

# Transformation of Management Platform

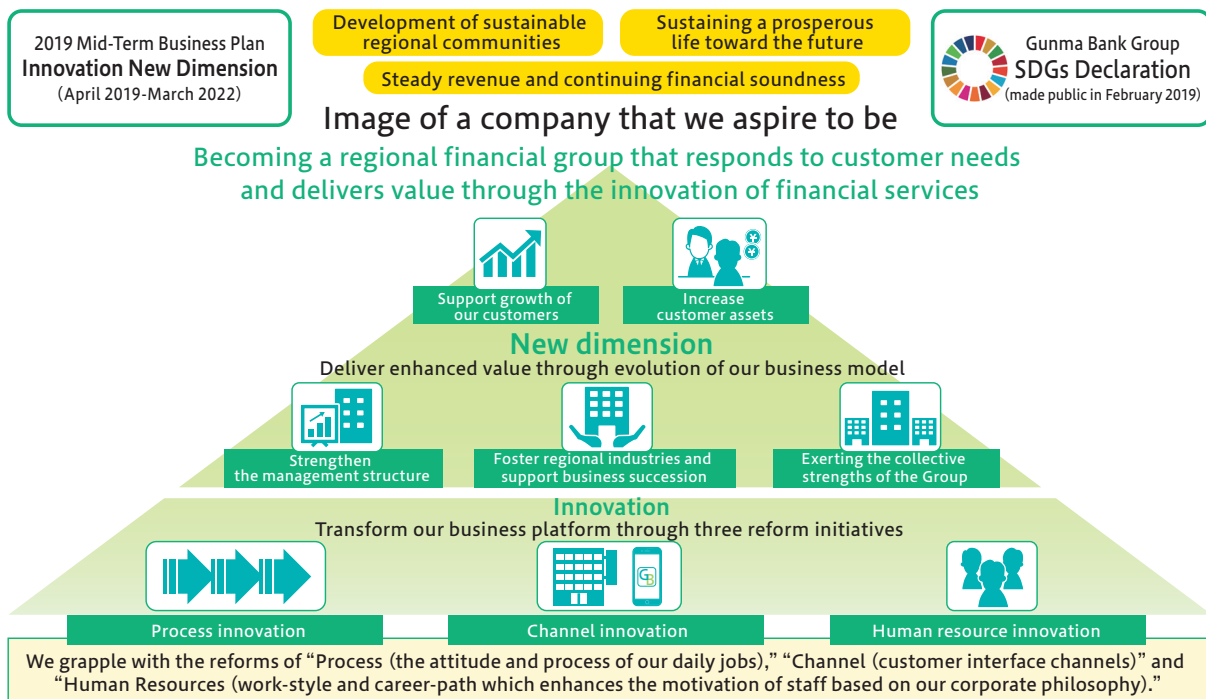
2019 Mid-Term Business Plan “Innovation New Dimension” - Toward delivering value -  
 《Duration of plan: Three years from April 2019 to March 2022》

## Perspectives

Over the past six years, the Bank has posted the “2013 Mid-Term Business Plan: V-Plan - Evolution to becoming a Bank that offers value proposition” and the “2016 Mid-Term Business Plan: Value for Tomorrow” while focusing on growing together with the regional communities and our customers through providing customers with our unique proposals and providing support that is based on the basic concept of “value proposition.”

In a new Mid-Term Business Plan, the Bank mainly addresses ways of realizing value proposition based on our six-year efforts of providing “value proposition” while meeting changes in social conditions. With this in mind, the plan has been termed “Innovation New Dimension” which represents our aspiration to be a “regional financial group that can achieve greater value” through the innovation of services that we provide.

《Outline of the Mid-Term Business Plan》



## Company image and basic policies

### Image of a company that we aspire to be

**Becoming a regional financial group that responds to customer needs and delivers value through the innovation of financial services**

### Two basic policies

#### Innovation

**Transform the business platform through three reform initiatives**  
 This major undertaking tackles the three innovations of (1) the attitude and process of our daily jobs (Process), (2) customer interface channels (Channel)” and (3) work-style and career-path which enhances the motivation of staff based on our corporate philosophy (Human Resources) to promote structural reforms to make our new strategies effective.

