(5,208)	(47,042)
Net cash provided by (used in) operating activities	316,974	1,987,175	17,949,376
Cash flows from investing activities			
Purchases of securities	(593,426)	(1,010,823)	(9,130,376)
Proceeds from sales of securities	189,844	314,580	2,841,479
Proceeds from redemption of securities	202,792	210,694	1,903,117
Increase in money held in trust	(840)	(4,490)	(40,556)
Purchases of property and equipment	(3,798)	(5,022)	(45,366)
Purchases of intangible assets	(2,505)	(3,431)	(30,991)
Proceeds from sales of property and equipment	16	123	1,114
Net cash provided by (used in) investing activities	(207,917)	(498,369)	(4,501,580)
Cash flows from financing activities			
Issuance of subordinated bonds	20,000	—	—
Redemption of bonds with share subscription rights	(22,198)	—	—
Cash dividends paid	(5,504)	(5,456)	(49,282)
Dividends paid to non-controlling interests	(9)	—	—
Purchases of treasury shares	(3,000)	(0)	(7)
Proceeds from sales of treasury shares	328	295	2,671
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(5,293)	—	—
Net cash provided by (used in) financing activities	(15,676)	(5,161)	(46,617)
Effect of exchange rate change on cash and cash equivalents	(58)	(126)	(1,146)
Net increase (decrease) in cash and cash equivalents	93,321	1,483,517	13,400,031
Cash and cash equivalents at beginning of the year	748,064	841,386	7,599,910
Cash and cash equivalents at end of the year	¥ 841,386	¥ 2,324,903	\$ 20,999,942

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, 2021 is 7.

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, 2021, 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 six 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 talking 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.

Regarding foreign currency-denominated available-for-sale debt securities, translation differences arising from changes fair value are treated as valuation differences, and the remainder is treated as foreign exchange gains or losses.

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

An allowance for loan losses is provided in accordance with the internal guidelines regarding write-offs and allowance for loan losses.

- 1) For loans to debtors that are legally bankrupt under the Bankruptcy Law, Special Liquidation under the Commercial Code or other similar laws, and to debtors that are effectively in similar conditions, the allowance is provided at the amount of loan balance less the amount recoverable from the disposal of collateral and/or guarantees.
- 2) For loans to debtors that are not yet legally or substantially bankrupt but are likely to go bankrupt (the "potentially bankrupt debtors"), the allowance is provided at the amount deemed necessary against the credit balance less the amount recoverable from the disposal of collateral and/or guarantees. (the "uncovered amount").
 - A For loans to large loan balance debtors with credit exceeding a certain amount, the allowance is provided at the amount calculated by the method whereby the amount of the allowance is set at the uncovered account plus the amount reasonably estimated recoverable from the cash flows ("cash flow deduction method").
 - B For loans to other debtors, the allowance is provided at the amount of losses expected to be incurred from the uncovered amount over the next three years. The amount of expected losses is determined by calculating the long-term average of the ratio of loan losses observed over three years in the past, with the addition of the adjustment based on the recent loan-loss ratio and other necessary adjustments.

3) For loans to debtors requiring careful management in the future, such as those with restructured loans (the “debtors requiring caution”), the allowance is provided at the amount deemed necessary against the loan balance.

A For loans to large loan balance debtors with credit exceeding a certain amount, the allowance is provided at the amount calculated by the method whereby the amount of the allowance is set at the difference between the sum of the reasonably estimated cash flows, discounted by the original contractual interest rate and the book value of the loan (the “DCF method”).

B For loans to other debtors, the allowance is provided at the amount of losses expected to be incurred over the next three years. The amount of expected loss is determined by calculating the long-term average of the ratio of loan losses observed over three years in the past, with the addition of the adjustment based on the recent loan-loss ratio and other necessary adjustments.

4) For loans to debtors other than those in 1) to 3) above, the allowance is provided at the amount of losses expected to be incurred over the next year. The amount of expected loss is determined by calculating the long-term average of the ratio of loan losses observed over one year in the past, with the addition of the adjustment based on the recent loan-loss ratio and other necessary adjustments.

All credit is subject to self-assessment of assets by marketing-related departments in accordance with the internal guidelines for the self-assessment of assets, and the results of the self-assessment are audited by the department in charge of asset auditing that is independent of the marketing-related departments.

Consolidated subsidiaries record a general reserve for 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 debtor's ability to repay loans.

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.

Certain consolidated subsidiaries calculate liability for retirement benefits and retirement benefit expenses by the simplified method, whereby retirement benefit obligation is recognized at the amount that would be paid if eligible employees retired at the end of the fiscal year.

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

A 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

A 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

A 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 “Accounting and Auditing Treatment of Accounting Standard for Financial Instruments in the Banking Industry” (Practical Guidance No.24 by the Japanese Institute of Certified Public Accountants (JICPA) Industry-specific Special Committee, October 8, 2020; “Industry-specific Special Committee Practical Guidance No.24”). Under the Industry-specific Special Committee Practical Guidance 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 “Accounting and Auditing Treatment of Accounting for Foreign Currency Denominated Transactions, etc. in the Banking Industry” (Practical Guidance No.25 by the JICPA Industry-specific Special Committee, October 8, 2020; “Industry-specific Special Committee Practical Guidance No.25”). Under the Industry-specific Special Committee Practical Guidance No.25, 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 are designated as hedged items 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.

(Significant accounting estimates)

Of the items for which amounts based on accounting estimates were recorded in the consolidated financial statements for the fiscal year ended March 31,2021, the following items may have a material impact on the consolidated financial statements for the fiscal year ended March 31,2022.

Allowance for loan losses

- (1) Amount recorded in the consolidated financial statements for the fiscal year ended March 31,2021

Allowance for loan losses as of March 31,2021	¥63,028 million (U.S.\$569,313thousand)
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- (2) Information on the details of significant accounting estimates for items identified

1) Calculation method

The calculation method for allowance for loan losses is presented in Notes to Consolidated Financial Statements 1. Summary of Significant Accounting Policies h.

Allowance for loan losses. The calculation method for allowance for loan losses was changed as follows during the fiscal year ended March 31,2021.

- For loans to the debtors requiring caution with credit exceeding a certain amount, the scope of the DCF method was expanded.
- For loans to the potentially bankrupt debtors with credit exceeding a certain amount, the scope of the cash flow deduction method was expanded.

Included in the amount of allowance for loan losses recorded on the consolidated financial statements for the fiscal year ended March 31,2021 was ¥2,544 million which was additionally provided due to the expansion of the scope of the DCF method and the cash flow deduction method.

2) Major assumptions

Major assumption is the "outlook for debtors' future business performance used to determine the debtor classification." The "outlook for debtors' future business performance used to determine the debtor classification"

is established through the individual evaluation of each debtor's earning generating ability, after taking into account the impact of the COVID-19 pandemic.

The Bank considers that loan losses due to the impact of the COVID-19 pandemic will not escalate significantly, due to the economic countermeasures implemented by the Japanese government and local government bodies, as well as the cash flow support provided by financial institutions, etc. However, since it is still unclear when the COVID-19 pandemic will be contained for large loan balance debtors for which a substantial deterioration in business performance may increase the uncertainty of the Bank's results, the Bank provides allowance for loan losses based on an individual estimate using the DCF method and cash flow deduction method.

Reasonable estimates of future cash flows are used in the DCF method and the cash flow deduction method.

Reasonable estimates of future cash flows:

- The estimated amount recoverable in the case of a radical and feasible business improvement plan or the like and this amount can be reasonably estimated
- The estimated amount recoverable with reference to factors such as past repayments

- 3) Impact on the consolidated financial statements for the next fiscal year ended March 31,2022.

