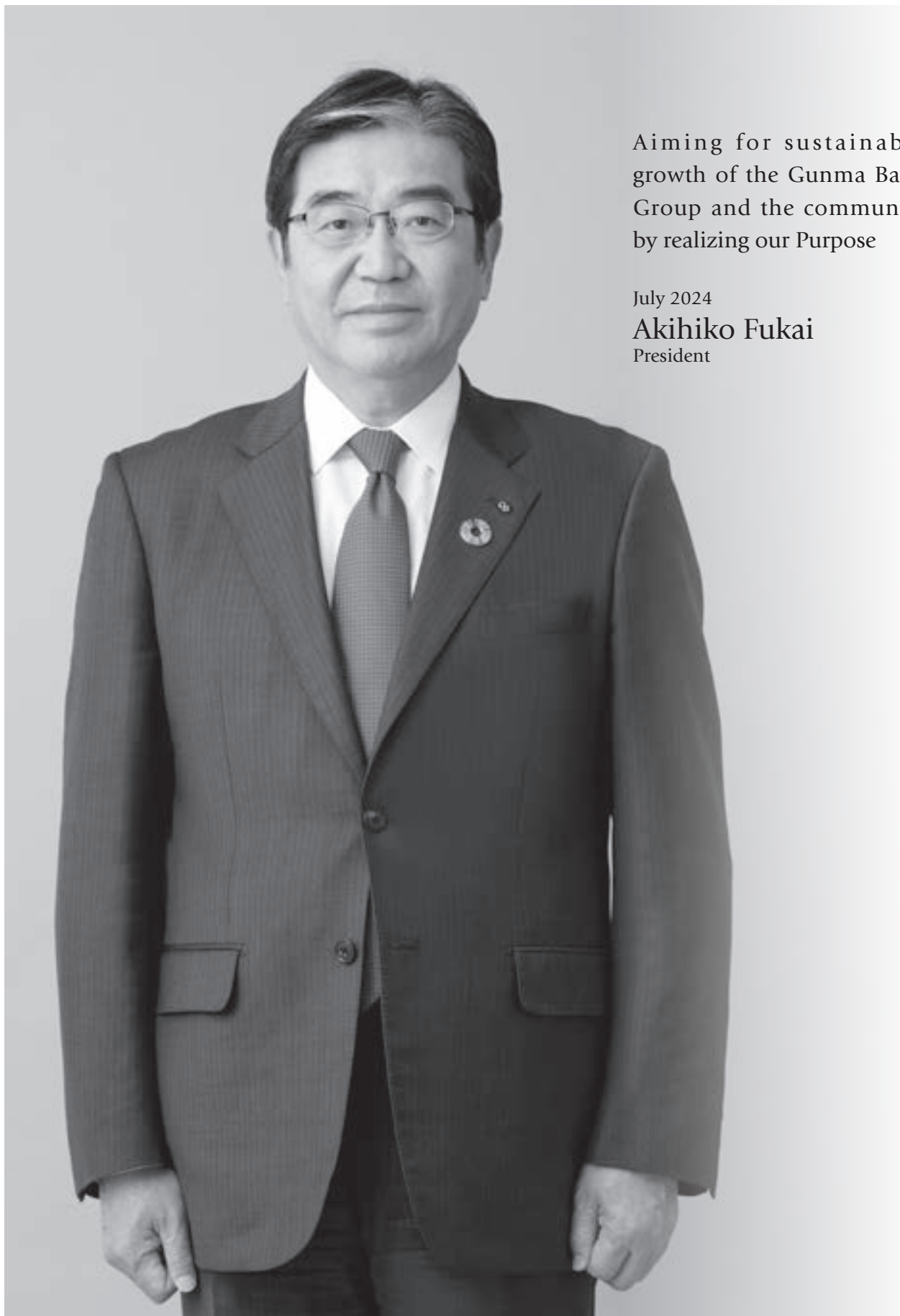


Annual Report 2024

GUNMA BANK REPORT

Year Ended 31st March, 2024

Message from the Management



Aiming for sustainable
growth of the Gunma Bank
Group and the community
by realizing our Purpose

July 2024

Akihiko Fukai
President

Preface

Looking at recent economic developments, the environment surrounding us continues to change. We have seen socio-economic activities returning to normal following the pandemic, greater expectations for higher consumer spending thanks to companies paying higher wages, rising prices due to the depreciating yen, and a change in monetary policy by the Bank of Japan.

Turning toward the Gunma region, a major issue is now the need for improved productivity through the use of digital technology in the fight against the growing labor shortage. And along with this is the need to further promote environmentally friendly initiatives as momentum toward decarbonization gains pace.

In this environment, the Gunma Bank is working to resolve customer and regional challenges. Our aim is to achieve sustainable growth of the Gunma Bank Group and the community based on our Purpose “Using our strengths to connect, we will spin the threads of the future for local communities.”

Improving Corporate Value

For the Gunma Bank Group to grow sustainably and increase its corporate value, it is vital that we meet the expectations of all our stakeholders, including customers, local communities, executives and employees, and shareholders. In other words, the Group’s corporate value will increase as a result of solving the challenges our customers face to support the sustainable growth of the local community. It will increase as we give more opportunity and create the environment to motivate employees and improve their skills. Our corporate value will improve as we encourage each and every employee to take pride in their work with a sense of job satisfaction, and it will improve as we build a relationship of trust with our shareholders and investors by returning stable profits and providing information through our investor relations. This idea also connects with the aims of the Purpose we established: sharing of decision axes, increasing individual job satisfaction, and a shared understanding with stakeholders.

Turning our attention to the stock market, many Japanese companies, in response to a request from the Tokyo Stock Exchange, are drawing interest as they run their businesses mindful of capital costs and introduce initiatives aimed at improving their price-to-book ratio (PBR). However, as I mentioned earlier, we believe that meeting the expectations of our stakeholders is the fastest way to improve corporate value, and, therefore, this mindset and attitude remain unchanged. Nevertheless, I feel that this increased interest in improving corporate value has provided a good opportunity for us, as a publicly listed company, to reaffirm the importance of increasing profits while increasing capital efficiency.

■ Aiming for ROE of 8% with RORA in Mind

A company’s price-to-book ratio (PBR) can be broken down into price per earnings ratio (PER) and return on equity (ROE). To improve our PER, it is important that we strive for stable profit growth and eliminate any information-asymmetry through investor relations. This is why I have personally taken the initiative in holding dialogues with many of our investors. However, since PER reflects a market view, it can be difficult to control within the company. On the other hand, ROE can be improved through our own efforts, so the Bank is putting particular emphasis on this.

Based on this idea, Gunma Bank has set an ROE target of 8% for the fiscal year ending March 2028, and is working on various measures to achieve this target. But what is important here is our approach to RORA, an indicator of return on risk assets.

The most effective way to improve RORA, is to accumulate assets with high RORA and improve the profitability of assets with low RORA. Assets with a high RORA include highly profitable project finance such as renewable energy and low-risk housing loans. Gunma Bank is therefore working to strengthen the balance of these assets by increasing the number of personnel involved in promoting these fields. Meanwhile, since the RORA on loans to small and medium-sized enterprises (SMEs), which are important for the sustainability of our business and the region, tends to be low due to the relatively high risks and competition, we are working to improve profitability by improving interest rates in response to the Bank of Japan’s policy change and, as I will explain later, by boosting non-interest business income through consulting proposals. In order to improve the profitability of loans to SMEs, the Bank has introduced a unique metric, our so-called “Standard Profit Margin”, in order to share profitability targets with branches and headquarters. Since this Standard Profit Margin is based on the Bank’s overall RORA target, improving the profitability of transactions with each customer will directly lead to an increase in the Bank’s RORA, which in turn will lead to an increase in ROE.

These measures, unique to Gunma Bank, were introduced even before current efforts to increase corporate value, such as improving PBR, made it into the spotlight. Indeed, one of the characteristics and strengths of Gunma Bank is that we have been one of the first banks which has been trying to improve RORA as a whole.

Resolving Customer Challenges by Exercising Our Strengths in “Connections”

To achieve sustainable growth and development of local communities based on our Purpose, the Gunma Bank Group is working to resolve customer challenges by providing a variety of solutions. In this way, the value we provide to our customers and the community can be expressed in the word “connections.”

■ Initiatives Geared Toward the Connecting Process

Since October 2022, the Gunma Bank has been developing a series of sales activities called “Connecting Process,” starting with dialog with customers, sharing goals and understanding what is needed to realize these goals, and providing appropriate solutions to our customers. This Connecting Process is characterized not only by immediate needs but also by understanding needs from a long-term perspective through sharing our customers’ goals. After one year and six months since we started the Connecting Process, we have talked with 6,085 companies and identified more than 17,000 needs. Gunma Bank branches, headquarters, and group companies work together to provide a variety of solutions in response to the needs that have been identified.

■ Deploying a Full-Spec Approach

Throughout our history, we have supported our customers’ asset building formation and business expansion through money connections, or in other words, through financing. But now, in order to respond to the increasingly sophisticated and diversified needs of our customers, we are making all sorts of efforts to “Connect”. For example, we provide business succession support that connects businesses with next generation managers, business matching support that connects customers with each other, and staffing support that connects companies with the right human resources.

What is important to us when providing solutions to our customers is that we do not carry out each proposal in a separate manner, for example, a financing, business succession support, or staffing proposal, but instead, we view it as a process towards achieving the customer’s goals whereby we make a wide range of proposals as a series from a long-term perspective. At Gunma Bank, we call this the full-spec approach.

For example, when we receive inquiries from customers about new business or installing equipment, we don’t consider it to be merely a loan project. Rather, we offer various proposals in all stages from the preloan to the post-loan stage. So, if it is a new business, we verify the appropriateness of the business plan through Gungin Consulting, and if the customer is installing equipment such as building a new factory, we introduce suppliers and sales partners to expand their business, and introduce any necessary management personnel. The deployment of this full-spec approach not only leads to sustainable growth for our customers, but also helps to increase the Bank’s profits, so it truly is an activity rooted in our Purpose.

Realizing a Sustainable Regional Community by Expanding the Field of “Connections”

As well as solving the problems faced by our customers by exercising our strengths in “Connections,” the Gunma Bank Group is also working on activities based on a long-term perspective, namely expanding the field of “Connections,” in order to make the region more sustainable.

■ Initiatives Towards a Cashless Society

Promoting cashless payments in the region is one of the key initiatives we can do to revitalize the local economy. Helping to create a society where cash is used less will not only make it more convenient for customers, but will also help to increase spending across the region as useful information is shared with customers in the region through the use of payment data and other information collected by the Bank. With this idea in mind, Gunma Bank has been working in collaboration with Gungin Card on a new debit card released in January 2024, and the more widespread use of card machines at local stores, offices, clinics and other places.

■ Initiatives to Create Regional Products and Services

As many products and services are becoming more commoditized, efforts to discover, create, and widely disseminate appealing products and services in the region are also important in helping to boost local consumption and sustainable growth for businesses. Based on this idea, Gungin Consulting launched the crowdfunding site TSUNAGU+ in July 2023 as part of its regional trading company business, and in February 2024 established the online shopping site TSUNAGU+Store. Through these two websites, we are striving to revitalize the local economy by connecting local businesses with consumers who want to support projects originating in the region.

■ Initiatives to Revitalize Core Industries in the Region

To make the region more sustainable, it is vital that we take steps to revitalize the core industries that drive regional economic growth. With the aim to revitalize Ikaho Onsen (hot spring resort), the Bank established, through a fund managed by Gunma Regional Advanced Solution Partners (GRASP), an urban development company, Sekiraku Co., Ltd., in December 2023 in collaboration with local businesses. As well as acquiring and renovating an old ryokan (Japanese style inn), Sekiraku is also working to create a bustling community by encouraging restaurants and shops to open that are in short supply in the area. This is just one example of the initiatives we are carrying out. We are also working to revitalize the core industries in the region through initiatives such as the revitalization of Minakami Town through collaboration with businesses, local government, and universities, as well as support for the automobile industry focusing on suppliers to Subaru.



The old Ichikawa Ryokan (building on the left) acquired by Sekiraku Co., Ltd.

Enriching Human Capital

So far, I have talked about our efforts to solve customer challenges and create sustainable local communities. I also believe that human resources are the starting point of all our activities. In June 2023, the Gunma Bank formulated its Personnel Development Policy which states, “To achieve our Purpose, we will support employees to build their careers independently and take on challenges based on each Personal Purpose to improve the value of our human resources.” In line with this policy, all executives and employees have set out their own Personal Purpose which they are diligently working towards. As a bank, we want Personal Purpose initiatives to lead to the career development of each executive and employee, and to support this, we are revising our personnel system and improving the training we offer, which I will talk about later.

■ Job-based Personnel System based on Occupational Standards

In June 2024, the Bank fundamentally reviewed its existing personnel system and introduced a new job-based personnel system based on occupational standards. To give some background, our previous personnel system was built around the ideas of seniority and lifetime employment. It was a system based on occupational qualifications with the goal of developing generalist employees who could play an active role in a variety of fields. However, due to changes in the environment and more diversified work styles, various problems have become apparent, including a strong sense of seniority that leads to inflexible operation of the system and a passive sense of career development for bank employees.

The key points of the new personnel system are to appoint the right person to the right position according to ability, to treat employees appropriately with the formulation of job descriptions, and to give a clear career picture. Appointing the right person to the right position according to their ability means flexibly appointing talented people regardless of their years of service. As such, we aim to improve the performance of the organization as a whole by providing opportunities for young bank employees to be promoted, and for employees who would otherwise lose their position under the old system based on their years of service to continue to play an active role. In addition, by clearly stating the role, required skills, and required career of managers and supervisors in the newly drawn up job descriptions, we hope to not only ensure appropriate treatment commensurate with the value of the job, but also to clarify the career image of bank employees by disclosing job descriptions within the bank, or in other words, by creating a clear picture of what the job entails.

Progress of the Mid-Term Business Plan and Future Challenges

Under the mid-term business plan titled Innovation for “Purpose,” which started in April 2022, we are working to realize a vision for the future based on our Purpose. Based on the digital strategy that I will talk about next, we are taking various measures such as building an effective sales system, strengthening contact with customers, providing financial, core business, and business succession support to companies, and consulting tailored to individual customers. Two years have passed since the formulation of the midterm business plan. We are seeing that many of our measures are bearing fruit, and that we are making steady progress on our KPIs in Connections, such as the number of customer business succession issues resolved and the number of staffing contracts filled. As a result, we have been able to achieve our profit targets for the final year of the plan one year ahead of the original schedule.

On the other hand, exerting the collective strengths of the Group will become a challenge for us as we aim to further increase our corporate value going forward. So far, I have talked about the group companies such as Gungin Card, Gungin Consulting, and Gunma Regional Advanced Solution Partners. Going forward, we will cement and integrate Group business through collaboration with other group companies, notably Gungin Securities, to improve our ability to make asset management proposals to individual customers, and further strengthening collaboration with Gungin Lease to support business customers with new equipment and facilities.

Executing our Digital Strategy

Gunma Bank has set its digital strategy as one of the basic policies of the mid-term business plan, and is working on various measures from three perspectives: digitalization of the community, digitalization of customer contact points, and digitalization of internal bank operations. Specific measures include creating an app for individual customers, a portal site for corporate/business customers, and improving nonface-to-face channels, for example, with in-store tablets that allow customers to complete procedures such as opening an account by themselves. The app for individual customers was developed in collaboration with members of the TSUBASA Alliance. After continuous modifications and added functions, the number of users is now at more than 270,000 two years after the app was first launched.