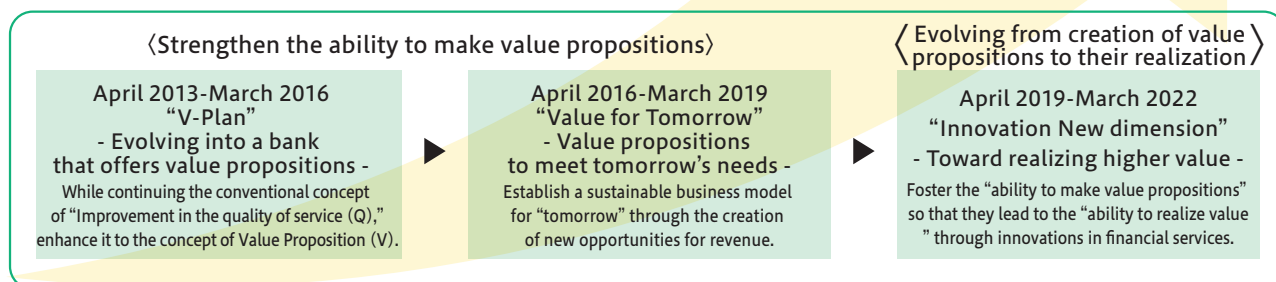
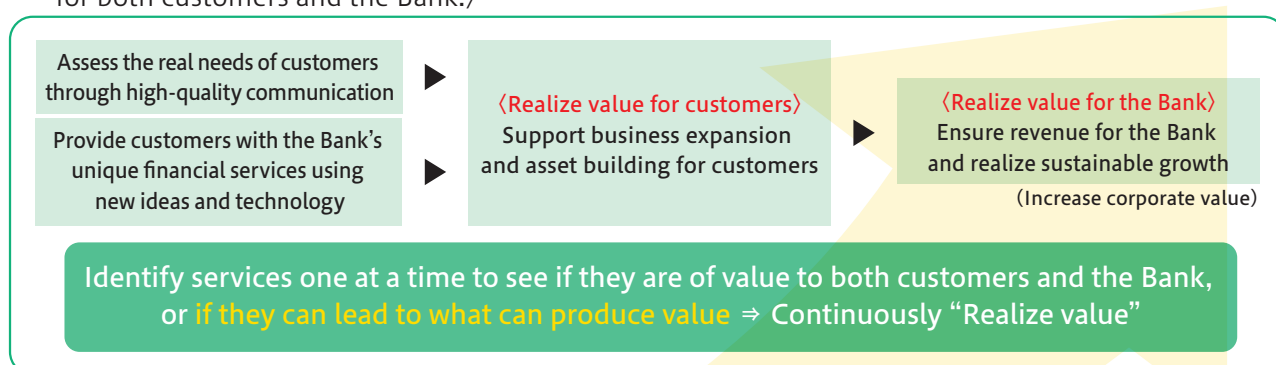
#### New dimension

**Deliver enhanced value through evolution of business model**  
 While taking over the “value proposition” that we have fostered thus far, we will carry out high-quality consulting services that meet the needs of individual customers instead of continuing conventional financial services. In this way we can “deliver the best value” to customers and achieve a radical transformation (New Dimension) of our revenue structure.

## Deliver the “best value” that the Bank can provide

### Enhance ability to create unique propositions

〈 Respond to customer needs, provide customers with our unique financial services, and realize value for both customers and the Bank.〉



## Quantitative planning (quantitative targets)

### Consolidated quantitative target as of the final fiscal year of the plan (March 2022)

〈Profitability index〉	Current net income attributable to parent company shareholders	24 billion yen
	Non-interest business income	20 billion yen
	RORA	0.5% and above
〈Efficiency index〉	OHR	Around 65%
〈Soundness index〉	Total capital ratio	12% level

### Long-term target

〈Profitability index〉	ROE	5% and above
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### Major quantities for achieving the targets

〈Net interest income〉	Retail loans receivable	4,780 billion yen
	Unsecured consumer loans receivable	60 billion yen
〈Non-interest business income〉	Proceeds from corporate service provision (consolidated)	4.2 billion yen
	Customers' deposited financial assets (consolidated)	1 trillion yen
〈Regional vitalization / SDGs〉	Number of problems solved through business feasibility evaluation	1,500
	Number of companies that received support for business succession	6,000
	Number of companies that received support for business start-up	2,000
	Number of women in managerial positions (compared to March 31, 2019)	Increase of 20%