If the assumptions used for calculating the original estimates change due to factors such as changes in the business performance of individual debtors, then this may have a significant impact on allowance for loan losses in the consolidated financial statements for the fiscal year ended March 31,2022.

(New accounting standards not yet adopted)

- 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 26, 2021)

(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) Date of adoption

Accounting Standard for Revenue Recognition will be adopted effective April 1,2022.

(3) Impact of the adoption of the accounting standard

The impact of the adoption 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 ("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 item.

- 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) Date of adoption

Fair Value Measurement Accounting Standard, etc will be adopted effective April 1, 2022.

(3) Impact of the adoption of the accounting standard

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

(Changes in presentation method)

(Application of Accounting Standard for Disclosure of Accounting Estimates)

The Group has adopted the Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No. 31, March 31, 2020) beginning from the fiscal year ended March 31, 2021, and has disclosed notes concerning significant accounting estimates.

However, the details for the previous fiscal year have not been presented in the notes, in accordance with the transitional treatment prescribed under the provisory clause of Paragraph 11 of the Accounting Standard for Disclosure of Accounting Estimates.

(Additional information)

(Measures to transfer share subscription rights granted as share remuneration-type stock options to restricted stock)

In accordance with the resolution passed in the 134th Annual General Meeting of Shareholders held in June 2019, the Bank has introduced the restricted stock remuneration plan and the performance-linked stock remuneration plan in place of the previous stock remuneration-type stock option plan, in order to strengthen the link between stock remuneration for Directors who are not Outside Directors ("Eligible Directors") and the stock value and business results of the Bank.

Moreover, in accordance with a resolution passed by the 135th Annual General Meeting of Shareholders held in June 2020, each Eligible Director waived the rights to unexercised portions of share subscription rights that were previously granted as part of the stock remuneration-type stock option plan, and subsequently, the Bank acquired such unexercised share subscription rights for no consideration, and allotted to each Eligible Director a number of shares of restricted stock corresponding to the number of shares subject to the unexercised share subscription rights. Similar transitional measures were implemented for Executive Officers.

In connection of these measures, during the fiscal year ended March 31, 2021, "gain on reversal of share subscription rights" of ¥274 million arising from the waiving of share subscription rights was recorded as extraordinary profit, and operational expenses of ¥183 million were recorded arising from the grant of restricted stock.

2. 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 ¥110.71 = U.S.\$1.00, the approximate exchange rate prevailing on March 31, 2021, 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.

3. Loans and Bills Discounted

(1) Loans and bills discounted at March 31, 2020 and 2021 included the following items:

Balance of loans to debtors under bankruptcy procedures as of March 31, 2020 and 2021 were ¥8,346 million and ¥8,624 million (U.S.\$77,901 thousand), respectively.

Balance of delinquent loans as of March 31, 2020 and 2021 were ¥58,245 million and ¥65,707 million (U.S.\$593,507 thousand), respectively.

Loans to debtors 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 debtors (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 debtors 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, 2020 and 2021 were ¥2,260 million and ¥1,324 million (U.S.\$11,963 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 debtors under bankruptcy procedures and the balance of delinquent loans are not included in this category.

(3) Balance of restructured loans as of March 31, 2020 and 2021 were ¥45,436 million and ¥66,013 million (U.S.\$596,271 thousand), respectively.

Restructured loans include loans which have been restructured to support the rehabilitation of certain debtors who are encountering financial difficulties, with the intention of ensuring recovery of the loans by providing easier repayment terms for the debtors (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 debtors 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 debtors under bankruptcy procedures, delinquent loans, loans past due for 3 months or more and restructured loans as of March 31, 2020 and 2021 were ¥114,289 million and ¥141,669 million (U.S.\$1,279,644 thousand), respectively.

(5) Bills discounted are accounted for as financial transactions in accordance with Industry-specific Special Committee Practical Guidance 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, 2020 and 2021 were ¥29,814 million and ¥21,905 million (U.S.\$197,865 thousand), respectively.

4. 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 ¥1,306,505 million, ¥1,423,055 million (U.S.\$12,853,906 thousand), respectively at March 31, 2020 and 2021. ¥1,241,066 million, ¥1,351,496 million (U.S. \$12,207,535 thousand), respectively, at March 31, 2020 and 2021 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.

5. 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 leasing business or securities 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 Policy 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 Guideline 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 Debtor 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, 2021 and 2020 was ¥115,386 million ¥92,918 million (U.S. \$ 1,043,461 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, 2020 and 2021 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		
	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)		
	5,500,761	5,531,306	30,544
Total assets	¥8,132,546	¥8,163,121	¥30,575
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 liabilities	¥7,777,198	¥7,777,253	¥ 54
Derivative transaction			
Derivatives to which hedge accounting is not applied	¥ 490	¥ 490	¥ —
Derivatives to which hedge accounting is applied	(456)	(456)	—
Total derivatives	¥ 33	¥ 33	¥ —
	Millions of yen		
	2021		
	Carrying Value	Market Value	Differences
1. Due from Banks	¥ 2,326,681	¥ 2,326,681	¥ —
2. Securities			
Held-to-maturity bonds	2,441	2,468	27
Available-for-sale	2,395,925	2,395,925	—
3. Loans and bills discounted	5,688,847		
Allowance for loan losses	(58,888)		
	5,629,958	5,679,509	49,550
Total assets	¥10,355,006	¥10,404,584	¥49,578
1. Deposits	¥ 7,741,661	¥ 7,741,728	¥ 67
2. Negotiable certificates of deposit	167,674	167,674	(0)
3. Payable under securities lending transaction	669,024	669,024	—
4. Borrowed money	1,291,081	1,291,081	—
Total liabilities	¥ 9,869,441	¥ 9,869,508	¥ 67
Derivative transaction			
Derivatives to which hedge accounting is not applied	¥ 474	¥ 474	¥ —
Derivatives to which hedge accounting is applied	(7,008)	(7,008)	—
Total derivatives	(¥ 6,533)	(¥ 6,533)	¥ —

	Thousands of U.S. dollars		
	2021		
	Carrying Value	Market Value	Differences
1. Due from Banks	\$21,015,998	\$21,015,998	\$ —
2. Securities			
Held-to-maturity bonds	22,050	22,301	250
Available-for-sale	21,641,454	21,641,454	—
3. Loans and bills discounted	51,385,125		
Allowance for loan losses	(531,920)		
	<u>50,853,205</u>	<u>51,300,777</u>	<u>447,572</u>
Total assets	<u>\$93,532,709</u>	<u>\$93,980,532</u>	<u>\$447,823</u>
1. Deposits	\$69,927,389	\$69,927,997	\$ 607
2. Negotiable certificates of deposit	1,514,534	1,514,533	(0)
3. Payables under securities lending transactions	6,043,040	6,043,040	—
4. Borrowed money	11,661,828	11,661,828	—
Total liabilities	<u>\$89,146,792</u>	<u>\$89,147,399</u>	<u>\$ 607</u>
Derivative transaction			
Derivatives to which hedge accounting is not applied	\$ 4,285	\$ 4,285	\$ —
Derivatives to which hedge accounting is applied	(63,303)	(63,303)	—
Total derivatives	<u>(\$ 59,018)</u>	<u>(\$ 59,018)</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 debtors' 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 debtors that are Bankrupt debtors virtually bankrupt debtors, or at Debtors 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
	2020	2021	2021
Non-listed stocks	¥2,303	¥3,247	\$29,329
Equity of subsidiaries and affiliates	587	846	7,646
Total	<u>¥2,890</u>	<u>¥4,093</u>	<u>\$36,975</u>

(Note 3)

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

	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	<u>¥2,354,009</u>	<u>¥1,207,784</u>	<u>¥855,412</u>	<u>¥527,054</u>	<u>¥994,919</u>	<u>¥1,843,992</u>