This enhancement of non-face-to-face channels has led to improved convenience for customers and the streamlining of our operations. This has also led to stronger contact with customers by allocating the time freed up from streamlining operations to face-to-face interactions with customers, and by shifting bank employees who were previously doing office work to consulting with customers. We will continue to strive to improve customer satisfaction by effectively utilizing both non-face-to-face and face-to-face channels.

Sustainability Initiatives

■ Decarbonization Initiatives

The Gunma Bank has set a goal of achieving net zero Scope 1 and 2 greenhouse gas emissions by fiscal 2030, and is undertaking various initiatives toward decarbonization. Specifically, we entered into power purchase agreements (PPA) for many of our branches where solar panels were installed with the help of Kanto Yawaragi Energy Co., Ltd., which was jointly established with local businesses through a fund managed by Gunma Regional Advanced Solution Partners. And in January 2024, we began procuring renewable energy from a newly opened hydroelectric power plant in Oze which has been providing power to nine branches in the northern part of Gunma Prefecture.

Furthermore, the Bank has acquired the naming rights to this hydroelectric power plant and is working to foster momentum toward decarbonization by widely sharing information in the region. Consequently, the Gungin Oze Katashina Power Plant is now widely known. As a result of these efforts, the Bank’s greenhouse gas emissions have reduced at a faster pace than the original plan. We have achieved our reduction target for fiscal 2024, the final year of the mid-term business plan, one year ahead of schedule.



Gungin Oze Katashina Power Plant

■ Initiatives for Sustainable Finance

To improve sustainability in the region, we must not only work on our own efforts, but also work on solving the environmental and social issues of our customers. The Gunma Bank has been providing financial support, such as sustainable finance, to solve these customer issues, and so far, we have been able to confirm customer needs that exceed our expectations. As such, I feel that there is now greater awareness of environmental and social issues and higher expectations for financial institutions.

In light of this situation, we have raised our medium- to long-term sustainable finance target from 1.5 trillion yen to 3 trillion yen by fiscal 2030, and we are working to improve sustainability for our customers and local communities by expanding our product lineup of sustainable finance.

■ Initiatives to Preserve Natural Capital and Biodiversity

To date, the Gunma Bank has been working to preserve natural capital and biodiversity by supporting environmental conservation activities through the Gungin Foundation. Through our investment trust fund Oze Kiko, we have donated a portion of the trust fees to a foundation that carries out environmental conservation activities in Oze. In order to further advance these efforts, we joined the Task Force on Nature-related Financial Disclosures (TNFD) Forum in April 2024. As well as tackling climate change by reducing greenhouse gas emissions, we will continue to contribute to the realization of a sustainable society by working to resolve a broader range of sustainability issues.

Conclusion

Roughly 2 years and 6 months have passed since we first created our Purpose, and I feel that achieving both social and economic value based on this Purpose is steadily taking root. The fact that we were able to achieve our mid-term business plan profit target one year ahead of schedule as a result of our efforts to solve customer and community challenges through the use of our Connecting Process from dialog with customers, and the development of our Full-Spec Approach through the provision of various solutions, is a testament to the value of our Purpose.

Through these Purpose-based sales activities, the Gunma Bank Group will support the sustainable growth of customers and local communities, and will strive to achieve the medium- to long-term target of ROE 8% by enhancing employee engagement and building relationships of trust with our many stakeholders, including shareholders. In this way we will continue to work to further improve our corporate value.

In closing, I would like to ask for your continued support for the growth and development of the Gunma Bank Group.

July 2024

Akihiko Fukai
President



Consolidated Financial Review

Performance

The Gunma Bank Group comprises six consolidated subsidiaries, two unconsolidated subsidiaries accounted for by the equity method, and one affiliated company accounted for by the equity method. The consolidated business results were as follows.

During the fiscal year ended March 31, 2024 total assets increased by ¥155.9 billion to ¥10,818.2 billion, while liabilities increased by ¥98.6 billion to ¥10,245.1 billion. Net assets increased by ¥57.2 billion to ¥573.0 billion.

Ordinary income increased by ¥23,766 million from the fiscal year ended March 31, 2023 to ¥200,356 million, mainly due to increases in interest income and fees and commissions. Ordinary expenses increased by ¥18,294 million from the fiscal year ended March 31, 2023 to ¥156,567 million, mainly due to an increase in interest expenses.

As a result, ordinary profit increased by ¥5,472 million from the fiscal year ended March 31, 2023 to ¥43,788

million. In addition, profit attributable to owners of parent increased by ¥3,192 million from the fiscal year ended March 31, 2023 to ¥31,125 million, mainly due to a decrease in income taxes - deferred.

Consolidated Capital Adequacy Ratio (BIS Standards)

	As at March 31, 2023	As at March 31, 2024
1. Consolidated total capital ratio (4/7)	13.82%	14.86%
2. Consolidated Tier 1 ratio (5/7)	12.48%	13.79%
3. Consolidated Common Equity Tier 1 ratio (6/7)	12.48%	13.52%
4. Total capital (consolidated)	529.9	570.6
5. Tier 1 capital (consolidated)	478.7	529.5
6. Common Equity Tier 1 capital (consolidated)	478.7	519.5
7. Risk weighted assets	3,834.6	3,840.1
8. Total Capital requirements (consolidated)	306.7	307.2
9. Consolidated leverage ratio	5.33%	5.82%

Billions of yen

Consolidated Balance Sheets

As at March 31,	Millions of yen		Thousands of U.S. dollars (Note 2)
	2023	2024	2024
Assets			
Cash and due from banks	¥ 1,833,043	¥ 1,844,728	\$ 12,183,664
Trading account securities	541	268	1,775
Money held in trust	9,854	12,251	80,913
Securities	2,617,250	2,290,971	15,130,914
Loans and bills discounted	5,991,297	6,406,055	42,309,331
Foreign exchanges	10,045	8,445	55,780
Lease receivables and investment assets	60,554	63,506	419,437
Other assets	74,120	109,746	724,828
Property and equipment	65,013	64,772	427,797
Intangible assets	8,053	8,162	53,913
Net defined benefit asset	16,963	40,728	268,994
Deferred tax assets	13,003	1,335	8,822
Customers' liabilities for acceptances and guarantees	8,527	8,609	56,861
Allowance for loan losses	(45,967)	(41,366)	(273,208)
Total assets	<u>¥10,662,300</u>	<u>¥10,818,218</u>	<u>\$ 71,449,826</u>
Liabilities			
Deposits	¥ 8,244,257	¥ 8,477,662	\$ 55,991,427
Call money and bills sold	28,708	40,880	270,000
Payables under repurchase agreements	86,565	136,841	903,779
Payables under securities lending transactions	723,449	283,947	1,875,356
Borrowed money	926,993	1,122,729	7,415,157
Foreign exchanges	338	341	2,257
Bonds payable	50,000	50,000	330,229
Borrowed money from trust account	12,988	13,575	89,660
Other liabilities	55,774	95,309	629,478
Provision for directors' bonuses	56	61	408
Net defined benefit liability	358	342	2,258
Provision for directors' retirement benefits	167	140	930
Provision for reimbursement of deposits	264	154	1,017
Provision for contingent loss	926	915	6,049
Reserves under special laws	0	0	6
Deferred tax liabilities	—	6,708	44,305
Deferred tax liabilities for land revaluation	7,112	6,902	45,585
Acceptances and guarantees	8,527	8,609	56,861
Total liabilities	<u>10,146,489</u>	<u>10,245,122</u>	<u>67,664,768</u>
Net assets			
Capital stock	48,652	48,652	321,327
Capital surplus	29,581	29,587	195,415
Retained earnings	429,438	452,960	2,991,614
Treasury shares	(9,233)	(17,146)	(113,246)
Total shareholders' equity	<u>498,439</u>	<u>514,053</u>	<u>3,395,110</u>
Valuation difference on available-for-sale securities	(2,920)	23,617	155,983
Deferred gains or losses on hedges	250	942	6,221
Revaluation reserve for land	13,022	12,593	83,174
Remeasurements of defined benefit plans	7,018	21,889	144,568
Total accumulated other comprehensive income	<u>17,370</u>	<u>59,041</u>	<u>389,947</u>
Total net assets	<u>515,810</u>	<u>573,095</u>	<u>3,785,057</u>
Total liabilities and net assets	<u>¥10,662,300</u>	<u>¥10,818,218</u>	<u>\$ 71,449,826</u>

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income

	Millions of yen		Thousands of U.S. dollars (Note 2)
Years ended March 31,	2023	2024	2024
Income			
Interest income:			
Interest on loans and discounts	¥ 58,544	¥ 68,882	\$ 454,941
Interest and dividends on securities	26,381	35,820	236,581
Other interest income	2,150	1,104	7,294
Trust fees	36	37	248
Fees and commissions	22,763	28,239	186,509
Other ordinary income	37,385	33,504	221,281
Other income	30,926	32,977	217,803
Total income	178,187	200,566	1,324,660
Expenses			
Interest expenses:			
Interest on deposits.....	2,769	5,309	35,065
Interest on call money and borrowing	2,259	4,550	30,053
Other interest expenses	10,592	29,919	197,606
Fees and commissions payments	8,357	9,129	60,299
Other ordinary expenses	59,603	53,003	350,067
General and administrative expenses	51,549	51,547	340,448
Other expenses	4,154	4,123	27,236
Total expenses	139,286	157,584	1,040,777
Profit before income taxes	38,901	42,982	283,883
Income taxes:			
Current	8,426	11,850	78,268
Deferred	2,542	6	41
Profit	27,933	31,125	205,573
Profit attributable to owners of parent	¥ 27,933	¥ 31,125	\$ 205,573
	Yen		U.S. dollars
Per share amounts			
Profit – primary	¥ 68.19	¥ 78.43	\$ 0.51

Diluted earnings per share of common stock for the fiscal year ended March 31, 2024 and 2023 are omitted as there are no dilutive shares.

The accompanying notes are an integral part of these statements.

Consolidated Statements of Comprehensive Income

Years ended March 31,	Millions of yen		Thousands of U.S. dollars (Note 2)
	2023	2024	2024
Profit	¥ 27,933	¥ 31,125	\$ 205,573
Other comprehensive income			
Valuation difference on available-for-sale securities	(36,479)	25,818	170,522
Deferred gains or losses on hedges	388	691	4,564
Remeasurements of defined benefit plans	2,601	14,870	98,213
Share of other comprehensive income of entities accounted for by the equity method	179	719	4,751
Total other comprehensive income	(33,310)	42,099	278,052
Comprehensive income	(5,377)	73,225	483,626
(Details)			
Comprehensive income attributable to owners of parent	¥ (5,377)	¥ 73,225	\$ 483,626

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

	Millions of yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of March 31, 2022	¥48,652	¥29,581	¥407,300	¥(7,352)	¥478,181
Changes of items during the year					
Dividends of surplus	—	—	(6,161)	—	(6,161)
Profit attributable to owners of parent	—	—	27,933	—	27,933
Purchase of treasury shares	—	—	—	(2,000)	(2,000)
Disposal of treasury shares	—	—	(25)	119	94
Reversal of revaluation reserve for land	—	—	393	—	393
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during the year	—	—	22,138	(1,880)	20,257
Balance as of March 31, 2023	¥48,652	¥29,581	¥429,438	¥(9,233)	¥498,439

	Accumulated other comprehensive income					Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance as of March 31, 2022	¥ 33,379	¥(137)	¥13,415	¥4,417	¥ 51,074	¥529,256
Changes of items during the year						
Dividends of surplus	—	—	—	—	—	(6,161)
Profit attributable to owners of parent	—	—	—	—	—	27,933
Purchase of treasury shares	—	—	—	—	—	(2,000)
Disposal of treasury shares	—	—	—	—	—	94
Reversal of revaluation reserve for land	—	—	—	—	—	393
Net changes of items other than shareholders' equity	(36,300)	388	(393)	2,601	(33,703)	(33,703)
Total changes of items during the year	(36,300)	388	(393)	2,601	(33,703)	(13,445)
Balance as of March 31, 2023	¥ (2,920)	¥ 250	¥13,022	¥7,018	¥ 17,370	¥515,810

The accompanying notes are an integral part of these statements.

	Millions of yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of March 31, 2023	¥48,652	¥29,581	¥429,438	¥ (9,233)	¥498,439
Changes of items during the year					
Dividends of surplus	—	—	(8,033)	—	(8,033)
Profit attributable to owners of parent	—	—	31,125	—	31,125
Purchase of treasury shares	—	—	—	(8,001)	(8,001)
Disposal of treasury shares	—	5	—	88	94
Reversal of revaluation reserve for land	—	—	428	—	428
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during the year	—	5	23,521	(7,913)	15,614
Balance as of March 31, 2024	¥48,652	¥29,587	¥452,960	¥(17,146)	¥514,053

	Accumulated other comprehensive income					Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance as of March 31, 2023	¥ (2,920)	¥250	¥13,022	¥ 7,018	¥17,370	¥515,810
Changes of items during the year						
Dividends of surplus	—	—	—	—	—	(8,033)
Profit attributable to owners of parent	—	—	—	—	—	31,125
Purchase of treasury shares	—	—	—	—	—	(8,001)
Disposal of treasury shares	—	—	—	—	—	94
Reversal of revaluation reserve for land	—	—	—	—	—	428
Net changes of items other than shareholders' equity	26,538	691	(428)	14,870	41,670	41,670
Total changes of items during the year	26,538	691	(428)	14,870	41,670	57,285
Balance as of March 31, 2024	¥23,617	¥942	¥12,593	¥21,889	¥59,041	¥573,095

The accompanying notes are an integral part of these statements.

