



THE GUNMA BANK REPORT **2020**

Integrated Report

Disclosure magazine [main part]

Corporate Philosophy

It is our mission to take actions that will foster the development of regional communities.

As a member of the regional community, we are committed to strengthening a relationship of trust with all community members and playing a central role in promoting prosperity within local regions. To this end, we will strive to improve financial services and continue healthy growth while expanding our areas of activity. Our primary goal is to support regional communities in their efforts to develop industries, promote culture and build a prosperous life.

The foundation of our business is to strengthen a creative relationship with our customers.

We highly value close ties with our customers and always strive to create what we believe is best for them. Our job starts at this point by pursuing what we can do to support them. It is our goal to establish a future together with our customers.

Our operations are based on the motto “Be a good citizen first to become a good entrepreneur.”

Our first goal is for each employee to be a good citizen. It is the first step in building empathy and trust with our customers. In doing this, we can actively take part in society by acting as honorable people. We work each day under the principle of good citizenship.

Our corporate culture is based on the value of face-to-face communication within our organization.

We endeavor to create an efficient organization where each employee's personality traits are best used. To achieve this, we respect each individual's personality and place high importance on opportunities where individuals can perform at their full potential as well as the generation of accurate performance reviews. These measures allow us to establish a corporate culture assuring a good work environment.



Kazuo Saito
Chairman

Akihiko Fukai
President

Editorial Policy

The Gunma Bank created the “The Gunma Bank Report 2020 (Integrated Report)” to give our stakeholders an overview of our Bank Group, the development of our marketing strategies and its management base from the two perspectives of financial information and non-financial information.

When editing the report, we referred to the “International Integrated Reporting Framework” released in December 2013 by the International Integrated Reporting Council (IIRC) and the “Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation” formulated by the Japanese Ministry of Economy, Trade and Industry.

This integrated report was confirmed by our management to be appropriately created and information disclosed according to our “disclosure policy.”

Coverage of Reporting

Duration: Fiscal 2019 (from April 2019 to March 2020)
Also includes some information for April 2020 and later.

Scope: The Gunma Bank, Ltd. and its subsidiaries (The Gunma Bank Group)

Date of Publication

July 2020

This report acts as a main part of the disclosure magazine (explanatory documents pertinent to business and financial status) prepared pursuant to the Banking Act Article 21. When using this report as a disclosure magazine, please refer, at the same time, to “The Gunma Bank Report 2020 (Annex).”

This report includes “descriptions about future performance” relating to the financial situation and operating results of the Gunma Bank and its Group Companies. These descriptions have been based on the information available at the date when this material was prepared, and the outlook that might influence future results in addition to some preconditions (assumptions). They do not guarantee the described future results of the Bank and its Group and may involve risks and uncertainties.

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Gunma Bank Image Song
You can listen to the song on our website:



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

You can also obtain a variety of information from
our official SNS sites.



LINE ID :
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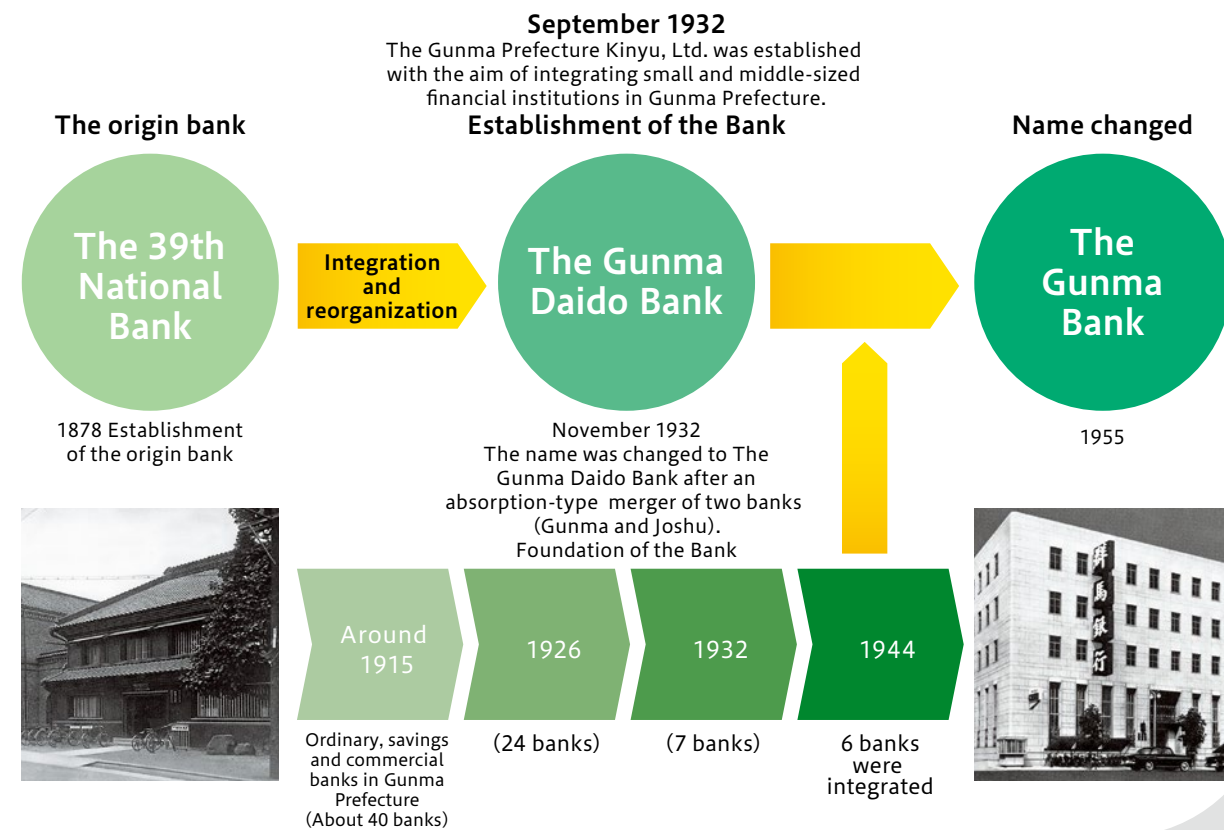
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1. The Gunma Bank

Profile and History of The Gunma Bank

History of Integration and Reorganization

It is 142 years since the original bank started, 88 years since the foundation of the current bank, and 65 years under the name of The Gunma Bank.