	Millions of yen					
	2021					
	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	¥2,267,382	¥ —	¥ —	¥ —	¥ —	¥ —
Securities	182,138	265,578	168,602	167,335	650,821	607,323
Held-to-maturity securities	948	1,041	409	41	—	—
National government bonds	—	—	—	—	—	—
Local government bonds	—	—	—	—	—	—
Corporate bonds	948	1,041	409	41	—	—
Others	—	—	—	—	—	—
Available-for-sale securities with maturity	181,189	264,537	168,192	167,294	650,821	607,323
National government bonds	67,500	25,000	—	—	135,000	392,000
Local government bonds	72,374	152,379	120,457	136,032	257,896	6,502
Corporate bonds	22,097	38,065	17,644	10,661	115,457	—
Others	19,217	49,091	30,090	20,600	142,466	208,821
Loans and bills discounted	1,280,125	966,279	704,708	477,905	546,118	1,608,290
Total	<u>¥3,729,646</u>	<u>¥1,231,857</u>	<u>¥873,310</u>	<u>¥645,241</u>	<u>¥1,196,939</u>	<u>¥2,215,613</u>

Thousands of U.S. dollars						
2021						
	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	\$20,480,377	\$ —	\$ —	\$ —	\$ —	\$ —
Securities	1,645,184	2,398,863	1,522,916	1,511,478	5,878,611	5,485,715
Held-to-maturity securities	8,569	9,404	3,701	374	—	—
National government bonds	—	—	—	—	—	—
Local government bonds	—	—	—	—	—	—
Corporate bonds	8,569	9,404	3,701	374	—	—
Others	—	—	—	—	—	—
Available-for-sale securities with maturity	1,636,615	2,389,459	1,519,215	1,511,103	5,878,611	5,485,715
National government bonds	609,701	225,815	—	—	1,219,402	3,540,782
Local government bonds	653,733	1,376,384	1,088,042	1,228,724	2,329,477	58,731
Corporate bonds	199,593	343,833	159,374	96,299	1,042,886	—
Others	173,587	443,426	271,797	186,078	1,286,846	1,886,201
Loans and bills discounted	11,562,869	8,728,021	6,365,352	4,316,733	4,932,871	14,527,054
Total	<u>\$33,688,431</u>	<u>\$11,126,885</u>	<u>\$7,888,269</u>	<u>\$5,828,211</u>	<u>\$10,811,483</u>	<u>\$20,012,769</u>

(Note)

Loans and bills in the above tables exclude loans and bills whose redemption amounts are impossible to estimate (¥66,592 million and ¥74,331 million (U.S.\$671,409 thousand) in 2020 and 2021, respectively), such as credit extended to debtors that are legally bankrupt, those that are effectively in similar conditions, or those that are not yet legally or substantially bankrupt but are likely to be bankrupt, as well as loans and bills with no maturity date (¥35,314 million and ¥31,088 million (U.S.\$ 280,813 thousand) in 2020 and 2021, respectively).

(Note 4)

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

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>

Millions of yen						
2021						
	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	¥7,311,204	¥389,841	¥ 33,883	¥1,891	¥4,839	¥—
Negotiable certificates of deposit	167,531	143	—	—	—	—
Payable under securities lending transaction	669,024	—	—	—	—	—
Borrowed money	918,381	204,800	167,900	—	—	—
Total	<u>¥9,066,141</u>	<u>¥594,784</u>	<u>¥201,783</u>	<u>¥1,891</u>	<u>¥4,839</u>	<u>¥—</u>

Thousands of U.S. dollars						
2021						
	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	\$66,039,242	\$3,521,289	\$ 306,055	\$17,089	\$43,712	\$—
Negotiable certificates of deposit	1,513,242	1,291	—	—	—	—
Payable under securities lending transaction	6,043,040	—	—	—	—	—
Borrowed money	8,295,375	1,849,878	1,516,574	—	—	—
Total	<u>\$81,890,900</u>	<u>\$5,372,459</u>	<u>\$1,822,630</u>	<u>\$17,089</u>	<u>\$43,712</u>	<u>\$—</u>

(Note)

The amount of demand deposit, which is a part of deposit, is included in the figure for "Due in 1 year or less."

6. Securities

(1) Market Value of Securities

Market value and valuation differences of securities as of March 31, 2020 and 2021 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 (f).

(a) Trading account securities

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Valuation gain included in income for the year	(¥2)	(¥3)	\$(27)

(b) Held-to-maturity bonds

The Bank's and its consolidated subsidiaries' investments in held-to-maturity bonds as of March 31, 2020 and 2021 were summarized as follows.

		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	—	—	—
	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	—
	Sub total	¥3,020	¥3,020	¥—
Total		¥5,633	¥5,664	¥31

		Millions of yen		
		2021		
		Carrying Value	Market Value	Differences
Securities of which market value exceed carrying value	National government bonds	¥ —	¥ —	¥ —
	Local government bonds	—	—	—
	Corporate bonds	2,431	2,458	27
	Other securities	—	—	—
	Sub total	¥2,431	¥2,458	¥27
Securities of which market value does not exceed carrying value	National government bonds	¥ —	¥ —	¥ —
	Local government bonds	—	—	—
	Corporate bonds	10	10	—
	Other securities	—	—	—
	Sub total	¥ 10	¥ 10	¥—
Total		¥2,441	¥2,468	¥27

		Thousands of U.S. dollars		
		2021		
		Carrying Value	Market Value	Differences
Securities of which market value exceed carrying value	National government bonds	\$ —	\$ —	\$ —
	Local government bonds	—	—	—
	Corporate bonds	21,960	22,210	250
	Other securities	—	—	—
	Sub total	\$21,960	\$22,210	\$250
Securities of which market value does not exceed carrying value	National government bonds	\$ —	\$ —	\$ —
	Local government bonds	—	—	—
	Corporate bonds	90	90	—
	Other securities	—	—	—
	Sub total	\$ 90	\$ 90	\$ —
Total		\$22,050	\$22,301	\$250

(c) Available-for-sale securities

		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	

		Millions of yen		
		2021		
		Carrying Value	Cost	Differences
Securities of which market value exceed cost	Stocks	¥ 171,327	¥ 84,500	¥ 86,827
	Bonds	932,692	925,104	7,588
	National government bonds	175,935	174,323	1,611
	Local government bonds	619,011	614,051	4,960
	Corporate bonds	137,745	136,729	1,016
	Other securities	320,576	299,895	20,681
	Foreign bonds	130,597	126,975	3,621
	Other securities	189,979	172,919	17,059
	Sub total	¥1,424,596	¥1,309,499	¥115,096
Securities of which market value does not exceed cost	Stocks	¥21,717	¥24,047	(2,330)
	Bonds	701,153	705,258	(4,105)
	National government bonds	503,223	506,408	(3,184)
	Local government bonds	131,225	131,587	(362)
	Corporate bonds	66,703	67,262	(558)
	Other securities	248,485	255,689	(7,203)
	Foreign bonds	192,805	196,438	(3,632)
	Other securities	55,680	59,250	(3,570)
	Sub total	¥ 971,355	¥ 984,995	(13,639)
Total	¥2,395,952	¥2,294,494	¥101,457	