Thousands of U.S. dollars (Note 2)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of March 31, 2023	<u>\$321,327</u>	<u>\$195,376</u>	<u>\$2,836,264</u>	<u>\$ (60,982)</u>	<u>\$3,291,985</u>
Changes of items during the year					
Dividends of surplus	—	—	(53,057)	—	(53,057)
Profit attributable to owners of parent	—	—	205,573	—	205,573
Purchase of treasury shares	—	—	—	(52,848)	(52,848)
Disposal of treasury shares	—	39	—	584	623
Reversal of revaluation reserve for land	—	—	2,833	—	2,833
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during the year	<u>—</u>	<u>39</u>	<u>155,349</u>	<u>(52,263)</u>	<u>103,124</u>
Balance as of March 31, 2024	<u>\$321,327</u>	<u>\$195,415</u>	<u>\$2,991,614</u>	<u>\$(113,246)</u>	<u>\$3,395,110</u>

	Accumulated other comprehensive income					Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance as of March 31, 2023	<u>\$(19,290)</u>	<u>\$1,657</u>	<u>\$86,007</u>	<u>\$ 46,354</u>	<u>\$114,727</u>	<u>\$3,406,713</u>
Changes of items during the year						
Dividends of surplus	—	—	—	—	—	(53,057)
Profit attributable to owners of parent	—	—	—	—	—	205,573
Purchase of treasury shares	—	—	—	—	—	(52,848)
Disposal of treasury shares	—	—	—	—	—	623
Reversal of revaluation reserve for land	—	—	—	—	—	2,833
Net changes of items other than shareholders' equity	<u>175,273</u>	<u>4,564</u>	<u>(2,833)</u>	<u>98,213</u>	<u>275,219</u>	<u>275,219</u>
Total changes of items during the year	<u>175,273</u>	<u>4,564</u>	<u>(2,833)</u>	<u>98,213</u>	<u>275,219</u>	<u>378,343</u>
Balance as of March 31, 2024	<u>\$155,983</u>	<u>\$6,221</u>	<u>\$83,174</u>	<u>\$144,568</u>	<u>\$389,947</u>	<u>\$3,785,057</u>

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Years ended March 31,	Millions of yen		Thousands of U.S. dollars (Note 2)
	2023	2024	2024
Cash flows from operating activities			
Profit before income taxes	¥ 38,901	¥ 42,982	\$ 283,883
Depreciation	6,572	6,193	40,903
Impairment loss	409	787	5,200
Share of loss (profit) of entities accounted by the equity method	(221)	(141)	(934)
Increase (decrease) in allowance for loan losses	(6,517)	(4,601)	(30,390)
Increase (decrease) in provision for directors' bonuses	(2)	4	32
Decrease (increase) in net defined benefit asset	(6,150)	(23,764)	(156,956)
Increase (decrease) in net defined benefit liability	(4)	(16)	(107)
Increase (decrease) in provision for directors' retirement benefits	(36)	(26)	(173)
Increase (decrease) in provision for reimbursement of deposits	(103)	(110)	(726)
Increase (decrease) in provision for contingent loss	25	(10)	(69)
Interest and dividend income	(87,076)	(105,807)	(698,817)
Interest expenses	15,620	39,779	262,725
Loss (gain) related to securities	1,772	(5,719)	(37,777)
Loss (gain) on money held in trust	11	(0)	(0)
Foreign exchange losses (gains)	(2,554)	(1,505)	(9,945)
Loss (gain) on disposal of non-current assets	(994)	18	122
Net decrease (increase) in trading account securities	400	272	1,801
Net decrease (increase) in loans and bills discounted	(233,200)	(414,758)	(2,739,308)
Net increase (decrease) in deposits	85,504	258,420	1,706,760
Net increase (decrease) in negotiable certificates of deposit	(9,838)	(25,016)	(165,221)
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	(573,802)	195,736	1,292,755
Net decrease (increase) in due from banks (excluding deposits placed with Bank of Japan)	523	(11,136)	(73,550)
Net decrease (increase) in call loans	6,119	—	—
Net increase (decrease) in call money	36,623	12,171	80,389
Net increase (decrease) in payables under repurchase agreements	—	50,275	332,050
Net increase (decrease) in payables under securities lending transactions	(9,545)	(439,502)	(2,902,729)
Net decrease (increase) in foreign exchanges - assets	24,199	1,599	10,566
Net increase (decrease) in foreign exchanges - liabilities	(196)	3	22
Net decrease (increase) in lease receivables and investment assets	(363)	(2,952)	(19,500)
Net increase(decrease) in borrowed money from trust account	931	587	3,878
Interest and dividend received	90,335	108,367	715,723
Interest paid	(14,451)	(38,513)	(254,365)
Other - net	(13,296)	(28,661)	(189,294)
Subtotal	(650,404)	(385,043)	(2,543,053)
Income taxes paid	(5,761)	(9,480)	(62,613)
Net cash provided by (used in) operating activities	(656,166)	(394,524)	(2,605,667)
Cash flows from investing activities			
Purchases of securities	(823,174)	(830,733)	(5,486,648)
Proceeds from sales of securities	519,392	1,065,544	7,037,474
Proceeds from redemption of securities	151,062	185,624	1,225,975
Increase in money held in trust	(1,600)	(2,400)	(15,851)
Decrease in money held in trust	14	2	19
Purchases of property and equipment	(3,775)	(4,347)	(28,713)
Purchases of intangible assets	(2,031)	(2,941)	(19,428)
Proceeds from sales of property and equipment	2,356	252	1,670
Proceeds from business transfer	4,437	—	—
Net cash provided by (used in) investing activities	(153,319)	411,002	2,714,498
Cash flows from financing activities			
Issuance of subordinated bonds	10,000	10,000	66,045
Redemption of subordinated bonds	(10,000)	(10,000)	(66,045)
Cash dividends paid	(6,159)	(8,021)	(52,980)
Purchases of treasury shares	(2,000)	(8,001)	(52,848)
Proceeds from sales of treasury shares	94	94	623
Net cash provided by (used in) financing activities	(8,066)	(15,929)	(105,205)
Net increase (decrease) in cash and cash equivalents	(817,552)	548	3,625
Cash and cash equivalents at beginning of the year	2,647,506	1,829,954	12,086,085
Cash and cash equivalents at end of the year	¥ 1,829,954	¥ 1,830,503	\$ 12,089,711

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

a. Basis of Presentation

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

In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

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

b. Consolidation

The accompanying consolidated financial statements include the accounts of the Bank and its significant subsidiaries. The number of consolidated subsidiaries as of March 31, 2024 is 6.

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

As of March 31, 2024, the Bank has 2 unconsolidated subsidiaries, which are accounted by the equity method, and 1 affiliate, which is accounted by the equity method.

In reference to the consolidated subsidiaries' closing dates, six companies close accounts at the end of March.

c. Trading Account Securities

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

d. Securities

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

Stocks and others without a quoted market price are stated at acquisition cost and determined by the moving average method.

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

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

e. Derivatives

Derivatives are stated at market value.

f. Non-current assets

(1) Property and equipment

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

The estimated useful lives principally applied are as follows.

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

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

(2) Intangible assets

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

(3) Leased assets

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

g. Foreign Currency Translation

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

h. Allowance for loan losses

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

1) For loans to debtors that are legally bankrupt under the Bankruptcy Law, Special Liquidation under the Commercial Code or other similar laws, and to debtors that are effectively in similar conditions, the allowance is provided at the amount of loan balance less the amount recoverable from the disposal of collateral and/or guarantees.

2) For loans to debtors that are not yet legally or substantially bankrupt but are likely to go bankrupt (the "potentially bankrupt debtors"), the allowance is provided at the amount deemed necessary against the credit balance less the amount recoverable from the disposal of collateral and/or guarantees (the "uncovered amount").

A For loans to large loan balance debtors with credit exceeding a certain amount, the allowance is provided at the amount calculated by the method whereby the amount of the allowance is set at the uncovered amount less the amount reasonably estimated recoverable from the cash flows ("cash flow deduction method").

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

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

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

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

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

(Note)

Classification for the ratio of expected loss

The ratio of expected loss is calculated based on the ratio of loan losses, which is based on actual loan losses over a set period of time, and is classified into the following four categories: one category for normal debtors, two categories as described below for debtors requiring caution, and one category for potentially bankrupt debtors.

- The debtors requiring caution include those for whom all or part of the loans are substandard loans (loans past due for 3 months or more, or restructured loans) (the "substandard debtors") as well as those who modified contractual terms of loans, but are not considered substandard debtors because their loans are not regarded as restructured loans due to business improvement plans, etc.

- Loans to other debtors requiring caution

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

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

i. Provision for directors' bonuses

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

j. Accounting method for retirement benefits

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

Actuarial gain and loss

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

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

k. Provision for directors' retirement benefits

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

l. Provision for reimbursement of deposits

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

m. Provision for Contingent Loss

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

n. Reserves under Special Laws

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

o. Income Taxes

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

p. Earnings Per Share

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

q. Hedge Accounting

Hedge Accounting for Interest Rate Risks

The Bank adopted the "Accounting and Auditing Treatment of Accounting Standard for Financial Instruments in the Banking Industry" (Practical Guidance No.24 by the Japanese Institute of Certified Public Accountants (JICPA) Industry-specific Special Committee, March 17, 2022;"Industry-specific Special Committee Practical Guidance No.24").

Under the Industry-specific Special Committee Practical Guidance No.24, the Bank applies the deferred method of hedge accounting for qualifying derivative instruments to mitigate the interest rate risks arising from various financial assets and liabilities.

Hedge effectiveness is assessed for each designated group of hedged items (such as deposits) and the corresponding group of hedging instruments (such as interest rate swaps). Both of the hedged items and hedging instruments are grouped based on their durations and compared for the testing of effectiveness.

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

Hedge Accounting for Foreign Exchange Risks

For foreign exchange risks arising from financial assets and liabilities denominated in foreign currencies, the Bank adopted the "Accounting and Auditing Treatment of Accounting for Foreign Currency Denominated Transactions, etc. in the Banking Industry" (Practical Guidance No.25 by the JICPA Industry-specific Special Committee, October 8,

2020; “Industry-specific Special Committee Practical Guidance No.25”). Under the Industry-specific Special Committee Practical Guidance No.25, the Bank applies the deferred method of hedge accounting.

The Bank enters into currency-swaps and foreign exchange swaps to mitigate the foreign exchange risks arising from financial assets and liabilities denominated in foreign currencies and assesses, both at the hedge’s inception and on an ongoing basis, whether these derivatives are highly effective in offsetting changes in cash flows of hedged items (financial assets and liabilities). Hedge effectiveness is assessed by ensuring that the foreign currency position of the hedging instruments that are designated to hedge foreign exchange risk of the foreign currency-denominated receivables and payables exceeds that of the hedged foreign currency-denominated receivables and payables.

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

r. Recognition for Income and Expenses

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

s. Cash and Cash Equivalents

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

(Significant accounting estimates)

Of the items for which amounts based on accounting estimates were recorded in the consolidated financial statements for the fiscal year ended March 31, 2024, the following items may have a material impact on the consolidated financial statements for the fiscal year ended March 31, 2025.

Allowance for loan losses

- (1) Amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2023 and 2024.

Allowance for loan losses as of March 31, 2023	¥45,967 million
Allowance for loan losses as of March 31, 2024	¥41,366 million U.S.\$273,208 thousand

- (2) Information on the details of significant accounting estimates for items identified

1) Calculation method

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

2) Major assumptions

Major assumption is the “outlook for debtors’ future business performance used to determine the debtor classification.” The “outlook for debtors’ future business performance used to determine the debtor classification” is established through the individual evaluation of each debtor’s business characteristics, financial condition, cash flow, and earning generating ability, among other factors. In addition, for large loan balance debtors, whose substantial deterioration in business performance will increase the uncertainty about the Bank’s financial results, future cash flows are individually estimated using the DCF method or the cash flow deduction method, and allowance for loan losses is recognized. Among them,

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

Reasonable estimates of future cash flows:

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

- 3) Impact on the consolidated financial statements for the next fiscal year ending March 31, 2025.

If the assumptions used for calculating the original estimates change due to factors such as changes in the business performance of individual debtors, then this may have a significant impact on allowance for loan losses in the consolidated financial statements for the fiscal year ending March 31, 2025.

2. Yen and U.S. Dollar Amounts

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

Amounts in U.S. dollars are included solely for the convenience of the reader. The rate of ¥151.41 = U.S.\$1.00, the approximate exchange rate prevailing on March 31, 2024, has been used. The inclusion of such amounts is not intended to imply that yen have been or could be readily converted, realized or settled in U.S. dollars at that or any other rate.

3. Loans and Bills Discounted

- (1) Loans based on the Banking Act and the Act on Emergency Measures for the Revitalization of the Financial Functions are as follows. Loans refer to the following items listed on the consolidated balance sheets: corporate bonds shown under “Securities” (limited to bonds for which all or part of the redemption of principal and the payment of interest are guaranteed, and the issuance of the corporate bond takes place via private offering of the securities in accordance with Article 2, Paragraph 3 of the Financial Instruments and Exchange Act); loans and bills discounted; foreign exchanges; items recorded in each account under “Other assets” such as accrued interest, suspense payments and customers’ liabilities for acceptances and guarantees; available-for-sale securities indicated in the notes in case of loan of securities (limited to those under a loan-for-use or lease agreement).

	Millions of yen		Thousands of U.S. Dollars
	2023	2024	2024
Loans to bankrupt and substantially bankrupt debtors.....	¥ 25,504	¥ 29,228	\$193,043
Loans with collection risk.....	41,706	36,684	242,284
Loans past due for 3 months or more.....	3,645	6,385	42,170
Restructured loans.....	45,122	35,778	236,300
Total.....	¥115,979	¥108,076	\$713,799

Loans to bankrupt and substantially bankrupt debtors refer to loans held by debtors who have fallen into bankruptcy due to having initiated bankruptcy procedures, reorganization procedures, or filed applications to begin rehabilitation procedures, and other similar loans.

Loans with collection risk refer to loans that are not classified as Loans to bankrupt and substantially bankrupt debtors and in which the debtor has not yet fallen into bankruptcy, but their financial situation and business performance have worsened such that there is a high risk that the principal will not be redeemed, and interest will not be received according to contractual terms of loan.

Loans past due for 3 months or more refer to loans and bills discounted that are not classified as either loans to bankrupt and substantially bankrupt debtors or Loans with collection risk, and for which the repayment of principal or interest has been delayed by three months or more from the day after the agreed-upon payment date.

Restructured loans refer to loans and bills discounted that are not classified as loans to bankrupt and substantially bankrupt debtors, loans with collection risk, or loans past due for 3 months or more, and for which the terms of the loan have been restructured to the benefit of the debtor with the goal of reorganizing the debtor’s management or supporting the debtor by means such as the reduction or waiving of interest, the deferment of interest payments, the deferment of principal repayment, and debt forgiveness.

The loan amounts above show the amounts before the deduction of the allowance for loan losses.

- (2) Bills discounted are accounted for as financial transactions in accordance with Industry-specific Special Committee Practical Guidance No.24. The Bank has rights to sell or pledge bank acceptances bought, commercial bills discounted, documentary bills and foreign exchange bought without restrictions. Their total face value as of March 31, 2023 and 2024 were ¥23,195 million and ¥20,553 million (U.S.\$135,747 thousand), respectively.

4. Loan Commitments

Contracts of overdraft facilities and loan commitments are contracts that require the Bank to extend credit to customers up to the prescribed limits in response to customers’ application of loan as long as there is no violation of any condition in the contracts. The unused amount relating to these contracts within the limits was ¥1,348,997 million, ¥1,350,855 million (U.S.\$8,921,836 thousand), respectively at March 31, 2023 and 2024. ¥1,275,270 million, ¥1,260,473 million (U.S. \$8,324,902 thousand), respectively, at March 31, 2023 and 2024 out of these unused balances were for the contracts of which original contractual term are one year or less, or unconditionally cancelable at any time.

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

5. Financial Instruments

- (1) The financial instruments and related disclosures
- a. Policy for financial instruments*
- The Group provides mainly banking services and other financial services including leasing. The Bank engages in fund management including investment in securities and funding in the call market, in addition to the business of accepting deposits and negotiable certificates of deposit as well as provision of loans. With its financial assets and liabilities exposed to interest rate risk, the Bank adopts asset liability management (ALM) to avoid incurring unexpected loss due to fluctuations in interest rates. Thus, the Bank’s

derivative transactions are not only intended to provide solutions to customers' financial needs, but also to conduct ALM within the Bank.

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

b. Nature and extent of risks arising from financial instruments

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

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

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

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

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

c. Risk management for financial instruments

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

1) Credit risk management

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

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

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

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

2) Market risk management

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

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

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

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

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

The total amount of value at risk (VaR) for the Bank as of March 31, 2023 and 2024 was ¥130,825 million ¥166,996 million (U.S. \$ 1,102,942 thousand), respectively.

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

3) Liquidity risk management

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

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

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

d. Supplementary explanations on fair value of financial instruments

Fair value of financial instruments is measured 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, 2023 and 2024 as well as the differences between these values are described below.

Stocks and others without a quoted market price and Investments in limited partnerships are not included in the following table (see Note1). In addition, Cash and due from banks and Payables under securities lending transaction are omitted since these instruments are mainly settled in the short term and the fair values approximate the book values.