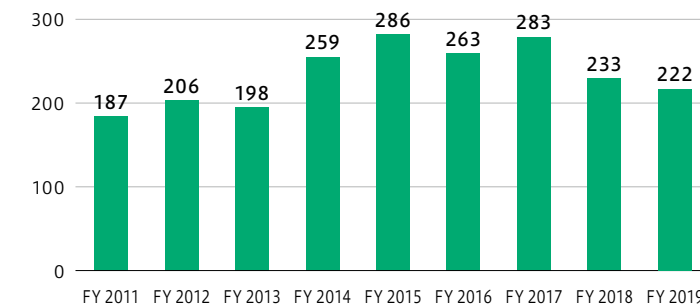


GUNMA BANK HISTORY

■ **February 1970** Tokyo Stock Exchange, Inc. (Listing changed to the first section)

Trend of business performance

Consolidated net profit attributable to owners of the parent
(Unit: Hundred millions of yen)



Recent Mid-Term Business Plans

Strengthen Value-proposition



“V-Plan”

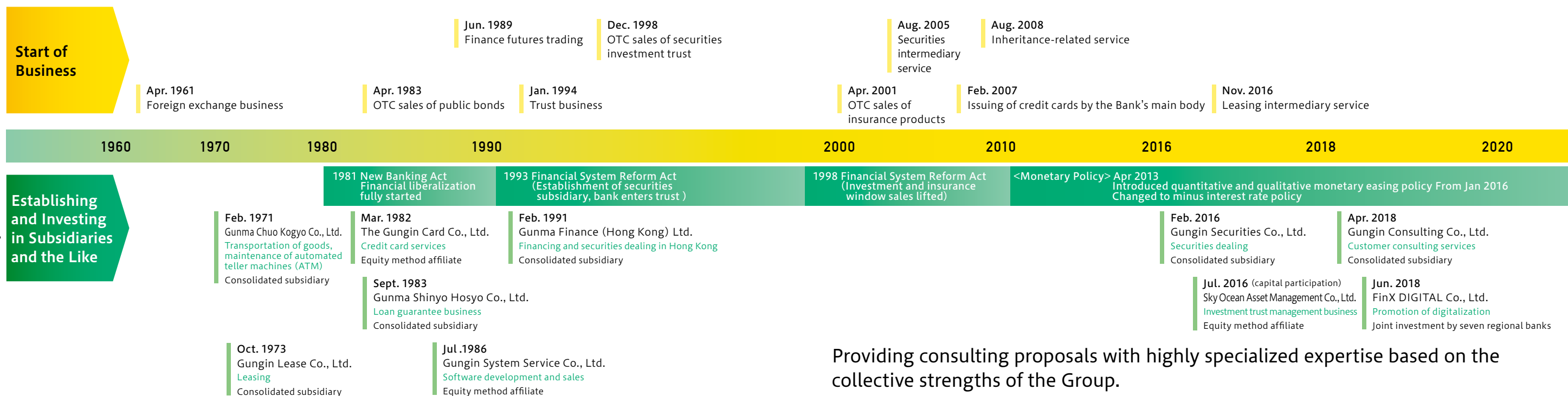
- Evolution to a bank that enables value proposition -
While continuing our tradition of “Improvement in the quality of service,” this concept has evolved to that of “Value Proposition.”



“Value for Tomorrow”

- Value proposition toward tomorrow -
Establish a sustainable business model for “tomorrow” through the creation of new opportunities for revenue.

Expansion of the Scope of Business



Providing consulting proposals with highly specialized expertise based on the collective strengths of the Group.

Company Overview

Name:	The Gunma Bank, Ltd. (as of March 31, 2020)		
Date of establishment:	September 1932		
Location of head office:	194 Motosojamachi, Maebashi, Gunma	Total assets:	8,403.1 billion yen
Capital:	48.6 billion yen	Deposits:	7,050.1 billion yen
Number of employees:	3,030 (excluding temporary employees)	Loans and bills discounted:	5,602.3 billion yen
Number of bases Domestic:	157 banking outlets in Japan (109 in Gunma, 48 outside Gunma)	Net assets:	471.0 billion yen
Overseas:	one banking outlet in New York; two offices in Shanghai and Bangkok	Total capital adequacy ratio (uniform international standards):	Consolidated 11.95%, Non-consolidated 11.57%
Subsidiaries Domestic:	Seven companies	Ratings:	JCR AA R&I A+ Moody's A3 S&P A-
Overseas:	One company (Hong Kong)		
Affiliates Domestic:	One company		

Note: Number of employees in the consolidated companies is 3,159 (2,960 for the Gunma Bank and 199 for its subsidiaries). Employees of the Gunma Bank include "locally hired overseas employees and secondees to the Bank" and exclude "secondees from the Bank," etc., indicating the number of employees based on the establishment employment.

Overview of the Group

The Gunma Bank Group consists of the Bank, six consolidated subsidiaries, two non-consolidated equity-method subsidiaries, and one equity-method affiliates. In addition to our core banking services, we provide a wide range of financial products and services such as leasing.



Consolidated Subsidiaries, etc.