		Thousands of U.S. dollars		
		2021		
		Carrying Value	Cost	Differences
Securities of which market value exceed cost	Stocks	\$1,547,532	\$ 763,256	\$ 784,275
	Bonds	8,424,644	8,356,103	68,540
	National government bonds	1,589,156	1,574,597	14,558
	Local government bonds	5,591,289	5,546,484	44,805
	Corporate bonds	1,244,199	1,235,021	9,177
	Other securities	2,895,642	2,708,834	186,808
	Foreign bonds	1,179,634	1,146,920	32,713
	Other securities	1,716,008	1,561,913	154,094
	Sub total	<u>\$12,867,820</u>	<u>\$11,828,195</u>	<u>\$1,039,624</u>
Securities of which market value does not exceed cost	Stocks	\$ 196,162	\$ 217,209	(21,046)
	Bonds	6,333,240	6,370,326	(37,085)
	National government bonds	4,545,424	4,574,190	(28,766)
	Local government bonds	1,185,307	1,188,578	(3,271)
	Corporate bonds	602,509	607,557	(5,048)
	Other securities	2,244,473	2,309,539	(65,066)
	Foreign bonds	1,741,537	1,774,352	(32,814)
	Other securities	502,936	535,187	(32,251)
	Sub total	<u>\$ 8,773,876</u>	<u>\$ 8,897,075</u>	<u>\$ (123,198)</u>
Total	<u>\$21,641,697</u>	<u>\$20,725,270</u>	<u>\$ 916,426</u>	

(d) Available-for-sale securities sold

		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>

		Millions of yen		
		2021		
		Proceeds from sales	Gains	Losses
Stocks		¥ 36,158	¥10,569	¥1,162
Bonds		46,141	275	—
National government bonds		45,761	272	—
Local government bonds		—	—	—
Corporate bonds		380	2	—
Other securities		135,973	5,220	2,261
Foreign bonds		70,929	1,424	0
Other securities		65,044	3,795	2,260
Total		<u>¥218,273</u>	<u>¥16,064</u>	<u>¥3,423</u>

	Thousands of U.S. dollars		
	2021		
	Proceeds from sales	Gains	Losses
Stocks	\$ 326,605	\$ 95,469	\$10,499
Bonds	416,781	2,486	—
National government bonds	413,342	2,460	—
Local government bonds	—	—	—
Corporate bonds	3,439	25	—
Other securities	1,228,191	47,150	20,426
Foreign bonds	640,673	12,868	6
Other securities	587,517	34,282	20,419
Total	\$1,971,578	\$145,108	\$30,925

(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 fiscal year ended March 31, 2020.

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 the 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.

There is no material reclassification for the year ended March 31, 2021.

(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 ¥53,094 million and ¥47,232 million (U.S.\$ 426,629 thousand) as of March 31, 2020 and 2021, respectively.

7. Money Held in Trust

Money Held in Trust for Trading Purposes

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Consolidated Balance Sheet Amount	¥4,368	¥4,368	\$39,457
Unrealized Gains Included in the Consolidated Statements of Income	6	—	—

Money Held in Trust for Holding Purposes..... Nil (as of March, 2020 and 2021)

Money Held in Trust for Other Purposes

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Consolidated Balance Sheet Amount	¥2,410	¥6,900	\$62,325
Cost	2,410	6,900	62,325
Differences	—	—	—
Gains	—	—	—
Losses	—	—	—

8. Valuation Difference on Available-for-sale Securities

Valuation difference on available-for-sale Securities as of March 31, 2020 and 2021 consisted of the following

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Valuation Difference	¥44,276	¥101,279	\$914,816
Available-for-sale Securities	44,276	101,279	914,816
Money Held in Trust for Other Purposes	—	—	—
Deferred Tax Liabilities	13,361	30,787	278,087
Valuation Difference, Net of Taxes	30,914	70,492	636,728
Amount Attributable to Non-controlling interests	178	—	—
Net Unrealized Gains on Available-for-sale Securities Owned by Affiliates, which is Attributable to the Parent	691	1,049	9,480
Valuation Difference on Available-for-sale Securities	31,427	71,541	646,208

9. 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							
	2020				2021			
	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>

As of March 31,	Thousands of U.S. dollars			
	2021			
	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							
	2020				2021			
	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 ..	¥30,780	¥26,098	¥285	¥285	¥34,629	¥30,150	¥308	¥308
Receipt floating								
payments fixed	30,780	26,098	(80)	(80)	34,629	30,150	(40)	(40)
	<u>¥61,561</u>	<u>¥52,196</u>	<u>¥205</u>	<u>¥205</u>	<u>¥69,258</u>	<u>¥60,300</u>	<u>¥267</u>	<u>¥267</u>

As of March 31,	Thousands of U.S. dollars			
	2021			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit
Interest rate swaps:				
Receipt fixed				
payments floating	\$312,791	\$272,334	\$2,783	\$2,783
Receipt floating				
payments fixed	312,791	272,334	(368)	(368)
	<u>\$625,582</u>	<u>\$544,669</u>	<u>\$2,414</u>	<u>\$2,414</u>

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

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

For the years ended March 31,	Millions of yen							
	2020				2021			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit	Contract amounts	Due after 1 year	Fair Value	Valuation profit
Currency futures:								
Written	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Purchased	—	—	—	—	—	—	—	—
	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>

For the year ended March 31,	Thousands of U.S. dollars			
	2021			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit
Currency futures:				
Written	\$ —	\$ —	\$ —	\$ —
Purchased	—	—	—	—
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

As of March 31,	Millions of yen							
	2020				2021			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit	Contract amounts	Due after 1 year	Fair Value	Valuation profit
Currency swaps	¥207,096	¥194,402	¥266	¥624	¥226,172	¥202,079	¥239	¥649

As of March 31,	Thousands of U.S. dollars			
	2021			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit
Currency swaps	\$2,042,927	\$1,825,300	\$2,159	\$5,866

For the years ended March 31,	Millions of yen							
	2020				2021			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit	Contract amounts	Due after 1 year	Fair Value	Valuation profit
Forward exchange contracts:								
Written	¥ 8,332	¥ —	¥ (84)	¥ (84)	¥3,862	¥ —	¥ (167)	¥ (167)
Purchased	8,602	—	102	102	3,608	—	135	135
	<u>¥16,934</u>	<u>¥ —</u>	<u>¥ 18</u>	<u>¥ 18</u>	<u>¥7,470</u>	<u>¥ —</u>	<u>¥ (32)</u>	<u>¥ (32)</u>
Currency options:								
Written	¥121,941	¥102,949	¥(4,540)	¥ 4,080	¥132,665	¥111,780	¥(4,598)	¥ 4,192
Purchased	121,941	102,949	4,540	(2,712)	132,665	111,780	4,598	(2,723)
	<u>¥243,882</u>	<u>¥205,898</u>	<u>¥ —</u>	<u>¥ 1,367</u>	<u>¥265,330</u>	<u>¥223,560</u>	<u>¥ —</u>	<u>¥ 1,469</u>

For the year ended March 31,	Thousands of U.S. dollars			
	2021			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit
Forward exchange contracts:				
Written	\$34,884	\$ —	\$(1,509)	\$(1,509)
Purchased	32,593	—	1,220	1,220
	<u>\$67,477</u>	<u>\$ —</u>	<u>\$ (289)</u>	<u>\$ (289)</u>
Currency options:				
Written	\$1,198,315	\$1,009,665	\$(41,539)	\$ 37,866
Purchased	1,198,315	1,009,665	41,539	(24,596)
	<u>\$2,396,630</u>	<u>\$2,019,330</u>	<u>\$ —</u>	<u>\$ 13,270</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

For the years ended March 31,	Millions of yen							
	2020				2021			
	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)	¥—	¥ 5,830	¥—	¥(79)	¥—
Purchased	2,000	—	27	—	5,830	—	79	—
	<u>¥4,000</u>	<u>¥—</u>	<u>¥—</u>	<u>¥—</u>	<u>¥11,660</u>	<u>¥—</u>	<u>¥—</u>	<u>¥—</u>

For the year ended March 31,	Thousands of U.S. dollars			
	2021			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit
Earthquake derivative				
Written	\$ 52,660	\$—	\$(716)	\$—
Purchased	52,660	—	716	—
	<u>\$105,320</u>	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>

(Note)

Since it is recognized that it is extremely difficult to calculate a fair value of the above transactions, the acquisition price is used as the fair value.