	Millions of yen		
	2023		
	Carrying Value	Market Value	Differences
1. Securities			
Held-to-maturity bonds	¥ 1,814	¥ 1,830	¥ 15
Available-for-sale	2,582,596	2,582,596	—
2. Loans and bills discounted	5,991,297		
Allowance for loan losses	(41,556)		
	5,949,741	5,970,135	20,394
Total assets	¥8,534,151	¥8,554,562	¥20,410
1. Deposits	¥8,044,837	¥8,044,853	¥ 15
2. Negotiable certificates of deposit	199,419	199,419	0
3. Borrowed money	926,993	926,993	—
Total liabilities	¥9,171,250	¥9,171,266	¥ 15
Derivative transaction			
Derivatives to which hedge accounting is not applied	¥ (196)	¥ (196)	¥ —
Derivatives to which hedge accounting is applied	(5,462)	(5,462)	—
Total derivatives	¥ (5,658)	¥ (5,658)	¥ —
	Millions of yen		
	2024		
	Carrying Value	Market Value	Differences
1. Securities			
Held-to-maturity bonds	¥ 41,058	¥ 41,652	¥ 594
Available-for-sale	2,209,345	2,209,345	—
2. Loans and bills discounted	6,406,055		
Allowance for loan losses	(37,020)		
	6,369,035	6,386,129	17,094
Total assets	¥8,619,438	¥8,637,127	¥17,688
1. Deposits	¥8,303,258	¥8,303,264	¥ 6
2. Negotiable certificates of deposit	174,403	174,403	—
3. Borrowed money	1,122,729	1,122,729	—
Total liabilities	¥9,600,391	¥9,600,397	¥ 6
Derivative transaction			
Derivatives to which hedge accounting is not applied	¥ 214	¥ 214	¥ —
Derivatives to which hedge accounting is applied	(31,451)	(31,451)	—
Total derivatives	¥ (31,236)	¥ (31,236)	¥ —

	Thousands of U.S. dollars		
	2024		
	Carrying Value	Market Value	Differences
1. Securities			
Held-to-maturity bonds	\$ 271,175	\$ 275,099	\$ 3,923
Available-for-sale	14,591,803	14,591,803	—
2. Loans and bills discounted	42,309,331		
Allowance for loan losses	(244,506)		
	42,064,824	42,177,728	112,904
Total assets	\$56,927,804	\$57,044,632	\$116,828
1. Deposits	\$54,839,563	\$54,839,605	\$ 41
2. Negotiable certificates of deposit	1,151,863	1,151,863	—
3. Borrowed money	7,415,157	7,415,157	—
Total liabilities	\$63,406,585	\$63,406,627	\$ 41
Derivative transaction			
Derivatives to which hedge accounting is not applied	\$ 1,419	\$ 1,419	\$ —
Derivatives to which hedge accounting is applied	(207,723)	(207,723)	—
Total derivatives	\$ (206,304)	\$ (206,304)	\$ —

(Note 1)

Stocks and others without a quoted market price and Investments in partnerships and others

The following are the consolidated balance sheet amounts of Stocks and others without a quoted market price, and Investments in limited partnerships. These amounts are not included Available-for-sale in fair value information of financial instruments.

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Non-listed stocks	¥ 3,871	¥ 4,753	\$ 31,393
Investments in limited partnerships	28,967	35,814	236,540

Non-listed stocks are not subject to disclosure of the fair value in accordance with Article 5 of Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No.19, March 31, 2020).

Investments in limited partnerships are not subject to disclosure of the fair value in accordance with Article 27 of Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No.31, June 17, 2021)

(Note 2)

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

	Millions of yen					
	2023					
	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
Securities	¥ 146,490	¥ 208,904	¥ 243,734	¥289,892	¥ 691,290	¥ 764,082
Held-to-maturity securities	667	867	279	—	—	—
National government bonds	—	—	—	—	—	—
Local government bonds	—	—	—	—	—	—
Corporate bonds	667	867	279	—	—	—
Others	—	—	—	—	—	—
Available-for-sale securities with maturity	145,823	208,036	243,454	289,892	691,290	764,082
National government bonds	2,000	—	—	15,000	319,000	420,000
Local government bonds	87,581	133,222	156,552	193,435	196,877	4,536
Corporate bonds	19,246	25,697	16,700	3,711	128,894	1,800
Others	36,994	49,115	70,201	77,745	46,517	337,745
Loans and bills discounted	1,432,657	978,668	763,895	526,499	539,791	1,652,569
Total	¥1,579,148	¥1,187,572	¥1,007,630	¥816,391	¥1,231,082	¥2,416,651

Millions of yen						
2024						
	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
Securities	¥ 110,303	¥ 233,225	¥ 297,290	¥296,642	¥ 502,385	¥ 553,912
Held-to-maturity securities	3,194	5,930	6,921	6,737	18,275	—
National government bonds	—	—	—	—	—	—
Local government bonds	2,586	5,173	6,728	6,728	18,275	—
Corporate bonds	607	757	193	9	—	—
Others	—	—	—	—	—	—
Available-for-sale securities with maturity	107,109	227,294	290,368	289,905	484,109	553,912
National government bonds	—	—	—	55,000	199,000	70,000
Local government bonds	67,627	141,285	197,056	190,470	132,895	3,699
Corporate bonds	18,154	23,776	18,698	3,311	126,749	—
Others	21,327	62,232	74,613	41,123	25,464	480,212
Loans and bills discounted	1,494,064	1,042,033	930,666	586,184	604,023	1,652,968
Total	<u>¥1,604,368</u>	<u>¥1,275,259</u>	<u>¥1,227,956</u>	<u>¥882,826</u>	<u>¥1,106,408</u>	<u>¥2,206,881</u>

Thousands of U.S. dollars						
2024						
	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
Securities	\$ 728,511	\$1,540,357	\$1,963,479	\$1,959,201	\$3,318,043	\$ 3,658,363
Held-to-maturity securities	21,097	39,170	45,716	44,495	120,702	—
National government bonds	—	—	—	—	—	—
Local government bonds	17,083	34,166	44,436	44,436	120,702	—
Corporate bonds	4,014	5,003	1,280	59	—	—
Others	—	—	—	—	—	—
Available-for-sale securities with maturity	707,413	1,501,187	1,917,762	1,914,706	3,197,341	3,658,363
National government bonds	—	—	—	363,252	1,314,312	462,320
Local government bonds	446,653	933,133	1,301,478	1,257,981	877,717	24,436
Corporate bonds	119,902	157,035	123,495	21,867	837,127	—
Others	140,858	411,018	492,788	271,604	168,184	3,171,606
Loans and bills discounted	9,867,672	6,882,197	6,146,662	3,871,502	3,989,323	10,917,169
Total	<u>\$10,596,184</u>	<u>\$8,422,555</u>	<u>\$8,110,141</u>	<u>\$5,830,704</u>	<u>\$7,307,367</u>	<u>\$14,575,533</u>

(Note)

Loans and bills in the above tables exclude loans and bills whose redemption amounts are impossible to estimate (¥67,183 million and ¥65,879 million (U.S.\$435,105 thousand) in 2023 and 2024, respectively), such as credit extended to debtors that are legally bankrupt, those that are effectively in similar conditions, or those that are not yet legally or substantially bankrupt but are likely to be bankrupt, as well as loans and bills with no maturity date (¥30,031 million and ¥30,236 million (U.S.\$ 199,696 thousand) in 2023 and 2024, respectively).

(Note 3)

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

Millions of yen						
2023						
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 year to 5 years	Due from 5 year to 7 years	Due from 7 year to 10 years	Due after 10 years
Deposit	¥7,634,455	¥378,237	¥ 23,093	¥2,865	¥6,186	¥ —
Negotiable certificates of deposit	199,369	50	—	—	—	—
Borrowed money	283,893	343,700	299,400	—	—	—
Total	<u>¥8,117,718</u>	<u>¥721,987</u>	<u>¥322,493</u>	<u>¥2,865</u>	<u>¥6,186</u>	<u>¥ —</u>

Millions of yen						
2024						
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 year to 5 years	Due from 5 year to 7 years	Due from 7 year to 10 years	Due after 10 years
Deposit	¥7,926,870	¥343,551	¥ 23,326	¥3,470	¥6,039	¥ —
Negotiable certificates of deposit	174,403	—	—	—	—	—
Borrowed money	353,429	474,700	294,600	—	—	—
Total	<u>¥8,454,703</u>	<u>¥818,251</u>	<u>¥317,926</u>	<u>¥3,470</u>	<u>¥6,039</u>	<u>¥ —</u>

Thousands of U.S. dollars						
2024						
	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	\$52,353,681	\$2,269,011	\$ 154,060	\$22,924	\$39,885	\$ —
Negotiable certificates of deposit	1,151,863	—	—	—	—	—
Borrowed money	2,334,251	3,135,195	1,945,710	—	—	—
Total	<u>\$55,839,796</u>	<u>\$5,404,207</u>	<u>\$2,099,770</u>	<u>\$22,924</u>	<u>\$39,885</u>	<u>\$ —</u>

(Note)

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

(3) Matters regarding to breakdown of fair value of financial instruments by level

Fair values of financial instruments are classified into the following three levels on the basis of the observability and the materiality of the valuation inputs used in fair value measurements.

Fair values of Level 1: Fair values measured by quoted prices of the assets or liabilities being measured which are given in active markets among observable valuation inputs

Fair values of Level 2: Fair values measured by inputs other than inputs included within Level 1 among observable valuation inputs

Fair values of Level 3: Fair values measured by unobservable valuation inputs

When several inputs that have significant impact on fair value measurement are used and those inputs are classified into different levels, the fair value is categorized into the lowest priority level for fair value measurement among the levels in which each of the inputs belongs.

(1) Financial instruments record at fair value in the consolidated balance sheet

Millions of yen				
2023				
	Level 1	Level 2	Level 3	total
Securities				
Other securities				
National government bonds	¥ 783,825	¥ —	¥ —	¥ 783,825
Local government bonds	—	768,313	—	768,313
Corporate bonds	—	158,059	35,071	193,130
Stocks	197,932	—	—	197,932
Others	67,521	571,872	—	639,394
Derivative Transactions				
Interest Rate Related Transactions	—	419	—	419
Foreign Exchange Related Transactions	—	7,050	—	7,050
Others	—	—	165	165
Total Assets	<u>¥1,049,279</u>	<u>¥1,505,715</u>	<u>¥35,236</u>	<u>¥2,590,231</u>
Derivative Transactions				
Interest Rate Related Transactions	¥ —	¥ 145	¥ —	¥ 145
Foreign Exchange Related Transactions	—	12,982	—	12,982
Others	—	—	165	165
Total Liabilities	<u>¥ —</u>	<u>¥ 13,128</u>	<u>¥ 165</u>	<u>¥ 13,293</u>

Millions of yen				
2024				
	Level 1	Level 2	Level 3	total
Securities				
Other securities				
National government bonds	¥340,465	¥ —	¥ —	¥ 340,465
Local government bonds	—	725,208	—	725,208
Corporate bonds	—	148,166	36,204	184,371
Stocks	215,799	—	—	215,799
Others	82,136	661,163	—	743,299
Derivative Transactions				
Interest Rate Related Transactions	—	557	—	557
Foreign Exchange Related Transactions	—	7,623	—	7,623
Others	—	—	174	174
Total Assets	¥638,402	¥1,542,719	¥36,378	¥2,217,500
Derivative Transactions				
Interest Rate Related Transactions	¥ —	¥ 253	¥ —	¥ 253
Foreign Exchange Related Transactions	—	39,164	—	39,164
Others	—	—	174	174
Total Liabilities	¥ —	¥ 39,417	¥ 174	¥ 39,591

Thousands of U.S. dollars				
2024				
	Level 1	Level 2	Level 3	total
Securities				
Other securities				
National government bonds	\$2,248,635	\$ —	\$ —	\$ 2,248,635
Local government bonds	—	4,789,698	—	4,789,698
Corporate bonds	—	978,580	239,117	1,217,697
Stocks	1,425,266	—	—	1,425,266
Others	542,478	4,366,706	—	4,909,184
Derivative Transactions				
Interest Rate Related Transactions	—	3,682	—	3,682
Foreign Exchange Related Transactions	—	50,349	—	50,349
Others	—	—	1,150	1,150
Total Assets	\$4,216,380	\$10,189,016	\$240,267	\$14,645,665
Derivative Transactions				
Interest Rate Related Transactions	\$ —	\$ 1,674	\$ —	\$ 1,674
Foreign Exchange Related Transactions	—	258,662	—	258,662
Others	—	—	1,150	1,150
Total Liabilities	\$ —	\$ 260,336	\$ 1,150	\$ 261,486

(Note)

Marketable securities do not include investment trusts to which the treatment prescribed in Article 24-9 of the “Guidance on Accounting Standard for Calculation of Market Value” (ASBJ Guidance No. 31, June 17, 2021) is applied whereby net asset value is treated as fair value. The carrying value of investment trusts to which the treatment prescribed in Article 24-9 is applied is ¥200 million (U.S.\$1,320 thousand).

Reconciliation of beginning and ending balances of investment trusts to which the treatment in Section 24-9 has been applied.

Millions of yen							
2024							
Gains (losses)/ other comprehensive income for the year							
Balance at the beginning of the fiscal year	Recorded to gains (losses) for the year	Recorded to other comprehensive income	Net amount of purchase, sale, and redemption	Amount of investment trusts that have been accounted for by deeming their unit prices to be their fair values	Amount of investment trusts that have been accounted for by not deeming their unit prices to be their fair values	Balance at the end of the fiscal year	Unrealized gains (losses) on investment trusts held as of the consolidated balance sheet date among the amount recorded to gains (losses) for the year
¥ —	¥ —	¥ —	¥200	¥ —	¥ —	¥200	¥ —

Thousands of U.S. dollars							
2024							
Gains (losses)/ other comprehensive income for the year							
Balance at the beginning of the fiscal year	Recorded to gains (losses) for the year	Recorded to other comprehensive income	Net amount of purchase, sale, and redemption	Amount of investment trusts that have been accounted for by deeming their unit prices to be their fair values	Amount of investment trusts that have been accounted for by not deeming their unit prices to be their fair values	Balance at the end of the fiscal year	Unrealized gains (losses) on investment trusts held as of the consolidated balance sheet date among the amount recorded to gains (losses) for the year
\$ —	\$ —	\$ —	\$1,320	\$ —	\$ —	\$1,320	\$ —

(2) Financial instruments other than financial instruments recorded at fair value in the consolidated balance sheet

Millions of yen				
2023				
	Level 1	Level 2	Level 3	total
Securities				
Held-to-maturity bonds				
Corporate bonds	¥ —	¥ —	¥ 1,830	¥ 1,830
Loans	—	—	5,970,135	5,970,135
Total Assets	¥ —	¥ —	¥5,971,965	¥5,971,965
Deposit	¥ —	¥8,044,853	¥ —	¥8,044,853
Negotiable Certificates of Deposits	—	199,419	—	199,419
Borrowed Money	—	924,693	2,300	926,993
Total Liabilities	¥ —	¥9,168,966	¥ 2,300	¥9,171,266

Millions of yen				
2024				
	Level 1	Level 2	Level 3	total
Securities				
Held-to-maturity bonds				
Local government bonds	¥ —	¥ 40,073	¥ —	¥ 40,073
Corporate bonds	—	—	1,579	1,579
Loans	—	—	6,386,129	6,386,129
Total Assets	¥ —	¥ 40,073	¥6,387,709	¥6,427,782
Deposit	¥ —	¥8,303,264	¥ —	¥8,303,264
Negotiable Certificates of Deposits	—	174,403	—	174,403
Borrowed Money	—	1,120,429	2,300	1,122,729
Total Liabilities	¥ —	¥9,598,097	¥ 2,300	¥9,600,397

Thousands of U.S. dollars				
2024				
	Level 1	Level 2	Level 3	total
Securities				
Held-to-maturity bonds				
Local government bonds	\$ —	\$ 264,670	\$ —	\$ 264,670
Corporate bonds	—	—	10,429	10,429
Loans	—	—	42,177,728	42,177,728
Total Assets	\$ —	\$ 264,670	\$42,188,158	\$42,452,828
Deposit	\$ —	\$54,839,605	\$ —	\$54,839,605
Negotiable Certificates of Deposits	—	1,151,863	—	1,151,863
Borrowed Money	—	7,399,967	15,190	7,415,157
Total Liabilities	\$ —	\$63,391,436	\$ 15,190	\$63,406,627

(Note1)

Explanation of valuation techniques and valuation inputs used in fair value measurements

Assets

1) Securities

Fair values of securities for which unadjusted quoted market prices in active markets are available are classified as Level 1 which includes mainly stocks and government bonds. In the case the market is inactive even if the quoted market price is available, those securities are classified as Level 2, which includes mainly local government bonds and corporate bonds. For investment trusts for which no market trading prices exist, unit prices are used as fair value and classified as Level 2 fair value if there are no material restrictions for which market participants would demand compensation for risk with respect to cancellation or repurchase requests.