Names	Key operations	Location	Establishment	Capital (Million JPY)	Ratio of ownership of voting rights by the Group (%)		
					Gunma Bank	Subsidiaries, etc.	*1
Gunma Chuo Kogyo Co., Ltd.	Transportation of goods, maintenance of automated teller machines (ATM), etc.	226 Motosojamachi, Maebashi, Gunma	Feb. 24, 1971	10	100.0	100.0	-
Gungin Securities Co., Ltd.	Securities dealing	2-2-11 Honmachi, Maebashi, Gunma	Feb. 12, 2016	3,000	100.0	100.0	-
Gungin Consulting Co., Ltd.	Customer consulting services, venture capitaling	194 Motosojamachi, Maebashi, Gunma	Apr. 18, 2018	100	100.0	100.0	-
Gunma Finance (Hong Kong) Ltd.	Financing and securities dealing	*2	Feb. 19, 1991	30 (Million USD)	100.0	100.0	-
Gungin Lease Co., Ltd.	Leasing	171-1 Motosojamachi, Maebashi, Gunma	Oct. 1, 1973	180	100.0	50.0	50.0
Gunma Shinyo Hosyo Co., Ltd.	Assurance engagements	194 Motosojamachi, Maebashi, Gunma	Sept. 28, 1983	30	100.0	45.4	54.5
The Gungin Card Co., Ltd.	Credit card services	194 Motosojamachi, Maebashi, Gunma	Mar. 12, 1982	30	75.0	31.6	43.3
Gungin System Service Co., Ltd.	Software development and sales	171-1 Motosojamachi, Maebashi, Gunma	Jul. 26, 1986	30	75.0	20.0	55.0
Sky Ocean Asset Management Co., Ltd.	Asset management	3-1-1 Minatomirai, Nishi-ku, Yokohama, Kanagawa	Nov. 25, 2014	300	15.0	15.0	-

*1 CS (Consolidated subsidiary), ES (Equity-method subsidiary), EA (Equity-method affiliate)

*2 Suite 608, Tower 1, The Gateway, Harbour City, 25 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong

Major Shareholders (as of March 31, 2020)

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

Note1: Number of shares held is rounded down to the nearest thousand.