- (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

As of March 31,	Hedged items	Millions of yen					
		2020			2021		
		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>

As of March 31,	Hedged items	Thousands of U.S. dollars		
		2021		
		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>

As of March 31,		Hedged items	Millions of yen					
			2020			2021		
			Contract amounts	Due after 1 year	Fair Value	Contract amounts	Due after 1 year	Fair Value
Exceptional treatment:	Interest rate swaps:	Loan	¥23,815	¥21,133		¥23,033	¥19,410	
	Receipt fixed payments floating		—	—	*note	—	—	*note
	Receipt floating payments fixed		23,815	21,133		23,033	19,410	
	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".

As of March 31,		Hedged items	Thousands of U.S. dollars		
			2021		
			Contract amounts	Due after 1 year	Fair Value
Exceptional treatment:	Interest rate swaps:	Loan	\$208,054	\$175,326	
	Receipt fixed payments floating		—	—	*note
	Receipt floating payments fixed		208,054	175,326	
	Total		\$ —	\$ —	

1. The Bank mainly treats them under the deferred method of hedge accounting based on Industry-specific Special Committee Practical Guidance 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

As of March 31,		Hedged items	Millions of yen					
			2020			2021		
			Contract amounts	Due after 1 year	Fair Value	Contract amounts	Due after 1 year	Fair Value
Standard treatment:	Currency swaps:	Call loans, Loans, Bonds and Foreign exchange	¥114,271	¥59,856	¥ (489)	¥138,387	¥77,497	¥(6,781)
	Forward exchange contracts:		3,309	—	32	7,267	—	(227)
Deferred method:	Currency swap:	—	—	—	—	—	—	—
	Forward exchange contracts:	—	—	—	—	—	—	—
	Total		—	—	¥ (456)	¥ —	¥ —	¥(7,008)

As of March 31,		Hedged items	Thousands of U.S. dollars		
			2021		
			Contract amounts	Due after 1 year	Fair Value
Standard treatment:	Currency swaps:	Call loans, Loans, Bonds and Foreign exchange	\$1,250,000	\$700,000	\$(61,251)
	Forward exchange contracts:		65,648	—	(2,052)
Deferred method:	Currency swap:	—	—	—	—
	Forward exchange contracts:	—	—	—	—
	Total		\$ —	\$ —	\$(63,303)

1. The Bank mainly applies the deferred method of hedge accounting based on Industry-specific Special Committee Practical Guidance 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, 2021)

(f) Bond Related Transactions Nil (as of March 31, 2021)

10. Comprehensive income

Amounts of recycling and tax effects on other comprehensive income

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Net unrealized gains (losses) on securities, net of tax:			
Items recognized during the year	¥(58,608)	¥ 73,335	\$ 662,409
Amounts of recycling	(8,439)	(16,153)	(145,911)
Before tax effect adjustment	(67,048)	57,181	516,497
Tax effects	20,440	(17,425)	(157,398)
Net unrealized gains (losses) on securities, net of tax	(46,608)	39,755	359,098
Deferred hedge gains (losses):			
Items recognized during the year	(2,937)	(930)	(8,407)
Amounts of recycling	2,719	1,072	9,689
Before tax effect adjustment	(217)	141	1,282
Tax effects	66	(43)	(391)
Deferred hedge gains (losses)	(151)	98	891
Foreign currency translation adjustments:			
Items recognized during the year	(57)	(26)	(242)
Amounts of recycling	—	(100)	(910)
Before tax effect adjustment	(57)	(127)	(1,152)
Tax effects	—	—	—
Foreign currency translation adjustments	(57)	(127)	(1,152)
Remeasurements of defined benefit plans			
Items recognized during the year	(8,358)	15,256	137,809
Amounts of recycling	163	1,907	17,230
Before tax effect adjustment	(8,194)	17,164	155,039
Tax effects	2,499	(5,235)	(47,287)
Remeasurements of defined benefit plans	(5,695)	11,929	107,752
Share of other comprehensive income of entities and affiliates accounted by the equity method			
Items recognized during the year	6	358	3,233
Amounts of recycling	—	—	—
Before tax effect adjustment	6	358	3,233
Tax effects	—	—	—
Share of other comprehensive income of entities and affiliates accounted by the equity method	6	358	3,233
Total other comprehensive income	¥(52,506)	¥ 52,014	\$ 469,823

11. Property and equipment

Depreciation was computed using the declining-balance method. Property and equipment as of March 31, 2020 and 2021 were expressed at net of the following accumulated depreciation.

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
	¥67,953	¥68,323	\$617,139

Deferred gain on real estate deductible for tax purposes amounted to ¥3,823 million and ¥3,823 million (U.S. \$34,534 thousand) on March 31, 2020 and 2021, respectively.

12. Assets Pledged

Assets pledged as collateral as of March 31, 2020 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Securities	¥656,443	¥1,511,695	\$13,654,556
Loan	—	882,257	7,969,087
Other	1,000	1,000	9,032
Total	¥657,443	¥2,394,953	¥21,632,677

Liabilities related to the above pledged assets as of March 31, 2020 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Deposits	¥ 94,950	¥ 285,301	\$ 2,577,017
Payables under repurchase agreements	18,402	4,992	45,093
Payables under securities lending transactions	91,131	669,024	6,043,040
Borrowed money	479,171	1,288,867	11,641,830
Other	242	212	1,915

In addition, the following was pledged as collateral for settlements of exchange or margins for futures transactions as of March, 2020 and 2021.

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Securities	¥31,205	¥ —	\$ —
Other	10,549	34,470	311,357

Guarantee deposits of ¥1,554 and ¥1,498 million (U.S.\$ 13,533 thousand) were included in Other Assets as of March 31, 2020 and 2021, respectively.

13. 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 ¥17,164 million and ¥15,872 million (U.S.\$143,372 thousand) as of March 31, 2020 and 2021, respectively

14. 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, 2020 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Balance at the beginning of the year	¥90,557	¥91,679	\$828,106
Service cost	2,292	2,210	19,962
Interest cost	360	311	2,817
Actuarial loss	1,592	(867)	(7,834)
Retirement benefits paid	(3,123)	(3,008)	(27,175)
Prior service cost	—	—	—
Other	—	—	—
Balance at the end of the year	¥91,679	¥90,325	\$815,874

(Note)

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

The changes in plan assets during the year ended March 31, 2020 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Balance at the beginning of the year	¥87,181	¥81,409	\$735,338
Expected return on plan assets	2,031	1,898	17,147
Actuarial loss	(6,766)	14,389	129,974
Contributions by the Bank	966	924	8,353
Retirement benefits paid	(2,003)	(2,033)	(18,365)
Other	—	—	—
Balance at the end of the year	<u>¥81,409</u>	<u>¥96,588</u>	<u>\$872,448</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
	2020	2021	2021
Funded retirement benefit obligation	¥ 91,679	¥ 90,325	\$ 815,874
Plan assets at fair value	(81,409)	(96,588)	(872,448)
	10,270	(6,263)	(56,573)
Unfunded retirement benefit obligation	—	—	—
Net liability (asset) for retirement benefits in the balance sheets	<u>10,270</u>	<u>(6,263)</u>	<u>(56,573)</u>
Net defined liability	10,521	368	3,325
Net defined asset	(251)	(6,631)	(59,899)
Net liability (asset) for retirement benefits in the balance sheets	<u>¥ 10,270</u>	<u>¥ (6,263)</u>	<u>\$ (56,573)</u>