Note: The Gunma Bank website is releasing materials used to explain the Mid-Term Business Plan for a meeting of analysts. Please read the QR code below to view materials.  
<https://www.gunmabank.co.jp/ir/hosin/pdf/setsumeikai.pdf>



# Evolution of the Business Model

## Strategic themes and major policies

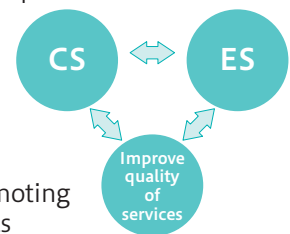
In this plan, we set forth the following strategic themes for each of the two basic policies and carry out specific measures to realize our aspiration to be the “ideal image” of the company.

### “Transforming our business platform through three reform initiatives”

#### (1) Innovation of the Process to improve the quality of jobs

To improve satisfaction between our staff and customers through job abolishment and total job restructuring in addition to increasing the utilization of digital technologies, we allow our staff to concentrate on customer-oriented interactions so that we can establish a mid- to long-term relationship with customers.

- Nurture a culture of cherishing the process and quality of jobs
- Cost reductions through “Job Sorting”
- Job innovation by using new digital technologies
- Virtuous cycle of employee satisfaction (ES) and customer satisfaction (CS) that are based on improvement in the quality of services
- Radically streamline office work by using zero-based thinking



#### (2) Innovation of the Channel to expand customer interface channels

Improve convenience to customers and increase communication opportunities by promoting innovation of the bank’s network and significant expansion of non-face-to-face channels

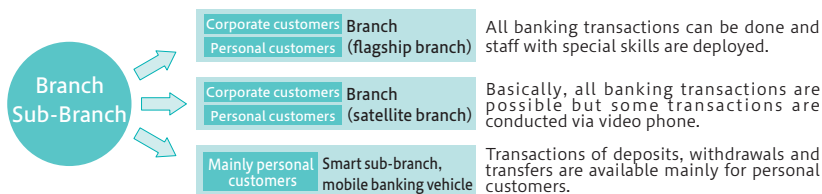
- Improve customer experience through the “DigiCal Strategy”
- A new customer approach in collaboration with outside partners
- Improve customer loyalty through expanded communications
- Selection and concentration of the bank network and functions for optimization
- Expand customer contact channels through strengthened sales by the head office and the introduction of sales service by area

Note: The “DigiCal Strategy” refers to a strategy that effectively mixes the “Digital Channel” included in the growth area with “Physical (face-to face) Sales” which is one of the strengths of the Bank.

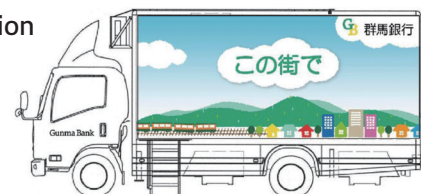
### [Specific measures]

#### ■ Optimization of the banking outlet network through their reorganization

Promote the abolishment or merger of outlets and change their functions to optimize their network while taking into account the number of customer visits and the features of individual local communities.



《Mobile banking vehicle》



Individual Consulting Plaza Maebashi (opened in February 2019)

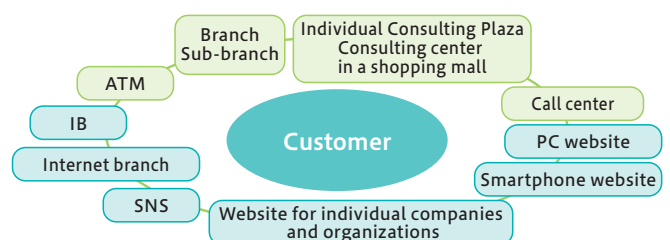


#### ■ Expansion of consulting centers for new personal customers

We established the “Individual Consulting Plaza Maebashi” which is open on Saturdays, Sundays and national holidays for personal customers who find it difficult to visit the Bank on weekdays, allowing them to receive advice on financial matters in a relaxed manner. Also, we are promoting the establishment of “consulting areas” in major shopping malls within Gunma Prefecture.