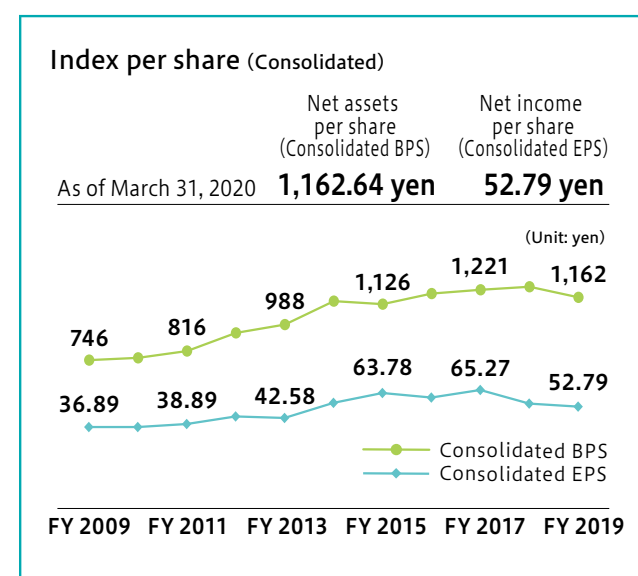
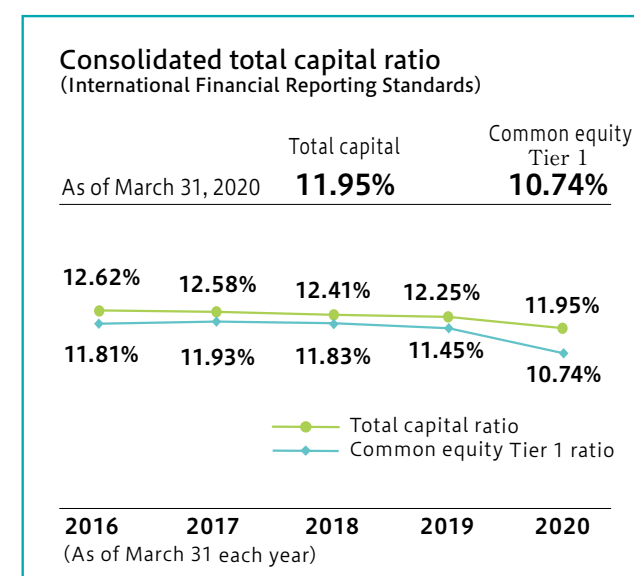
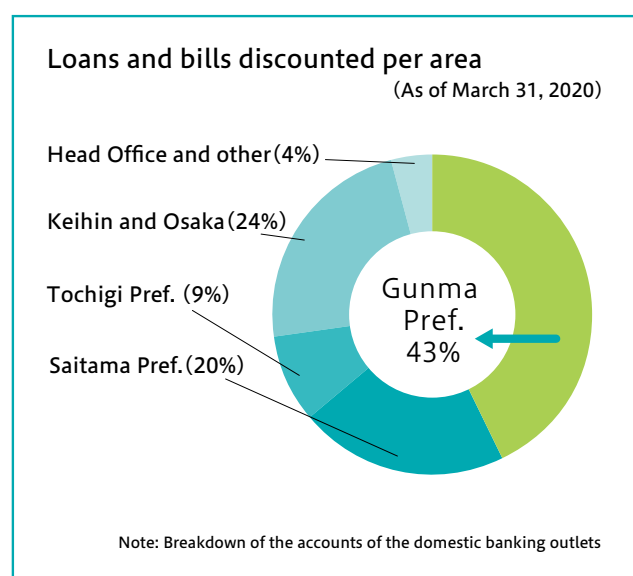
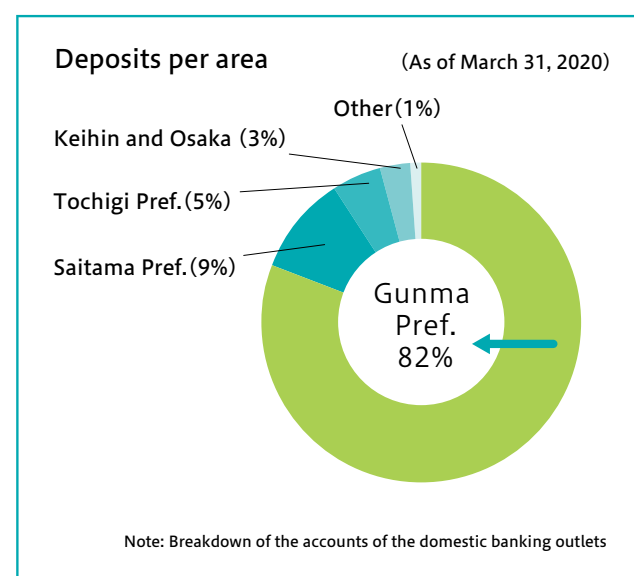
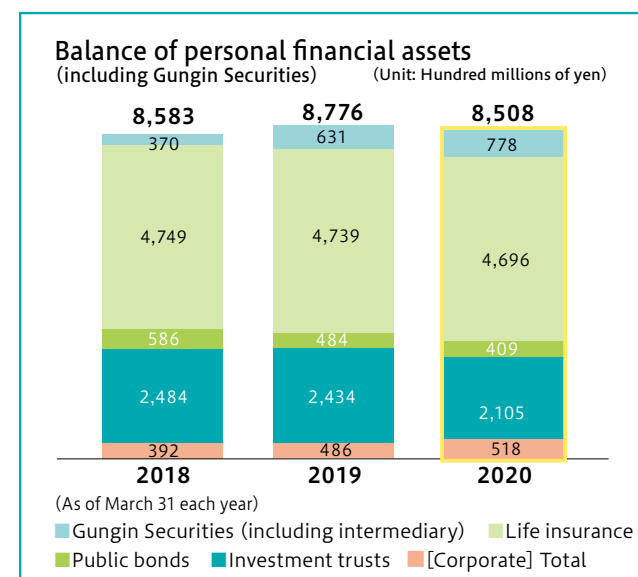
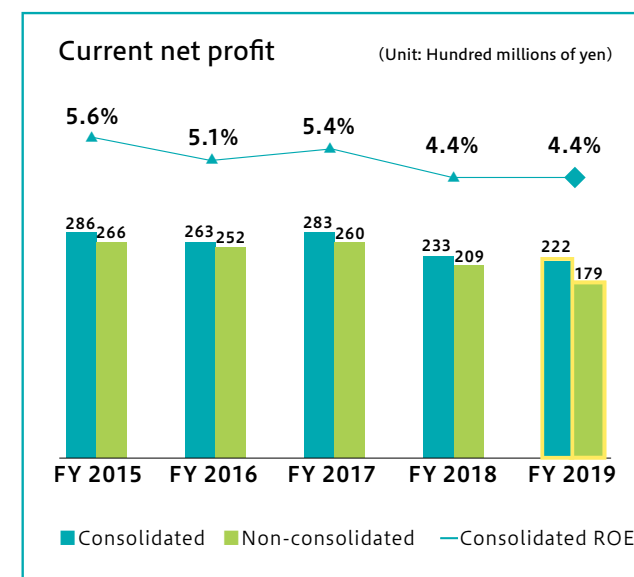
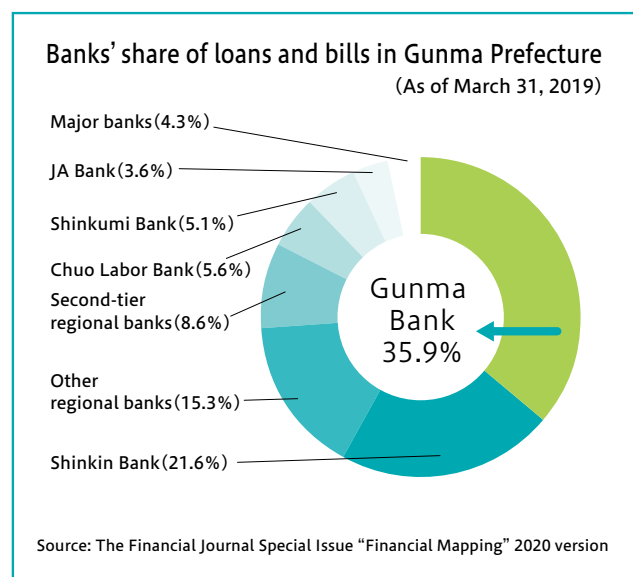
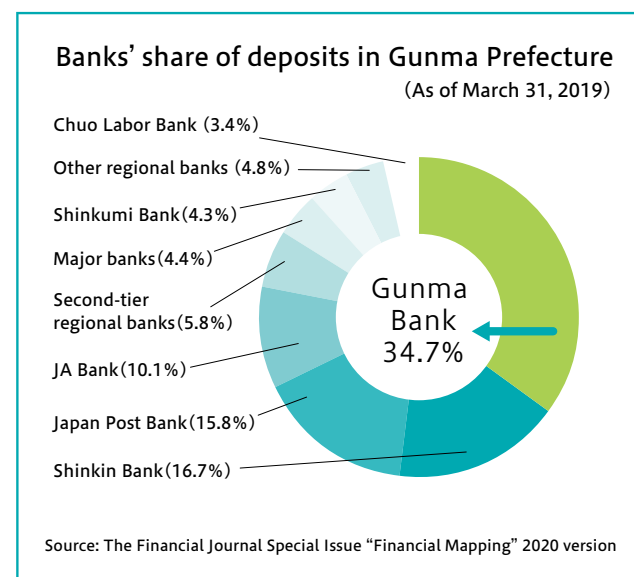