Privately-placed bonds with the Bank's guarantee are stated at the fair value, measured 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. Privately-placed bonds with the Bank's guarantee are classified as Level 3.

2) Loans and bills discount

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 to the debtors' credit conditions. Fixed interest rate loans are stated at their fair value as measured by discounting their cash flows, of which those with OTC interest rate are stated at fair value as measured by discounting their scheduled cash flow using the interest rate that would be applicable to similar new loans and is determined by category and by term. Loans not with OTC interest rate are stated at fair value as measured for each credit rating group by discounting their future cash flow estimated to reflect the credit risk of each such group, using the 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, loans to debtors that are bankrupt or potentially bankrupt are stated at book values that 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 a loan amount being limited within the value of collateral assets, are stated at book value which is deemed to approximate their fair value in consideration of factors including estimated payment periods and interest rate conditions.

The fair values concerned are classified as Level 3.

Liabilities

1) Deposits and 2) Negotiable certificates of deposits

For demand deposits, fair value is deemed to be the amount payable on demand as of the consolidated closing date (book value).

For time deposits and negotiable certificates of deposits, fair value is measured by discounting future cash flows, using interest rates applicable to new deposits and the market interest rate, respectively.

For these deposits with short-term maturity (1 year or less), book value is recorded as its fair value because of the proximity between the two.

Those fair values are classified as Level 2.

3) Borrowed Money

The carrying amount of borrowed money with variable interest rates approximates fair value because the market rates are promptly reflected in the variable 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.

For borrowed money with short-term maturity (1 year or less), book value is recorded as its fair value because of the proximity between the two. The fair values of borrowed money are classified as Level 2 if the effect of unobservable inputs is insignificant.

4) Derivative Transactions

Derivative transactions that can be measured at unadjusted quoted prices in active markets are classified as Level 1, which includes such transactions as bonds futures and interest rate futures. However, since most derivative transactions are over-the-counter transactions and there are no quoted market prices, market values are measured using valuation techniques such as the discounted cash flow method and the Black-Scholes model, depending on the type of transaction and the maturity period. The main inputs which are used in those valuation techniques are interest rates, exchange rates, volatility and others. In addition, price adjustments based on credit risk of counterparty and credit risk of majority-owned consolidated subsidiaries and other consolidated subsidiaries themselves and price adjustments for unsecured funding are made. When unobservable inputs are not used or impact of unobservable inputs are not material, transactions are classified as Level 2, which includes such transactions as plain vanilla interest rate swaps and foreign exchange forwards. When significant unobservable inputs are used, transactions are classified as Level 3, which includes Weather Derivatives etc.

(Note2) Information about fair values of Level 3 from financial instruments carried on the consolidated balance sheets at fair value
(1) Quantitative information on significant unobservable inputs

As of March 31, 2023	Principal valuation technique	Significant unobservable valuation input	Range of valuation input	Weighted average
Securities				
Available-for-sale securities with maturity				
Corporate bonds				
private placement bonds	present value method	default rate	0.0%-23.1%	1.7%
As of March 31, 2024				
Securities				
Available-for-sale securities with maturity				
Corporate bonds				
private placement bonds	present value method	default rate	0.0%-100.0%	1.7%

(2) Adjustment table reconciling the balances at the beginning and end of the fiscal year, and valuation gain or loss recognized in the gain or loss for the fiscal year ended March 31, 2023 and 2024

Millions of yen								
2023								
Gains (losses)/ other comprehensive income for the year								
	Balance at the beginning of the fiscal year	Recorded to gains (losses) for the year	Recorded to other comprehensive income	Net amount of purchase, sale, issue, and settlement	Transfer to fair values of Level 3	Transfer from fair values of Level 3	Balance at the end of the fiscal year	Unrealized gains (losses) on financial assets and liabilities held as of the consolidated balance sheet date among the amount recorded to gains (losses) for the year
Securities								
Available-for-sale securities with maturity								
Corporate bonds								
private placement bonds	¥39,392	¥ —	¥13	¥(4,335)	¥ —	¥ —	¥35,071	¥ —

Millions of yen								
2024								
Gains (losses)/ other comprehensive income for the year								
	Balance at the beginning of the fiscal year	Recorded to gains (losses) for the year	Recorded to other comprehensive income	Net amount of purchase, sale, issue, and settlement	Transfer to fair values of Level 3	Transfer from fair values of Level 3	Balance at the end of the fiscal year	Unrealized gains (losses) on financial assets and liabilities held as of the consolidated balance sheet date among the amount recorded to gains (losses) for the year
Securities								
Available-for-sale securities with maturity								
Corporate bonds								
private placement bonds	¥35,071	¥ —	¥(48)	¥1,182	¥ —	¥ —	¥36,204	¥ —

Thousands of U.S. dollars

2024								
Gains (losses)/ other comprehensive income for the year								
	Balance at the beginning of the fiscal year	Recorded to gains (losses) for the year	Recorded to other comprehensive income	Net amount of purchase, sale, issue, and settlement	Transfer to fair values of Level 3	Transfer from fair values of Level 3	Balance at the end of the fiscal year	Unrealized gains (losses) on financial assets and liabilities held as of the consolidated balance sheet date among the amount recorded to gains (losses) for the year
Securities								
Available-for-sale securities with maturity								
Corporate bonds								
private placement bonds	\$231,629	\$ —	\$(319)	\$7,806	\$ —	\$ —	\$239,117	\$ —

(3) Explanation of the fair value valuation process

The Bank has established policies and procedures regarding the measurements of fair value, and each transaction department measures fair value in accordance with these policies and procedures.

For the fair values and the level classification, the validity of the valuation techniques and valuation inputs used in fair value measurement are verified.

In fair value measurement, valuation models in which the nature, characteristics and risks of individual assets are most appropriately reflected are used.

In addition, when quoted prices obtained from third parties are used, the validity of the prices is verified by appropriate methods such as confirmation of valuation techniques and valuation inputs and comparison with the fair values of similar financial instruments.

(4) Explanation of the effects on fair values when significant unobservable inputs are changed

The default rate indicates the likelihood of a default event occurring, and is an estimate measured based on the actual default rate of our customers. A significant increase (decrease) in the default rate would generally be accompanied by a decrease (increase) in the fair value.

6. Securities

(1) Market Value of Securities

Market value and valuation differences of securities as of March 31, 2023 and 2024 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 (e).

(a) Trading account securities

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Valuation gain included in income for the year	¥8	¥2	\$16

(b) Held-to-maturity bonds

The Bank's and its consolidated subsidiaries' investments in held-to-maturity bonds as of March 31, 2023 and 2024 were summarized as follows.

		Millions of yen		
		2023		
		Carrying Value	Market Value	Differences
Securities of which market value exceed carrying value	National government bonds	¥ —	¥ —	¥ —
	Local government bonds	—	—	—
	Corporate bonds	1,805	1,821	15
	Other securities	—	—	—
	Sub total	¥1,805	¥1,821	¥15
Securities of which market value does not exceed carrying value	National government bonds	¥ —	¥ —	¥ —
	Local government bonds	—	—	—
	Corporate bonds	9	8	(0)
	Other securities	—	—	—
	Sub total	¥ 9	¥ 8	¥ (0)
Total		¥1,814	¥1,830	¥15

		Millions of yen		
		2024		
		Carrying Value	Market Value	Differences
Securities of which market value exceed carrying value	National government bonds	¥ —	¥ —	¥ —
	Local government bonds	39,491	40,073	582
	Corporate bonds	1,558	1,570	11
	Other securities	—	—	—
	Sub total	¥41,049	¥41,644	¥594
Securities of which market value does not exceed carrying value	National government bonds	¥ —	¥ —	¥ —
	Local government bonds	—	—	—
	Corporate bonds	8	8	—
	Other securities	—	—	—
	Sub total	¥ 8	¥ 8	¥ —
Total		¥41,058	¥41,652	¥594

		Thousands of U.S. dollars		
		2024		
		Carrying Value	Market Value	Differences
Securities of which market value exceed carrying value	National government bonds	\$ —	\$ —	\$ —
	Local government bonds	260,824	264,670	3,845
	Corporate bonds	10,293	10,371	77
	Other securities	—	—	—
	Sub total	\$271,117	\$275,041	\$3,923
Securities of which market value does not exceed carrying value	National government bonds	\$ —	\$ —	\$ —
	Local government bonds	—	—	—
	Corporate bonds	58	58	—
	Other securities	—	—	—
	Sub total	\$ 58	\$ 58	\$ —
Total		\$271,175	\$275,099	\$3,923

(c) Available for sale securities

		Millions of yen		
		2023		
		Carrying Value	Cost	Differences
Securities of which market value exceed cost	Stocks	¥ 133,283	¥ 74,274	¥ 59,009
	Bonds	442,731	440,077	2,653
	National government bonds	77,312	76,633	678
	Local government bonds	309,104	307,602	1,501
	Corporate bonds	56,314	55,841	473
	Other securities	183,717	175,438	8,279
	Foreign bonds	131,307	130,390	917
	Other securities	52,409	45,048	7,361
	Sub total	¥ 759,732	¥ 689,790	¥ 69,941
Securities of which market value does not exceed cost	Stocks	¥ 64,648	¥ 68,727	¥ (4,078)
	Bonds	1,302,537	1,339,928	(37,391)
	National government bonds	706,512	735,072	(28,559)
	Local government bonds	459,208	464,601	(5,392)
	Corporate bonds	136,815	140,255	(3,439)
	Other securities	482,281	516,979	(34,698)
	Foreign bonds	250,734	256,666	(5,931)
	Other securities	231,547	260,313	(28,766)
	Sub total	¥1,849,467	¥1,925,636	¥ (76,168)
	Total	¥2,609,200	¥2,615,426	¥ (6,226)

		Millions of yen		
		2024		
		Carrying Value	Cost	Differences
Securities of which market value exceed cost	Stocks	¥ 175,307	¥ 95,749	¥ 79,558
	Bonds	145,893	145,059	834
	National government bonds	—	—	—
	Local government bonds	110,952	110,363	589
	Corporate bonds	34,940	34,696	244
	Other securities	292,858	280,821	12,037
	Foreign bonds	199,825	198,798	1,026
	Other securities	93,033	82,023	11,010
	Sub total	¥ 614,059	¥ 521,630	¥ 92,429
Securities of which market value does not exceed cost	Stocks	¥ 40,491	¥ 43,747	¥ (3,255)
	Bonds	1,104,152	1,133,368	(29,216)
	National government bonds	340,465	354,762	(14,296)
	Local government bonds	614,255	622,576	(8,320)
	Corporate bonds	149,430	156,030	(6,599)
	Other securities	483,112	512,148	(29,035)
	Foreign bonds	303,980	311,495	(7,514)
	Other securities	179,132	200,653	(21,520)
	Sub total	¥1,627,756	¥1,689,264	¥ (61,507)
	Total	¥2,241,816	¥2,210,894	¥ 30,922

		Thousands of U.S. dollars		
		2024		
		Carrying Value	Cost	Differences
Securities of which market value exceed cost	Stocks	\$ 1,157,835	\$ 632,384	\$ 525,451
	Bonds	963,566	958,056	5,509
	National government bonds	—	—	—
	Local government bonds	732,796	728,902	3,893
	Corporate bonds	230,770	229,153	1,616
	Other securities	1,934,208	1,854,708	79,499
	Foreign bonds	1,319,761	1,312,979	6,781
	Other securities	614,446	541,728	72,717
	Sub total	\$ 4,055,610	\$ 3,445,148	\$ 610,461
Securities of which market value does not exceed cost	Stocks	\$ 267,430	\$ 288,931	\$ (21,500)
	Bonds	7,292,465	7,485,428	(192,963)
	National government bonds	2,248,635	2,343,058	(94,422)
	Local government bonds	4,056,902	4,111,855	(54,953)
	Corporate bonds	986,927	1,030,514	(43,586)
	Other securities	3,190,759	3,382,528	(191,769)
	Foreign bonds	2,007,663	2,057,297	(49,633)
	Other securities	1,183,095	1,325,231	(142,135)
	Sub total	\$10,750,655	\$11,156,888	\$(406,232)
Total		\$14,806,265	\$14,602,037	\$ 204,228

(d) Available-for-sale securities sold

		Millions of yen		
		2023		
		Proceeds from sales	Gains	Losses
Stocks		¥142,667	¥26,736	¥ 1,265
Bonds		18,670	0	1,749
National government bonds		18,112	—	1,749
Local government bonds		—	—	—
Corporate bonds		558	0	—
Other securities		345,218	5,061	29,851
Foreign bonds		241,897	—	29,720
Other securities		103,320	5,061	130
Total		¥506,556	¥31,798	¥32,866

		Millions of yen		
		2024		
		Proceeds from sales	Gains	Losses
Stocks		¥306,707	¥30,003	¥ 1,683
Bonds		428,958	769	23,330
National government bonds		428,850	769	23,330
Local government bonds		—	—	—
Corporate bonds		108	0	—
Other securities		102,995	2,603	2,112
Foreign bonds		26,113	—	1,975
Other securities		76,882	2,603	136
Total		¥838,661	¥33,376	¥27,125

	Thousands of U.S. dollars		
	2024		
	Proceeds from sales	Gains	Losses
Stocks	\$2,025,673	\$198,161	\$ 11,118
Bonds	2,833,094	5,084	154,085
National government bonds	2,832,381	5,084	154,085
Local government bonds	—	—	—
Corporate bonds	713	0	—
Other securities	680,244	17,193	13,950
Foreign bonds	172,466	—	13,047
Other securities	507,778	17,193	903
Total	<u>\$5,539,012</u>	<u>\$220,439</u>	<u>\$179,154</u>

(e) Guarantee obligations for bonds in private placement

Guarantee obligations for bonds in private placement (defined in Article 2 (3) of the Financial Instruments and Exchange Act) included in Corporate Bonds were ¥36,652 million and ¥37,588 million (U.S.\$248,253 thousand) as of March 31, 2023 and 2024, respectively.

