



Annual Report 2015

Year Ended 31st
March, 2015

 Gunma Bank

A Leading Regional Bank

Since its establishment in 1932, The Gunma Bank, Ltd. has played the role of a leading regional financial institution in Gunma Prefecture and neighboring areas. Under its basic philosophy of "Dedication to Sound Development of Local Communities," the Bank has given top priority to the growth of regional society.

Solid Operational Base

As of 31st March, 2015, the Bank and consolidated subsidiaries had assets totaling ¥7,550.9 billion (US\$62.8 billion) and net assets of ¥523.5 billion (US\$4.4 billion). The Bank's consolidated capital adequacy ratio according to the BIS standards was 13.45%. Today, the Bank is one of the most distinguished regional banks in Japan.

1) Non-Japanese Rating Agencies

	Long-term	Short-term
Moody's	A2	P-1
S & P	A	A-1

2) Japanese Rating Agencies

R & I (Rating and Investment Information, Inc.)	A+
JCR (Japan Credit Rating Agency, Ltd.)	AA

(As of 30th June, 2015)

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Consolidated Financial Highlights

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2014	2015	2015
<i>Fiscal Years Ended 31st March, 2014 and 2015</i>			
For the Fiscal Year			
Total Income	¥ 130,563	¥ 132,652	\$ 1,103,877
Total Expenses	95,853	91,652	762,694
Income before Income Taxes and Minority Interest.....	34,709	40,999	341,183
Net Income	19,894	25,910	215,619
At Year-End			
Total Assets	¥ 7,141,671	¥ 7,550,949	\$ 62,835,558
Deposits (including Negotiable CDs)	6,092,029	6,255,357	52,054,237
Loans and Bills Discounted	4,552,403	4,806,908	40,000,904
Securities	2,226,096	2,320,706	19,311,861
Common Stock	48,652	48,652	404,862
Total Net Assets	467,798	523,535	4,356,626
Ratios			
Net Assets per Share (Yen)	¥ 988.84	¥ 1,146.98	
Net Income per Share (Yen)	42.58	56.37	
Return on Equity	4.43%	5.33%	
Price Earnings Ratio	13.20(times)	14.40(times)	
Capital Adequacy Ratio (BIS Standards)	13.55%	13.45%	
Tier I	11.82%	11.82%	

(US\$1 = ¥120.17) See Note 4 of Notes to Consolidated Financial Statements

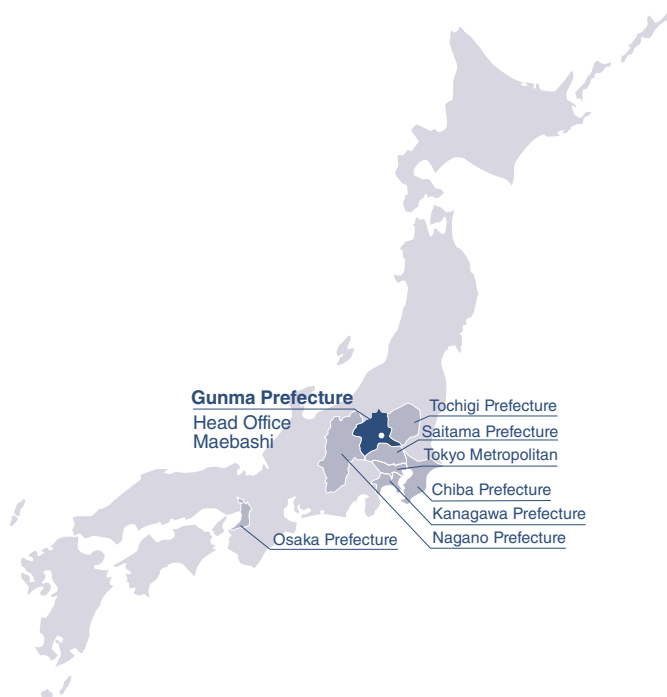
Corporate Philosophy

Dedication to Sound Development of Local Communities
This is our main business activity.

■
Establishment of Creative Relations with Customers
This is the foundation of our activities.

■
Good Citizenship Yields Good Businesspersons
This is the basis of our operations.

■
Liberal Organization Allowing Our Staff to Develop Creative Ideas and Activities
This is the kind of corporate culture we believe in.



Message from the Management



I would like to express our sincere appreciation for your continuing patronage of the Gunma Bank. Since its establishment in 1932, the Bank has, throughout the many intervening social and economic changes, played the role of a leading regional bank, always giving consideration to the development of local communities through its activities, while strengthening its management culture and creating the foundation the Bank has today. This has been entirely thanks to the warm understanding and support of all of our clients and customers, to whom we offer our deepest gratitude.

With regard to the economic outlook in Japan, while attention must be paid to economic trends in emerging nations and resource-rich nations, and developments in the European debt crisis, the economy is expected to recover moderately as the employment and income situation continues on an improvement trend. Meanwhile, the environment surrounding regional financial institutions is becoming even more severe, including signs of movement toward management integration of regional banks amid changes in the social structure due to the maturation of domestic industries and advancement in the declining birthrate and aging of the population.

In this financial and economic environment, we entered the final year of the three-year mid-term business plan that started in April 2013: "V-Plan – Evolution to the bank for proposals with value," and we have

been implementing various measures to realize the corporate image targeted under the plan of being "the leading regional bank offering customers proposals with value."

As part of our initiatives towards our corporate customers, we have been enhancing consulting functions to match the life stage of each customer, including providing support for our customers' growth and meeting their overseas expansion needs, as well as enhancing corporate rehabilitation support. Specifically, we are stepping up our corporate support through efforts such as launching the "SME Revitalization Support Service," which selects and dispatches experts who can appropriately carry out support for the core business of SMEs; holding the "Gunma Bank New Senior Leader Exchange Meeting," which matches SMEs with former employees of large companies, etc. who have extensive knowledge and experience; establishing the "Gunma Bio-engineering Company Partnership Revitalization Fund," which supports companies engaged in healthcare-related manufacturing; and furthermore, setting up the "Gunma Bank Business Support Fund," which supports the commercialization of new business plans through the "Gunma Bank Business Support Grand Prize." With regard to new branches, the Ogikubo Branch was opened as the seventh location within Tokyo Metropolitan area. In addition, we have further enhanced our overseas development support system by conducting a new business partnership with a major commercial bank in Singapore.

As for our individual customers, we are working to reinforce our personalized marketing and enhance our consulting functions to match the life stage of each customer. Specifically, we are providing financial instruments that respond to the life plans and needs of customers by expanding our line-up of investment trusts in conjunction with the commencement of "NISA (the Japanese version of the ISA, tax exemption for small amount investment)," and by stepping up our efforts to promote housing loans and building up unsecured consumer loans. With regard to activities to contribute to regional society, we are implementing a range of initiatives mainly aimed at promoting local tourism, such as the launch of "Silk Heritage of Gunma," an investment trust in which a portion of management fees (custodial fees) is donated to activities to safeguard the Tomioka Silk Mill and Related Sites in conjunction with its registration as a World Heritage site.

As measures to enhance profitability, we will reinforce loan management and build up the fee business, and will strengthen unsecured consumer loans and corporate service fee transactions in addition to our three main fields of loans to SMEs, loans to individuals and sales of financial assets under custody. Furthermore, we will strive to open new branches and expand loan stations in growth markets.

In addition, we are pursuing low cost operations through efforts to reduce costs, mainly non-personnel expenses, and increase operational efficiency by reviewing the business processing system. At the same time, we will continue promoting reinforcement of the compliance system and enhancement of customer protection management system, as well as upgrading the risk management system.

By realizing these initiatives one by one, we hope to respond to the needs of our customers, our shareholders, our employees, and everyone in the community as a leading regional bank. We humbly ask for your continuing support in the years ahead.

July 2015

A handwritten signature in blue ink that reads "K. Saito".

Kazuo Saito
President

2013 Mid-Term Business Plan

2013 Mid-Term Business Plan: “V-Plan –Evolution to the Bank for Proposals with Value”

The Gunma Bank has launched its 2013 mid-term business plan: “V-Plan – Evolution to the bank for proposals with value” for the three-year period from April 2013 to March 2016.

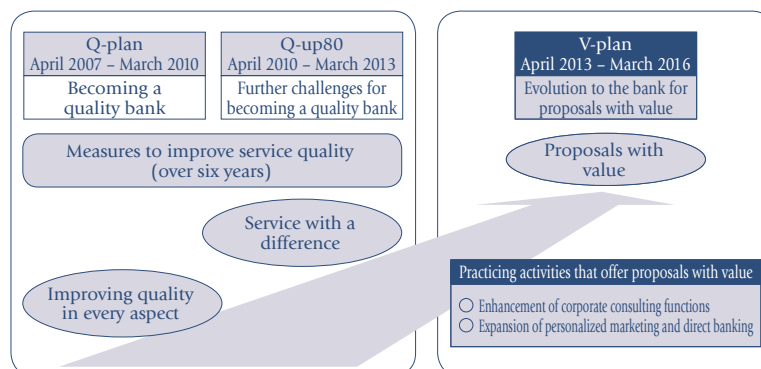
Concept / Name

Under the plan, we will continue the “Improvement of quality of service” that we have been working on to date, while evolving our basic concept to “Proposals with value” in our endeavor to achieve even greater competitiveness.

Desired Corporate Image

“The leading regional bank offering customers proposals with value”

Basic Concept



“Proposals with value” means making proposals with value unique to the Bank, based on the understanding of customer needs. As a regional financial institution, we recognize the importance of always sharing our customers’ point of view when assessing issues and determining solutions, and will proactively make attractive proposals for our customers.

● Basic Policies and Strategic Direction

Four Basic Policies

Increasing capacity to offer proposals with value

- Enhancement of corporate consulting functions
 - Strengthening of support for growth
 - Response to overseas expansion needs
 - Full corporate rehabilitation support
- Expansion of personalized marketing and direct banking
 - Reinforcement of marketing and enhancement of consulting
 - Expansion of direct banking
- Clarification of regional strategy and reinforcement of capacities at sales locations
- Reinforcement of loan management and buildup of fee business

Strengthening the operational base and pursuing increased operational efficiency

- Reinforcement of IT strategy and enhancement of system infrastructure
- Establishment of low cost operations
- Upgrade of risk management
- Strengthening of market management capacity
- Efforts to enhance capital adequacy and increase shareholders’ value

Bolstering human resources development and improving organizational vigor

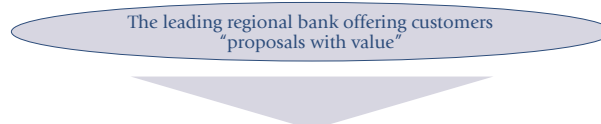
- Human resources development for stronger proposal capacity
- Effective use of diverse human resources for a more vigorous organization

Contributing to regional society

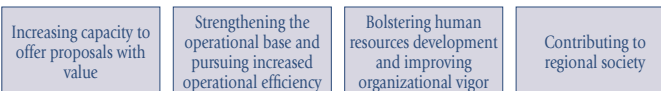
- Initiatives to revitalize the regional economy
- Environmental conservation and social contribution activities

Strategic Direction

Desired corporate image



Four basic policies



Nine basic strategies

Sales strategy	Operational base strategy
Strategy for corporate clients	IT and administration strategy
Strategy for individual clients	Operational management and capital strategy
Regional and channel strategy	Risk management strategy
Market management strategy	Organization and human resources strategy
	Contribution to regional society

● Numerical targets for the fiscal year ending March 2016

Growth potential	Retail loans outstanding at year-end	3,520.0 billion yen
Profitability	Core business gross profit	96.0 billion yen
	Core business net profit	36.0 billion yen
	Net profit	19.0 billion yen

Efficiency	Core business net profit ROA	Approx. 0.5%
	OHR	Approx. 62%
Soundness	Consolidated Common Equity Tier 1 ratio	Approx. 13.5%

Sales Strategy

We will work toward the enhancement of business support by strengthening our consulting function adapted to life stages of client companies, through efforts including responding to growth support and needs for overseas development and enhancing support for corporate rehabilitation.

Holding Overseas Development Support Seminars

Overseas Development Support Seminars are held as needed to support overseas development by customers.

In the last fiscal year, a seminar titled “Indonesia Seminar” was held in May 2014, with an employee dispatched to a partnering bank in Indonesia as lecturer, and the “Seminar on Dealing with Halal” was held in March 2015 to provide basic knowledge of halal and to support customer efforts to attract Muslim tourists.

We will continue to provide information on overseas expansion in a timely manner and support the business opportunities overseas of our customers.

Participating in Business Conferences Overseas

We participate actively in business conferences overseas in order to support the needs of customers to expand their procurement sources and sales destinations.

In Shanghai, the Bank attended the “FBC Shanghai 2014 (Factory Network Business Conference)” and the “China Business Seminar” organized by three Kanto-region banks (the Bank, The Bank of Yokohama, and The Joyo Bank); in Thailand, the “World Business Symposium & Mega Matching 2014” held by our partnering bank KASIKORNBANK; and in Hong Kong, the “Business Exchange Meeting for Japanese Companies in Hong Kong and South China Area,” jointly organized by 16 regional banks that have local bases.

Dispatch of “Philippine Investment Environment Observation Team”

The Bank dispatched its first overseas observation team, the “Philippine Investment Environment Observation Team,” from January 22 to 25, 2015.

The team carried out support for customers considering business development in the region, including briefings on the domestic situation in the Philippines by our partnering bank Metropolitan Bank & Trust Company, observation of the status of Japanese companies expanding into the region and implementation of business matching with local companies.

Strengthening the System of Direct Support Overseas

In July 2014, we concluded a business partnership with the United Overseas Bank in Singapore, bringing the number of our partnering banks to ten banks in seven countries (as of March 31, 2015).

We have also been developing a system for providing direct support to our customers’ overseas business locally by dispatching two employees to the KASIKORNBANK in Thailand, and one employee to Bank Negara Indonesia in Indonesia, both countries in which a particularly large number of our customers operates.

Organization and Human Resource Strategies

Along with fostering personnel so that they are equipped with expertise and practical abilities with the aim of strengthening proposal skills, we will also work to enhance organizational vitality through uncovering abilities of female personnel and supporting the senior workforce.

Cultivating Bank Employees with Specialized Expertise and Practical Abilities

Through the Gunma Bank Finance Academy, which was established with the goal of enhancing our employee education system, we are supporting our employees to acquire operational skills. The Gunma Bank Finance Academy provides training curriculums for each field of operations in order for each person in charge to acquire the necessary operational skills in a systematic manner. In addition, the Bank conducts voluntary courses available on weekends as well as visiting lecture courses, in which the instructors of the Finance Academy go to branches, etc. to give lectures.

Effective Use of Diverse Human Resources for a More Vigorous Organization Promoting Active Roles for Female Employees

We are working to develop a workplace environment where female employees can fully bring out their capabilities through systematic training programs to cultivate female managers, proactive allocation of female employees in sales promotion departments, and holding seminars to support mothers returning to the workplace after taking child-rearing leave.

Furthermore, we have set up the “Committee to Promote Active Roles for Female Employees” and are carrying out bank-wide efforts in order to promote the active participation of female employees. In addition, we will work to solve issues, such as support to continue working over various life stages, support for career development and awareness reform, from the female perspective, by launching the “Female Employees Team,” an action organization led by female employees.

Support for Active Roles for the Senior Workforce

We also provide opportunities for senior staff and operations personnel aged 56 and older (rehired after retirement) to utilize their experience and knowledge built up over the years in order to revitalize our organization and human resources.

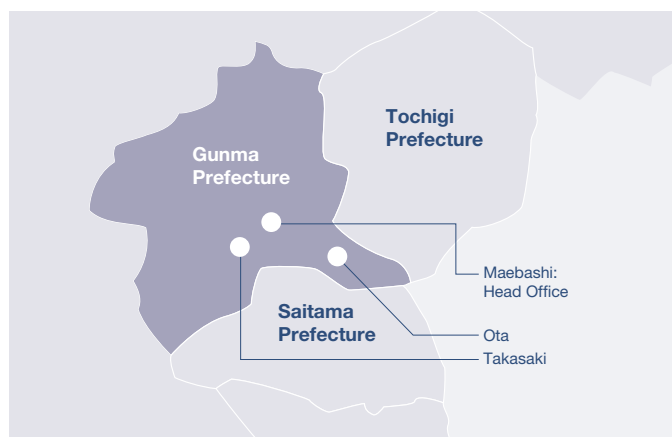
Our Base of Operations—Gunma Prefecture

Our main business area: Gunma, Tochigi, and Saitama Pref.

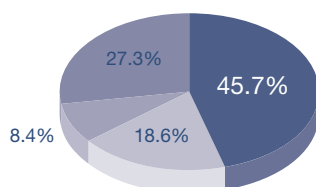
Position in the market of Gunma Pref.: Top market share in terms of both loans and deposits in Gunma

Attractive Market—Gunma Prefecture

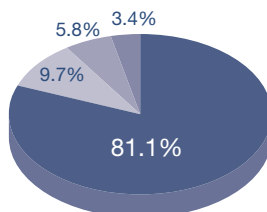
Gunma Prefecture is located 100km from Tokyo and is renowned as an inland region abundant in nature. Industries have thrived in Gunma, notably transportation machinery and electronic equipment. Gunma has made a mark for itself as an industry-based area with a transportation network that includes highways and the Shinkansen. In addition to industry, the prefecture plays an important role in supplying the Tokyo Metropolitan Area with agricultural produce.



Regional breakdown of gross loans
(at March 2015)



Regional breakdown of gross deposits
(at March 2015)

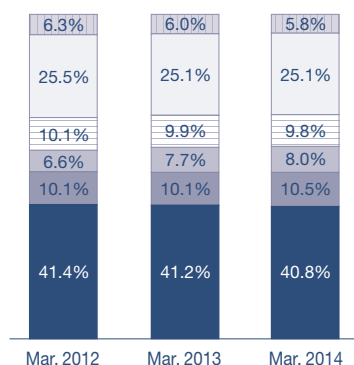


■ Gunma Prefecture ■ Saitama Prefecture
■ Tochigi Prefecture ■ Other

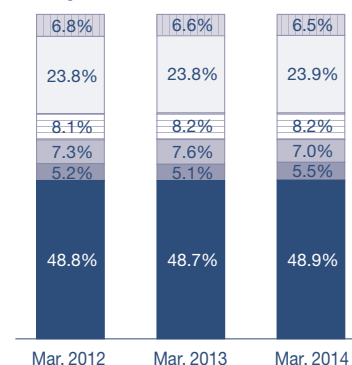
Note: Overseas balances, offshore accounts, and central government loans are excluded.