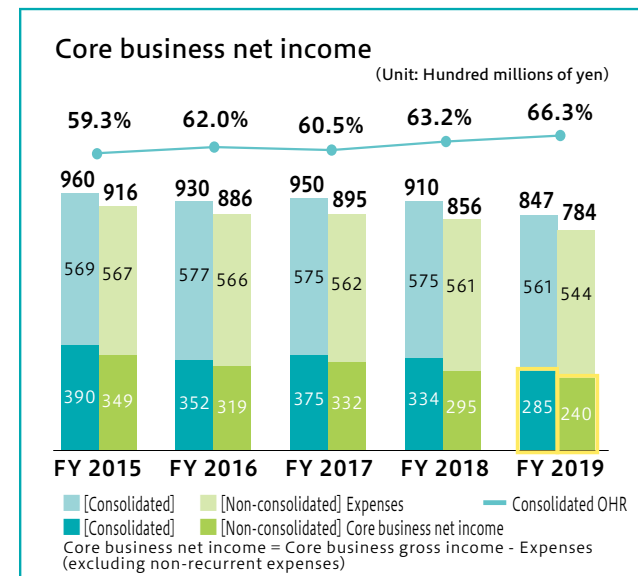
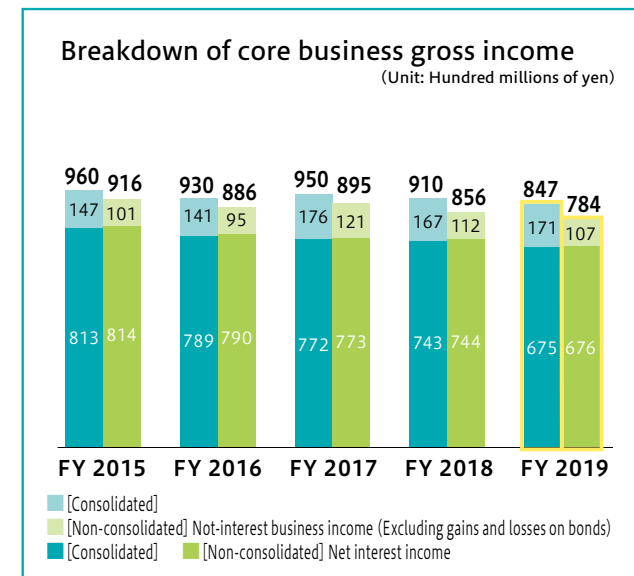
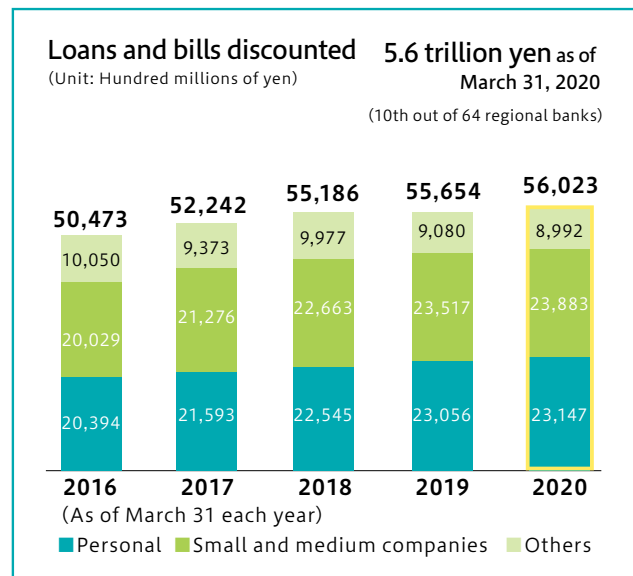
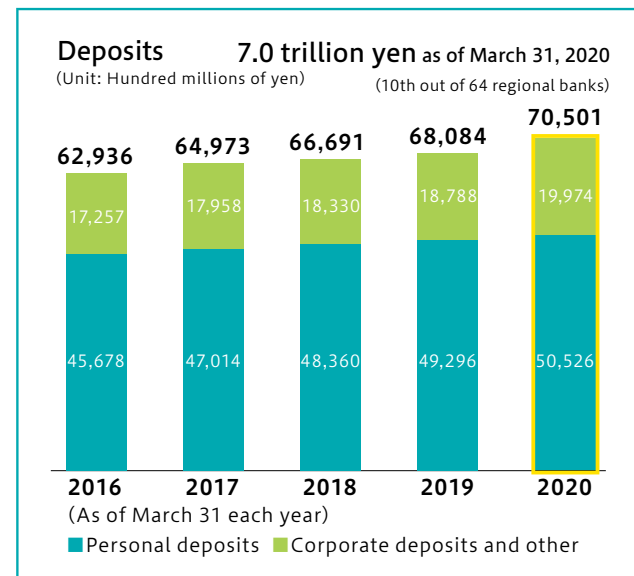
Note2: The shareholding ratio is calculated by subtracting the number of treasury shares from the total number of outstanding shares, and is rounded down to two decimal places.