Components of retirement benefit expense for the year ended March 31, 2020 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Service cost	¥ 2,292	¥ 2,210	\$ 19,962
Interest cost	360	311	2,817
Expected return on plan assets	(2,031)	(1,898)	(17,147)
Amortization of actuarial loss	163	1,907	17,230
Amortization of prior service costs	—	—	—
Other	17	18	171
Retirement benefit expense associated with defined benefit plans	<u>¥ 802</u>	<u>¥ 2,549</u>	<u>\$ 23,033</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
	2020	2021	2021
Prior service cost	¥ —	¥ —	\$ —
Actuarial gain	(8,194)	17,164	155,039
Other	—	—	—
Total	<u>¥(8,194)</u>	<u>¥17,164</u>	<u>\$155,039</u>

Remeasurements of defined benefit plans were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Unrecognized prior service cost	¥ —	¥ —	\$ —
Unrecognized actuarial loss	13,729	(3,435)	(31,029)
Other	—	—	—
Total	¥13,729	¥(3,435)	\$(31,029)

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2020 and 2021 were as follows:

	2020	2021
Bonds	20.5%	17.3%
Stock	39.9%	49.0%
Life insurance company general accounts	21.0%	17.9%
Cash and due from banks	11.3%	1.8%
Other	7.3%	14.0%
Total	100.0%	100.0%

(Note)

Total plan assets included retirement benefit trust of 35.7% and 36.6% as of March 31, 2021 and 2020, 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:

	2020	2021
1) Discount rates		
Welfare pension plan	0.3%	0.5%
Retirement lump-sum payment plan	0.2%	0.3%
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	3.9%	3.9%

Defined contribution plan

Amount of contributions required for defined contribution plans at consolidated subsidiaries for the year ended March 31, 2020 and 2021 is ¥11 million and ¥11 million (U.S.\$99 thousand), respectively.

15. 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 2020 and 2021 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Cash and Due from Banks	¥845,309	¥2,326,681	\$21,015,998
Interest-bearing Deposits included in Due from Banks (excluding Due from BO)	(3,923)	(1,777)	(16,056)
Cash and Cash Equivalents	¥841,386	¥2,324,903	\$20,999,942

16. Lease Transactions

a. Lessee

Operating leases

Total future lease payments under non-cancelable operating leases at March 31, 2020 and 2021 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
With one year	¥ 86	¥ 78	\$ 713
Over one year	423	380	3,439
Total	¥ 509	¥ 459	\$4,152

b. Lessor

Leased investment asset at March 31, 2020 and 2021 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Lease receivables	¥46,164	¥45,171	\$408,017
Estimated residual value	7,244	7,738	69,901
Interest income	(5,400)	(5,264)	(47,548)
Total	¥48,009	¥47,646	\$430,370

The lease receivable amount at March 31, 2020 and 2021, 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
	2020	2020
within 1 year	¥3,033	¥13,665
over 1 year and within 2 years	2,540	11,270
over 2 years and within 3 years	1,994	8,579
over 3 years and within 4 years	1,382	6,113
over 4 years and within 5 years	763	3,409
over 5 years	873	3,124

	Lease receivables		Lease investment assets	
	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
	2021	2021	2021	2021
within 1 year	¥3,321	\$30,002	¥13,897	\$125,527
over 1 year and within 2 years	2,789	25,194	11,151	100,731
over 2 years and within 3 years	2,184	19,729	8,502	76,803
over 3 years and within 4 years	1,555	14,046	5,665	51,176
over 4 years and within 5 years	815	7,363	3,154	28,493
over 5 years	770	6,963	2,799	25,284

17. 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, 2020 and 2021 consisted of:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Deferred tax assets:			
Allowance for loan losses	¥ 12,064	¥ 17,134	\$ 154,768
Net defined benefit liability	4,935	4,988	45,057
Devaluation loss on securities	513	515	4,652
Depreciation	486	445	4,023
Other	10,075	5,163	46,643
Subtotal	28,075	28,247	255,145
Valuation allowance	(3,240)	(3,585)	(32,384)
Total: Deferred tax assets	24,834	24,661	222,760
Deferred tax liabilities:			
Net unrealized gains on securities available for sale	(13,361)	(30,787)	(278,087)
Retirement benefit trust	(2,467)	(2,470)	(22,313)
Other	(467)	(469)	(4,239)
Total: Deferred tax liabilities	(16,297)	(33,726)	(304,641)
Net: Deferred tax assets (liabilities)	¥ 8,537	¥ (9,065)	\$ (81,881)

The reconciliation between the Japanese statutory tax rate and the Bank's effective tax rate for the year ended March 31, 2020 and 2021 is as follows:

Details of the difference between the Japanese statutory tax rate and the Bank's effective tax rate after tax effective accounting, have been omitted, as this difference does not exceed 5% of the statutory tax rate.

18. Segment Information

a. Segment information by category of business

Segment information by category of business for the years ended or as of March 31, 2020 and 2021 is summarized as follows:

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, 2021	Millions of yen						
	Banking	Lease	Sub total	Others	Total	Adjustment	Consolidated
Ordinary income generated from businesses with							
External customers	¥ 106,916	¥ 30,552	¥ 137,469	¥ 5,847	¥ 143,316	¥ —	¥ 143,316
Internal units	1,146	362	1,509	1,294	2,804	(2,804)	—
	108,063	30,915	138,979	7,141	146,120	(2,804)	143,316
Segment profit	15,947	245	16,193	3,939	20,132	(50)	20,082
Segment assets	10,602,009	83,627	10,685,636	42,863	10,728,500	(112,744)	10,615,756
Segment liabilities	10,079,332	69,074	10,148,406	20,437	10,168,844	(101,180)	10,067,663
Others							
Depreciation	5,619	703	6,322	94	6,417	80	6,497
Interest and dividend income	70,070	14	70,084	11	70,096	(306)	69,790
Interest expenses	2,521	285	2,806	6	2,812	(281)	2,530
Equity in earnings of unconsolidated subsidiaries and associated companies	156	—	156	—	156	(24)	131
Extraordinary profit	278	—	278	—	278	—	278
(Gain on reversal of share subscription rights)	(274)	(—)	(274)	(—)	(274)	(—)	(274)
Extraordinary loss	552	—	552	0	552	—	552
(Losses on disposal of noncurrent assets)	(270)	(—)	(270)	(0)	(270)	(—)	(270)
(Impairment losses on of fixed assets)	(282)	(—)	(282)	(—)	(282)	(—)	(282)
Tax	4,943	86	5,029	1,278	6,308	(0)	6,307
Investment of unconsolidated subsidiaries and associated companies	145	—	145	—	145	—	145
Increase of property and equipment and intangible assets	7,545	751	8,297	74	8,372	81	8,453

Year ended or as of March 31, 2021	Thousands of U.S. dollars						
	Banking	Lease	Sub total	Others	Total	Adjustment	Consolidated
Ordinary income generated from businesses with							
External customers	\$ 965,738	\$ 275,966	\$ 1,241,705	\$ 52,814	\$ 1,294,519	\$ —	\$ 1,294,519
Internal units	10,359	3,278	13,637	11,693	25,330	(25,330)	—
	976,098	279,244	1,255,342	64,507	1,319,850	(25,330)	1,294,519
Segment profit	144,049	2,216	146,265	35,586	181,852	(452)	181,400
Segment assets	95,763,790	755,375	96,519,165	387,170	96,906,336	(1,018,373)	95,887,962
Segment liabilities	91,042,653	623,920	91,666,573	184,607	91,851,180	(913,928)	90,937,252
Others							
Depreciation	50,759	6,350	57,110	856	57,966	724	58,691
Interest and dividend income	632,917	129	633,047	107	633,154	(2,767)	630,387
Interest expenses	22,773	2,577	25,351	55	25,407	(2,545)	22,861
Equity in earnings of unconsolidated subsidiaries and associated companies	1,411	—	1,411	—	1,411	(222)	1,189
Extraordinary profit	2,514	—	2,514	—	2,514	—	2,514
(Gain on reversal of share subscription rights)	(2,476)	(—)	(2,476)	(—)	(2,476)	(—)	(2,476)
Extraordinary loss	4,989	—	4,989	2	4,992	—	4,992
(Losses on disposal of noncurrent assets)	(2,442)	(—)	(2,442)	(1)	(2,443)	(—)	(2,443)
(Impairment losses on of fixed assets)	(2,547)	(—)	(2,547)	(—)	(2,547)	(—)	(2,547)
Tax	44,656	777	45,434	11,544	56,978	(8)	56,969
Investment of unconsolidated subsidiaries and associated companies	1,312	—	1,312	—	1,312	—	1,312
Increase of property and equipment and intangible assets	68,157	6,792	74,949	676	75,626	731	76,357