7. Money Held in Trust

Money Held in Trust for Trading Purposes

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Consolidated Balance Sheet Amount	¥3,354	¥3,351	\$22,132
Unrealized Gains Included in the Consolidated Statements of Income	—	—	—

Money Held in Trust for Holding Purposes Nil (as of March, 2023 and 2024)

Money Held in Trust for Other Purposes

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Consolidated Balance Sheet Amount	¥6,500	¥8,900	\$58,781
Cost	6,500	8,900	58,781
Differences	—	—	—
Gains	—	—	—
Losses	—	—	—

8. Valuation Difference on Available-for-sale Securities

Valuation difference on available-for-sale Securities as of March 31, 2023 and 2024 consisted of the following

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Valuation Difference	¥(6,404)	¥30,744	\$203,051
Available-for-sale Securities	(6,404)	30,744	203,051
Money Held in Trust for Other Purpose	—	—	—
Deferred Tax Assets	2,045	—	—
Deferred Tax Liabilities	—	9,284	61,317
Valuation Difference, Net of Taxes	(4,358)	21,459	141,734
Amount Attributable to Non-controlling interests	—	—	—
Net Unrealized Gains on Available-for-sale Securities Owned by Affiliates, which is Attributable to the Parent	1,437	2,157	14,248
Valuation Difference on Available-for-sale Securities	(2,920)	23,617	155,983

9. Derivative Financial Instruments Transactions

(1) Derivatives to which hedge accounting is not applied

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

(a) Interest Rate Related Transactions

Millions of yen								
As of March 31,	2023				2024			
	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	—	—	—	—	—	—	—	—
Total	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —

Thousands of U.S. dollars				
As of March 31,	2024			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit
Interest rate futures:				
Written	\$ —	\$ —	\$ —	\$ —
Purchased	—	—	—	—
Total	\$ —	\$ —	\$ —	\$ —

Millions of yen								
As of March 31,	2023				2024			
	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 ..	¥29,033	¥28,903	¥ (63)	¥ (63)	¥30,117	¥29,437	¥(160)	¥(160)
Receipt floating								
payments fixed	29,033	28,903	337	337	30,117	29,437	464	464
Total	¥58,066	¥57,806	¥274	¥274	¥60,234	¥58,874	¥ 304	¥ 304

Thousands of U.S. dollars				
As of March 31,	2024			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit
Interest rate swaps:				
Receipt fixed				
payments floating	\$198,912	\$194,420	\$(1,060)	\$(1,060)
Receipt floating				
payments fixed	198,912	194,420	3,068	3,068
Total	\$397,824	\$388,841	\$ 2,008	\$ 2,008

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

(b) Foreign Exchange Related Transactions

Millions of yen								
For the years ended March 31,	2023				2024			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit	Contract amounts	Due after 1 year	Fair Value	Valuation profit
currency futures								
Written	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Purchased	—	—	—	—	—	—	—	—
Total	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —

Thousands of U.S. dollars				
For the year ended March 31,	2024			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit
currency futures				
Written	\$ —	\$ —	\$ —	\$ —
Purchased	—	—	—	—
Total	\$ —	\$ —	\$ —	\$ —

As of March 31,	Millions of yen							
	2023				2024			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit	Contract amounts	Due after 1 year	Fair Value	Valuation profit
Currency swaps	¥120,986	¥109,499	¥169	¥185	¥121,646	¥90,367	¥123	¥144

As of March 31,	Thousands of U.S. dollars			
	2024			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit
Currency swaps	\$803,425	\$596,840	\$818	\$953

For the years ended March 31,	Millions of yen							
	2023				2024			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit	Contract amounts	Due after 1 year	Fair Value	Valuation profit
Forward exchange contracts:								
Written	¥5,171	¥ —	¥(10)	¥(10)	¥5,266	¥ —	¥(181)	¥(181)
Purchased	4,243	—	1	1	2,746	—	145	145
Total	¥9,414	¥ —	¥ (8)	¥ (8)	¥8,013	¥ —	¥ (36)	¥ (36)
Currency options:								
Written	¥287,241	¥248,453	¥(4,320)	¥ 904	¥367,051	¥317,726	¥(1,789)	¥ 5,395
Purchased	287,241	248,453	3,689	1,329	367,051	317,726	1,613	(2,335)
Total	¥574,482	¥496,906	¥ (631)	¥2,233	¥734,102	¥635,453	¥ (176)	¥ 3,060

For the year ended March 31,	Thousands of U.S. dollars			
	2024			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit
Forward exchange contracts:				
Written	\$34,784	\$ —	\$(1,200)	\$(1,200)
Purchased	18,141	—	959	959
Total	\$52,925	\$ —	\$ (240)	\$ (240)
Currency options:				
Written	\$2,424,222	\$2,098,453	\$(11,821)	\$ 35,637
Purchased	2,424,222	2,098,453	10,653	(15,426)
Total	\$4,848,444	\$4,196,907	\$ (1,167)	\$ 20,211

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

(c) Other

For the years ended March 31,	Millions of yen							
	2023				2024			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit	Contract amounts	Due after 1 year	Fair Value	Valuation profit
Weather derivative, etc.								
Written	¥14,645	¥ —	¥(165)	¥ —	¥15,765	¥ —	¥(174)	¥ —
Purchased	14,645	—	165	—	15,765	—	174	—
Total	¥29,290	¥ —	¥ —	¥ —	¥31,530	¥ —	¥ —	¥ —

For the year ended March 31,	Thousands of U.S. dollars			
	2024			
	Contract amounts	Due after 1 year	Fair Value	Valuation profit
Weather derivative, etc.				
Written	\$104,121	\$ —	\$(1,150)	\$ —
Purchased	104,121	—	1,150	—
Total	\$208,242	\$ —	\$ —	\$ —

- (d) Equity Related Transactions Nil
(e) Bond Related Transactions Nil
(f) Commodity Related Transactions ... Nil
(g) Credit Derivatives Nil

(2) Derivatives to which hedge accounting is applied

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

(a) Interest Rate Related Transactions

		Millions of yen						
		Hedged items	2023			2024		
As of March 31,			Contract amounts	Due after 1 year	Fair Value	Contract amounts	Due after 1 year	Fair Value
Standard treatment:	Interest rate swaps:	—	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
	Interest rate futures:	—	—	—	—	—	—	—
	Interest rate options:	—	—	—	—	—	—	—
	Others	—	—	—	—	—	—	—
	Total		¥ —	¥ —	¥ —	¥ —	¥ —	¥ —

		Thousands of U.S. dollars		
		2024		
As of March 31,		Contract amounts	Due after 1 year	Fair Value
Standard treatment:	Interest rate swaps:	\$ —	\$ —	\$ —
	Interest rate futures:	—	—	—
	Interest rate options:	—	—	—
	Others	—	—	—
	Total	\$ —	\$ —	\$ —

			Millions of yen					
			2023			2024		
As of March 31,		Hedged items	Contract amounts	Due after 1 year	Fair Value	Contract amounts	Due after 1 year	Fair Value
Exceptional treatment:	Interest rate swaps:	Loan	¥26,104	¥21,812		¥34,021	¥29,736	
	Receipt fixed							
	payments floating		—	—	*note	—	—	*note
	Receipt floating							
	payments fixed		26,104	21,812		34,021	29,736	
	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		
		2024		
As of March 31,		Contract amounts	Due after 1 year	Fair Value
Exceptional treatment:	Interest rate swaps: Loan	\$224,695	\$196,400	
	Receipt fixed			
	payments floating	—	—	*note
	Receipt floating			
	payments fixed	224,695	196,400	
	Total	\$ —	\$ —	

The Bank mainly treats them under the deferred method of hedge accounting based on Industry-specific Special Committee Practical Guidance No.24.

(b) Foreign Exchange Related Transactions

			Millions of yen					
			2023			2024		
			Contract amounts	Due after 1 year	Fair Value	Contract amounts	Due after 1 year	Fair Value
As of March 31,		Hedged items						
Standard treatment:	Currency swaps:	Call loans, Loans, Bonds and Foreign exchange	¥287,089	¥206,971	¥(5,848)	¥395,180	¥281,622	¥(31,177)
	Forward exchange contracts:		7,423	—	385	9,741	—	(274)
Deferred method:	Currency swap:	—	—	—	—	—	—	—
	Forward exchange contracts:	—	—	—	—	—	—	—
	Total		¥ —	¥ —	¥(5,462)	¥ —	¥ —	¥(31,451)

		Thousands of U.S. dollars		
		2024		
As of March 31,		Contract amounts	Due after 1 year	Fair Value
Standard treatment:	Currency swaps: Call loans, Loans,	\$2,610,000	\$1,860,000	\$(205,911)
	Forward exchange contracts: Bonds and Foreign exchange	64,341	—	(1,812)
Deferred method:	Currency swap: —	—	—	—
	Forward exchange contracts: —	—	—	—
	Total	\$ —	\$ —	\$(207,723)

The Bank mainly applies the deferred method of hedge accounting based on Industry-specific Special Committee Practical Guidance No.25.

(c) Equity Related Transactions	Nil
(d) Bond Related Transactions	Nil
(e) Equity Related Transactions	Nil (as of March 31, 2023)
(f) Bond Related Transactions	Nil (as of March 31, 2023)

10. Comprehensive income

Amounts of recycling and tax effects on other comprehensive income

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Net unrealized gains (losses) on securities, net of tax:			
Items recognized during the year	¥(53,865)	¥ 35,427	\$ 233,981
Amounts of recycling	1,392	1,721	11,369
Before tax effect adjustment	(52,473)	37,148	245,350
Tax effects	15,993	(11,329)	(74,828)
Net unrealized gains (losses) on securities, net of tax	(36,479)	25,818	170,522
Deferred hedge gains (losses):			
Items recognized during the year	(5,956)	(18,734)	(123,732)
Amounts of recycling	6,515	19,728	130,300
Before tax effect adjustment	559	994	6,567
Tax effects	(170)	(303)	(2,003)
Deferred hedge gains (losses)	388	691	4,564
Remeasurements of defined benefit plans			
Items recognized during the year	4,519	22,148	146,280
Amounts of recycling	(776)	(751)	(4,965)
Before tax effect adjustment	3,743	21,396	141,314
Tax effects	(1,141)	(6,525)	(43,101)
Remeasurements of defined benefit plans	2,601	14,870	98,213
Share of other comprehensive income of entities and affiliates accounted by the equity method			
Items recognized during the year	179	719	4,751
Amounts of recycling	—	—	—
Before tax effect adjustment	179	719	4,751
Tax effects	—	—	—
Share of other comprehensive income of entities and affiliates accounted by the equity method	179	719	4,751
Total other comprehensive income	¥(33,310)	¥ 42,099	\$ 278,052

11. Property and equipment

Depreciation was computed using the declining-balance method. Property and equipment as of March 31, 2023 and 2024 were expressed at net of the following accumulated depreciation.

Millions of yen		Thousands of U.S. dollars
2023	2024	2024
¥66,735	¥66,332	\$438,098

Deferred gain on real estate deductible for tax purposes amounted to ¥3,572 million and ¥3,449 million (U.S.\$22,783 thousand) on March 31, 2023 and 2024, respectively.

12. Assets Pledged

Assets pledged as collateral as of March 31, 2023 and 2024 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Securities	¥1,659,535	¥1,285,112	\$ 8,487,630
Loan	280,310	859,240	5,674,923
Other	1,000	1,000	6,604
Total	¥1,940,846	¥2,145,352	\$14,169,159

Liabilities related to the above pledged assets as of March 31, 2023 and 2024 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Deposits	¥224,231	¥ 166,964	\$1,102,730
Payables under repurchase agreements	86,565	136,841	903,779
Payables under securities lending transactions	723,449	283,947	1,875,356
Borrowed money	924,693	1,120,429	7,399,967
Other	130	449	2,971

In addition, the following was pledged as collateral for settlements of exchange or margins for futures transactions as of March, 2023 and 2024.

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Other	¥33,385	¥59,956	\$395,987

Guarantee deposits of ¥1,346 and ¥1,318 million (U.S.\$8,705 thousand) were included in Other Assets as of March 31, 2023 and 2024, respectively.

13. Revaluation Reserve for Land

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

Date of the revaluation: March 31, 1998

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

The difference between the revalued carrying amount and the fair value of premises revalued pursuant to Article 10 of the Law was ¥15,746 million and ¥15,349 million (U.S.\$101,376 thousand) as of March 31, 2023 and 2024, respectively

14. 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, 2023 and 2024 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Balance at the beginning of the year	¥87,230	¥82,399	\$544,214
Service cost	1,929	1,776	11,731
Interest cost	623	852	5,632
Actuarial loss	(4,275)	(5,171)	(34,157)
Retirement benefits paid	(3,108)	(3,202)	(21,148)
Prior service cost	—	—	—
Other	—	—	—
Balance at the end of the year	¥82,399	¥76,654	\$506,274

(Note)

Consolidated subsidiaries use simplified method in calculating retirement benefit obligations.

The changes in plan assets during the year ended March 31, 2023 and 2024 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Balance at the beginning of the year	¥97,681	¥ 99,004	\$653,885
Expected return on plan assets	2,275	2,295	15,163
Actuarial loss	244	16,976	112,123
Contributions by the Bank	905	889	5,873
Retirement benefits paid	(2,102)	(2,125)	(14,036)
Other	—	—	—
Balance at the end of the year	¥99,004	¥117,041	\$773,009

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

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Funded retirement benefit obligation	¥ 82,399	¥ 76,654	\$ 506,274
Plan assets at fair value	(99,004)	(117,041)	(773,009)
	(16,605)	(40,386)	(266,735)
Unfunded retirement benefit obligation	—	—	—
Net liability (asset) for retirement benefits in the balance sheets	(16,605)	(40,386)	(266,735)
Net defined liability	358	342	2,258
Net defined asset	(16,963)	(40,728)	(268,994)
Net liability (asset) for retirement benefits in the balance sheets	¥(16,605)	¥ (40,386)	\$(266,735)

Components of retirement benefit expense for the year ended March 31, 2023 and 2024 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Service cost	¥ 1,929	¥ 1,776	\$ 11,731
Interest cost	623	852	5,632
Expected return on plan assets	(2,275)	(2,295)	(15,163)
Amortization of actuarial loss	(776)	(751)	(4,965)
Amortization of prior service costs	—	—	—
Other	19	11	74
Retirement benefit expense associated with defined benefit plans	¥ (480)	¥ (407)	\$ (2,689)

(Note)

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

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

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Prior service cost	¥ —	¥ —	\$ —
Actuarial gain	3,743	21,396	141,314
Other	—	—	—
Total	<u>¥3,743</u>	<u>¥21,396</u>	<u>\$141,314</u>

Remeasurements of defined benefit plans were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Unrecognized prior service cost	¥ —	¥ —	\$ —
Unrecognized actuarial loss	(10,098)	(31,495)	(208,011)
Other	—	—	—
Total	<u>¥(10,098)</u>	<u>¥(31,495)</u>	<u>\$(208,011)</u>

The fair value of plan assets, by major classification, as a percentage of total plan assets as of March 31, 2023 and 2024 were as follows:

	2023	2024
Bonds	18.3%	16.0%
Stock	46.1%	52.1%
Life insurance company general accounts	17.9%	15.3%
Cash and due from banks	9.7%	0.3%
Other	8.0%	16.3%
Total	100.0%	100.0%

(Note)

Total plan assets included retirement benefit trust of 37.5% and 38.4% as of March 31, 2023 and 2024, respectively, which were set for corporate pension plans and retirement lump-sum payment plan.

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

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

	2023	2024
1) Discount rates		
Welfare pension plan	1.1%	1.5%
Retirement lump-sum payment plan	0.7%	1.0%
2) Expected long-term return on plan assets		
Welfare pension fund	2.5%	2.5%
Retirement benefit trust	1.8~2.5%	1.8~2.5%
3) Other assumptions		
Expected rate of salary raises	3.9%	3.9%

Defined contribution plan

Amount of contributions required for defined contribution plans at consolidated subsidiaries as of March 31, 2023 and 2024 is ¥9 million and ¥10 million (U.S.\$68 thousand), respectively.