#### ■ Expand “non-face-to-face (digital) channels” and strengthen collaboration between digital and “face-to-face channels.”

We are making efforts to establish channels that are more convenient and attractive to customers. Specifically, we have established face-to-face channels such as consulting centers open on holidays, expand non-face-to-face channels by the utilization of smartphone applications (apps), social networking services (SNSs) and other tools, and further strengthen the collaboration between the “physical (face-to-face)” and “digital (non-face-to-face) channels.”



- (3) **Innovations in human resources aimed at making the best use of creativity**  
 We encourage our staff to make the best use of their own creative style and support our customers to the best of their ability by evolving from the traditional practice of fostering human resources with similar abilities to a staff where each person can realize their own unique abilities.

- Improve job satisfaction through a “talent management” process
- Establish a foundation for mid- and long-term fostering of specialized human resources
- Build on the collective strengths of human resources and transform the organization into one where staff members can act on their own initiative
- Promote diversity that leads to enhancing the vitality of the company
- Implement reforms in workstyle to support the lifestyle of each staff member



Activities by an exclusive women’s team

**“Realizing enhanced value through evolution of our business model”**

- (1) **Efforts to foster and revitalize regional industries and support business succession**

We proactively grapple with the challenges involved in supporting regional revitalization and business succession using the Bank’s networking ability in order to maintain and improve the vitality of the regional economy.

- Collaboration with local public bodies for the growth of the entire regional areas and acquisition of the fruit of our efforts
- Provide support to enhance added value for major industries as well as support expansion of start-up businesses
- Comprehensive efforts to resolve the challenges of business succession faced by our business customers
- Expansion of business support and proactive injection of “support money”



Rebuilding of Kiryu Branch in collaboration with Kiryu City (image of an event held at the branch)

- (2) **Support customers’ growth by providing first-rate consulting services**

By correctly understanding the challenges and needs of our customers, we can provide them with optimal solutions and support their growth.

- Implement consulting services based on business feasibility studies
- Diversify service options for business customers by accurately grasping the changes in social structure
- Expand customer base by promoting qualified loans and recognizing our core customers.
- Expand networks and transactions with companies in promising markets.
- Support overseas business development and transaction activities and expand foreign exchange transactions.



Create a customer-oriented asset management plan

- (3) **Promotion of efforts to steadily increase customer assets**

We provide customers with asset building support according to their life stages under our mission of “Increase customer assets on a mid- to long-term basis.”

- Implement customer-oriented, asset building initiatives
- Meet various needs for asset management in collaboration between the bank and securities companies
- Proactively respond to increasing needs of senior citizens
- Restructure marketing strategies for personal customers
- Implement new measures for integrated sales for corporate and personal customers and wealth management



Gungin’s SDGs private placement bonds

- (4) **Strengthen management structure to meet environmental changes**

We will strengthen our governance system and enhance risk return management as well as enrich measures to achieve the SDGs through our business activities.

- Increase profitability through a sophisticated market management system
- Implement control and management of revenue, risk and capital in an integrated manner
- Strengthen the governance system to allow enhancement of corporate value
- Establish a healthy organization by improving the compliance system
- Promote strategic utilization of IT and improve system infrastructure
- Contribute to achieving SDGs through our main business activities

- (5) **Responding to multifaceted needs by exerting the Group’s collective strengths**

We are prepared to respond to customers’ multifaceted needs by making the most of the functions of the Group companies, including those involved in lease, securities and consulting services.

- Efforts to maximize consolidated revenue
- Development of business areas to further enhance our collective strengths

- Gunma Bank Group
- Gunma Bank
  - Gungin Securities Co., Ltd.
  - Gungin Consulting Co., Ltd.
  - Gunma Shinyo Hosyo Co., Ltd.
  - Hong Kong subsidiary
  - Gungin Lease Co., Ltd.
  - Gunma Chuo Kogyo Co., Ltd.
  - The Gungin Card Co., Ltd.
  - Gungin System Service Co., Ltd.
  - (Sky Ocean Asset Management Co., Ltd.)
  - (FinX DIGITAL Co., Ltd.)