(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 ¥(50) million (U.S.\$(452) thousand) was elimination of intersegment transactions.
 - Adjustment for segment assets of ¥(112,744) million (U.S.\$(1,018,373)thousand) was elimination of intersegment transactions.
 - Adjustment for segment liabilities of ¥(101,180) million (U.S.\$(913,928)thousand) was elimination of intersegment transactions.
 - Adjustment for depreciation of ¥80 million (U.S.\$724 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 ¥(306) million (U.S.\$(2,767)thousand), adjustment for interest expenses of ¥(281) million (U.S.\$(2,545)thousand), adjustment for equity in earnings of unconsolidated subsidiaries and associated companies of ¥(24) million (U.S.\$(222) thousand) and adjustment for tax of ¥(0) million (U.S.\$(8)thousand) were elimination of intersegment transactions.
 - Adjustment for increase of tangible fixed asset and intangible fixed asset of ¥81 million (U.S.\$731 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.

19. 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	\$111	—	—
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	111	—	—

(Note)

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

Transactions between the Bank and its executives or major (individual) shareholders, etc. in the year ended March 31, 2021 were as follows:

Type	Name	Description of business or occupation	Voting rights ownership ratio	Relationship with related party	Transaction detail	Transaction amount		Account name
						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)	¥94	\$855	—
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)	45	411	—
Executive	Nobuyuki Horie	Director and Deputy President of the Bank	Directly owns 0.0% of the Bank's voting rights	—	Capital contribution in kind of monetary remuneration claims (Note)	47	429	—

(Note)

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

Transaction detail above includes capital contribution in kind of monetary remuneration claims arising from the measures to transfer share subscription rights granted as share remuneration-type stock options to restricted stock. Details of these measures are presented under Additional information.

20. Earnings per Share

	Yen		U.S. Dollars
	2020	2021	2021
Net Assets per Share of Common Stock	¥1,162.64	¥1,303.93	\$11.77
Earnings per Share of Common Stock	52.79	32.14	0.29
Diluted Earnings per Share of Common Stock	52.70	—	—

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Consolidated Net Assets	¥488,028	¥548,093	\$4,950,709
Deduction from Nets Assets	287	—	—
Less: Subscription Rights to Shares	287	—	—
Consolidated Net Assets Attributable to Common Shareholders	487,454	548,093	4,950,709

	Thousands of Stocks	
	2020	2021
Number of Shares of Common Stock. Used for Calculating Net Assets per Share	419,512	420,339

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, 2021				
Basic EPS				
Earnings available to Common Shareholders	¥13,501	420,087	¥32.14	\$0.29
Effect of Dilutive Warrants		—		
Diluted EPS	¥13,501		¥ —	\$ —

3. Diluted earnings per share of common stock for the fiscal year ended March 31, 2021 is omitted as there are no dilutive shares, etc.

21 Consumption tax

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

22. 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, 2021 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	435,888	—	—	435,888
Total	435,888	—	—	435,888
Treasury shares				
Common stock	16,375	2	829	15,548
Total	16,375	2	829	15,548

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	\$26,525	¥7.0	\$0.06	March 31, 2019	June 26, 2019
Directors' meeting held on November 25, 2019	Common stock	¥2,516	\$22,780	¥6.0	\$0.05	September 30, 2019	December 6, 2019

The following dividends were paid in the year ended March 31, 2021:

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 24, 2020	Common stock	¥2,936	\$26,525	¥7.0	\$0.06	March 31, 2020	June 25, 2020
Directors' meeting held on November 5, 2020	Common stock	¥2,522	\$22,780	¥6.0	\$0.05	September 30, 2020	December 4, 2020

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	\$26,525	Retained earnings	¥7.0	\$0.06	March 31, 2020	June 25, 2020

Dividends whose record date is attributable to the year ended March 31, 2021 but which are effective after March 31, 2021

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, 2021	Common stock	¥2,942	\$26,577	Retained earnings	¥7.0	\$0.06	March 31, 2021	June 25, 2021

23. Stock Options

Not applicable.

Details of the measures to transfer share subscription rights granted as share remuneration-type stock options to restricted stock are presented under (Additional information) in Notes to Consolidated Financial Statements.

24. Corporate bonds

Corporate bonds include subordinated corporate bonds in the amount of ¥50,000 million and ¥50,000 million (U.S.\$451,630 thousand) as of March 31, 2020 and 2021, respectively.

25. 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, 2021, 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, 2021, 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

The determination of the debtor classification for the purpose of determining the allowance for loan losses, and the allowance for loan losses by the discounted cash flow method (“the DCF method”) and the cash flow deduction method

Description of Key Audit Matter	Auditor’s Response
<p>The Group is engaged in the banking business primarily in Gunma Prefecture which is its main business base, of which the lending business is the core business activity.</p> <p>The collectability of loans recorded by the Group is affected by changes in economic trends in local areas, changes in the price of real estate and stock prices, and the business circumstances of debtors. As a result, there is a possibility of default by debtors. As such, the Group calculates the amount of expected losses on default and records it as an allowance for loan losses.</p> <p>The allowance for loan losses included in the consolidated balance sheet at the end of the fiscal year was ¥ 63,028 million as described in Section h “Allowance for loan losses” and (Significant accounting estimates) of Note 1 “Summary of Significant Accounting Policies” to the consolidated financial statements.</p> <p>The allowance for loan losses is calculated in accordance with the Group's predetermined guidelines for self-assessment and write-offs and allowances. The calculation process includes the determination of the debtor classification which is determined by assessing the relevant debtor's ability to repay loans based on its repayment status, financial position, business performance, and future prospects of debtors, and the provisioning of the allowance for loan losses by the DCF method and the cash flow deduction method.</p> <p>In determining the debtor classification, the Group considers as a major assumption the outlook for debtors’ future business performance. In particular, when assessing the appropriate classification of a debtor whose repayment status, financial position, or</p>	<p>In considering the appropriateness of the determination of the debtor classification and the appropriateness of the allowance for loan losses by the DCF method and the cash flow deduction method, our audit procedures consisted primarily of the following:</p> <ul style="list-style-type: none"> • We assessed the Group’s internal controls over the Group's debtor classification process. The controls tested included but were not limited to those controls over the accuracy and completeness of the schedules used in determining the debtor classification and controls over the underlying credit rating data. Also, we assessed the Group’s internal controls over the process of estimating the future cash flows used in the DCF method and the cash flow deduction method. • We selected a sample of debtors by taking into account the type of business, the repayment status, financial position, the degree of deterioration in their business performance and potential credit risk estimated from external disclosure information. We also considered monetary impact of the changes in debtor's classification on the amount recorded in the allowance for loan losses.