15. Cash and Cash Equivalents

The reconciliation of cash and due from banks in the consolidated balance sheets to the cash and cash equivalents as of March 31, 2023 and 2024 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Cash and Due from Banks	¥1,833,043	¥1,844,728	\$12,183,664
Interest-bearing Deposits included in Due from Banks (excluding Due from BO)	(3,089)	(14,225)	(93,951)
Cash and Cash Equivalents	¥1,829,954	¥1,830,503	\$12,089,711

*2 Major components of assets and liabilities related to sale of businesses with cash and cash equivalents exchanged as consideration

Fiscal year ended March 31, 2023

Major components of a decrease in assets and liabilities, etc., resulting from the transfer, through an absorption-type split, of the Bank's credit card membership business to The Gungin Card Co., Ltd., an unconsolidated subsidiary accounted for by the equity method, are as follows:

	Millions of yen	Thousands of U.S. dollars
	2023	
Assets (including Monetary claims bought of ¥5,706 (\$42,732))	¥ 5,763	\$ 43,166
Liabilities	(1,374)	(10,292)
Gain on sale of businesses	47	357
Sale price of businesses	4,437	33,230
Cash and cash equivalents	—	—
Difference: Proceeds from sale of businesses	4,437	33,230

Fiscal year ended March 31, 2024

Not applicable.

16. Lease Transactions

a. Lessee

Operating leases

Total future lease payments under non-cancelable operating leases at March 31, 2023 and 2024 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
With one year	¥ 97	¥104	\$ 688
Over one year	301	252	1,664
Total	¥398	¥356	\$2,353

b. Lessor

Leased investment asset at March 31, 2023 and 2024 were summarized as follows :

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Lease receivables	¥44,914	¥46,513	\$307,202
Estimated residual value	9,080	9,364	61,848
Interest income	(5,238)	(5,383)	(35,557)
Total	¥48,757	¥50,494	\$333,493

The lease receivable amount at March 31, 2023 and 2024, and the amount of lease fees receivable on investment assets, which is scheduled to be collected after the fiscal year-end, were summarized as follows:

	Lease receivables	Lease investment assets
	Millions of yen	Millions of yen
	2023	2023
within 1 year	¥3,449	¥13,830
over 1 year and within 2 years	2,801	10,883
over 2 years and within 3 years	1,998	8,144
over 3 years and within 4 years	1,226	5,624
over 4 years and within 5 years	608	3,322
over 5 years	818	3,109

	Lease receivables		Lease investment assets	
	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
	2024	2024	2024	2024
within 1 year	¥3,682	\$24,323	¥14,149	\$93,454
over 1 year and within 2 years	2,884	19,049	11,313	74,722
over 2 years and within 3 years	2,098	13,862	8,569	56,594
over 3 years and within 4 years	1,420	9,380	6,130	40,490
over 4 years and within 5 years	771	5,097	3,466	22,893
over 5 years	1,248	8,243	2,883	19,047

17. Income Taxes

Income taxes applicable to the Bank and its consolidated subsidiaries include corporation tax, inhabitants' tax and enterprise tax.

Income taxes of the foreign consolidated subsidiaries are based generally on the tax rates applicable in their countries of incorporation.

Deferred tax assets and liabilities as of March 31, 2023 and 2024 consisted of :

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Deferred tax assets:			
Allowance for loan losses	¥10,819	¥ 9,440	\$ 62,348
Net defined benefit liability	5,067	5,038	33,279
Valuation difference on available-for-sale securities	2,165	—	—
Devaluation loss on securities	583	562	3,715
Depreciation	475	447	2,954
Other	5,859	5,754	38,008
Subtotal	24,971	21,244	140,307
Valuation allowance	(4,428)	(3,117)	(20,588)
Total: Deferred tax assets	20,543	18,126	119,719
Deferred tax liabilities:			
Net unrealized gains on securities available for sale	(120)	(9,284)	(61,317)
Retirement benefit trust	(3,339)	(3,648)	(24,095)
Other	(4,080)	(10,566)	(69,790)
Total: Deferred tax liabilities	(7,539)	(23,499)	(155,202)
Net: Deferred tax assets (liabilities)	¥13,003	¥ (5,372)	\$ (35,483)

The reconciliation between the Japanese statutory tax rate and the Bank's effective tax rate for the year ended March 31, 2023 and 2024 is as follows:

	2023	2024
Japanese statutory tax rate	30.5%	30.5%
(Adjustment)		
Items permanently non-deductible, including entertainment expenses ..	0.2	0.2
Items permanently excluded from profit, including dividend income	(1.1)	(0.9)
Increase(decrease)in valuation allowance	(1.8)	(3.2)
Other	0.4	1.0
Ratio of income taxes after tax effective accounting	28.2%	27.6%

18. Segment Information

a. Segment information by category of business

Segment information by category of business for the years ended or as of March 31, 2023 and 2024 is summarized as follows:

Year ended or as of March 31, 2023	Millions of yen						
	Banking	Lease	Sub total	Others	Total	Adjustment	Consolidated
Ordinary income generated from businesses with							
External customers	¥ 142,513	¥29,386	¥ 171,899	¥ 4,690	¥ 176,589	¥ —	¥ 176,589
Internal units	972	359	1,332	1,312	2,645	(2,645)	—
	143,485	29,745	173,231	6,003	179,235	(2,645)	176,589
Segment profit	33,810	1,649	35,459	2,920	38,380	(63)	38,316
Segment assets	10,644,132	83,109	10,727,241	45,597	10,772,838	(110,538)	10,662,300
Segment liabilities	10,159,706	67,250	10,226,957	18,494	10,245,451	(98,961)	10,146,489
Others							
Depreciation	5,711	691	6,402	66	6,469	103	6,572
Interest and dividend income	87,331	18	87,350	19	87,370	(293)	87,076
Interest expenses	15,611	278	15,890	0	15,890	(269)	15,620
Equity in earnings of unconsolidated subsidiaries and associated companies	246	—	246	—	246	(24)	221
Extraordinary profit	1,597	—	1,597	—	1,597	—	1,597
Gains on disposal of noncurrent assets	(1,597)	—	(1,597)	—	(1,597)	—	(1,597)
Extraordinary loss	1,012	—	1,012	0	1,013	—	1,013
Losses on disposal of noncurrent assets	(603)	—	(603)	(0)	(603)	—	(603)
Impairment losses on of fixed assets	(409)	—	(409)	—	(409)	—	(409)
Tax	9,566	433	9,999	972	10,972	(3)	10,968
Investment of unconsolidated subsidiaries and associated companies	595	—	595	—	595	—	595
Increase of property and equipment and intangible assets	4,799	832	5,631	67	5,698	109	5,807

Year ended or as of March 31, 2024	Millions of yen						
	Banking	Lease	Sub total	Others	Total	Adjustment	Consolidated
Ordinary income generated from businesses with							
External customers	¥ 166,040	¥29,256	¥ 195,296	¥ 5,059	¥ 200,356	¥ —	¥ 200,356
Internal units	861	392	1,253	1,651	2,905	(2,905)	—
	166,902	29,648	196,550	6,711	203,262	(2,905)	200,356
Segment profit	39,348	1,226	40,575	3,275	43,850	(61)	43,788
Segment assets	10,797,074	87,562	10,884,637	52,386	10,937,023	(118,805)	10,818,218
Segment liabilities	10,258,142	71,092	10,329,235	23,104	10,352,340	(107,217)	10,245,122
Others							
Depreciation	5,320	691	6,012	64	6,076	117	6,193
Interest and dividend income	106,109	19	106,128	15	106,143	(335)	105,807
Interest expenses	39,770	320	40,090	—	40,090	(311)	39,779
Equity in earnings of unconsolidated subsidiaries and associated companies	166	—	166	—	166	(24)	141
Extraordinary profit	210	—	210	—	210	—	210
Gains on disposal of noncurrent assets	(210)	—	(210)	—	(210)	—	(210)
Extraordinary loss	1,013	—	1,013	2	1,016	—	1,016
Losses on disposal of noncurrent assets	(226)	—	(226)	(2)	(228)	—	(228)
Impairment losses on of fixed assets	(787)	—	(787)	—	(787)	—	(787)
Tax	10,232	531	10,763	1,093	11,857	(1)	11,856
Investment of unconsolidated subsidiaries and associated companies	1,477	—	1,477	—	1,477	—	1,477
Increase of property and equipment and intangible assets	6,142	825	6,967	32	7,000	288	7,289

Year ended or as of March 31, 2024	Thousands of U.S. dollars						Consolidated
	Banking	Lease	Sub total	Others	Total	Adjustment	
Ordinary income generated from businesses with							
External customers	\$ 1,096,627	\$193,227	\$ 1,289,854	\$ 33,416	\$ 1,323,271	\$ —	\$ 1,323,271
Internal units	5,692	2,589	8,281	10,908	19,190	(19,190)	—
	1,102,320	195,816	1,298,136	44,325	1,342,462	(19,190)	1,323,271
Segment profit	259,882	8,103	267,985	21,630	289,615	(408)	289,207
Segment assets	71,310,184	578,314	71,888,498	345,988	72,234,487	(784,660)	71,449,826
Segment liabilities	67,750,761	469,536	68,220,297	152,598	68,372,896	(708,127)	67,664,768
Others							
Depreciation	35,139	4,567	39,707	422	40,130	773	40,903
Interest and dividend income	700,807	126	700,934	100	701,034	(2,217)	698,817
Interest expenses	262,665	2,115	264,780	—	264,780	(2,055)	262,725
Equity in earnings of unconsolidated subsidiaries and associated companies	1,097	—	1,097	—	1,097	(162)	934
Extraordinary profit	1,388	—	1,388	—	1,388	—	1,388
Gains on disposal of noncurrent assets	(1,388)	—	(1,388)	—	(1,388)	—	(1,388)
Extraordinary loss	6,696	—	6,696	16	6,712	—	6,712
Losses on disposal of noncurrent assets	(1,496)	—	(1,496)	(14)	(1,510)	—	(1,510)
Impairment losses on of fixed assets	(5,200)	—	(5,200)	—	(5,200)	—	(5,200)
Tax	67,580	3,510	71,090	7,225	78,316	(6)	78,309
Investment of unconsolidated subsidiaries and associated companies	9,757	—	9,757	—	9,757	—	9,757
Increase of property and equipment and intangible assets	40,566	5,450	46,016	216	46,233	1,908	48,141

(Notes)

- Total income is presented in lieu of sales of companies in other industries.
- "Others" include business segments not included in the reportable segments, such as the delivery of goods, etc., the maintenance of ATMs and operations of securities and guarantees.
- Adjustments are as follows:
 - Adjustment for segment profit of ¥(61) million (U.S.\$(408) thousand) was elimination of intersegment transactions.
 - Adjustment for segment assets of ¥(118,805) million (U.S.\$(784,660)thousand) was elimination of intersegment transactions.
 - Adjustment for segment liabilities of ¥(107,217) million (U.S.\$(708,127)thousand) was elimination of intersegment transactions.
 - Adjustment for depreciation of ¥117 million (U.S.\$773 thousand) was elimination of intersegment transactions and the depreciation related to lease investment assets classified as "property and equipment" and "intangible assets" on a consolidated basis.
 - Adjustment for interest and dividend income of ¥(335) million (U.S.\$(2,217)thousand), adjustment for interest expenses of ¥(311) million (U.S.\$(2,055)thousand), adjustment for equity in earnings of unconsolidated subsidiaries and associated companies of ¥(24) million (U.S.\$(162) thousand) and adjustment for tax of ¥(1) million (U.S.\$(6)thousand) were elimination of intersegment transactions.
 - Adjustment for increase of tangible fixed asset and intangible fixed asset of ¥288 million (U.S.\$1,908 thousand) were transferred from lease investment assets.
- Segment profit was adjusted with reference to ordinary profit as stated in the consolidated statements of income.

b. Segment information about services

Year ended or as of March 31, 2023	Millions of yen					Total
	Lending	Investment	Lease	Others		
Ordinary income generated from businesses with external customers	¥ 60,160	¥ 58,179	¥ 29,386	¥ 28,863	¥ 176,589	
Year ended or as of March 31, 2024	Millions of yen					Total
	Lending	Investment	Lease	Others		
Ordinary income generated from businesses with external customers	¥ 71,911	¥ 69,197	¥ 29,256	¥ 29,990	¥ 200,356	
Year ended or as of March 31, 2024	Thousands of U.S. dollars					Total
	Lending	Investment	Lease	Others		
Ordinary income generated from businesses with external customers	\$ 474,945	\$ 457,021	\$ 193,227	\$ 198,077	\$ 1,323,271	

c. Segment information about geographical area

1. Ordinary income

The domestic share of ordinary income from external customers exceeds 90% of ordinary income in the consolidated statement of income, thus information has not been disclosed.

2. Tangible fixed assets

The domestic share of tangible fixed assets exceeds 90% of tangible fixed assets in the consolidated balance sheet, thus information has not been disclosed.

d. Segment information about major customers

Ordinary income from a specific customer does not exceed 10% of ordinary income in the consolidated statements of income, thus information has not been disclosed.

19. Related parties

Transactions between the Bank and its executives or major (individual) shareholders, etc. in the year ended March 31, 2023 were as follows:

Type	Name	Description of business or occupation	Voting rights ownership ratio	Relationship with related party	Transaction detail	Transaction amount		Account name	Balance at the end of the year
						Millions of yen	Thousands of dollars		
Executive	Nobuyuki Horie	Chairman of the Bank	Directly owns 0.0% of the Bank's voting rights	—	Capital contribution in kind of monetary remuneration claims (Note)	¥11	\$82	—	—
Executive	Akihiko Fukai	President of the Bank	Directly owns 0.0% of the Bank's voting rights	—	Capital contribution in kind of monetary remuneration claims (Note)	15	112	—	—

(Note)

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

Transactions between the Bank and its executives or major (individual) shareholders, etc. in the year ended March 31, 2024 were as follows:

Type	Name	Description of business or occupation	Voting rights ownership ratio	Relationship with related party	Transaction detail	Transaction amount		Account name	Balance at the end of the year
						Millions of yen	Thousands of dollars		
Executive	Nobuyuki Horie	Chairman of the Bank	Directly owns 0.0% of the Bank's voting rights	—	Capital contribution in kind of monetary remuneration claims (Note)	¥11	\$73	—	—
Executive	Akihiko Fukai	President of the Bank	Directly owns 0.0% of the Bank's voting rights	—	Capital contribution in kind of monetary remuneration claims (Note)	15	100	—	—

(Note)

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

20. Earnings per Share

	Yen		U.S. Dollars
	2023	2024	2024
Net Assets per Share of Common Stock	¥1,268.77	¥1,460.16	\$9.64
Earnings per Share of Common Stock	68.19	78.43	0.51

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

	Millions of Yen		Thousands of U.S. Dollars
	2023	2024	2024
Consolidated Net Assets	¥515,810	¥573,095	\$3,785,057
Consolidated Net Assets Attributable to Common Shareholders	515,810	573,095	3,785,057

	Thousands of Stocks	
	2023	2024
Number of Shares of Common Stock. Used for Calculating Net Assets per Share	406,543	392,488

2. Basis of calculating Earnings per share was follows:

	Millions of yen	Thousands of Stocks	Yen	U.S. Dollars
For the year ended March 31,2023	Net income	Weighted average stocks	EPS	
Earnings available to Common Shareholders	¥27,933	409,628	¥68.19	\$0.51

	Millions of yen	Thousands of Stocks	Yen	U.S. Dollars
For the year ended March 31,2024	Net income	Weighted average stocks	EPS	
Earnings available to Common Shareholders	¥31,125	396,851	¥78.43	\$0.51

3. Diluted earnings per share of common stock for the fiscal year ended March 31,2023 and 2024 are omitted as there are no dilutive shares, etc.