Note 3: Total number of outstanding shares (435,888 thousand shares) and number of treasury shares (16,375 thousand shares).

Key Operations

Deposit services	Deposits	Current deposits, ordinary deposits, savings deposits, deposits at notice, fixed deposits, periodic deposits, separate deposits, earmarked deposits for taxes, foreign currency deposits, etc.
	Certificates of deposit	Negotiable certificates of deposit
Loan services	Loans	Loans on bills, loans on deeds, overdrafts
	Bill discounting	Discounts on bank acceptance, commercial bills, documentary bills
Trading of trading account securities		Trading of public bonds such as national government bonds
Portfolio investments		Investments in government bonds, municipal bonds, corporate bonds, stocks, and other securities for bank reserves and fund management
Domestic exchange transactions		Transfers, debt collection, etc.
Foreign exchange transactions		Various services related to foreign exchange transactions for purposes such as exports, imports, foreign remittances, currency exchanges, etc.
Over-the-counter sales of investment trusts		Over-the-counter sales of public bonds such as national government bonds and investment trusts
Services as a trustee of bonds and debentures and an issuing and paying agent		Services as a trustee of bonds and debentures under the Secured Bond Trust Act, in addition to floating public bonds, and conducting agency services for issuances and payments.
Trust services		Trust as a substitute for a will, land trust, real estate management trust, specific charitable trust, charitable public trust; Also, we handle inheritance-related services (will trust and Liquidation of inheritance property services).
Handling of defined contribution pension plans		Operations and management of defined contribution pension plans under the Defined Contribution Pension Act.
Supplementary services	(1) Agency services	#1 Acting branch of the Bank of Japan, acting revenue branch of the Bank of Japan #2 Handling of public funds for local public bodies #3 Agency services for the Workers' Retirement Allowance Mutual Aid Organization #4 Agency services for receipt of paid-in advances on stocks and payments of share dividends and the principal and interest of public and corporate bonds #5 Agency service for loans from the Japan Finance Corporation #6 Trust agent services for pension trusts #7 Non-life insurance agent services #8 Life insurance agent services
	(2) Safe deposit box (3) Loan of securities (4) Loan guarantee (acceptance of payment) (5) Financial instruments brokerage (6) Underwriting of public bonds (7) Credit card services (8) Derivative transactions of interest rates and currencies (9) Handling of commercial papers (10) Staffing	

Financial Information Highlights



Message from the President



Fully aware that hard times are the true test of regional financial institutions, we are doing our utmost to support our customers. We will turn the dramatic changes in the environment to our advantage, making a radical shift in profit structure and tackling diverse issues to continue building a robust management structure.

Akihiko Fukai

President
Gunma Bank

Preface

The Japanese economy, which had maintained a moderate recovery based on the recent economic situation, deteriorated sharply with an about-turn into extremely challenging conditions due to the impact of the COVID-19 pandemic.

The environment for management at financial institutions has also become even more difficult with fluctuations in global financial and capital markets due to the pandemic coming on top of persistently narrowing yield spreads on loans and securities due to the prolonged negative interest rate policy. This dramatic change in the global economic situation is having a greater impact than the 2008 global financial crisis in Japan and overseas while also having a marked impact on the regional economy.

We play a key role in the infrastructure that is essential for social and economic stability, and our mission is to fully discharge our financial intermediary functions and support the regional econ-

omy under any conditions. Fully aware that hard times are the true test of regional financial institutions, we are doing our utmost to support our customers.

Structural changes in the regional economy and society, including demographics, and changes in lifestyles and business models due to the progress in digitization combined with the COVID-19 pandemic are further accelerating the speed of change.

We will turn these dramatic changes in the environment to our advantage by addressing such issues as taking the initiative for revitalizing regional economies, implementing a radical transformation of the profit structure, responding to emerging needs involving business succession and inheritance, and taking the initiative on digital transformation to build a robust management structure.

To Tackle Management Challenges

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

What is our core competence?

First is the “ability to collect information” based on the networks and relationships with customers. Thus far, the Bank has been actively engaged in the expansion of geographical markets with notable accomplishments. The networks we have developed so far with more than 34,000 corporations and sole proprietors both inside and outside Gunma Prefecture were built carefully over many years. The information that can be obtained from these networks is a source of new business as well as conventional business in deposits and loans.

Next comes the “ability to formulate proposals” that we have been fostering thus far.

We have strengthened our consulting business as a pillar for marketing strategy and have been engaged in strengthening our staff’s ability to devise new ideas to be presented as proposals. For personal customers, we are holding more than 600 seminars a year on building assets and other topics with sales branch managers as instructors as well as making efforts to present the best proposals to meet diverse customer needs by strengthening our banking/securities collaboration with Gungin Securities Co., Ltd.

For corporate customers, we have devoted efforts to supporting them in solving management challenges with the establishment of Gungin Consulting Co., Ltd. and the launch of a human resource referral service. In fiscal 2019, we successfully resolved 739 of our customers’ management challenges and other issues identified through our business feasibility assessments.

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

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

Message from the President

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

■ Concept of the Mid-Term Business Plan

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

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

To achieve what we aspire to be, we set forth the basic policies of “Transforming our management platform through three reform initiatives” and “Realizing advanced value through evolution of our business model.” Given the dramatic changes in the environment due to COVID-19, we are expecting to further accelerate and deepen the measures we had planned.

■ Main Initiatives in Fiscal 2019

Transforming our Management Platform Through Three Reform Initiatives

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

In the area of process reform, we have proceeded with the elimination and radical review of our operations to enable our staff to deepen their relationships with customers over the medium- to long-term and concentrate on customer-oriented activities. In May 2019, we launched an operational reform project to solicit a broad range of opinions from across the Bank on operations, administration, products and services that could be reduced or eliminated and promptly began eliminating and reviewing those that were identified. By March 31, 2020, we had already achieved an annual reduction of 126,000 hours in our operations volume, equivalent to the work of 71 people.

In the area of channel reform, we have been reviewing the roles and functions of each branch in pursuit of both higher value added and streamlining of operations. We are also aiming to build a structure that can meet the needs of more diversified and sophisticated customer needs with collaboration between branches in neighboring areas. In April 2020, we introduced a sales structure under which we designated the Tatebayashi Branch as a “flagship branch,” which is the core branch in the area, and three surrounding branches as “satellite branches” with some reductions in services at the satellite branches. The flagship branch and the satellite branches work together to service the area. Based on feedback from customers and the status of collaboration between the branches, we will consider expanding the number of branches included in this structure.