<p>business performance is deteriorating, factors such as the reasonableness and feasibility of the business improvement plan, which embodies the prospects for improvement in the future, are important in making the relevant judgments. The reasonableness and feasibility of the business improvement plans are affected by changes in the business environment surrounding the debtor and the success or failure of the debtor's business strategy. Therefore, they are highly uncertain and highly dependent on management judgement.</p> <p>In addition, to respond to future uncertainties, the scope of the DCF method and the cash flow deduction method was expanded and an additional allowance for loan losses amounting to ¥ 2,544 million was recorded for the fiscal year. Therefore, the estimation of the future cash flows has a significant impact on the calculation of the allowance for loan losses by the DCF method and the cash flow deduction method. In particular, the repayment schedule based on the business improvement plans included in the future cash flows estimation is based on management's evaluation of the reasonableness and feasibility of business improvement plans. Therefore, estimating the future cash flows is highly uncertain and dependent on management judgement.</p> <p>In particular, during the fiscal year, the impact of the COVID-19 pandemic was widespread in the local economy, including Gunma Prefecture, not only in the tourism, food and beverage, service industries, but also in the construction and manufacturing industries. Depending on the time when the COVID-19 pandemic will be contained, there is a possibility that the business circumstances of debtors may change and hence there is a situation in which the relative uncertainty is increasing.</p> <p>Accordingly, in view of the significance of the potential impact on the consolidated financial statements, we have identified the determination of the debtor classification for</p>	<ul style="list-style-type: none"> • In order to evaluate sampled debtors' recent repayment status, financial position, business performance and the impact of the COVID-19 pandemic, we inspected a set of materials related to the Group's self-assessment, such as explanatory materials including a description of the business, borrowing and repayment status, research materials providing an understanding of substantial financial position, financial statements, and the trial balance. In addition, we made inquiries of the department in charge of the loans as necessary to confirm our understanding. We also compared financial analysis with other companies in the same industry, and examined related materials such as tax reports, and examined consistency with external publications such as external ratings and IR information. • In order to examine the reasonableness and feasibility of business improvement plans that embody the future outlook for repayment status, financial position, and business performance, we analyzed the trends from past results of the major profit and loss items such as sales, cost of sales, selling, general and administrative expenses of the debtors, and evaluated the precision of the Group's past estimate based on the extent to which the debtors had historically achieved its previous business improvement plans. We evaluated the impact of the COVID-19 pandemic on business performance of the debtors, and made comparison with relevant market and industry information, such as performance trends of other companies in the same industry and analyst reports for industry. We also discussed with the department in charge of loans.
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<p>the purpose of determining the allowance for loans losses, particularly with respect to debtors displaying a deterioration in repayment status, financial position or business performance, and the allowance for loan losses by the DCF method and the cash flow deduction method as a Key Audit Matter.</p>	<ul style="list-style-type: none"> • In order to examine the accuracy and completeness of the scope of the DCF method and the cash flow deduction method in accordance with the Group's predetermined guidelines, we reperformed the selection of debtors subject to these methods from the list of debtors at the end of the fiscal year. • In order to evaluate the repayment schedule included in the estimation of the future cash flows for the debtors to which the DCF method or the cash flow deduction method are applied, we agreed it with the repayment schedule of the business improvement plan, or compared it with the actual repayment amount.
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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.

From the matters communicated with the Corporate Auditor and the Board of Corporate Auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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, 2021 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 2 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

June 18, 2021

岩部俊夫 ⑩

/s/ Toshio Iwabu
Designated Engagement Partner
Certified Public Accountant

川口輝朗 ⑩

/s/ Teruaki Kawaguchi
Designated Engagement Partner
Certified Public Accountant

日下部惠美 ⑩

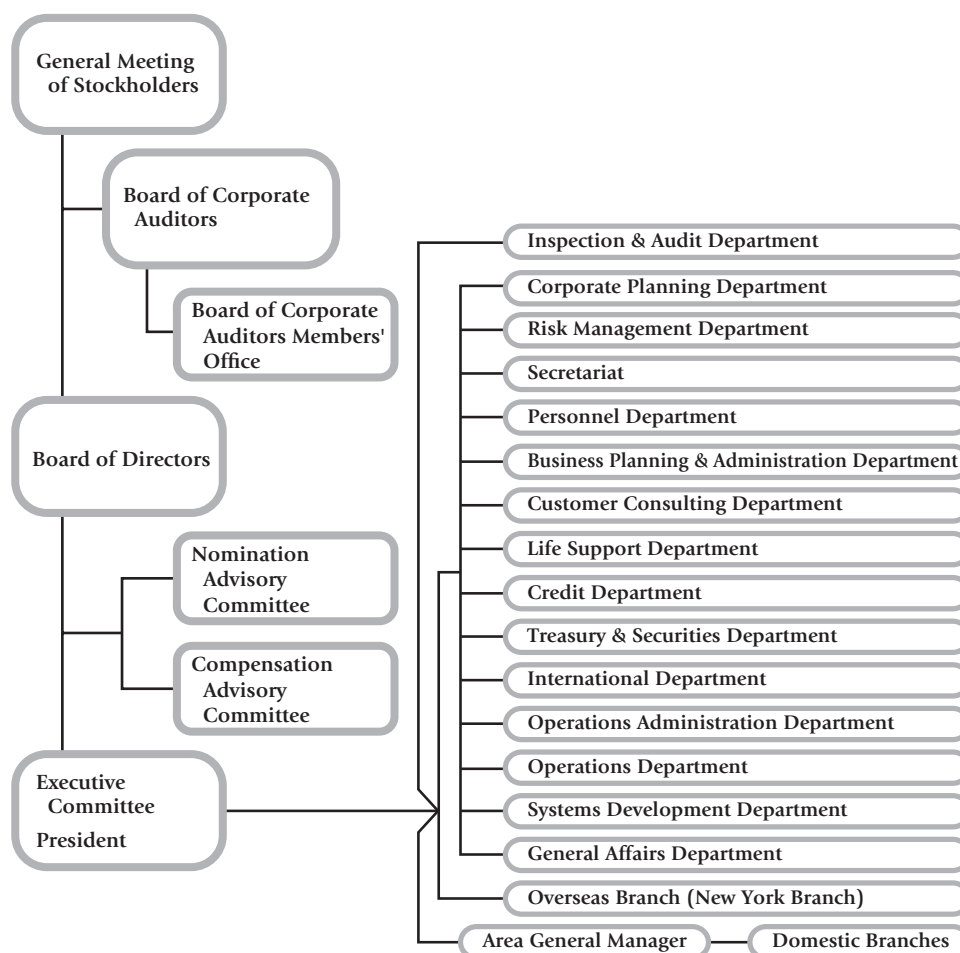
/s/ Emi Kusakabe
Designated Engagement Partner
Certified Public Accountant

Major Shareholders

(As of 31st March, 2021)

	Number of shares held (in thousands)	%
The Master Trust bank of Japan, Ltd. (Account in trust)	29,024	6.90
Custody Bank of Japan, Ltd. (Account in trust)	21,069	5.01
Gunma Bank Employees' Shareholding Association	13,146	3.12
Meiji Yasuda Life Insurance Company	11,056	2.63
Sumitomo Life Insurance Company	10,657	2.53
Custody Bank of Japan, Ltd. (Account in trust 4)	8,117	1.93
Nippon Life Insurance Company	7,608	1.81
Toyo Seikan Group Holdings, Ltd.	7,330	1.74
Custody Bank of Japan, Ltd. (Account in trust 9)	6,970	1.65
Custody Bank of Japan, Ltd. (Account in trust 5)	6,224	1.48
Total	121,204	28.83

Organization Chart



(As of 24th June, 2021)



The Gunma Bank, Ltd.

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Gunma 371-8611, Japan

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