21. Changes in Net Assets

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

Type and number of shares issued and treasury shares in the year ended March 31, 2023 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	425,888	—	—	425,888
Total	425,888	—	—	425,888
Treasury shares				
Common stock	15,224	4,368	248	19,344
Total	15,224	4,368	248	19,344

Type and number of shares issued and treasury shares in the year ended March 31, 2024 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	425,888	—	—	425,888
Total	425,888	—	—	425,888
Treasury shares				
Common stock	19,344	14,237	182	33,399
Total	19,344	14,237	182	33,399

b. Information on dividends

The following dividends were paid in the year ended March 31, 2023:

Date of resolution	Type of shares	Amount of dividends	Cash dividends per share	Record date	Effective date
		Millions of yen	Yen		
Annual meeting of shareholders held on June 24, 2022	Common stock	¥2,874	¥7.0	March 31, 2022	June 27, 2022
Directors' meeting held on November 9, 2022	Common stock	¥3,287	¥8.0	September 30, 2022	November 30, 2022

The following dividends were paid in the year ended March 31, 2024:

Date of resolution	Type of shares	Amount of dividends		Cash dividends per share		Record date	Effective date
		Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Annual meeting of shareholders held on June 27, 2023	Common stock	¥4,065	\$26,850	¥10.0	\$0.07	March 31, 2023	June 28, 2023
Directors' meeting held on November 8, 2023	Common stock	¥3,967	\$26,206	¥10.0	\$0.07	September 30, 2023	November 30, 2023

Dividends whose record date is attributable to the year ended March 31, 2023 but which are effective after March 31, 2023

Date of resolution	Type of shares	Amount of dividends		Source of dividends	Cash dividends per share		Record date	Effective date
		Millions of yen	Thousands of U.S. dollars		Yen	U.S. dollars		
Annual meeting of shareholders held on June 27, 2023	Common stock	¥4,065		Retained earnings	¥10.0		March 31, 2023	June 28, 2023

Dividends whose record date is attributable to the year ended March 31, 2024 but which are effective after March 31, 2024

Date of resolution	Type of shares	Amount of dividends		Source of dividends	Cash dividends per share		Record date	Effective date
		Millions of yen	Thousands of U.S. dollars		Yen	U.S. dollars		
Annual meeting of shareholders held on June 20, 2024	Common stock	¥4,709	\$31,106	Retained earnings	¥12.0	\$0.08	March 31, 2024	June 21, 2024

22. Stock Options

Not applicable.

23. Corporate bonds

Corporate bonds include subordinated corporate bonds in the amount of ¥50,000 million and ¥50,000 million (U.S.\$330,229 thousand) as of March 31, 2023 and 2024, respectively.

24. Subsequent events

Purchase of treasury shares

The Bank decided at the Board of Directors meeting held on May 9, 2024 on matters pertaining to the purchase of treasury shares in accordance with Article 156 of the Companies Act as applied mutatis mutandis pursuant to Article 165, Paragraph 3 of the said Act, and carried out transactions as follows.

1 Details of the resolution

- (1) Reason for purchase of treasury shares
To improve shareholder returns through the execution of flexible capital policies and improvement of capital efficiency
- (2) Type of shares to be purchased: common stock
- (3) Total number of shares to be purchased: 6,500,000 shares
- (4) Total amount of shares to be purchased: Up to ¥5,000 million
- (5) Purchase period: May 10 to June 14, 2024
- (6) Purchase method: Market purchase on the Tokyo Stock Exchange
(Purchase through Off-Auction Own Share Repurchase Trading (ToSTNeT-3) and market purchase under discretionary account trading agreements for share repurchases)

2 Results of the purchase of treasury shares

- (1) Type of shares purchased: Common stock
- (2) Total number of shares purchased: 4,794,300 shares
- (3) Total amount of shares purchased: ¥4,999 million
- (4) Purchase period: May 10 to June 14, 2024
- (5) Purchase method: Market purchase on the Tokyo Stock Exchange
(Purchase through Off-Auction Own Share Repurchase Trading (ToSTNeT-3) and market purchase under discretionary account trading agreements for share repurchases)

Purchase of treasury shares and Cancellation of treasury shares

The Bank decided at the Board of Directors meeting held on August 28, 2024 on matters pertaining to the purchase of treasury shares in accordance with Article 156 of the Companies Act as applied mutatis mutandis pursuant to Article 165, Paragraph 3 of the said Act, and cancellation of its treasury shares under its Article 178. The details are as follows.

1 Details of the Purchase

(1) Reason for purchase of treasury shares

To improve shareholder returns through the execution of flexible capital policies and improvement of capital efficiency.

(2) Type of shares to be purchased: common stock

(3) Total number of shares to be purchased: Up to 7,000,000 shares

(4) Total amount of shares to be purchased: Up to ¥5,000 million

(5) Purchase period: August 29 to October 18, 2024

(6) Purchase method: Market purchase on the Tokyo Stock Exchange

2 Details of the Cancellation

(1) Type of shares to be cancelled: common stock

(2) Total number of shares to be cancelled: 10,000,000 shares (2.57% of total number of issued shares before being cancelled (excluding treasury shares))

(3) Date of cancellation: October 31, 2024 (Planned)



Independent Auditor’s Report

The Board of Directors
The Gunma Bank, Ltd.

The Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of The Gunma Bank, Ltd. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2024, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

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

Determination of the debtor classification for the purpose of determining the allowance for loan losses, and the allowance for loan losses using the discounted cash flow method (“the DCF method”) and the cash flow deduction method	
Description of Key Audit Matter	Auditor’s Response
The Group is engaged in the banking business primarily in Gunma Prefecture which is its main business base, of which the lending	In considering the appropriateness of the determination of the debtor classification and the appropriateness of the allowance for loan losses using the DCF method and the cash

business is its core business activity.

The collectability of loans recorded by the Group is affected by changes in economic trends in local areas, changes in the price of real estate and stock prices, and the business circumstances of debtors. As a result, there is a possibility of default by debtors. As such, the Group calculates the amount of expected losses on default and records it as an allowance for loan losses.

The allowance for loan losses included in the consolidated balance sheet at the end of the fiscal year ended March 31, 2024 was ¥41,366 million. Information such as a detailed description of the calculation method for the allowance for loan losses is presented in Section h “Allowance for loan losses” and (Significant accounting estimates) of Note 1 “Summary of Significant Accounting Policies” to the consolidated financial statements.

The allowance for loan losses is calculated in accordance with the Group's predetermined guidelines for self-assessment and write-offs and allowances. The calculation process includes the determination of the debtor classification which is determined by assessing the relevant debtor's ability to repay loans based on its repayment status, financial position, business performance, and future prospects of debtors, and the provisioning of the allowance for loan losses using the DCF method and the cash flow deduction method.

(1) Determination of the debtor classification

In determining the debtor classification, the Group sets forth the outlook for debtors' future business performance as a significant assumption. In particular, when assessing the appropriate classification of a debtor whose repayment status, financial position, or business performance is deteriorating, factors such as the reasonableness and feasibility of the business improvement plan, which embodies the prospects for improvement in the future, are important in making the relevant

flow deduction method, we mainly performed the following audit procedures:

(1) Assessment of internal controls

- We assessed the Group's internal controls over the Group's debtor classification process. The controls tested included but were not limited to those controls over the accuracy of the schedules used in determining the debtor classification and controls over the underlying credit rating data. Also, we assessed the Group's internal controls over the process of estimating the future cash flows used in the DCF method and the cash flow deduction method.

(2) Determination of the debtor classification

- We selected a sample of debtors that we considered necessary by taking into account factors such as the repayment status, financial position, and the degree of deterioration in their business performance as well as the results of our analysis using a self-assessment anomaly detection tool (a tool that assists in the selection of debtors subject to examination by identifying the location of credit risk by visualizing it from the perspective industry, branch office, region, and other components, based on the debtor's credit and financial information in self-assessment audits, and by identifying the differences between the debtor classification based on the debtor classification estimation model using machine learning for each debtor and the debtor classification determined by the company). We also considered the monetary impact of the changes in debtor's classification on the amount recorded in the allowance for loan losses.
- In order to evaluate sampled debtors' recent repayment status, financial position, and business performance, we inspected a set of materials related to the Group's self-assessment, such as explanatory materials

judgments. The reasonableness and feasibility of the business improvement plans are affected by changes in the business environment surrounding the debtor, and the success or failure of the debtor's business strategy. Therefore, they are highly uncertain and highly dependent on management judgement.

(2) Allowance for loan losses using the DCF method and the cash flow deduction method

The Group records an allowance for loan losses using the DCF method and the cash flow deduction method for debtors that are classified as either debtors requiring caution or potentially bankrupt debtors and that, in addition, are large loan balance debtors for which substantial deterioration in their business performance would have a significant impact on the Group's profit or loss. The allowance for loan losses using the DCF method and the cash flow deduction method is determined based on an estimate of future cash flows and, in particular, the repayment schedule based on the business improvement plans included in the estimate of future cash flows is based on management's evaluation of the reasonableness and feasibility of business improvement plans. Therefore, estimating the future cash flows is highly uncertain and dependent on management judgement.

Accordingly, in view of the significance of the potential impact on the consolidated financial statements, we have identified the appropriateness of the determination of the debtor classification for the purpose of determining the allowance for loans losses, particularly with respect to debtors displaying a deterioration in repayment status, financial position or business performance, and the appropriateness of the allowance for loan losses using the DCF method and the cash flow deduction method as a Key Audit Matter.

including a description of the business, borrowing and repayment status, research materials providing an understanding of substantial financial position, financial statements, and the trial balance. In addition, we made inquiries of the department in charge of the loans as necessary to confirm our understanding, compared financial analysis with that of other companies in the same industry, examined related materials such as tax reports, and examined the consistency between the aforementioned materials and external publications such as external ratings and IR information.

- In order to examine the reasonableness and feasibility of business improvement plans that embody the future outlook for the repayment status, financial position, and business performance of the debtors, we analyzed the trends from past results of the major profit and loss items such as sales, cost of sales, selling, general and administrative expenses of the debtors, and evaluated the precision of the Group's past estimate based on the extent to which the debtors had historically achieved their previous business improvement plans. Further, as necessary, we held discussions with the department in charge of loans and made comparisons with relevant market and industry information, such as performance trends of other companies in the same industry and analyst reports for the industry.

(3) Allowance for loan losses using the DCF method and the cash flow deduction method

- In order to examine the accuracy and completeness of the scope of application of the DCF method and the cash flow deduction method in accordance with the Group's predetermined guidelines, we reperformed the selection of debtors subject to these methods from the list of debtors as of the end of the fiscal year ended March 31, 2024.

	<ul style="list-style-type: none"> • In order to evaluate the repayment schedule included in the estimate of the future cash flows for the debtors to which the DCF method or the cash flow deduction method are applied, we agreed it with the repayment schedule of the business improvement plan, or compared it with the actual repayment amount.
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Other Information

The other information comprises the information included in the Annual Report that contains audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for preparation and disclosure of the other information. The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied to reduce threats to an acceptable level.

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



Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2024 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Fee-related Information

The fees for the audits of the financial statements of The Gunma Bank, Ltd. and its subsidiaries and other services provided by us and other EY member firms for the year ended March 31, 2024 are 78 million yen and 24 million yen, respectively.

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

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

Ernst & Young ShinNihon LLC
Tokyo, Japan

September 18, 2024

森 重 俊 寛

Toshihiro Morishige
Designated Engagement Partner
Certified Public Accountant

山 田 修

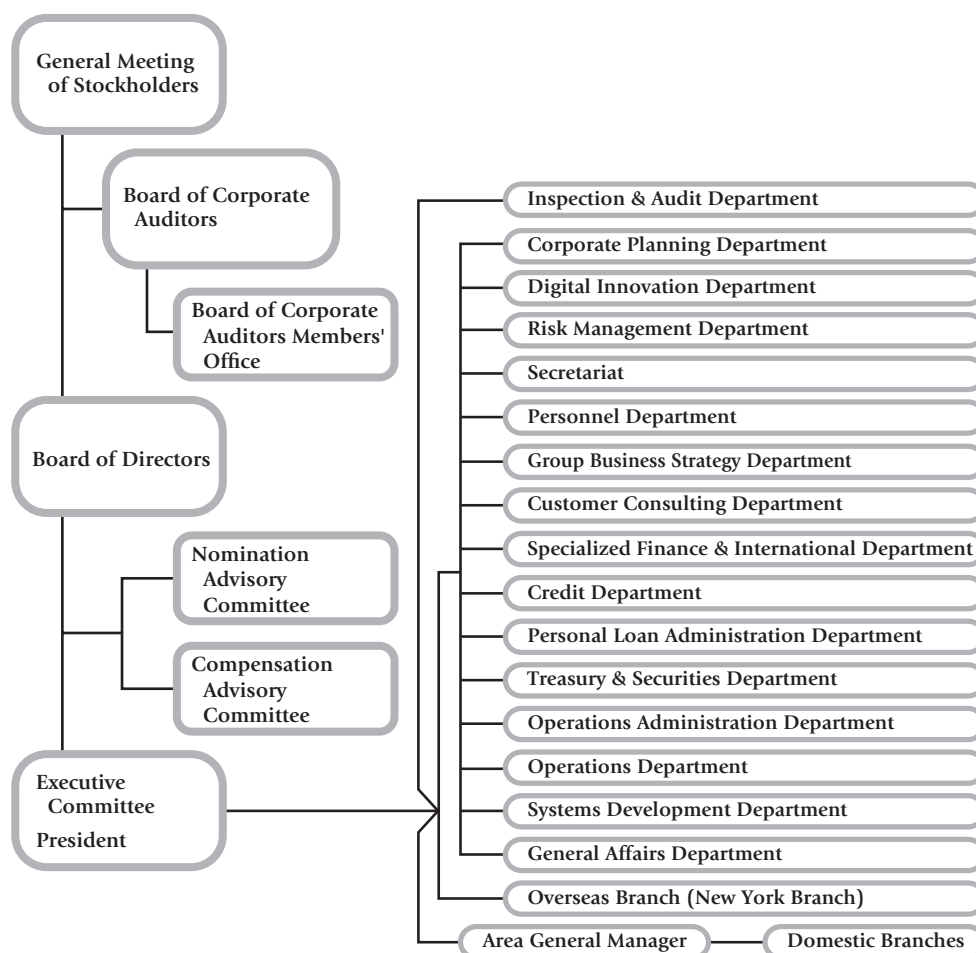
Osamu Yamada
Designated Engagement Partner
Certified Public Accountant

Major Shareholders

(As of 31st March, 2024)

	Number of shares held (in thousands)	%
The Master Trust bank of Japan, Ltd. (Account in trust)	54,056	13.77
Custody Bank of Japan, Ltd. (Account in trust)	26,047	6.63
Gunma Bank Employees' Shareholding Association	11,396	2.90
Sumitomo Life Insurance Company	10,657	2.71
Meiji Yasuda Life Insurance Company	9,398	2.39
Toyo Seikan Group Holdings, Ltd.	7,330	1.86
Nippon Life Insurance Company	6,467	1.64
DFA INTL SMALL CAP VALUE PORTFOLIO	5,461	1.39
State Street Bank and Trust Company 505103	5,174	1.31
State Street Bank and Trust Company 505223	5,174	1.31
Total	141,164	35.96

Organization Chart



(As of 30th June, 2024)



The Gunma Bank, Ltd.

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