In the area of human resources reform, we have worked to reform our personnel system with the aim of securing and developing expert human resources and supporting the active participation of diverse human resources. We have revised the conventional generalist-oriented single-track personnel system into a multi-track personnel system by also developing a system of work conditions for human resources with advanced expertise in areas such as IT, market operations, and consulting. We began operating this system in June 2020.

Realizing Advanced Value Through Evolution of our Business Model

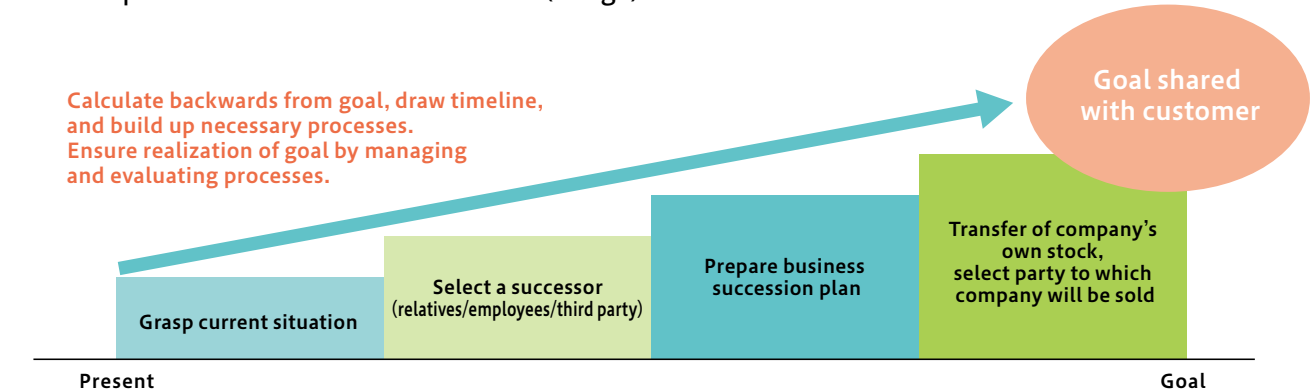
For the policy on “Realizing advanced value through evolution of our business model,” which is our other basic policy, we set forth five strategic themes, namely, “fostering and revitalizing regional industries as well as supporting business succession of these industries,” “supporting the growth of customers through appropriate consulting services,” “improving our operations to steadily increase customer assets,” “strengthening our management structure to adjust to changes in the environment,” and “responding to multifaceted needs through exerting our comprehensive strength.” Under these strategic themes, we will work on ways to cope with discontinuous changes rather than a continuation of conventional measures, carry out high-quality consulting services that meet the needs of individual customers while broadening cooperation with our Group companies, and will aim to achieve a radical transformation (new dimension) of our profit structure.

In order to achieve a radical transformation of our profit structure, it is essential to improve the profitability of our asset stock as well as increasing non-interest business income, which is less likely to involve interest rate competition and does not depend on risk assets, through the exercise of our core competence. Our particular focus in this area is business succession support and inheritance services.

As part of our business succession support initiatives, in fiscal 2018, the year before the start of the current Mid-term Business Plan, we conducted interviews with 21,000 customers about the existence of successors and shareholder equity composition. In fiscal 2019, we increased the number of dedicated staff at our headquarters to put a structure in place as well as rolling out presentations on return of valuation of company’s own stock and succession methods focused on customers with obvious business succession issues and a pressing need to address them. We set a target to provide these presentations to 6,000 customers over the three years of the Mid-Term Business Plan. However, we provided presentations for 3,083 customers in fiscal 2019, achieving more than 50% progress toward our target. In concrete terms, based on our presentations, there has been a steady increase in cases resulting in smooth business succession through such means as M&As and structured covenant loans.

As part of our inheritance-related services, in fiscal 2019, we increased the number of dedicated staff at our headquarters to put a structure in place as well as conducting interviews on needs and family structure with approximately 6,000 customers for whom smooth inheritance and asset succession could be an issue. Consulting based on these interviews led to contracts for related services, such as insurance, testamentary trusts, and estate liquidation.

How to proceed with business succession (image)



Message from the President

■ Challenges in Fiscal 2019 and Initiatives in Fiscal 2020

As a result of these initiatives, the financial results for the fiscal year ended March 31, 2020, the first year of the Mid-term Business Plan, progressed largely in line with the consolidated quantitative targets set forth in the plan. However, non-interest business income, which we focused on expanding to transform our profit structure, was limited at the Bank although subsidiaries such as Gungin Securities and Gungin Lease performed well in this area.

In fiscal 2019, we developed business activities with a focus on sharing the current issues and goals of each customer through interviews and presentations for both business succession support and inheritance services. In fiscal 2020, we expect to enter a phase in which we fully utilize the structure and capabilities put in place by increasing the number of dedicated staff and maximize the functions of Group companies while making optimal solutions that meet the individual issues and needs of customers a concrete reality. We will draw timelines based on backcasting from the goals shared with customers and build up processes in which the steps to act on timelines progress appropriately to resolve customers' issues as well as yield profit for the Bank.

We also expect to speed up the three reform initiatives aimed at transforming our management platform which will facilitate this. Our lifestyles, mindsets and social environment have changed completely due to the impact of the COVID-19 pandemic, and there has been a rapid proliferation of online communications and paperless transactions without signatures or seals. We will use this as an opportunity to accelerate the "DigiCal strategy" also set forth in the plan and promote a digital shift in customer contact based on improving the convenience of internet banking, apps, and online conclusion services and implementing online customer communication.

Strengthening of Governance and Capital Policy



In addition, we will push further forward with efforts aimed at strengthening governance and conducting integrated control and operation for risk, return, and capital.