Changes in Gunma Bank's Shares in Loans and Deposits in Gunma Prefecture

Loans



Deposits



■ Gunma Bank ■ Other regional banks
■ City banks, trust banks ■ Second-tier regional banks
■ Shinkin banks ■ Credit associations

Note: Comparison on the basis of ending balances

Source: Partially revised "Financial Map" (as of the end of March 2014) from an extra number of the "Financial Journal"

Environmental Conservation Activities

Environmental Financial Instruments

We handle an investment trust in which the Bank, as well as the delegated companies, contribute a portion of management fees (custodial fees) to the Oze Preservation Foundation.

Through sales and management of this investment fund, the objective of which is the preservation of the natural environment of Oze for future generations, we contribute to the development of regional communities and support lovers of Oze's nature across the country.

"Gungin no Mori (Gungin Forest)" Upkeep Activities

As part of our environmental conservation activities, we have named the forest designated by the "Partnership Agreement for Prefectural Forest Maintenance" concluded with Gunma Prefecture "Gungin no Mori (Gungin Forest)," and have been engaged in upkeep activities since last year.

On April, 2015, 109 employees newly hired this year worked on thinning and trimming the trees. We will continue to carry out forest upkeep and environmental education activities at "Gungin no Mori (Gungin Forest)."

Upgrading Risk Management

Basic Risk Management Stance

In today's environment, characterized by ongoing liberalization and internationalization of financial services and development of financial and information technology, the risks confronting banks are growing more varied and complex.

Against this backdrop, it is crucial for banks to appropriately manage and control risks according to the attributes of specific business tasks and risks, in order to enhance corporate value while maintaining soundness and reliability of management.

We have positioned the appropriate management of risk as a top management priority, and the Board of Directors has formulated "Basic Policy of Risk Management." Based on this policy, we engage in management of risks and work to establish and reinforce a risk management framework.

In addition to controlling specific types of risks, such as credit risk, market risk, and liquidity risk, we also need to comprehensively identify risks confronting the entire bank, and control them in gross by means such as comparing the magnitude of risks with the Bank's management strength. To this end, we established the Risk Management Department. As the entity in charge of controlling risks concerning the entire bank in gross, this department is developing frameworks to allow integrated risk management. In these ways, we are working to reinforce management of various risks and undertake integrated risk management at more advanced level.

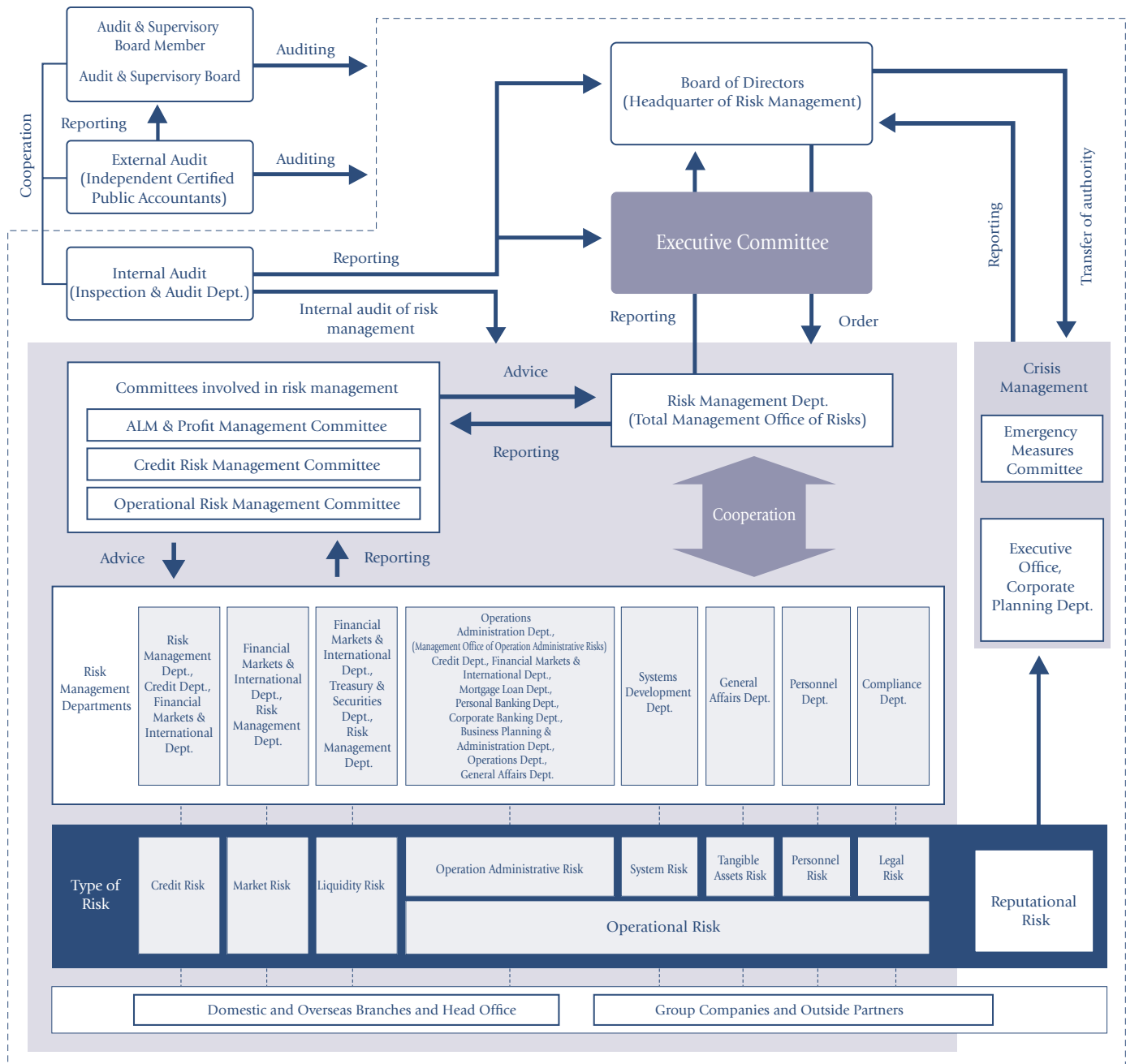
Further, Inspection & Audit Department conducts internal audit to evaluate the appropriateness of development of the risk management framework and the functional effectiveness thereof.

Integrated Risk Management

The Bank has adopted an "integrated risk management system" that measures risk exposure of risks such as credit risk, market risk, and other risks confronting the Bank by categories using unified framework (such as VaR), and compare them in gross with the management strength (equity capital).

In specific, we control risks by determining in the Board of Directors held in every half fiscal year the risk capital allocation by each risk category utilizing the amount calculated by deducting valuation and translation adjustments from Common Equity Tier 1 capital as the capital allocation resource.

With regard to the status of the risk exposure, the risk management departments monitor and check periodically whether the risk exposure is within the allocated risk capital. Current risk conditions are reported to top management on a monthly basis through the ALM & Profit Management Committee and Executive Committee.



Credit Risk Management

Credit risk refers to the risk of the Bank incurring a loss as a result of default on the payment of interest or return/redemption of the principal as agreed upon by a client or issuer of securities due to such factors as deterioration in business performance.

At the Bank, loan assets account for the majority of credit risk, so ensuring the soundness of loan assets into the future is a critical objective for credit risk management.

Credit Risk Management Stance

Strict credit risk management requires mutual-checking among departments exposed to credit risk. The Bank is structured in a manner that makes checking functions work all the time: the Risk Management Department—which is independent of the business promotion division and the screening division—plans and verifies management systems that are vital to credit risk management, including systems for credit rating, self-assessment of the Bank's assets and write-off/reserve provisioning.

The Bank has also established the Credit Risk Management Committee, consisting of directors in charge of the Risk Management Department and general managers in charge of relevant departments. The Committee discusses and examines the status of bank-wide credit risks and important issues cutting across organizational boundaries to develop a common awareness of credit risks.

Individual Credit Screening and Management Stance

Having established the basic policy for its lending business in the form of "Credit Policy," the Bank is striving to accumulate sound loan assets and prevent non-performing loans from arising while existing harmoniously with local communities and complying with laws and regulations, etc.

When providing a loan, the Bank endeavors to facilitate the supply of funds to meet the sound demand for finance by making accurate and strict judgments on the purpose of use of funds, the financial sources for repayment, etc. in the loan application based on a comprehensive evaluation of quantitative aspects such as the financial position of clients, as well as qualitative aspects such as industry trends and growth potential. We are also developing a screening system and an education and training framework, in addition to enhancing system support.

After providing a loan, we strive to prevent loan assets from deteriorating by enhancing our stance to monitoring and managing business performance throughout the fiscal year so that changes in the business climate, etc. can be identified quickly and prompt responses can be taken, while deepening our relationship with clients. Furthermore,

we have established the "Judgment Office" in the Credit Department, which is staffed by professionals with extensive experience in assessing the fiscal health of businesses, who provide finely-tuned support to clients in making managerial and financial improvements.

Credit Rating System and Self-assessment System

The Bank's "Credit Rating System" is an intra-bank system designed to determine credit risk in an objective manner, and consists of the "Borrower Rating System," "Retail Pool Management System," etc.

On the basis of the internal criterion, the "Borrower Rating System" rates the creditworthiness of clients based on an internal rating scale of 1 to 15. The ratings framework is consistent with borrower classification used in the self-assessment of assets, and is used in loan classification tasks that serve as the basis for calculating Reserves for Possible Loan Losses. It is also widely used in credit risk management operations in general, as a benchmark for management in the lending business as well as an indicator for the measurement of credit risk exposure, risk-return management, etc.

"Self-assessment" is conducted for the purpose of examining assets held by the Bank on an individual basis, and accurately identifying the Bank's actual asset position. It is an important means of managing credit risks. Self-assessment involves dividing borrowers into five borrower categories according to the internal borrower rating, and rating their assets on a scale of 1 to 4 according to their recoverability and the extent of risk of loss of value. The amount of future loss is estimated according to the rating, and accounted for as Reserves for Possible Loan Losses.

Measurement of Credit Risk Exposure and Loan Portfolio Management

The Risk Management Department conducts statistical analyses of default rates and loan coverage to measure credit risk exposure. Credit risk exposure quantifies losses that might arise in the future from the loan portfolio exposed to credit risks such as loan assets, and is utilized in the management of loan portfolios and the allocation of risk capital.

In managing loan portfolios, we analyze credit risk exposure, in addition to analyzing trends in loan portfolios and identifying issues based on monitoring aimed at preventing the concentration of credit in particular sectors and the simulation of risks being realized, in pursuit of more advanced credit risk management.

Market Risk Management

Market risk refers to the risk of the Bank incurring losses due to fluctuations in interest rates, foreign exchange rates, share prices, and other market factors. The Bank manages such market risk together with market liquidity risk.

The organization of departments 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.

The Bank's basic policy is to appropriately control risks by recognizing the significance of the effect of market fluctuations on its management. Investments especially in bonds, shares, etc. are exposed to risks of price fluctuations, so these transactions are performed within appropriate bounds in terms of scale subject to adequate risk management.

At present, the Bank mainly uses VaR as an indicator tool for measuring and analyzing market risk. In addition, it controls and analyzes the market risk through monitoring valuation gain or loss, utilizing risk indicators such as BPV and outlier standard, and by observing the degree to which market factor fluctuations affect profit and gain for the period and on the capital adequacy ratio, etc. These analysis results are reported to the ALM & Profit Management Committee and Executive Committee.

Evaluations of interest rate risk may significantly differ depending on the recognition of maturity for floating deposit that consists of demand deposit and saving deposit, etc. The Bank uses the Core Deposit Internal Model for the estimation of material maturity regarding liquid deposit.

Liquidity Risk Management

Liquidity risk consists of cash flow risk and market liquidity risk.

Cash flow risk refers to the risk of the Bank incurring a loss due to difficulties in securing necessary funds or as a result of raising funds at high interest rates because of discrepancies between the timings of investment and funding, the unexpected outflow of funds and other such reasons.

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. In addition, the ALM & Profit Management Committee, which is convened each month, takes every precaution to facilitate cash flow by identifying and analyzing the cash flow status, the balance between investing and funding, interest rate movements and other factors.

Moreover, the Bank conducts a stress test based on a scenario with the certain amount of deposit cancellation and confirms that the Bank has sufficient assets with high liquidity such as national government bonds to cope with those transactions every half fiscal year, and reports the result to the ALM & Profit Management Committee and Executive Committee.

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.

Market liquidity risk refers to the risk of incurring a loss due to not being able to perform transactions because of market turmoil, etc. or as a result of being forced to trade at severely unfavorable prices compared to normal circumstances when selling assets, etc.

Market liquidity risk is managed together with market risk management.

Operational Risk Management

Operational risk refers to the risk of the Bank incurring a loss as a result of inadequate banking operation processes, inadequate activities conducted by executives, employees, temporary staff or other workers or inadequate systems, or due to an external event. In order to effectively manage such risk according to the organizational structure and the nature of operations, the Bank divides operational risk into five categories: (1) administrative risk, (2) system risk, (3) tangible asset risk, (4) human risk, and (5) legal risk.

The “Basic Policy of Risk Management” and the “Basic Rules for Operational Risk Management,” both of which were formulated by the Board of Directors and prescribe the basics of operational risk management, stipulate that the director in charge of the Risk Management Department be responsible for overseeing operational risk management in general, and that the Risk Management Department be the department in charge of integrated operational risk management. Under the instructions and supervision of the director in charge, the Risk Management Department plans and oversees operational risk management overall, while each risk-management-related department manages its own risks from a more technical perspective.

In addition, the Bank has established the Operational Risk Management Committee as an organization for deliberating important matters pertaining to operational risk.

As the specific method for managing operational risk, the Bank has introduced the structure of Risk Control Self Assessment (RCSA) and manages operational risk in a comprehensive manner accordingly. The Bank also manages administrative risk, system risk, and other types of risks individually.

Administrative risk refers to the risk of incurring a loss due to an executive, employee, etc. failing to perform administrative processes accurately, causing an accident, engaging in misconduct, etc.

At the Bank, each and every employee is striving to execute administrative processes more rigorously based on his/her commitment to executing them with precision at all times according to the basic principles, in order to maintain and improve the level of trust placed in us by our customers. We are also working to prevent administrative mishaps and improve overall administrative quality based on internal checking efforts, by such means as the departments of the head office in charge of administration visiting the branches and giving administrative guidance to them, the Inspection & Audit Department conducting on-site audits in the head office’s departments as well as the branches, and the branches conducting self-inspection.

System risk refers to the risk of customers and the Bank incurring a loss due to inadequacies in the system such as the failure and malfunctioning of a computer system, or the unauthorized use of computers.

We take various safety measures against foreseeable risks: we conduct quality control of software based on thorough testing, and take measures against unauthorized access and computer virus intrusion to prevent information leakage, in addition to taking safety measures at the facility level, including owing a computer center equipped with seismic-isolated floors, uninterrupted power supplies and other disaster-proofing facilities as well as securing a backup center. To prepare against accidents, we have devised a “Contingency Plan” and are taking every precaution.

With respect to tangible asset risk, human risk, and legal risk, the Bank has assigned the departments in charge of playing a central role in managing these respective risks.

Crisis Management

The Bank has prepared a “Contingency Plan” aimed at ensuring uninterrupted operations in times of unprecedented events, such as natural disasters, criminal activities, computer system breakdown, the spread of rumors, and the outbreak of new-type influenza. This plan is designed to help the Bank respond appropriately to such events and minimize their impact on its operations.

To address the occurrence of major large-scale events, the Bank will convene its “Emergency Measures Committee” to gather information and issue guidance and instructions in a unified manner. In addition, the Bank is working to strengthen its crisis management system, including by holding regular training drills based on its “Contingency Plan,” and by periodically reviewing that plan.

Upgrading Compliance

To become a bank that is highly evaluated from customers and shareholders, the Bank needs to establish “compliance system” that serves as the foundation for the sound business operations.

In strong recognition of the social responsibility and public mission that financial institutions need to perform, the Bank regards the enhancement of compliance as one of the most important management issues and strives for the strict observance of laws, regulations, rules and social norms and the enforcement of corporate ethics through day-to-day operations.

Compliance System

Under the Board of Directors, which serves as the supreme body responsible for compliance, the Bank has established the Compliance Committee, which is entrusted by the Board of Directors to deliberate important matters related to compliance. In addition, we have assigned Compliance Supervisors and Compliance Officers in all of our departments and branches, who are working to strictly enforce compliance by fostering compliance awareness and providing educational guidance.

The Compliance Department, as the compliance oversight department, centralizes the management of compliance-related matters and thereby strives to develop and establish a compliance system and a customer protection management system.

Compliance put into Practice

In order to fulfill our “Corporate Philosophy,” we have stipulated the “Corporate Ethics” as our basic policy for compliance, and the “Code of Conduct” as our compliance standard.

Having distributed the “Corporate Ethics,” the “Code of Conduct” and the “Compliance Guidelines” (a one-stop summary of matters deemed necessary for putting compliance into practice) to all executives and employees, we are working to strictly enforce compliance in practice.

Our efforts to further enhance and reinforce compliance in practice include implementing the “Compliance Program,” which is a practical plan for the enriching of compliance systems and established every year by the Board of Directors, to take concrete compliance measures based on the plan, holding training sessions in each department and branch, inspecting and monitoring the compliance status by using special “Checklists,” and giving advice and guidance by visiting branches.

Details of Corporate Ethics and Code of Conduct

Corporate Ethics

1. Awareness of social responsibility and public mission
2. Strict compliance with laws, regulations and rules
3. Transparent management that is open to the public
4. Confrontation with antisocial forces

Code of Conduct

1. Understand and comply with laws, regulations and rules
2. Maintain and improve credibility
3. Report, contact and consult
4. Distinguish between business and personal affairs
5. Deal with customers in good faith
6. Take a resolute stance against antisocial forces
7. Strictly manage customer information
8. Prevent money laundering

Customer Protection Efforts

We have published the “Policy for Managing Customer Protection, etc.” as our policy for improving customer protection and convenience. Additionally, in an effort to improve and establish our management systems, we have appointed persons at each department and branch to make sure that thorough explanations are given to customers and that inquiries, requests, complaints, etc., from customers are appropriately handled.

The Bank has concluded an agreement concerning complaint handling and dispute resolution procedures with the Japanese Bankers Association, a certified alternative dispute resolution body under the Banking Act. The Japanese Bankers Association, from a fair and neutral standpoint, takes initiatives to resolve complaints filed and requests for dispute resolutions received from customers regarding bank operations.

Managing Information on Customers

With respect to personal information, we have published the “Privacy Policy” as our policy for efforts to properly protect and use personal information. We have also appointed officers, etc., responsible for managing and overseeing customer information including personal information in the entire Bank, to seek to strictly enforce security management measures, and to develop and establish management frameworks including those for the supervision of contractors.

Policy for Managing Customer Protection

The Bank will make the following efforts in good faith, and endeavor to ensure business operations from the viewpoint of customers in order to protect customers and improve convenience.

In this Policy, “customers” shall refer to “people who are already performing transactions with the Bank and people who are thinking about performing transactions with the Bank in the future,” “transactions” shall refer to “lending transactions (loan agreements and associated collateral/guarantee agreements), acceptance of deposits, etc., product sale, brokering, solicitation and other transactions performed between customers and the Bank,” and “operations” shall refer to “various operations concerning transactions.”

1. The Bank will make its executives and officers gain sufficient knowledge of operations and provide appropriate and sufficient information to customers. The Bank will also provide a proper and adequate explanation of transactions or products according to laws and regulations, etc.

2. The Bank will properly deal with inquiries, comments, etc. from customers in a sincere manner, and will examine

the approach of operations and make improvements from the viewpoint of customers in order to satisfy customers.

In addition, the Bank will properly deal with disputes arising from our customers.

3. The Bank will properly obtain information on customers in compliance with laws and regulations, etc., and will properly manage such information by taking measures to prevent unauthorized access, information leakage, etc.

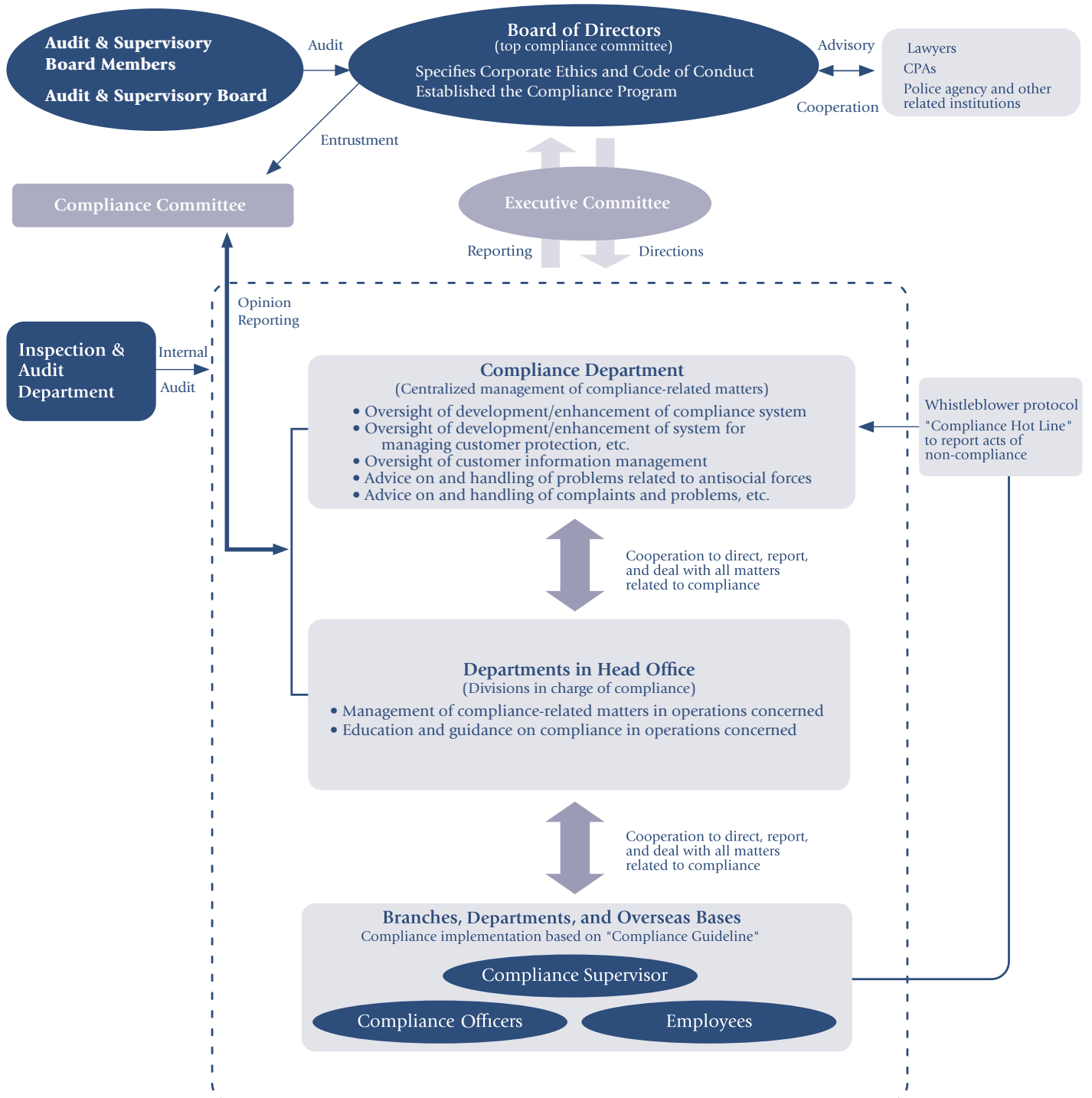
4. If the Bank outsources its operations, the Bank will select a contractor with the ability to execute such operations with precision so that information on customers will be protected and customers will be treated properly, and will properly manage outsourced operations by such means as conducting monitoring periodically or whenever necessary.

5. The Bank will appropriately manage customer transactions and prevent unfair impairment of customer interests by such means as identifying in advance transactions that may result in a conflict of interests between the Bank and its customers or among the customers of the Bank, and establishing and implementing a management method.

6. In addition to the above, the Bank will properly manage operations deemed necessary for the purpose of protecting customers and improving convenience.

October 2010

Compliance System



Consolidated Financial Review

Performance

Gunma Bank conducts consolidated accounting for its four consolidated subsidiaries and its two equity-method subsidiaries. These consolidated results for the fiscal year in review are as follows:

The balance of deposits at fiscal year-end stood at ¥6,255.3 billion, an increase of ¥163.3 billion. Loans and bills discounted stood at ¥4,806.9 billion, an increase of ¥254.5 billion, and securities stood at ¥2,320.7 billion, an increase of ¥94.6 billion. Total assets came to ¥7,550.9 billion, and Total stockholders' equity came to ¥368.3 billion.

In the year under review, total income amounted to ¥132.6 billion, up ¥2.1 billion from the previous year, mainly due to increases in interest and dividend income and fees and commissions.

Further, total expenses decreased ¥4.2 billion from the previous year to ¥91.6 billion, due to a decrease in credit expenses, offsetting increases mainly in interest expense and fees and commissions.

As a result, the bank reported pre-tax income (income before income taxes and minority interest) in the period in review of ¥40.9 billion, a increase of ¥6.2 billion, and Net Income of ¥25.9 billion, an increased ¥6.0 billion.

Consolidated total capital ratio based on Basel III reached as high as 13.45%, while both consolidated Tier 1 ratio and consolidated Common Equity Tier 1 ratio reached as high as 11.82%.

Consolidated Capital Adequacy Ratio (BIS Standards)

	As at March 31, 2014	As at March 31, 2015
1. Consolidated total capital ratio (4/7)	13.55%	13.45%
2. Consolidated Tier 1 ratio (5/7)	11.82%	11.82%
3. Consolidated Common Equity Tier 1 ratio (6/7)	11.82%	11.82%
4. Total capital (consolidated)	434.1	475.0
5. Tier 1 capital (consolidated)	378.6	417.6
6. Common Equity Tier 1 capital (consolidated)	378.6	417.6
7. Risk weighted assets	3,201.9	3,530.7
8. Total required capital (consolidated)	256.1	282.4

Billions of yen

Consolidated Balance Sheets

As at March 31,	Millions of yen		Thousands of U.S. dollars (Note 4)
	2014	2015	2015
Assets			
Cash and due from banks (Note 17)	¥ 125,098	¥ 164,918	\$ 1,372,380
Call loans	93,730	114,604	953,686
Commercial paper and other debt purchased	16,393	13,491	112,274
Trading account securities	2,749	1,074	8,943
Money held in trust (Note 9)	5,000	5,000	41,608
Securities (Note 8 and 14)	2,226,096	2,320,706	19,311,861
Loans and bills discounted (Note 5)	4,552,403	4,806,908	40,000,904
Foreign exchange	4,084	4,539	37,776
Lease receivables and investment assets	39,389	41,498	345,328
Other assets	27,749	29,006	241,382
Tangible fixed assets (Note 13)	66,867	67,545	562,082
Intangible fixed assets	9,322	9,007	74,957
Net defined benefit assets	6,805	3	31
Deferred income tax assets (Note 20)	2,014	1,672	13,915
Customers' liabilities for acceptances and guarantees	15,961	15,561	129,499
Reserve for possible loan losses	(51,996)	(44,591)	(371,068)
Total assets	<u>¥7,141,671</u>	<u>¥7,550,949</u>	<u>\$ 62,835,558</u>
Liabilities			
Deposits (Note 14)	¥6,092,029	¥6,255,357	\$ 52,054,237
Call money and bills sold	60,493	170,265	1,416,872
Payable under securities lending transactions (Note 14)	224,745	262,906	2,187,791
Borrowed money	180,118	187,647	1,561,521
Foreign exchange	254	241	2,007
Bond with subscription rights to shares	—	24,034	200,000
Other liabilities	50,513	47,893	398,544
Reserve for bonuses for directors and corporate auditors	58	67	558
Net defined benefit liabilities	2,515	1,297	10,797
Reserve for retirement benefits for directors and corporate auditors	709	640	5,329
Reserve for losses on repayments of dormant bank accounts	1,030	1,057	8,803
Reserve for point loyalty programs	140	152	1,265
Reserve for contingent losses	1,196	1,133	9,428
Deferred income tax liability	34,648	50,606	421,120
Deferred income tax liability by land revaluation excess (Note 15)	9,457	8,551	71,161
Acceptances and guarantees	15,961	15,561	129,499
Total liabilities	<u>6,673,872</u>	<u>7,027,413</u>	<u>58,478,932</u>
Net assets			
Common stock	48,652	48,652	404,862
Capital surplus	29,140	29,140	242,496
Retained earnings	289,102	302,852	2,520,202
Treasury stock	(5,312)	(12,251)	(101,952)
Total stockholders' equity	<u>361,583</u>	<u>368,394</u>	<u>3,065,608</u>
Net unrealized gains on securities available for sale	88,916	136,783	1,138,249
Net deferred losses on hedging instruments, net of taxes	(70)	(9)	(76)
Land revaluation excess (Note 15)	13,130	13,960	116,175
Foreign currency translation adjustments	(126)	461	3,841
Adjustments of defined benefit plans	(4,061)	(1,429)	(11,899)
Total accumulated other comprehensive income	<u>97,789</u>	<u>149,766</u>	<u>1,246,290</u>
Subscription rights to shares	243	316	2,633
Minority interests	8,183	5,058	42,095
Total net assets	<u>467,798</u>	<u>523,535</u>	<u>4,356,626</u>
Total liabilities and net assets	<u>¥7,141,671</u>	<u>¥7,550,949</u>	<u>\$ 62,835,558</u>

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income

Years ended March 31,	Millions of yen		Thousands of U.S. dollars (Note 4)
	2014	2015	2015
Income			
Interest and dividend income:			
Interest on loans and discounts	¥ 61,080	¥ 59,774	\$ 497,415
Interest and dividends on securities	23,191	24,324	202,422
Other interest income	1,094	1,288	10,720
Fees and commissions	17,246	18,910	157,361
Other operating income	20,648	21,819	181,575
Other income	7,301	6,535	54,384
Total income	130,563	132,652	1,103,877
Expenses			
Interest expense:			
Interest on deposits	2,225	2,261	18,823
Interest on call money and borrowings	370	419	3,493
Other interest expense	702	1,033	8,598
Fees and commissions	6,072	6,632	55,191
Other operating expenses	18,107	18,263	151,984
General and administrative expenses	58,525	59,079	491,633
Other expenses (Note 18 and 21)	9,850	3,962	32,972
Total expenses	95,853	91,652	762,694
Income before income taxes and minority interests	34,709	40,999	341,183
Income taxes:			
Current	12,577	11,581	96,377
Deferred	1,367	2,088	17,380
Income before minority interests	20,764	27,329	227,426
Minority interests	870	1,418	11,807
Net income	¥ 19,894	¥ 25,910	\$ 215,619
	Yen		U.S. dollars
Per share amounts			
Net income – primary	¥ 42.58	¥ 56.37	\$ 0.47
Net income – fully diluted	42.53	56.30	0.47

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 4)
	2014	2015	2015
Income before minority interests	¥ 20,764	¥ 27,329	\$ 227,426
Other comprehensive income (Note 12)			
Net unrealized gains on securities available for sale	11,956	47,763	397,469
Net deferred losses on hedging instruments, net of taxes	(5)	60	507
Land revaluation excess	—	879	7,316
Foreign currency translation adjustments	729	587	4,891
Adjustments of defined benefit plans	—	2,631	21,899
Share of other comprehensive income of subsidiaries and affiliates accounted for by the equity method	19	133	1,108
Total other comprehensive income	12,699	52,056	433,190
Comprehensive income	33,463	79,386	660,616
(Details)			
Comprehensive income attributable to shareholders of the parent company	32,590	77,937	648,561
Comprehensive income attributable to minority shareholders	¥ 872	¥ 1,448	\$ 12,055

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

	Millions of yen				
	Stockholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity
Balance as of March 31, 2013	¥48,652	¥29,140	¥273,825	¥(2,960)	¥348,658
Changes of items during the year					
Cash dividends	—	—	(5,151)	—	(5,151)
Net income	—	—	19,894	—	19,894
Repurchase of treasury stock	—	—	—	(2,892)	(2,892)
Disposal of treasury stock	—	0	—	540	540
Cancellation of treasury stock	—	—	—	—	—
Reversal of land revaluation excess	—	—	534	—	534
Net changes of items other than stockholders' equity	—	—	—	—	—
Total changes of items during the year	—	0	15,276	(2,352)	12,924
Balance as of March 31, 2014	¥48,652	¥29,140	¥289,102	¥(5,312)	¥361,583

	Accumulated other comprehensive income								Total net assets
	Net unrealized gains on securities available for sale	Net deferred losses on hedging instruments, net of taxes	Land revaluation excess	Foreign currency translation adjustments	Adjustments of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Minority interests	
Balance as of March 31, 2013	¥76,942	¥(64)	¥13,665	¥(855)	—	¥89,688	¥ 90	¥7,320	¥445,757
Changes of items during the year									
Cash dividends	—	—	—	—	—	—	—	—	(5,151)
Net income	—	—	—	—	—	—	—	—	19,894
Repurchase of treasury stock	—	—	—	—	—	—	—	—	(2,892)
Disposal of treasury stock	—	—	—	—	—	—	—	—	540
Cancellation of treasury stock	—	—	—	—	—	—	—	—	—
Reversal of land revaluation excess	—	—	—	—	—	—	—	—	534
Net changes of items other than stockholders' equity	11,973	(5)	(534)	729	(4,061)	8,100	152	862	9,116
Total changes of items during the year	11,973	(5)	(534)	729	(4,061)	8,100	152	862	22,040
Balance as of March 31, 2014	¥88,916	¥(70)	¥13,130	¥(126)	¥(4,061)	¥97,789	¥243	¥8,183	¥467,798

The accompanying notes are an integral part of these statements.

Millions of yen

	Stockholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity
Balance as of March 31, 2014	¥48,652	¥29,140	¥289,102	¥ (5,312)	¥361,583
Cumulative effects of changes in accounting policies			(5,672)		(5,672)
Restated balance	48,652	29,140	283,429	(5,312)	355,910
Changes of items during the year					
Cash dividends	—	—	(4,416)	—	(4,416)
Net income	—	—	25,910	—	25,910
Repurchase of treasury stock	—	—	—	(9,567)	(9,567)
Disposal of treasury stock	—	—	(8)	515	507
Cancellation of treasury stock	—	(0)	(2,112)	2,112	—
Reversal of land revaluation excess	—	—	49	—	49
Net changes of items other than stockholders' equity	—	—	—	—	—
Total changes of items during the year	—	(0)	19,422	(6,939)	12,483
Balance as of March 31, 2015	¥48,652	¥29,140	¥302,852	¥(12,251)	¥368,394

Accumulated other comprehensive income

	Net unrealized gains on securities available for sale	Net deferred losses on hedging instruments, net of taxes	Land revaluation excess	Foreign currency translation adjustments	Adjustments of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Minority interests	Total net assets
Balance as of March 31, 2014	¥ 88,916	¥(70)	¥13,130	¥(126)	¥(4,061)	¥97,789	¥243	¥8,183	¥467,798
Cumulative effects of changes in accounting policies									(5,672)
Restated balance	88,916	(70)	13,130	(126)	(4,061)	97,789	243	8,183	462,125
Changes of items during the year									
Cash dividends	—	—	—	—	—	—	—	—	(4,416)
Net income	—	—	—	—	—	—	—	—	25,910
Repurchase of treasury stock	—	—	—	—	—	—	—	—	(9,567)
Disposal of treasury stock	—	—	—	—	—	—	—	—	507
Cancellation of treasury stock	—	—	—	—	—	—	—	—	—
Reversal of land revaluation excess	—	—	—	—	—	—	—	—	49
Net changes of items other than stockholders' equity	47,867	60	830	587	2,631	51,977	73	(3,124)	48,926
Total changes of items during the year	47,867	60	830	587	2,631	51,977	73	(3,124)	61,409
Balance as of March 31, 2015	¥136,783	¥ (9)	¥13,960	¥ 461	¥(1,429)	¥149,766	¥316	¥5,058	¥523,535

The accompanying notes are an integral part of these statements.

Thousands of U.S. dollars

	Stockholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity
Balance as of March 31, 2014	\$404,862	\$242,498	\$2,405,780	\$ (44,208)	\$3,008,932
Cumulative effects of changes in accounting policies			(47,208)		(47,208)
Restated balance	404,862	242,498	2,358,572	(44,208)	2,961,724
Changes of items during the year					
Cash dividends	—	—	(36,748)	—	(36,748)
Net income	—	—	215,619	—	215,619
Repurchase of treasury stock	—	—	—	(79,614)	(79,614)
Disposal of treasury stock	—	—	(72)	4,291	4,219
Cancellation of treasury stock	—	(2)	(17,577)	17,579	—
Reversal of land revaluation excess	—	—	408	—	408
Net changes of items other than stockholders' equity	—	—	—	—	—
Total changes of items during the year	—	(2)	161,623	(57,744)	103,884
Balance as of March 31, 2015	\$404,862	\$242,496	\$2,520,202	\$(101,952)	\$3,065,608

Accumulated other comprehensive income

	Net unrealized gains on securities available for sale	Net deferred losses on hedging instruments, net of taxes	Land revaluation excess	Foreign currency translation adjustments	Adjustments of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Minority interests	Total net assets
Balance as of March 31, 2014	\$ 739,920	\$(583)	\$109,268	\$(1,051)	\$(33,798)	\$ 813,756	\$2,023	\$68,097	\$3,892,808
Cumulative effects of changes in accounting policies									(47,208)
Restated balance	739,920	(583)	109,268	(1,051)	(33,798)	813,756	2,023	68,097	3,845,600
Changes of items during the year									
Cash dividends	—	—	—	—	—	—	—	—	(36,748)
Net income	—	—	—	—	—	—	—	—	215,619
Repurchase of treasury stock	—	—	—	—	—	—	—	—	(79,614)
Disposal of treasury stock	—	—	—	—	—	—	—	—	4,219
Cancellation of treasury stock	—	—	—	—	—	—	—	—	—
Reversal of land revaluation excess	—	—	—	—	—	—	—	—	408
Net changes of items other than stockholders' equity	398,329	507	6,907	4,892	21,899	432,534	610	(26,002)	407,142
Total changes of items during the year	398,329	507	6,907	4,892	21,899	432,534	610	(26,002)	511,026
Balance as of March 31, 2015	\$1,138,249	\$ (76)	\$116,175	\$ 3,841	\$(11,899)	\$1,246,290	\$2,633	\$42,095	\$4,356,626

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 4)
	2014	2015	2015
Cash flows from operating activities			
Income before income taxes and minority interests	¥ 34,709	¥ 40,999	\$ 341,183
Depreciation and amortization	5,489	5,467	45,501
Losses on impairment of fixed assets	840	32	269
Gain on negative goodwill	—	(2,385)	(19,851)
Equity in earnings of unconsolidated subsidiaries and associated companies	(579)	(86)	(722)
Increase (decrease) in Reserve for possible loan losses	(1,227)	(7,405)	(61,627)
Increase (decrease) in Reserve for bonuses for directors and corporate auditors	—	9	75
Decrease (increase) in Net defined benefit assets	1,962	6,801	56,600
Increase (decrease) in Net defined benefit liabilities	(186)	(1,218)	(10,138)
Increase (decrease) in Reserve for retirement benefits for directors and corporate auditors	(63)	(69)	(575)
Increase (decrease) in Reserve for losses on repayments of dormant bank accounts	(55)	27	229
Increase (decrease) in Reserve for point loyalty programs	19	11	97
Increase (decrease) in Reserve for contingent losses	549	(63)	(531)
Accrued interest and dividend income	(85,366)	(85,387)	(710,557)
Accrued interest expenses	3,298	3,714	30,914
Investment securities (gains) losses – net	(3,367)	(2,160)	(17,983)
Gains on money held in trust	(59)	(395)	(3,288)
Foreign exchange (gains) losses – net	9	46	390
Losses on disposal of fixed assets	205	425	3,542
Net (increase) decrease in trading account securities	370	1,674	13,938
Net (increase) decrease in loans	(197,514)	(254,505)	(2,117,877)
Net increase (decrease) in deposits	161,580	134,621	1,120,257
Net increase (decrease) in negotiable certificates of deposit	(6,520)	28,706	238,886
Net increase (decrease) in borrowed money	43,011	7,529	62,658
Net (increase) decrease in deposits with other banks exclusive of the Bank of Japan	5,995	12,869	107,095
Net (increase) decrease in call loans and others	5,220	(19,213)	(159,883)
Net increase (decrease) in call money and others	23,061	109,772	913,474
Net increase in payables under securities lending transactions	49,210	38,161	317,562
Net (increase) decrease in foreign exchange (assets)	1,054	(455)	(3,789)
Net decrease in foreign exchange (liabilities)	(43)	(12)	(107)
Net (increase) decrease in Lease receivables and investment assets	(4,177)	(2,108)	(17,548)
Interest and dividends received	84,485	84,920	706,668
Interest paid	(3,574)	(3,882)	(32,307)
Other – net	(26,838)	(48,618)	(404,583)
Subtotal	91,498	47,824	397,972
Income tax payments	(12,779)	(13,058)	(108,666)
Net cash provided by operating activities	78,719	34,765	289,306
Cash flows from investing activities			
Purchases of securities	(380,015)	(296,575)	(2,467,962)
Proceeds from sales of securities	128,116	140,903	1,172,537
Proceeds from redemption of securities	229,610	171,108	1,423,890
Increase in money held in trust	(1,070)	—	—
Purchase of tangible fixed assets	(5,615)	(3,544)	(29,493)
Purchase of intangible fixed assets	(3,674)	(2,507)	(20,865)
Proceeds from sales of tangible fixed assets	86	—	—
Proceeds from sales of intangible fixed assets	0	—	—
Net cash used in investing activities	(32,562)	9,386	78,107
Cash flows from financing activities			
Proceeds from issuance of Bond with subscription rights to shares	—	21,416	178,214
Dividends paid	(5,142)	(4,416)	(36,754)
Dividends paid to minority interests	(10)	(10)	(87)
Purchases of treasury stock	(2,892)	(9,567)	(79,614)
Proceeds from sales of treasury stock	540	507	4,219
Net cash used in financing activities	(7,504)	7,928	65,978
Effect of currency rate changes on cash and cash equivalents	740	609	5,068
Net increase (decrease) in cash and cash equivalents	39,392	52,689	438,459
Cash and cash equivalents at beginning of year	69,725	109,118	908,033
Cash and cash equivalents at end of year	¥ 109,118	¥ 161,807	\$ 1,346,492

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 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, 2014 and 2015 was 4, respectively.

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, 2014 and 2015, the Bank had 2 unconsolidated subsidiaries, which were accounted for by the equity method.

Gunma Bio-engineering Company Partnership Revitalization Investment Business Limited Partnership has been included in the scope of unconsolidated subsidiaries from the fiscal year ended March 31, 2015 due to its establishment.

Gunma Capital Co., Ltd., which was an unconsolidated subsidiary in the fiscal year ended March 31, 2014, was liquidated during the fiscal year ended March 31, 2015.

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

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

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

c. Trading Account Securities

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

d. Securities

Securities are classified into four categories: trading, held-to-maturity bonds, equity of 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 subsidiaries and affiliates are stated at cost and accounted for by the equity method, respectively. Marketable securities classified as securities available for sale are carried at market value with changes in unrealized holding gain or loss, net of the applicable income taxes,

recorded as a component of net assets. Securities whose fair value is not readily determinable are stated at cost determined by the moving average method or amortized cost.

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

e. Derivatives

Derivatives are stated at market value.

f. Fixed Assets

(1) Tangible fixed assets

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

(2) Intangible fixed assets

Intangible fixed 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 "Tangible fixed assets" 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. Reserve for Possible Loan Losses

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

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

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

For credit extended to obligors with Restructured Loan as defined in Note 5 below, reserves are maintained using Discounted Cash Flow Method ("the DCF Method") if i) the exposure to the obligor exceeds a certain threshold and ii) the future cash flow from the repayment of principal and interest can be reasonably estimated. Under the DCF Method, the reserve is determined as the difference between the book value of the loan and its present value of future cash flows discounted using the contractual interest rate before the loan was classified as a Restructured Loan.

For credit extended to all other obligors, reserves are maintained at rates derived from default experiences for a certain period in the past, etc.

The reserve for possible loan losses is provided based on the result of self assessment on quality of assets which is

performed in accordance with the Bank's internal guidelines and is independently reviewed by the internal audit unit.

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

i. Reserve for Bonuses for Directors and Audit & Supervisory Board Member

A reserve is provided for the payments of bonuses to directors and Audit & Supervisory Board Member at the amount of the estimated bonus payments corresponding to the end of the fiscal year.

j. Accounting method for retirement benefits

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

Actuarial gain and loss

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

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

k. Reserve for Retirement Benefits for Directors and Audit & Supervisory Board Member

To prepare for the payment of retirement benefits to directors and Audit & Supervisory Board Member, 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 Audit & Supervisory Board Member.

l. Reserve for Losses on Repayments of Dormant Bank Accounts

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

m. Reserve for Point loyalty Programs

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

n. Reserve for Contingent Loss

The reserve 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. Income Taxes

Deferred income 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.

p. Net Income Per Share

Net income per share was computed based on the net income available for distribution to stockholders and the

number of shares of common stock outstanding during the fiscal year.

q. Accounting Method for Lease Transactions (Lessor)

For finance lease transactions whose lease terms start before April 1, 2008 other than those under which the title of the leased equipment is transferred to the lessee, the appropriate book value of fixed assets (less accumulated depreciation) as at the end of the fiscal year preceding the year in which the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13, March 30, 2007) was adopted is recorded as the value of the lease investment assets as at the beginning of the year of the adoption pursuant to Paragraph 81 of the "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16, March 30, 2007).

The amount equivalent to interest on such lease investment assets is allocated to the remaining periods after the adoption by using the straight line method.

Income before income taxes and minority interest for the fiscal year ended March 31, 2014 and March 31, 2015 are ¥110 million and ¥18 million, respectively, less than it would have been if Paragraph 80 of the "Guidance on Accounting Standard for Lease Transactions" had been applied.

r. Hedge Accounting

Hedge Accounting for Interest Rate Risks

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

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

Hedge Accounting for Foreign Exchange Risks

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

s. Recognition for Income and Expenses

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

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.

2. Changes in Accounting Policies

(Application of "Accounting Standard for Retirement Benefits" and other Guidance)

Effective from the fiscal year ended March 31, 2015, the Bank adopted the provision set forth in Paragraph 35 of "Accounting Standard for Retirement Benefits" (ASBJ statement No. 26, May 17, 2012; hereinafter the "Retirement Benefits Accounting Standards") and the provision set forth in Paragraph 67 of "Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, March 26, 2015; hereinafter the "Guidance on Retirement Benefits"). As a result, the Bank revised the method of calculating retirement benefit obligations and prior service cost and changed the method of attributing estimated retirement benefits to accounting periods from the straight line basis to the benefit formula basis. At the same time, the Bank changed the method of determining the discount rate from the single discount rate which is based on the average remaining years of service to the multiple discount rates which is based on the estimated timing of benefit payments (yield curve direct approach).

In accordance with the transitional treatment stated in Paragraph 37 of the Retirement Benefits Accounting Standard, the effect of changes in the method of calculating retirement benefit obligations and prior service cost was recognized by adjusting retained earnings at the beginning of the fiscal year ended March 31, 2015.

As a result, as of the beginning of the fiscal year ended March 31, 2015, net defined benefit assets decreased by ¥8,350 million (U.S.\$ 69,487 thousand), net defined benefit liabilities increased by ¥431 million (U.S.\$ 3,590 thousand) and retained earnings decreased by ¥5,672 million (U.S.\$ 47,208 thousand).

In addition, income before income taxes and minority interests increased by ¥456 million (U.S.\$ 3,799 thousand) for the fiscal year ended March 31, 2015.

The effect on per share amounts is presented in the relevant section.

(Application of "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts")

The Bank enters into transactions of delivering its own shares to the employees' stockholding association through trusts for the purpose of employee welfare.

1. Outline of transactions

Based on the resolution at the Board of Directors meeting held on February 8, 2013, the Bank introduced the "Employee Stock Ownership Plan Trust" (hereinafter, the "ESOP Trust") for the purpose of enhancing employee welfare in line with the Bank's 80th anniversary.

This is an incentive plan that covers all the employees participating in the employees' stock holding association. Under the plan, the Bank sets up the ESOP Trust account in a trust bank, where the ESOP Trust preliminary acquires from the market the number of shares of the Bank the employee's stockholding association is expected to acquire during four years and eight months following the setting up of the trust. Subsequent to this, the ESOP Trust will sell the shares of the Bank to the employee's stockholding association on an ongoing basis. If the amount equivalent to gain on sale of shares is accumulated in the ESOP Trust at the time the shares are sold out, the amount will be treated as residual

assets and distributed to eligible beneficiaries. As the Bank provides a guarantee of debt for the ESOP Trust to acquire the shares of the Bank, if the amount equivalent to loss on sale of shares is accumulated in the ESOP Trust due to a fall in the share price of the Bank, and debt in an amount equivalent to that loss is remaining in the Trust at the time the Trust expires, the Bank is obliged to repay the remaining debt in accordance with the guarantee agreement.

2. While the Bank has applied the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (ASBJ PITF No. 30, March 26, 2015), it is accounted for using the same method the Bank has previously adopted.

3. Matters relating to the shares of the Bank held by the trust

(1) Carrying amount of shares held by the trust:

As of March 31, 2014	¥2,446 million
As of March 31, 2015	¥1,993 million

(2) The shares of the Bank held by the trust are recorded as treasury stock under shareholders' equity.

(3) The number of shares at the fiscal year end and the number of weighted average shares during the fiscal year

The number of shares:

As of March 31, 2014	4,903 thousand shares
As of March 31, 2015	3,995 thousand shares

The weighted average number of shares:

During the fiscal year ended March 31, 2014	5,385 thousand shares
During the fiscal year ended March 31, 2015	4,411 thousand shares

The number of shares at the fiscal year end and the weighted average number of shares during the fiscal year are included in the number of treasury stock that are excluded from the calculation of per share data.

3. Accounting Standards, etc. Not Yet Adopted

Accounting Standards, etc. for Business Combinations (September 13, 2013)

(1) Outline

Under the above accounting standards, the following items were mainly revised: (i) the accounting treatment for changes in a parent's equity interest in a subsidiary in the case where the parent retains control over the subsidiary in the additional acquisition of shares in the subsidiary; (ii) the accounting treatment for acquisition related costs; (iii) transitional provisions for accounting treatment; and (iv) the amendment of the presentation method of net income as well as the change from minority interests to non-controlling interests.

(2) Planned date of adoption

The Bank plans to adopt the revised accounting standards, etc. from the beginning of the fiscal year commencing on April 1, 2015.

(3) Impact of the adoption of the above accounting standards, etc.

The impact of the adoption of the above accounting standards, etc. is not yet determined.

4. 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 ¥120.17 = U.S.\$1.00, the approximate exchange rate prevailing on March 31, 2015, 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.

5. Loans and Bills Discounted

- (1) Loans and bills discounted at March 31, 2014 and 2015 included the following items:
Balance of loans to borrowers under bankruptcy procedures as of March 31, 2014 and 2015 were ¥10,639 million and ¥5,778 million (U.S.\$48,088 thousand), respectively.
Balance of delinquent loans as of March 31, 2014 and 2015 were ¥69,170 million and ¥61,260 million (U.S.\$509,779 thousand), respectively.
Loans to borrowers under bankruptcy procedures consist of non-accrual loans on which the payment of principal or interest is well past due or there is no prospect of recovery of the principal or interest from the borrower (excluding the written-down portion of the loan). This category also includes the loans cited in Article 96-1-3 and 96-1-4 of the Corporation Tax Law (Government Ordinance No. 97 of 1965).
Delinquent loans are non-accrual loans, which do not fall under the classifications of loans to bankrupt borrowers or financial assistance loans where interest has been suspended for the purpose of business rehabilitation or debtor assistance.
- (2) Balance of loans past due for 3 months or more as of March 31, 2014 and 2015 were ¥1,772 million and ¥784 million (U.S.\$6,531 thousand), respectively.
Loans past due for 3 months or more are classified in this category when 3 months or more have elapsed since the due date without the payment of principal or interest. The balance of loans to borrowers under bankruptcy procedures and the balance of delinquent loans are not included in this category.
- (3) Balance of restructured loans as of March 31, 2014 and 2015 were ¥36,669 million and ¥43,436 million (U.S.\$361,455 thousand), respectively.
Restructured loans include loans which have been restructured to support the rehabilitation of certain borrowers who are encountering financial difficulties, with the intention of ensuring recovery of the loans by providing easier repayment terms for the borrowers (such as by reducing the rate of interest or by providing a grace period for the payment of principal/interest, etc.). Excluded from this balance are the balance of loans to borrowers under bankruptcy procedures, the balance of delinquent loans and the balance of loans past due for 3 months or more.
- (4) The total balance of loans to borrowers under bankruptcy procedures, delinquent loans, loans past due for 3 months or more and restructured loans as of March 31, 2014 and 2015 were ¥118,252 million and ¥111,259 million (U.S.\$925,853 thousand), respectively.
- (5) Bills discounted are accounted for as financial transactions in accordance with JICPA industry Audit Committee Report No.24. The Bank has rights to sell or pledge bank acceptances bought, commercial bills discounted, documentary bills and foreign exchange bought without restrictions. Their total face value as of March 31, 2014 and 2015 were ¥40,295 million and ¥39,796 million (U.S.\$331,165 thousand), respectively.

6. Loan Commitments

Contracts of overdraft facilities and loan commitment limits 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 ¥1,247,685 million, ¥1,275,169 million (U.S.\$10,611,379 thousand), respectively at March 31, 2014 and 2015. ¥1,204,978 million, ¥1,222,112 million (U.S.\$10,169,861 thousand), respectively, at March 31, 2014 and 2015 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.

7. Financial Instruments

- (1) The financial instruments and related disclosures
 - a. *Policy for financial instruments*
The Group provides mainly banking services and other financial services including leasing. The Bank engages in fund management including investment in securities and funding in the call market, in addition to the business of accepting deposits and negotiable certificates of deposit as well as provision of loans. With its financial assets and liabilities exposed to interest rate risk, the Bank adopts asset liability management (ALM) to avoid incurring unexpected loss due to fluctuations in interest rates. Thus, the Bank's derivative transactions are not only intended to provide solutions to customers' financial needs, but also to conduct ALM within the Bank.
There are the Bank's consolidated subsidiaries that engage in securities investment business or banking business.
Also leasing operation is conducted by a consolidated subsidiary.
 - b. *Nature and extent of risks arising from financial instruments*
Financial assets held by the Group comprise mainly loans to clients, which are exposed to credit risk. The Group's financial assets also include securities such as stocks and bonds, which are exposed to credit risk of the issuing entities as well as the risk of market price fluctuations.
Assets and liabilities in the forms of loans, bonds and deposits are exposed to interest rate risk, which is partially hedged by interest rate swap transactions. Likewise foreign currency denominated loans and bonds involve foreign currency exchange fluctuation risk, which is mitigated by making it a rule to match the currency of investment and financing, or hedged by the use of currency swap transactions.
Call money and borrowed money, etc. are exposed to cash flow risk, involving inability to settle payments on due dates as a result of the unavailability of market under certain circumstances.
The Bank conducts derivative transactions including interest rate swaps and currency-swaps in an effort to accommodate clients' financial needs, and as part of the

Bank's ALM effort. Besides, the Bank engages in proprietary derivative trading with the purpose to earn short-term spread, subject to risk management including the setting of certain position limits and maximum allowable losses, in an effort to prevent losses in excess of certain threshold.

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

c. Risk management for financial instruments

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

1) Credit risk management

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

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

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

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

2) Market risk management

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

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

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

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

It applies the historical-simulation method to the computation of VaR. Its VaR model uses a 99.9% confidence level and a 5-year 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, 2015 was ¥78,900 million (The total amount of value at risk (VaR) for the Bank as of March 31, 2014 was ¥106,300 million).

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) Cash flow risk management

Risk management structure is in place, based on the internal rules concerning cash flow risks including the Basic Rules of Cash Flow Risk Management.

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. In addition, the ALM & Profit Management Committee, which is convened each month, takes every precaution to facilitate cash flow by identifying and analyzing the cash flow status, the balance between investing and funding, interest rate movements and other factors.

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, 2014 and 2015 as well as the differences between these values are described below. Financial instruments such as non-listed stocks whose fair value is not readily determinable are not included in the table.

	Millions of yen		
	2014		
	Carrying Value	Market Value	Differences
1. Due from Banks	¥ 125,098	¥ 125,098	¥ —
2. Call loans	93,730	93,730	—
3. Securities			
Held-to-maturity bonds	67,590	68,053	463
Available for sale	2,153,449	2,153,449	—
4. Loan	4,552,403		
Reserve for possible loan losses	(49,542)		
	4,502,860	4,560,321	57,460
Total asset	¥6,942,730	¥7,000,654	¥57,924
1. Deposits	¥5,977,780	¥5,978,113	¥ 332
2. Negotiable certificate of deposit	114,248	114,248	(0)
3. Call Money	60,493	60,493	—
4. Payable under securities lending transaction	224,745	224,745	—
5. Borrowed money	180,118	180,118	—
Total liability	¥6,557,386	¥6,557,718	¥ 332
Derivative transaction			
derivatives to which hedge accounting is not applied	¥ 232	¥ 232	¥ —
derivatives to which hedge accounting is applied	(4,505)	(4,505)	—
Total derivatives	¥ (4,272)	¥ (4,272)	¥ —

	Millions of yen		
	2015		
	Carrying Value	Market Value	Differences
1. Due from Banks	¥ 164,918	¥ 164,918	¥ —
2. Call loans	114,604	114,604	—
3. Securities			
Held-to-maturity bonds	22,863	23,042	178
Available for sale	2,292,520	2,292,520	—
4. Loan	4,806,908		
Reserve for possible loan losses	(42,158)		
	4,764,750	4,810,193	45,443
Total asset	¥7,359,658	¥7,405,280	¥45,622
1. Deposits	¥6,112,402	¥6,112,666	¥ 264
2. Negotiable certificate of deposit	142,955	142,955	(0)
3. Call Money	170,265	170,265	—
4. Payable under securities lending transaction	262,906	262,906	—
5. Borrowed money	187,647	187,647	—
Total liability	¥6,876,177	¥6,876,442	¥ 264
Derivative transaction			
derivatives to which hedge accounting is not applied	¥ 287	¥ 287	¥ —
derivatives to which hedge accounting is applied	(4,790)	(4,790)	—
Total derivatives	¥ (4,503)	¥ (4,503)	¥ —

Thousands of U.S. dollars			
2015			
	Carrying Value	Market Value	Differences
1. Due from Banks	\$ 1,372,380	\$ 1,372,380	—
2. Call loans	953,686	953,686	—
3. Securities			
Held-to-maturity bonds	190,264	191,749	1,486
Available for sale	19,077,314	19,077,314	—
4. Loan	40,000,904		
Reserve for possible loan losses	(350,823)		
	39,650,081	40,028,242	378,160
Total asset	\$61,243,725	\$61,623,371	\$379,646
1. Deposits	\$50,864,628	\$50,866,828	\$ 2,200
2. Negotiable certificate of deposit	1,189,609	1,189,607	(2)
3. Call Money	1,416,871	1,416,871	—
4. Payable under securities lending transaction	2,187,791	2,187,791	—
5. Borrowed money	1,561,521	1,561,521	—
Total liability	\$57,220,420	\$57,222,618	\$ 2,198
Derivative transaction			
derivatives to which hedge accounting is not applied	\$2,391	\$2,391	—
derivatives to which hedge accounting is applied	(\$39,867)	(\$39,867)	—
Total derivatives	(\$37,476)	(\$37,476)	—

(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*

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

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

3) *Loans and bills discounted*

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

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

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

Liabilities

1) *Deposits and 2) Negotiable certificate 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) *Call money and bills sold, and 4) Payable 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.

5) *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 3) Securities" of the information on the fair values of financial instruments.

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Non-listed stocks	¥2,564	¥2,615	\$21,765
Equity of subsidiaries and affiliates	¥2,492	¥2,706	\$22,521
Total	¥5,057	¥5,321	\$44,286

(Note 3)

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

	Millions of yen					
	2014					
	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	¥ 68,242	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans	93,730	—	—	—	—	—
Securities	163,944	594,293	605,302	275,823	263,420	17,235
Held-to-maturity securities	52,263	11,620	2,051	854	737	—
National government bonds	8,600	10,700	1,500	—	—	—
Local government bonds	42,692	221	—	—	—	—
Corporate bonds	655	383	130	11	—	—
Others	316	316	421	843	737	—
Available for sale securities with maturity	111,680	582,673	603,250	274,968	262,682	17,235
National government bonds	29,050	289,200	146,500	129,500	124,500	—
Local government bonds	29,327	101,112	128,165	115,348	127,615	—
Corporate bonds	26,565	96,691	135,995	8,506	10,567	—
Others	26,736	95,669	192,590	21,613	—	17,235
Loan	1,312,137	834,902	580,057	314,865	344,498	1,050,838
Total	¥1,638,054	¥1,429,196	¥1,185,360	¥590,688	¥607,919	¥1,068,074

	Millions of yen					
	2015					
	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	¥ 109,535	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans	114,604	—	—	—	—	—
Securities	255,143	713,526	482,608	287,380	183,825	25,048
Held-to-maturity securities	11,637	5,349	4,472	366	1,084	—
National government bonds	10,700	4,100	3,200	—	—	—
Local government bonds	188	32	—	—	—	—
Corporate bonds	387	735	308	4	—	—
Others	361	482	964	361	1,084	—
Available for sale securities with maturity	243,505	708,177	478,135	287,014	182,740	25,048
National government bonds	104,500	251,500	132,100	142,900	38,000	—
Local government bonds	50,778	118,202	123,774	129,969	124,754	—
Corporate bonds	47,303	153,199	68,243	8,136	9,657	—
Others	40,923	185,274	154,017	6,008	10,328	25,048
Loan	1,317,206	897,836	615,854	334,901	366,308	1,175,191
Total	¥1,796,488	¥1,611,363	¥1,098,463	¥622,282	¥550,133	¥1,200,240

Thousands of U.S. dollars						
2015						
	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	\$ 911,501	—	—	—	—	—
Call loans	953,686	—	—	—	—	—
Securities	\$ 2,123,185	\$ 5,937,646	\$4,016,045	\$2,391,449	\$1,529,713	\$ 208,445
Held-to-maturity securities	96,846	44,519	37,217	3,047	9,029	—
National government bonds	89,041	34,118	26,629	—	—	—
Local government bonds	1,571	271	—	—	—	—
Corporate bonds	3,224	6,117	2,563	37	—	—
Others	3,010	4,013	8,025	3,010	9,029	—
Available for sale securities with maturity	2,026,339	5,893,127	3,978,828	2,388,402	1,520,684	208,445
National government bonds	869,602	2,092,868	1,099,276	1,189,149	316,219	—
Local government bonds	422,555	983,628	1,029,994	1,081,547	1,038,152	—
Corporate bonds	393,637	1,274,859	567,890	67,706	80,361	—
Others	340,545	1,541,772	1,281,668	50,000	85,952	208,445
Loan	\$10,961,191	\$ 7,471,388	\$5,124,864	\$2,786,899	\$3,048,251	\$9,779,408
Total	\$14,949,563	\$13,409,034	\$9,140,909	\$5,178,348	\$4,577,964	\$9,987,853

(Note 4)

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

Millions of yen						
2014						
	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	¥5,451,871	¥472,991	¥39,676	¥4,835	¥8,405	¥—
Negotiable certificate of deposit	114,148	100	—	—	—	—
Call Money	60,493	—	—	—	—	—
Payable under securities lending transaction	224,745	—	—	—	—	—
Borrowed money	175,326	3,434	1,249	108	—	—
Total	¥6,026,585	¥476,525	¥40,925	¥4,943	¥8,405	¥—

Millions of yen						
2015						
	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	¥5,594,465	¥460,223	¥44,198	¥5,675	¥7,840	¥—
Negotiable certificate of deposit	142,855	100	—	—	—	—
Call Money	170,265	—	—	—	—	—
Payable under securities lending transaction	262,906	—	—	—	—	—
Borrowed money	182,518	3,444	1,578	106	—	—
Total	¥6,353,011	¥463,767	¥45,776	¥5,781	¥7,840	¥—

Thousands of U.S. dollars						
2015						
	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	\$46,554,591	\$3,829,770	\$367,797	\$47,226	\$65,244	—
Negotiable certificate of deposit	1,188,777	832	—	—	—	—
Call Money	1,416,872	—	—	—	—	—
Payable under securities lending transaction	2,187,791	—	—	—	—	—
Borrowed money	1,518,836	28,662	13,137	886	—	—
Total	\$52,866,867	\$3,859,264	\$380,934	\$48,112	\$65,244	—

8. Securities

(1) Market Value of Securities

Market value and valuation differences of securities as of March 31, 2014 and 2015 and other related information were as follows. Securities below include trading securities classified as trading account securities, negotiable certificates of deposits classified as Cash and due from banks. The same definition was applied in the following tables (a) to (g).

(a) Trading account securities

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Valuation gain included in income for the year	(¥1)	(¥2)	(\$17)

(b) Held-to-maturity bonds

The Bank's and its consolidated subsidiaries' investments in held-to-maturity bonds as of March 31, 2014 and 2015 were summarized as follows.

		Millions of yen		
		2014		
		Carrying Value	Market Value	Differences
Securities of which market value exceed carrying value	National government bonds	¥13,510	¥13,533	¥ 22
	Local government bonds	42,836	43,184	348
	Corporate bonds	999	1,012	13
	Other securities	2,245	2,359	113
	sub total	59,591	60,089	498
Securities of which market value does not exceed carrying value	National government bonds	7,303	7,301	(1)
	Local government bonds	77	77	—
	Corporate bonds	140	139	(0)
	Other securities	7,125	7,093	(31)
	sub total	14,646	14,612	(33)
total		¥74,237	¥74,702	¥464

		Millions of yen		
		2015		
		Carrying Value	Market Value	Differences
Securities of which market value exceed carrying value	National government bonds	¥18,010	¥18,030	¥ 20
	Local government bonds	184	186	2
	Corporate bonds	1,395	1,411	16
	Other securities	2,888	3,032	143
	sub total	¥22,478	¥22,661	¥182
Securities of which market value does not exceed carrying value	National government bonds	¥ —	¥ —	¥ —
	Local government bonds	37	37	—
	Corporate bonds	0	0	—
	Other securities	6,228	6,225	(3)
	sub total	¥ 6,265	¥ 6,262	(¥3)
total		¥28,744	¥28,923	¥179

		Thousands of U.S. dollars		
		2015		
		Carrying Value	Market Value	Differences
Securities of which market value exceed carrying value	National government bonds	\$149,871	\$150,039	\$ 168
	Local government bonds	1,533	1,554	21
	Corporate bonds	11,613	11,750	137
	Other securities	24,040	25,235	1,195
	sub total	\$187,057	\$188,578	\$1,521
Securities of which market value does not exceed carrying value	National government bonds	\$ —	\$ —	\$—
	Local government bonds	310	310	—
	Corporate bonds	0	0	0
	Other securities	51,832	51,803	(29)
	sub total	\$ 52,142	\$ 52,113	(\$29)
total		\$239,199	\$240,691	\$1,492

(c) Available for sale securities

		Millions of yen		
		2014		
		Carrying Value	Cost	Differences
Securities of which market value exceed cost	Stock	¥ 154,720	¥ 78,394	¥ 76,325
	Bonds	1,517,255	1,477,557	39,697
	National government bonds	738,081	719,167	18,913
	Local government bonds	517,977	500,163	17,813
	Corporate bonds	261,197	258,226	2,970
	Other securities	347,209	323,904	23,305
	Foreign bonds	234,909	230,614	4,294
	Other securities	112,300	93,289	19,010
	sub total	2,019,185	1,879,857	139,328
Securities of which market value does not exceed cost	Stock	7,510	8,636	(1,126)
	Bonds	21,326	21,409	(83)
	National government bonds	—	—	—
	Local government bonds	1,395	1,400	(4)
	Corporate bonds	19,930	20,009	(78)
	Other securities	106,427	107,173	(746)
	Foreign bonds	103,941	104,674	(733)
	Other securities	2,485	2,498	(12)
	sub total	135,263	137,219	(1,955)
total		¥2,154,449	¥2,017,076	¥137,372

		Millions of yen		
		2015		
		Carrying Value	Cost	Differences
Securities of which market value exceed cost	Stock	¥ 208,367	¥85,587	¥122,779
	Bonds	1,502,218	1,464,164	38,054
	National government bonds	677,165	659,420	17,744
	Local government bonds	563,239	545,674	17,564
	Corporate bonds	261,814	259,069	2,745
	Other securities	527,641	487,331	40,310
	Foreign bonds	397,574	391,071	6,502
	Other securities	130,067	96,259	33,807
	sub total	¥2,238,228	¥2,037,083	¥201,144
Securities of which market value does not exceed cost	Stock	¥3,695	¥3,849	(¥154)
	Bonds	38,156	38,277	(121)
	National government bonds	9,062	9,069	(6)
	Local government bonds	1,792	1,800	(7)
	Corporate bonds	27,301	27,408	(106)
	Other securities	13,280	13,304	(23)
	Foreign bonds	11,169	11,178	(8)
	Other securities	2,111	2,126	(14)
	sub total	¥ 55,132	¥ 55,431	(¥298)
total		¥2,293,360	¥2,092,515	¥200,845

		Thousands of U.S. dollars		
		2015		
		Carrying Value	Cost	Differences
Securities of which market value exceed cost	Stock	\$ 1,733,939	\$ 712,221	\$1,021,718
	Bonds	12,500,781	12,184,109	316,672
	National government bonds	5,635,060	5,487,397	147,663
	Local government bonds	4,687,019	4,540,857	146,162
	Corporate bonds	2,178,702	2,155,855	22,847
	Other securities	4,390,794	4,055,352	335,442
	Foreign bonds	3,308,434	3,254,321	54,113
	Other securities	1,082,360	801,031	281,329
	sub total	\$18,625,514	\$16,951,682	\$1,673,832
Securities of which market value does not exceed cost	Stock	\$ 30,755	\$ 32,037	(\$1,282)
	Bonds	317,520	318,528	(1,008)
	National government bonds	75,414	75,469	(55)
	Local government bonds	14,914	14,979	(65)
	Corporate bonds	227,192	228,080	(888)
	Other securities	110,515	110,712	(197)
	Foreign bonds	92,945	93,019	(74)
	Other securities	17,570	17,693	(123)
	sub total	\$458,790	\$ 461,277	(\$2,487)
total		\$19,084,304	\$17,412,959	\$1,671,345

(d) Held-to-maturity bonds sold Nil

(e) Available for sale securities sold

		Millions of yen		
		2014		
		Proceeds from sales	Gains	Losses
Stock		¥ 11,017	¥2,728	¥ 463
Bonds		70,204	344	51
National government bonds		57,326	290	9
Local government bonds		4,358	15	25
Corporate bonds		8,519	39	16
Other securities		43,059	1,707	603
Foreign bonds		35,907	10	443
Other securities		7,151	1,696	160
total		¥124,281	¥4,780	¥1,118

		Millions of yen		
		2015		
		Proceeds from sales	Gains	Losses
Stock		¥ 2,980	¥1,487	¥140
Bonds		99,176	592	0
National government bonds		86,838	505	—
Local government bonds		3,125	25	—
Corporate bonds		9,213	62	0
Other securities		35,021	395	126
Foreign bonds		33,864	53	126
Other securities		1,157	341	—
total		¥137,179	¥2,475	¥268

Thousands of U.S. dollars			
2015			
	Proceeds from sales	Gains	Losses
Stock	\$ 24,803	\$12,375	\$1,173
Bonds	825,305	4,934	6
National government bonds	722,628	4,204	0
Local government bonds	26,007	211	—
Corporate bonds	76,670	519	6
Other securities	291,433	3,294	1,055
Foreign bonds	281,804	449	1,055
Other securities	9,629	2,845	0
total	<u>\$1,141,541</u>	<u>\$20,603</u>	<u>\$2,234</u>

(f) *Securities whose holding purpose was reclassified* Nil

(g) Securities written down for the purpose of impairment adjustment

When fair values of other securities for which fair values are determinable have reduced significantly from, and are unlikely to restore to the level of their acquisition costs, their carrying values are reduced to fair values, with valuation differences treated as losses for the period (hereinafter referred to as "Impairment Adjustment").

The amount of write-down during the year ended March 31, 2014 for the purpose of Impairment Adjustment was ¥288 million, including ¥256 million in shares and ¥32 million in corporate bonds.

There was no Impairment Adjustment during the year ended March 31, 2015.

The criteria to determine whether there was "a significant reduction" in fair values are included in self-assessment criteria. Impairment Adjustment is applied to all stocks with fair values having reduced 50% or more from their acquisition costs, while for stocks with fair values having reduced 30% or more but less than 50% from their acquisition costs, Impairment Adjustment is subject to case-by-case judgment of the likelihood of recovery in fair values, based on the share price trend for certain period before the benchmark date as well as financial conditions of the issuing entity.

(2) Investments in non-consolidated subsidiaries and affiliates

Securities Included investments in non-consolidated subsidiaries and affiliates of ¥2,492 million and ¥2,706 million at March 31, 2014 and 2015, respectively.

(3) Guarantee obligations for bonds in private placement

Guarantee obligations for bonds in private placement (defined in Article 2 (3) of Financial Instruments and Exchange Act) included in Japanese Corporate Bonds were ¥16,027 million and ¥24,466 million (U.S.\$203,599 thousand) as of March 31, 2014 and 2015, respectively.

9. Money Held in Trust

Money Held in Trust for Trading Purposes

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Consolidated Balance Sheet Amount	5,000	5,000	41,608
Unrealized Gains Included in the Consolidated Statements of Income	(68)	62	520

Money Held in Trust for Holding Purposes..... Nil (as of March, 2014 and 2015)

Money Held in Trust for Other Purposes..... Nil (as of March, 2014 and 2015)

10. Valuation Difference on Available-for-sale Securities

Valuation difference on available-for-sale Securities as of March 31, 2014 and 2015 consisted of the following

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Valuation Difference	137,372	200,845	1,671,344
Securities Available-for-Sale	137,372	200,845	1,671,344
Deferred Tax Liabilities	48,532	64,241	534,586
Valuation Difference, Net of Taxes	88,840	136,604	1,136,758
Amount Attributable to Minority Interests	(12)	17	144
Net Unrealized Gains on Securities Available-for-Sale Owned by Affiliates, which is Attributable to the Parent	63	196	1,635
Valuation Difference on Available-for-sale Securities	88,916	136,783	1,138,249

11. 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							
	2014				2015			
	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	—	—	—	—	—	—	—	—
	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
As of March 31,	Thousands of U.S. dollars							
	2015							
	Contract amounts	Due after 1 year	Fair Value	Valuation profit				
Interest rate futures:								
Written	\$ —	\$ —	\$ —	\$ —				
Purchased	—	—	—	—				
	\$ —	\$ —	\$ —	\$ —				

Millions of yen								
As of March 31,	2014				2015			
	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 ..	¥35,375	¥32,504	¥ 209	¥ 253	¥48,103	¥42,303	¥ 288	¥333
Receipt floating								
payments fixed	35,375	32,504	(108)	(108)	48,103	42,303	(130)	(130)
	<u>¥70,750</u>	<u>¥65,008</u>	<u>¥ 100</u>	<u>¥ 144</u>	<u>¥96,206</u>	<u>¥84,606</u>	<u>¥ 158</u>	<u>¥202</u>

Thousands of U.S. dollars				
As of March 31,	2015			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit
Interest rate swaps:				
Receipt fixed				
payments floating	\$400,295	\$352,030	\$ 2,405	\$ 2,775
Receipt floating				
payments fixed	400,295	352,030	(1,089)	(1,089)
	<u>\$800,590</u>	<u>\$704,060</u>	<u>\$ 1,316</u>	<u>\$ 1,686</u>

Millions of yen								
For the years ended March 31,	2014				2015			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit	Contract amounts	Due after 1 year	Fair Value	Valuation profit
Interest cap trading:								
Written	13	¥ —	(¥0)	¥ 0	¥ —	¥ —	¥ —	¥ —
Purchased	13	—	0	(0)	—	—	—	—
	<u>27</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ 0</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>

Thousands of U.S. dollars				
For the year ended March 31,	2015			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit
Interest cap trading:				
Written	\$ —	\$ —	\$ —	\$ —
Purchased	—	—	—	—
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</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

Millions of yen								
As of March 31,	2014				2015			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit	Contract amounts	Due after 1 year	Fair Value	Valuation profit
Currency swap	¥89,803	¥46,681	¥124	¥138	¥66,073	¥59,798	¥122	¥122

Thousands of U.S. dollars				
As of March 31,	2015			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit
Currency swap	\$549,837	\$497,613	\$1,021	\$1,021

Millions of yen								
For the years ended March 31,	2014				2015			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit	Contract amounts	Due after 1 year	Fair Value	Valuation profit
Forward exchange contracts:								
Written	¥4,964	¥ —	¥(21)	¥(21)	¥ 6,033	¥ —	¥(48)	¥(48)
Purchased	4,575	—	29	29	5,357	—	55	55
	¥9,540	¥ —	¥ 7	¥ 7	¥11,391	¥ —	¥ 6	¥ 6
Currency options:								
Written	¥19,660	¥15,415	¥(1,313)	¥ 730	¥29,347	¥22,638	¥(2,050)	¥ 528
Purchased	19,660	15,415	1,313	(437)	29,347	22,638	2,050	(194)
	¥39,320	¥30,831	¥ —	¥ 293	¥58,695	¥45,277	¥ —	¥ 334

Thousands of U.S. dollars				
For the year ended March 31,	2015			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit
Forward exchange contracts:				
Written	\$50,207	\$ —	\$(404)	\$(404)
Purchased	44,585	—	457	457
	\$94,792	\$ —	\$ 54	\$ 54
Currency options:				
Written	\$244,219	\$188,391	\$(17,064)	\$ 4,396
Purchased	244,219	188,391	(17,064)	(1,615)
	\$488,438	\$376,782	\$ —	\$ 2,781

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. Calculations of fair value

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

(c) Equity Related Transactions Nil

(d) Bond Related Transactions Nil

(e) Commodity Related Transactions . Nil

(f) Credit Derivatives Nil .

(2) Derivatives to which hedge accounting is applied

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

(a) Interest Rate Related Transactions

Millions of yen								
As of March 31,	Hedged items	2014			2015			Fair Value
		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	—	—	—	—	—	—	—	—
		¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —

Thousands of U.S. dollars				
As of March 31,	Hedged items	2015		
		Contract amounts	Due after 1 year	Fair Value
Standard treatment: Interest rate swaps:	—	\$ —	\$ —	\$ —
Interest rate futures:	—	—	—	—
Interest rate options:	—	—	—	—
Others	—	—	—	—
		\$ —	\$ —	\$ —

		Millions of yen						
		Hedged items	2014			2015		
As of March 31,			Contract amounts	Due after 1 year	Fair Value	Contract amounts	Due after 1 year	Fair Value
Exceptional treatment:	Interest rate swaps:	Loan	¥22,193	¥18,300		¥23,043	¥18,847	
	Receipt fixed payments floating		—	—	*note	—	—	*note
	Receipt floating payments fixed		22,193	18,300		23,043	18,847	
	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"

		Thousands of U.S. dollars		
		2015		
As of March 31,	Hedged items	Contract amounts	Due after 1 year	Fair Value
Exceptional treatment:	Interest rate swaps:			
	Receipt fixed payments floating	—	—	—
	Receipt floating payments fixed	191,756	156,844	—
	Total	\$191,756	\$156,844	—

1. The Bank adopted mainly the standard treatment of the "Treatment of Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry" (JICPA Industry Audit Committee Report No. 24). Under the standard treatment of the Report No. 24, the Bank applies the deferred method of hedge accounting.

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

			Millions of yen					
			2014			2015		
As of March 31,		Hedged items	Contract amounts	Due after 1 year	Fair Value	Contract amounts	Due after 1 year	Fair Value
Standard treatment:	Currency swap:	Call loans, Loans, Bonds and Foreign exchange	¥ 54,293	¥10,292	(¥3,208)	¥ 32,648	¥ —	¥(3,887)
	Forward exchange contracts:		¥103,978	—	(¥1,296)	¥126,769	—	(¥903)
Deferred method:	Currency swap:	—	—	—	—	—	—	—
	Forward exchange contracts:	—	—	—	—	—	—	—
	Total		—	—	(¥4,505)	—	—	(¥4,790)

		Thousands of U.S. dollars		
		2015		
As of March 31,		Contract amounts	Due after 1 year	Fair Value
Standard treatment:	Currency swap:	\$ 271,689	\$ —	(\$32,347)
	Forward exchange contracts:	\$1,054,918	—	(\$7,520)
Deferred method:	Currency swap:	—	—	—
	Forward exchange contracts:	—	—	—
	Total	\$ —	\$ —	(\$39,867)

1. The Bank adopted mainly the standard treatment of the "Treatment of Accounting and Auditing Relating to the Accounting of Foreign Currency Transactions in the Banking Industry" (JICPA Industry Audit Committee Report No. 25). Under the standard treatment of the Report No. 25, the Bank applies the deferred method of hedge accounting.

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, 2014)
(f) Bond Related Transactions Nil (as of March 31, 2014)

12. Comprehensive income

Amounts of recycling and tax effects on other comprehensive income

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Net unrealized gains (losses) on securities, net of tax:			
Items recognized during the year	24,135	67,045	\$557,926
Amounts of recycling	(5,649)	(3,573)	(29,734)
Before tax effect adjustment	18,485	63,472	528,193
Tax effects	(6,528)	(15,708)	(130,723)
Net unrealized gains (losses) on securities, net of tax	11,956	47,763	397,469
Deferred hedge gains (losses):			
Items recognized during the year	(435)	(504)	(4,195)
Amounts of recycling	427	599	4,986
Before tax effect adjustment	(8)	95	791
Tax effects	3	(34)	(284)
Deferred hedge gains (losses)	(5)	60	507
Land revaluation excess			
Items recognized during the year	—	—	0
Amounts of recycling	—	—	0
Before tax effect adjustment	—	—	0
Tax effects	—	879	7,316
Land revaluation excess	—	879	7,316
Foreign currency translation adjustments:			
Items recognized during the year	729	587	4,891
Amounts of recycling	—	—	—
Before tax effect adjustment	729	587	4,891
Tax effects	—	—	—
Foreign currency translation adjustments	729	587	4,891
Adjustments of defined benefit plans			
Items recognized during the year	—	3,541	29,469
Amounts of recycling	—	640	5,326
Before tax effect adjustment	—	4,181	34,795
Tax effects	—	(1,549)	(12,896)
Adjustments of defined benefit plans	—	2,631	21,899
Share of other comprehensive income of subsidiaries and affiliates accounted for under the equity method			
Items recognized during the year	19	133	1,108
Amounts of recycling	—	—	—
Before tax effect adjustment	19	133	1,108
Tax effects	—	—	—
Share of other comprehensive income of subsidiaries and affiliates accounted for under the equity method	19	133	1,108
Total other comprehensive income	¥ 12,699	¥52,056	\$433,190

13. Tangible Fixed Assets

Depreciation was computed using the declining-balance method. Tangible Fixed Assets as of March 31, 2014 as of March 31, 2015 were shown at net of the following accumulated depreciation.

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
	¥67,399	¥64,670	\$538,157

Deferred gain on real estate deductible for tax purposes amounted to ¥3,909 million and ¥3,937 million on March 31, 2014 and 2015, respectively.

14. Assets Pledged

Assets pledged as collateral as of March 31, 2014 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
securities	¥642,833	¥665,596	\$5,538,793

Liabilities related to the above pledged assets as of March 31, 2013 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Deposits	¥146,977	¥133,148	\$1,107,999
Payables under Securities Lending Transactions	224,745	262,906	2,187,791
Borrowed Money	173,267	180,352	1,500,809
Other	298	221	1,847

In addition, the following was pledged as collateral for settlements of exchange or margins for futures transactions as of March, 2014 and 2015, respectively.

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Securities	¥81,245	¥82,201	\$684,045
Other	49	49	408

Guarantee deposits of ¥1,596 million were included in Other Assets as of March 31, 2015

15. Revaluation Reserve for Land

Pursuant to the Law concerning Revaluation of Premises, premises used for business operations have been revalued as of March 31, 1998. Premises revaluation gain was included 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 Revaluation of Premises 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 ¥20,638 million (U.S.\$171,744 thousand) and ¥20,708 million as of March 31, 2015 and 2014, respectively

16. Reserve for Employee Retirement 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, 2014 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Balance at the beginning of the year	¥63,386	¥65,281	\$543,241
Cumulative effect of changes in accounting policies	—	8,781	73,077
Restated balance	—	74,062	616,318
Service cost	2,129	1,702	14,169
Interest cost	1,007	1,074	8,939
Actuarial loss	1,334	4,650	38,699
Retirement benefits paid	(2,580)	(3,018)	(25,116)
Prior service cost	—	—	—
Other	3	—	—
Balance at the end of the year	¥65,281	¥78,472	\$653,009

(Note)

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

The changes in plan assets during the year ended March 31, 2014 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Balance at the beginning of the year	¥66,570	¥69,570	\$578,937
Expected return on plan assets	1,161	1,193	9,928
Actuarial loss	3,596	8,191	68,168
Contributions by the Bank	—	—	—
Retirement benefits paid	(1,757)	(1,777)	(14,791)
Other	—	—	—
Balance at the end of the year	¥69,570	¥77,178	\$642,242

(Note)

The Bank's contributions are funded by the retirement benefit trust.

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

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Funded retirement benefit obligation	¥65,281	¥78,472	\$ 653,009
Plan assets at fair value	(69,570)	(77,178)	(642,242)
	(4,289)	1,293	10,767
Unfunded retirement benefit obligation	—	—	—
Net liabilities (assets) for retirement benefits in the balance sheet	¥ (4,289)	¥ 1,293	\$ 10,767

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Liability for retirement benefits	¥ 2,515	¥ 1,297	\$ 10,797
Asset for retirement benefits	(6,805)	(3)	(30)
Net liabilities (assets) for retirement benefits in the balance sheet	¥ (4,289)	¥ 1,293	\$ 10,767

Components of retirement benefit expense for the year ended March 31, 2014 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Service cost	¥ 2,129	¥ 1,702	\$14,169
Interest cost	1,007	1,074	8,939
Expected return on plan assets	(1,161)	(1,193)	(9,928)
Amortization of actuarial loss	618	640	5,326
Amortization of prior service costs	—	—	—
Other (extra payment of premium retirement benefits, etc.)	18	23	197
Retirement benefit expense associated with defined benefit plans	¥ 2,613	¥ 2,247	\$18,703

(Note)

Retirement benefit expense at consolidated subsidiaries using 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
	2014	2015	2015
Prior service cost	¥—	¥ —	\$ —
Actuarial gain	—	(4,181)	(34,795)
Other	—	—	0
Total	¥—	¥(4,181)	\$(34,795)

Adjustments of defined benefit plans were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Unrecognized prior service cost	¥ —	¥ —	\$ —
Unrecognized actuarial loss	6,287	2,105	17,525
Other	—	—	—
Total	¥6,287	¥2,105	\$17,525

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2014 and 2015 were as follows:

	2014	2015
Bonds	30.9%	30.2%
Stock	45.2%	49.3%
Cash and due from banks	0.1%	0.1%
Other	23.8%	20.4%
Total	100.0%	100.0%

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

Main actuarial assumptions as of March 31, 2014	2014	2015
1) Discount rates		
Welfare pension plan	1.5%	1.5%
Retirement lump-sum payment plan	1.5%	1.0%
2) Expected long-term return on plan assets		
Welfare pension fund	1.6%	1.5%
Retirement benefit trust	2.1%	2.1%
3) Other assumptions		
Expected rate of salary raises is calculated by 4.2%.		
Defined contribution plan		
Amount of contributions required for defined contribution plans at consolidated subsidiaries is ¥11 million.		

17. 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 2014 and 2015 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Cash and Due from Banks	¥125,098	¥ 164,918	\$1,372,380
Interest-bearing Deposits included in Due from Banks (excluding Due from BOJ)	(15,980)	(3,110)	(25,888)
Cash and Cash Equivalents	¥109,118	¥ 161,807	\$1,346,492

18. Other Expenses

Other expenses for the years ended March 31, 2014 and 2015 include ¥36 million and ¥187 million (U.S.\$1,556 thousand), respectively, of depreciation of loans, ¥624 million and ¥140 million (U.S.\$1,173 thousand), respectively, of losses on sales of stocks and other securities, ¥262 million and ¥46 million (U.S.\$386 thousand), respectively, of losses on write-off of stocks and other securities and ¥860 million and ¥355 million (U.S.\$2,959 thousand), respectively, of losses on loans sold.

19. Lease Transactions

a. Lessee

Operating leases

Total future lease payments under non-cancelable operating leases at March 31, 2014 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
With one year	¥ 72	¥ 103	\$ 859
Over one year	131	126	1,050
Total	¥203	¥ 229	\$ 1,909

b. Lessor

Leased investment asset at March 31, 2014 and 2015 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Lease receivables	¥38,048	¥38,264	\$318,417
estimated residual value	3,980	4,463	37,142
Interest income	(4,668)	(4,672)	(38,879)
Total	¥37,359	¥38,055	\$316,680

The lease receivable amount at March 31, 2014 and 2015, 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 Millions of yen	Lease investment assets Millions of yen
	2014	2014
within 1 year	¥594	¥11,375
over 1 year and within 2 years	435	9,179
over 2 years and within 3 years	396	7,093
over 3 years and within 4 years	329	4,958
over 4 years and within 5 years	158	2,761
over 5 years	143	2,621

	Lease receivables		Lease investment assets	
	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
	2015	2015	2015	2015
within 1 year	¥846	\$7,048	¥11,456	\$95,336
over 1 year and within 2 years	802	6,676	9,372	77,993
over 2 years and within 3 years	722	6,016	7,200	59,923
over 3 years and within 4 years	547	4,559	4,942	41,132
over 4 years and within 5 years	273	2,278	2,759	22,966
over 5 years	265	2,207	2,531	21,067

20. Income Taxes

Income taxes applicable to the Bank and 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 income tax assets and liabilities as of March 31, 2014 and 2015 consisted of:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Deferred income tax assets:			
Reserve for possible loan losses	¥ 13,722	¥ 11,347	\$ 94,428
Net defined benefit liabilities	5,295	4,890	40,698
Devaluation loss on securities	799	727	6,053
Depreciation	889	637	5,307
Reserve for losses on repayments of dormant bank accounts	364	341	2,840
Other	6,108	4,741	39,459
Subtotal	27,180	22,686	188,785
Valuation allowance	(5,999)	(4,984)	(41,477)
Total: Deferred income tax assets	21,181	17,701	147,308
Deferred income tax liabilities:			
Net unrealized gains on securities available for sale	(48,546)	(64,241)	(534,586)
Retirement benefit trust	(2,206)	(1,927)	(16,040)
Other	(3,062)	(467)	(3,887)
Total: Deferred income tax liabilities	(53,815)	(66,635)	(554,513)
Net: Deferred income tax assets (liabilities)	¥(32,634)	¥(48,933)	\$(407,205)

The reconciliation between the Japanese statutory tax rate and the Bank's effective tax rate for the year ended March 31, 2014 and 2015 was summarized as below.

	2014	2015
Japanese statutory tax rate	37.7%	35.4%
Adjustments:		
Expenses not deductible for income tax purposes	0.3	0.3
Dividend income deductible for income tax purposes	(1.8)	(2.2)
Net increase in valuation allowance	1.9	(1.1)
Reduction of deferred income tax assets as of March 31, 2014 and 2015 due to changes in tax rate	1.8	3.2
Gain on negative good will	—	(2.1)
Others	0.3	(0.1)
Effective tax rate	40.2%	33.4%

Revisions to the amount of deferred income tax assets and deferred income tax liabilities due to changes in income tax rates

The "Act for Partial Revision of the Income Tax Act, etc." (Act No. 9 of 2015) was promulgated on March 31, 2015, and as a result, corporation tax rates, etc. has been reduced from the fiscal year commencing on or after April 1, 2015. Following this change, the statutory tax rate used for the calculation of deferred income tax assets and deferred income tax liabilities has been changed from 35.4% to 32.8% for the temporary differences expected to be settled in the fiscal year commencing on April 1, 2015, and to 32.1% for the temporary differences expected to be settled in the fiscal year commencing on April 1, 2016, respectively. As a result, deferred income tax assets decreased by ¥1,476 million (U.S.\$ 12,283 thousand), deferred income tax liabilities decreased by ¥6,737 million (U.S.\$ 56,062 thousand), net unrealized gains on securities available for sale increased by ¥6,622 million (U.S.\$ 55,105 thousand) and income tax-deferred increased by ¥1,292 million (U.S.\$ 10,751 thousand), respectively. Deferred income tax liabilities by land revaluation excess decreased by ¥879 million (U.S.\$ 7,315 thousand) and land revaluation excess increased by the same amount.

21. Losses on impairment of fixed assets

Area	Principal purpose of use	Millions of yen		Thousands of U.S. dollars
		2014	2015	2015
Gunma Prefecture	Branch Premises	¥839	¥ 6	\$ 56
	Idle Assets	—	—	—
Others	Branch Premises	¥ —	¥24	\$205
	Idle Assets	1	0	8
		¥840	¥32	\$269

22. Segment Information

a. Segment information by category of business

Segment information by category of business for the years ended or as of March 31, 2014 and 2015 is summarized as follows:

Year ended or as of March 31, 2014	Millions of yen				
	Banking	Lease	Sub total	Others	Total
Total income generated from businesses with					
External customers	¥ 108,992	¥ 19,251	¥ 128,243	¥ 2,311	¥ 130,555
Internal units	361	649	1,011	1,065	2,076
	¥ 109,354	¥ 19,900	¥ 129,255	¥ 3,377	¥ 132,632
Segment profit	¥ 32,358	¥ 840	¥ 33,199	¥ 2,566	¥ 35,765
Segment assets	¥ 7,118,985	¥ 57,372	¥ 7,176,358	¥ 22,746	¥ 7,199,105
Segment liabilities	¥ 6,660,045	¥ 47,739	¥ 6,707,785	¥ 13,993	¥ 6,721,778
Others					
Depreciation	¥ 4,600	¥ 519	¥ 5,119	¥ 33	¥ 5,152
Interest and dividend income	¥ 85,618	¥ 8	¥ 85,626	¥ 71	¥ 85,697
Interest expenses	¥ 3,280	¥ 339	¥ 3,619	¥ 0	¥ 3,620
Equity in earnings of unconsolidated subsidiaries and associated companies	¥ 32	¥ —	¥ 32	¥ 547	¥ 579
Extraordinary profit	¥ 8	¥ —	¥ 8	¥ —	¥ 8
(Gain on negative good will)	¥ (—)	¥ (—)	¥ (—)	¥ (—)	¥ (—)
Extraordinary loss	¥ 1,050	¥ —	¥ 1,050	¥ 3	¥ 1,053
(Losses on disposal of fix assets)	¥ (210)	¥ (—)	¥ (210)	¥ (3)	¥ (213)
(Losses on impairment of fixed assets)	¥ (840)	¥ (—)	¥ (840)	¥ (—)	¥ (840)
Tax	¥ 12,512	¥ 385	¥ 12,898	¥ 1,046	¥ 13,944
Investment of unconsolidated subsidiaries and associated companies	¥ 1,176	¥ —	¥ 1,176	¥ —	¥ 1,176
Increase of tangible fixed asset and intangible fixed asset	¥ 7,830	¥ 1,313	¥ 9,144	¥ 82	¥ 9,226

Year ended or as of March 31, 2015	Millions of yen				
	Banking	Lease	Sub total	Others	Total
Total income generated from businesses with					
External customers	¥ 106,901	¥ 19,892	¥ 126,793	¥ 3,473	¥ 130,267
Internal units	351	475	826	1,129	1,956
	¥ 107,252	¥ 20,367	¥ 127,620	¥ 4,603	¥ 132,224
Segment profit	¥ 34,299	¥ 1,187	¥ 35,486	¥ 3,598	¥ 39,084
Segment assets	¥ 7,525,785	¥ 60,448	¥ 7,586,233	¥ 23,786	¥ 7,610,019
Segment liabilities	¥ 7,015,027	¥ 50,035	¥ 7,065,063	¥ 14,739	¥ 7,079,802
Others					
Depreciation	¥ 4,628	¥ 612	¥ 5,240	¥ 41	¥ 5,282
Interest and dividend income	¥ 85,627	¥ 25	¥ 85,653	¥ 48	¥ 85,701
Interest expenses	¥ 3,690	¥ 326	¥ 4,017	¥ 0	¥ 4,017
Equity in earnings of unconsolidated subsidiaries and associated companies	¥ 86	¥ —	¥ 86	¥ —	¥ 86
Extraordinary profit	¥ —	¥ —	¥ —	¥ 2,385	¥ 2,385
(Gain on negative good will)	¥ (—)	¥ (—)	¥ (—)	¥ (2,385)	¥ (2,385)
Extraordinary loss	¥ 456	¥ —	¥ 456	¥ 1	¥ 457
(Losses on disposal of fix assets)	¥ (424)	¥ (—)	¥ (424)	¥ (1)	¥ (425)
(Losses on impairment of fixed assets)	¥ (32)	¥ (—)	¥ (32)	¥ (—)	¥ (32)
Tax	¥ 12,096	¥ 447	¥ 12,543	¥ 1,126	¥ 13,670
Investment of unconsolidated subsidiaries and associated companies	¥ 1,394	¥ —	¥ 1,394	¥ —	¥ 1,394
Increase of tangible fixed asset and intangible fixed asset	¥ 5,113	¥ 832	¥ 5,945	¥ 52	¥ 5,998

Year ended or as of March 31, 2015	Thousands of U.S. dollars				
	Banking	Lease	Sub total	Others	Total
Total income generated from businesses with					
External customers	\$ 889,585	\$ 165,536	\$ 1,055,121	\$ 28,905	\$ 1,084,026
Internal units	\$ 2,926	\$ 3,953	\$ 6,879	\$ 9,403	\$ 16,282
	\$ 892,511	\$ 169,489	\$ 1,062,000	\$ 38,308	\$ 1,100,308
Segment profit	\$ 285,427	\$ 9,880	\$ 295,307	\$ 29,941	\$ 325,248
Segment assets	\$ 62,626,155	\$ 503,023	\$ 63,129,178	\$ 197,938	\$ 63,327,116
Segment liabilities	\$ 58,375,864	\$ 416,372	\$ 58,792,236	\$ 122,659	\$ 58,914,895
Others					
Depreciation	\$ 38,517	\$ 5,095	\$ 43,612	\$ 343	\$ 43,955
Interest and dividend income	\$ 712,556	\$ 211	\$ 712,767	\$ 404	\$ 713,171
Interest expenses	\$ 30,708	\$ 2,721	\$ 33,429	\$ 2	\$ 33,431
Equity in earnings of unconsolidated subsidiaries and associated companies	\$ 722	\$ —	\$ 722	\$ —	\$ 722
Extraordinary profit	\$ —	\$ —	\$ —	\$ 19,851	\$ 19,851
(Gain on negative good will)	\$ (—)	\$ (—)	\$ (—)	\$ (19,851)	\$ (19,851)
Extraordinary loss	\$ 3,800	\$ —	\$ 3,800	\$ 11	\$ 3,811
(Losses on disposal of fix assets)	\$ (3,531)	\$ (—)	\$ (3,531)	\$ (11)	\$ (3,542)
(Losses on impairment of fixed assets)	\$ (269)	\$ (—)	\$ (269)	\$ (—)	\$ (269)
Tax	\$ 100,665	\$ 3,720	\$ 104,385	\$ 9,371	\$ 113,756
Investment of unconsolidated subsidiaries and associated companies	\$ 11,607	\$ —	\$ 11,607	\$ —	\$ 11,607
Increase of tangible fixed asset and intangible fixed asset	\$ 42,548	\$ 6,930	\$ 49,478	\$ 440	\$ 49,918

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.

23. Net Income per Share

	Yen		U.S. Dollars
	2014	2015	2015
Net Assets per Share of Common Stock	¥988.84	¥1,146.98	\$9.54
Net Income per Share of Common Stock	42.58	56.37	0.47
Diluted Net Income per Share of Common Stock	42.53	56.3	0.47

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

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Consolidated Net Assets	¥467,798	¥523,535	\$4,356,626.00
Deduction from nets assets	¥ 8,426	¥ 5,374	\$ 44,728.00
Less: Subscription Rights to Shares	243	316	2,633
Less: Minority Interests	8,183	5,058	42,095
Consolidated Net Assets Attributable to Common Stockholders	459,372	518,160	4,311,898

	Thousands of Stocks	
	2014	2015
Number of Shares of Common Stock Used for Calculating Net Assets per Share	464,557	451,760

2. Basis on calculating Net Income per share was follows:

	Millions of yen	Thousands of Stocks	Yen	U.S. Dollars
For the year ended March 31, 2015	Net income	Weighted average stocks	EPS	
Basic EPS				
Net income available to common shareholders	¥25,910	459,624	¥56.37	\$0.47
Effect of Dilutive warrants		633		
Diluted EPS	¥25,910		¥56.30	\$0.47

	Millions of yen	Thousands of Stocks	Yen	
For the year ended March 31, 2014	Net income	Weighted average stocks	EPS	
Basic EPS				
Net income available to common shareholders	¥19,894	467,231	¥42.58	
Effect of dilutive warrants		479		
Diluted EPS	¥19,894		¥42.53	

(Note)

Euro-US dollar-denominated convertible bonds with stock acquisition rights maturing in 2019 (U.S.\$200,000,000, 2,000 warrants) have no dilutive effects on earnings per share.

The shares of the Bank held by the ESOP Trust are recognized as treasury stock; therefore, these stocks are not included in the weighted average number of common stocks. The weighted average number of treasury stock during the fiscal years ended March 31, 2014 and 2015 is 5,385 thousand and 4,411 thousand, respectively.

(Change in accounting policies)

Effective from the fiscal year ended March 31, 2015, the Bank adopted the provision set forth in Paragraph 35 of the Retirement Benefits Accounting Standards and the provision set forth in Paragraph 67 of the Guidance on Retirement Benefits, which are applied in accordance with the transitional treatment stated in Paragraph 37 of the Retirement Benefits Accounting Standard.

As a result, net assets per share as of the beginning of the fiscal year ended March 31, 2015 decreased by ¥12.21 while basic EPS and diluted EPS for the fiscal year ended March 31, 2015 increased by ¥0.99 and ¥1.00, respectively.

24. Consumption tax

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

25. Changes in Net Assets

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

Type and number of shares issued and treasury stock in the year ended March 31, 2015 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	474,888	—	4,000	470,888
Total	474,888	—	4,000	470,888
Treasury stock				
Common stock	10,330	13,823	5,026	19,127
Total	10,330	13,823	5,026	19,127

Type and number of shares issued and treasury stock in the year ended March 31, 2014 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	474,888	—	—	474,888
Total	474,888	—	—	474,888
Treasury stock				
Common stock	6,364	5,048	1,082	10,330
Total	6,364	5,048	1,082	10,330

b. Information on dividends

The following dividends were paid in the year ended March 31, 2015:

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 stockholders held on June 25, 2014	Common stock	¥2,347	\$19,533	¥5.0	\$0.04	March 31, 2014	June 26, 2014
Directors' meeting held on November 7, 2014	Common stock	¥2,113	\$17,584	¥4.5	\$0.04	September 30, 2014	December 5, 2014

The following dividends were paid in the year ended March 31, 2014:

Date of resolution	Type of shares	Amount of dividends		Cash dividends per share		Record date	Effective date
		Millions of yen		Yen			
Annual meeting of stockholders held on June 25, 2013	Common stock	¥3,077		¥6.5		March 31, 2013	June 26, 2013
Directors' meeting held on November 8, 2013	Common stock	¥2,130		¥4.5		September 30, 2013	December 6, 2013

Dividends whose record date is attributable to the year ended March 31, 2015 but which are effective after March 31, 2015

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 stockholders held on June 24, 2015	Common stock	¥2,962	\$24,652	Retained earnings	¥6.5	\$0.05	March 31, 2015	June 25, 2015

Dividends whose record date is attributable to the year ended March 31, 2014 but which are effective after March 31, 2014

Date of resolution	Type of shares	Amount of dividends		Source of dividends	Cash dividends per share		Record date	Effective date
		Millions of yen			Yen			
Annual meeting of stockholders held on June 25, 2014	Common stock	¥2,347		Retained earnings	¥5.0		March 31, 2014	June 26, 2014

26. Stock Options

1. Line Item where Stock Options is Presented and the Amount

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
General and administrative expenses	¥152	¥126	\$1,049

2. Details of Stock Option

(1) Outline of the Stock Option

	1st equity warrant	
Title and numbers of grantees	Directors (Exclude outside directors)	11
Number of stock options	Common stock	290,900
Date of grant		July 26, 2012
Vesting condition		Not fixed
Service period		Not fixed
Exercise period		From July 27, 2012 to July 26, 2042

2nd equity warrant		
Title and numbers of grantees	Directors (Exclude outside directors)	12
Number of stock options	Common stock	217,000
Date of grant		July 25, 2013
Vesting condition		Not fixed
Service period		Not fixed
Exercise period		From July 26, 2013 to July 25, 2043

3rd equity warrant		
Title and numbers of grantees	Directors	11
Number of stock options	Common stock	59,900
Date of grant		July 25, 2013
Vesting condition		Not fixed
Service period		Not fixed
Exercise period		From July 26, 2013 to July 25, 2043

4rd equity warrant		
Title and numbers of grantees	Directors	12
Number of stock options	Common stock	189,400
Date of grant		July 28, 2014
Vesting condition		Not fixed
Service period		Not fixed
Exercise period		From July 29, 2014 to July 28, 2044

5rd equity warrant		
Title and numbers of grantees	Directors	9
Number of stock options	Common stock	38,700
Date of grant		July 28, 2014
Vesting condition		Not fixed
Service period		Not fixed
Exercise period		From July 29, 2014 to July 28, 2044

(2) Size and situation of the Stock Option

(a) The number of the stock option

	Number of Shares				
	1st equity warrant	2nd equity warrant	3rd equity warrant	4st equity warrant	5nd equity warrant
Non-vested					
As of March 31, 2015	290,900	217,000	59,900	—	—
Granted	—	—	—	189,400	38,700
Forfeited	—	—	—	—	—
Vested	51,100	36,400	29,300	—	—
Outstanding	239,800	180,600	30,600	189,400	38,700
vested					
As of March 31, 2015	—	—	—	—	—
Vested	51,100	36,400	29,300	—	—
Exercise	51,100	36,400	29,300	—	—
Forfeited	—	—	—	—	—
Outstanding	—	—	—	—	—

(b) Price Information

	Yen				
	1st equity warrant	2nd equity warrant	3rd equity warrant	4st equity warrant	5nd equity warrant
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average price at exercise	¥606	¥606	¥606	—	—
Fair value at grant date	¥311	¥542	¥585	¥545	¥591

	U.S. dollars				
	1st equity warrant	2nd equity warrant	3rd equity warrant	4st equity warrant	5nd equity warrant
Exercise price	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01
Average price at exercise	\$5.04	\$5.04	\$5.04	—	—
Fair value at grant date	\$2.59	\$4.51	\$4.87	\$4.54	\$4.92

3. The Estimations Used to Measure Fair Value of Stock Option

(1) Valuation method

The Black-Scholes option pricing model

(2) Main figures and the way of estimation

	4nd equity warrant	5rd equity warrant
volatility of stock price (*1)	29.745%	27.646%
Estimated remaining outstanding Period (*2)	7.2 years	1.9 years
Estimated dividend (*3)	¥9.5 per share	¥9.5 per share
Risk-free interest rate (*4)	0.305%	0.070%

*1. Volatility of Stock Price is calculated based on the actual stock prices of Estimated Remaining Outstanding Period.

*2. Estimated Remaining Outstanding Period is calculated based on the average term in office of resigned directors (Exclude Non executive director.)

*3. Estimated Dividend is based on the actual results of the fiscal year ended March 31, 2014.

*4. Risk-free Interest Rate is based on bonds' yields of the Estimated Remaining Outstanding Period.

4. Estimated Number of Stock Options to be Vested

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

27. Business Combinations

Transaction under common control

Acquisition of treasury stock by a consolidated subsidiary

Gunma Shinyo Hosho Co., Ltd., a consolidated subsidiary of the Bank, acquired treasury stock owned by its minority shareholders as of March 31, 2015.

1. Outline of the transaction

(1) Name of the entity and description of its business

Gunma Shinyo Hosho Co., Ltd. (Guarantee business)

(2) Date of the business combination

March 31, 2015

(3) Legal form of the business combination

Stock acquisition from minority shareholders

(4) Name of the entity after the business combination

No change in the name of the company after the business combination

(5) Other matters concerning the transaction

The acquisition of treasury stock was carried out in an aim to lift the Group's ownership ratio to 100%, thereby reinforcing the Group's management structure.

2. Outline of the accounting method applied

The transaction is accounted for as a transaction with minority shareholders under the category of transaction under common control pursuant to the "Accounting Standard for Business Combinations" (ASBJ statement No. 21, December 26, 2008) and the "Guidance on Accounting Standard for Business Combinations and Business Divestitures" (ASBJ guidance No. 10, December 26, 2008).

3. Matters related to acquisition of treasury stock by the subsidiary

(1) Acquisition cost and its details

Consideration for acquisition: Cash and due from banks ¥2,177 million (U.S.\$ 18,116 thousand)

Acquisition cost ¥2,177 million (U.S.\$ 18,116 thousand)

(2) Amount of and reason for recognizing gain on negative goodwill

1) Amount of gain on negative goodwill

¥2,385 million (U.S.\$ 19,851 thousand)

2) Reason for recognizing gain on negative goodwill

Since the acquisition cost of treasury stock owned by minority shareholders was lower than the amount of a decrease in minority interests.

28. Subsequent events

In order to enhance distribution of profits to shareholders, at the Board of Directors' meeting held on May 12, 2015, the Bank resolved the acquisition of treasury stocks pursuant to the provision of Article 156 of the Companies Act, which is applied by replacing the terms and phrases pursuant to the provision of Article 165 Paragraph 3 of the said Act.

(i) Type of shares to be acquired: Common stock

(ii) Total number of shares to be acquired: Up to 3,000,000 shares

(iii) Total amount of acquisition: Up to ¥2,500 million

(iv) Period of acquisition: From May 15, 2015 to June 23, 2015

In addition, the Bank has acquired 960,000 shares of common stock of the Bank at ¥830 million before May 31, 2015.



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Independent Auditor's Report

The Board of Directors
The Gunma Bank, Ltd.

We have audited the accompanying consolidated financial statements of The Gunma Bank, Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2015, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Gunma Bank, Ltd. and its consolidated subsidiaries as at March 31, 2015, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 4.

Ernst & Young ShinNihon LLC

June 22, 2015

Non-Consolidated Financial Review

Five-Year Summary

Millions of yen

Year ended 31st March,	2011	2012	2013	2014	2015
Assets, liabilities and stockholders' equity					
Deposits (including Negotiable CDs)	5,651,483	5,790,853	5,943,714	6,099,602	6,265,057
Loans and bills discounted	3,953,457	4,111,013	4,382,661	4,582,222	4,838,847
Securities	1,906,169	1,990,235	2,138,844	2,207,441	2,304,034
Total assets	6,204,593	6,433,687	6,819,090	7,115,017	7,521,135
Common stock	48,652	48,652	48,652	48,652	48,652
Number of shares issued and outstanding (thousand)	(483,888)	(478,888)	(474,888)	(474,888)	(470,888)
Total net assets	365,041	386,121	432,036	454,853	506,074
Earnings					
Gross business profit	101,010	95,740	95,288	91,629	93,141
Net business profit	47,770	34,656	35,211	36,812	34,554
Net income (loss)	17,802	18,192	18,911	18,223	21,653
Per share amounts (¥)					
Stockholders' equity	754.97	806.95	921.93	978.59	1,119.53
Net income (loss)	36.31	37.75	39.80	39.00	47.11
Dividend	9.00	9.50	10.50	9.50	11.00
(interim dividend)	(3.50)	(4.50)	(4.00)	(4.50)	(4.50)
Payout ratio	24.79	25.17	26.38	24.36	23.35
Number of employees	3,265	3,325	3,336	3,342	3,264

Interest Income and Expenses

Millions of yen, %

Year ended 31st March,	2014			2015		
	Average Balance	Interest	Yield	Average Balance	Interest	Yield
Earning assets (A)	6,637,897	85,487	1.28%	6,942,639	85,484	1.23%
Loans and bills discounted	4,438,354	61,337	1.38	4,667,738	60,002	1.28
Trading securities	2,807	8	0.28	2,239	5	0.26
Securities	2,053,277	23,032	1.12	2,119,167	24,162	1.14
Call loans	85,897	325	0.37	105,980	494	0.46
Bills bought	—	—	—	—	—	—
Due from banks	38,765	72	0.18	28,928	72	0.25
Funds (B)	6,384,215	3,277	0.05	6,682,491	3,690	0.05
Deposits	5,820,364	2,152	0.03	5,972,048	2,160	0.03
Negotiable CDs	137,224	73	0.05	177,751	104	0.05
Call money	111,645	190	0.17	95,106	184	0.19
Bills sold	—	—	—	—	—	—
Borrowed money	133,665	160	0.11	179,376	209	0.11
Net interest (A)–(B)	—	—	1.23	—	—	1.18

Notes:

- Earning assets do not include the non-earning deposits (averaging ¥48,838 million in 2014 ¥50,889 million in 2015). Funds do not include equivalents to money in trust (average balance of ¥4,999 million in 2014 ¥5,000 million in 2015) and interest thereon (¥1 million in 2014 ¥1 million in 2015).
- The average balance and interest of lending between domestic and overseas operations has been offset.

Loans Outstanding by Type of Industry

As at 31st March,		Millions of yen, %	
2014		2015	
Domestic branches (excluding JOM accounts)	¥4,536,792 (100.00)	Domestic branches (excluding JOM accounts)	¥4,781,991 (100.00)
Manufacturing	734,283 (16.19)	Manufacturing	727,538 (15.21)
Agriculture & forestry	5,927 (0.13)	Agriculture & forestry	7,232 (0.15)
Fisheries	2,755 (0.06)	Fisheries	2,610 (0.06)
Mining & stone - quarrying	3,155 (0.07)	Mining & stone - quarrying	3,699 (0.08)
Construction	172,129 (3.79)	Construction	171,851 (3.59)
Public utilities	27,262 (0.60)	Public utilities	31,899 (0.67)
Information & Telecommunications	30,240 (0.67)	Information & Telecommunications	29,844 (0.62)
Transport	146,097 (3.22)	Transport	147,193 (3.08)
Wholesaling and retailing	448,400 (9.88)	Wholesaling and retailing	457,295 (9.56)
Finance & insurance	194,864 (4.30)	Finance & insurance	191,054 (4.00)
Real estate & lease industry	474,033 (10.45)	Real estate & lease industry	522,182 (10.92)
Medical & welfare services	206,081 (4.54)	Medical & welfare services	223,955 (4.68)
Miscellaneous services	183,926 (4.05)	Miscellaneous services	199,956 (4.18)
Local governments	110,111 (2.43)	Local governments	105,706 (2.21)
Others	1,797,519 (39.62)	Others	1,959,965 (40.99)
Overseas branches and JOM accounts	45,430 (100.00)	Overseas branches and JOM accounts	56,856 (100.00)
The governments of other countries	— (—)	The governments of other countries	— (—)
Financial institutions	— (—)	Financial institutions	— (—)
Others	45,430 (100.00)	Others	56,856 (100.00)
Total	¥4,582,222 (—)	Total	¥4,838,847 (—)

Term-End Balances of Reserve for Possible Loan Losses

		Millions of yen
As at 31st March,	2014	2015
Categories		
General reserve for possible loan losses	¥19,058	¥19,345
Specific reserve for possible loan losses	27,603	20,444
Reserve for losses on overseas investments	—	—
Total	¥46,662	¥39,790

Board of Directors, Executive Officers and Audit & Supervisory Board Members

Chairman:
Kazuo Kibe

President:
Kazuo Saito

Senior Managing Directors:
Kenichi Takai
Hisao Tsunoda

Managing Directors:
Takaya Kimura
Hiroschi Kurihara
Nobuyuki Horie
Akihiko Fukai

Directors:
Shigeyoshi Minami
Yoichi Hirasawa
Yuji Kanai
Shigeaki Ninomiya
Eiji Muto

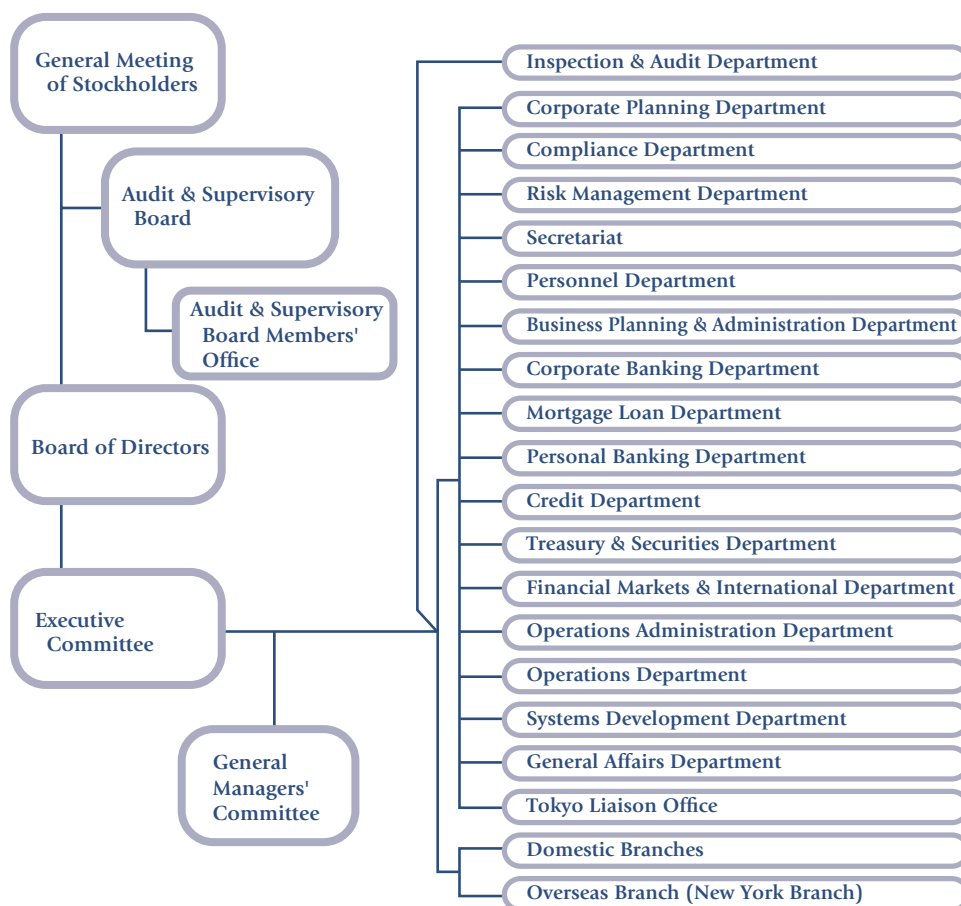
*Standing Audit &
Supervisory Board Members:*
Nozomu Nakagawa
Yoshihiro Hagiwara

*Audit & Supervisory Board
Members:*
Hirosuke Kobayashi
Hiroyoshi Ishida
Kaneo Fukushima

Executive Officers:
Keisuke Kobayashi
Katsunori Yokoyama
Shusuke Nakamura
Satoshi Kobayashi
Satoshi Hanasaki
Toshio Osawa
Yukio Yuasa
Satoshi Inoue
Takashi Kemi
Noriyuki Watanabe

(As of 30th June, 2015)

Organization Chart

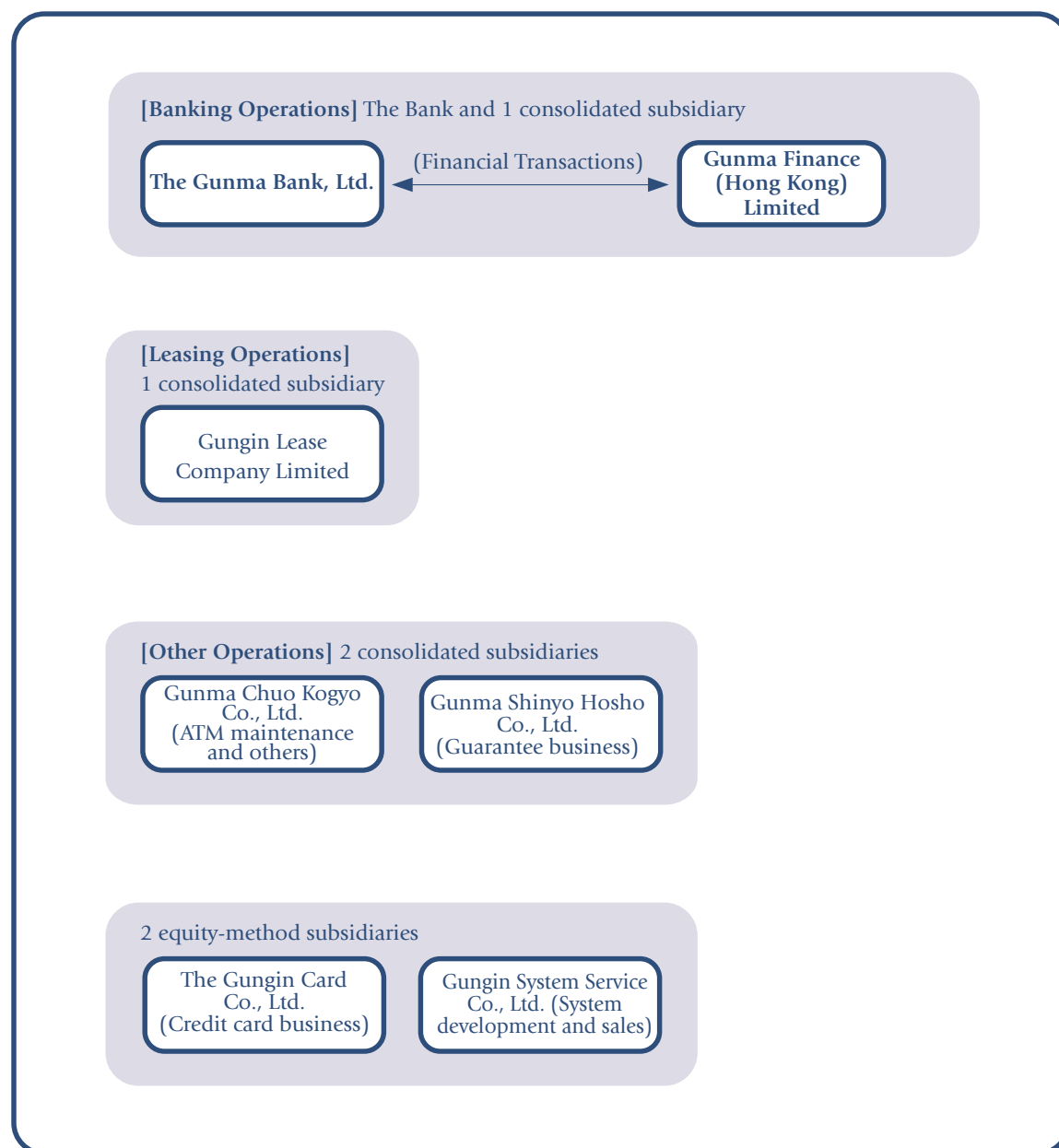


(As of 30th June, 2015)

Business Activities and Organizations of the Gunma Bank Group

The Group consists of The Gunma Bank, Ltd., its consolidated subsidiaries, equity-method subsidiaries. The Group provides mainly banking services and other financial services including leasing.

(As of 30th June, 2015)



Corporate Data and Service Network

Data of The Gunma Bank, Ltd.

Date of Establishment:	September 14, 1932
Head Office:	194, Motosojamachi, Maebashi, Gunma 371-8611, Japan
Common Stock:	¥48,652 million
Number of Branches:	In Japan: 150 Branches (including 19 sub-branches) Overseas: 1 Branch 1 Subsidiary In addition to the Branches above, the Bank has one Representative Office in Shanghai, China.
Number of Employees:	3,264

(As of 31st March, 2015)

Major Stockholders

(As of 31st March, 2015)

	Number of shares held (in thousands)	%
Japan Trustee Services Bank, Ltd. (Trust Account)	19,195	4.07
The Master Trust Bank of Japan, Ltd. (Trust Account)	13,316	2.82
The Gunma Bank Employees' Stockholdings Association	12,262	2.60
Sumitomo Mitsui Banking Corporation	12,148	2.57
Meiji Yasuda Life Insurance Company	11,056	2.34
Sumitomo Life Insurance Company	10,657	2.26
Tokio Marine & Nichido Fire Insurance Co., Ltd.	7,977	1.69
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	7,803	1.65
Toyo Seikan Group Holdings, Ltd.	7,330	1.55
Nippon Life Insurance Company	7,008	1.48
Total	108,755	23.09

Note:

- Other than the shares stated above, 15,132 thousand shares of treasury stock are held by the Bank in the name of The Gunma Bank, Ltd. (ratio of number of shares held against total number of shares issued and outstanding is 3.21%).
- Among the shares held by trust banks stated above, the following are related to their trust management business:

Japan Trustee Service Bank, Ltd. (Trust Account)	19,195 thousand shares
The Master Trust Bank of Japan, Ltd. (Trust Account)	13,316 thousand shares

Consolidated Subsidiaries

(As of 30th June, 2015)

	Line of Business	Established	Capital
Gunma Chuo Kogyo Co., Ltd.	ATM maintenance and others	February 1971	¥10 million
Gunma Finance (Hong Kong) Limited	Loans, investment in securities and deposit-taking	February 1991	US\$30 million
Gungin Lease Company Limited	Lease	October 1973	¥180 million
Gunma Shinyo Hoshio Co., Ltd.	Guarantee	September 1983	¥30 million

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