Thus far, we have worked to strengthen the governance system, including establishing a Nomination Advisory Committee and a Compensation Advisory Committee composed of Independent Outside Directors and the Representative Director as well as the introduction of restricted stock remuneration and performance-linked stock remuneration. In June 2020, we increased the number of Outside Directors by one and appointed a new outside Audit & Supervisory Board member, creating an even more effective governance system. More

than one-third of the members of the Board of Directors are now Outside Directors, with a balanced composition in terms of their areas of expertise, which include corporate management, finance, and law, and their gender.

As a framework for business management, we promote the creation and utilization of a "Risk Appetite Framework" that is a core tool to optimally balance the levels of risk and return through maximized, effective utilization of limited capital and management resources. This framework is indispensable for regional financial institutions, such as our bank, when creating a sustainable business model. While being ready to accept necessary risk for return in accordance with our financial

and management strength, we will steadily work on loan promotion that ensures return commensurate with risk to establish a highly profitable loan portfolio.

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

In addition, as various environmental and social issues are becoming serious, we must play a more proactive role through action programs that include the Sustainable Development Goals (SDGs). In February 2019, we formulated the "Gunma Bank Group SDGs Declaration" with the aim of contributing to the resolution of environmental and social issues through business activities based on our corporate philosophy and SDGs Declaration. In fiscal 2020, we will newly establish the SDGs and ESG Management Office within the General Planning Department as well as set numerical targets, including at least a 26% reduction* in greenhouse gas emissions and 40% reduction* in paper use by fiscal 2030 to further strengthen our action programs.

By expanding these action programs and the policies of the Mid-Term Business Plan, we will strive to realize a sustainable society and create economic value, in addition to fulfilling our responsibilities to our stakeholders, including regional communities, customers, employees, shareholders and investors.

*Compared with fiscal 2013

Conclusion

At the time of the global financial crisis in 2008, I did my best to provide support for local customers as the manager of a sales branch. I firmly believed that regional financial institutions, such as Gunma Bank, are part of the essential infrastructure of the regional economy, and I learned a lot about the responsibilities and roles such institutions should play.

Now a new crisis has arrived once more due to the COVID-19 pandemic. However, unlike the global financial crisis, the current crisis is having the effect of completely changing the post-containment environment into a new society, overturning our previous lifestyles and notions rather than returning to the way society was before. Therefore, the provision of support to regional customers must go beyond the financial aspect such as funding to provide extensive support that includes reform and transformation of business models.

In order to overcome the current crisis, we will steadily work on the measures discussed so far. We will thus achieve a transformation to a new dimension of business model and create a new regional community in partnership with our customers.

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

July 2020

Akihiko Fukai

President
Gunma Bank

Interview with an Outside Director



We have entered a time in which the Bank's Corporate Philosophy, namely, "It is our mission to take actions that will foster the development of regional communities" will be truly tested. It is important to firmly address "Human Resources Reform" as set forth in the Mid-Term Business Plan. In a time of dramatic change, I am even more aware than ever that "A company is its people."

Jun Kondo
Director

Please see the list of executives (page 49) for Jun Kondo's career history.

Q1. What do you think is your role as an Outside Director?

I think the role of an Outside Director is participating in the discussion at the Board of Directors from an external, third-party perspective to fulfill a management supervisory function.

I am from a manufacturing industry background and worried about what kind of role I could play without having had any involvement in finance. However, I believe that the fundamentals and points to look out for in management are the same in any industry and try to make comments based on my own experience.

Specifically, I try to keep in mind what kind of in-house discussions have preceded a proposal, whether the substance of the proposal reflects the corporate philosophy, and also how it feels from the user perspective, partly because I come from Gunma Prefecture and have been involved in corporate activities in the Gunma area for many years.

I also try to use opportunities such as meetings to exchange opinions with the Audit & Supervisory Board members and interviews with the executive officers to check up on the culture and character of the Bank, particularly whether there is a positive atmosphere.

Q2. What are your thoughts on Gunma Bank's strengths and weaknesses?

The Bank's strengths are its strong relationships of trust with the region based on a long track record of activities focused on the regional economy, and its strong brand. I also think that the locational advantage of its proximity to the Tokyo metropolitan area, which is the center of the financial markets, is one of its strengths.

I also feel it is truly wonderful that the Bank is a company which represents the region, has many outstanding employees who come from Gunma, and has a corporate culture of being earnest about everything it does.

I am not sure if it can be described as a weakness, but in a society that is forecast to change dramatically going forward, I think it is important to try to develop human resources who can act quickly with a sense of crisis and make sure that employees are not just a group of "model students" who do whatever they are told.

Q3. Looking ahead, what do you think Gunma Bank should focus on most?

We have entered a time in which the Bank's Corporate Philosophy, namely, "It is our mission to take actions that will foster the development of regional communities" will be truly tested.

The outlook is uncertain, but first of all I think it is important to achieve the targets under the Mid-term Business Plan "Innovation New Dimension," which the Bank has been working on since last year, and to conduct business activities in accordance with the SDGs Declaration.

To do this, It is important to firmly address the three reform initiatives for transforming the management platform which forms the basis for business activities, and, in particular, "Human Resources Reform".

"A company is its people" is a phrase that has been around a long time, but it is a phrase that I am even more aware of than ever in a time of dramatic change.

Q4. What are your thoughts on Gunma Bank's efforts to strengthen governance going forward?

The Bank has been working steadily on strengthening its governance based on the Corporate Governance Code and analysis of the questionnaires for evaluating the effectiveness of the Board of Directors, and I think I can rate progress over the past few years as significant.

The first Independent Outside Director was appointed in 2015. In 2020, there are three Independent Outside Directors accounting for one third of the nine Directors. In 2018, the Nomination and Compensation Advisory Committees in which the Independent Outside Directors participate were established, increasing transparency.

People with different experience and characteristics are chosen as Outside Directors, so I think that the composition of the Board of Directors is very diverse, including a female Director.

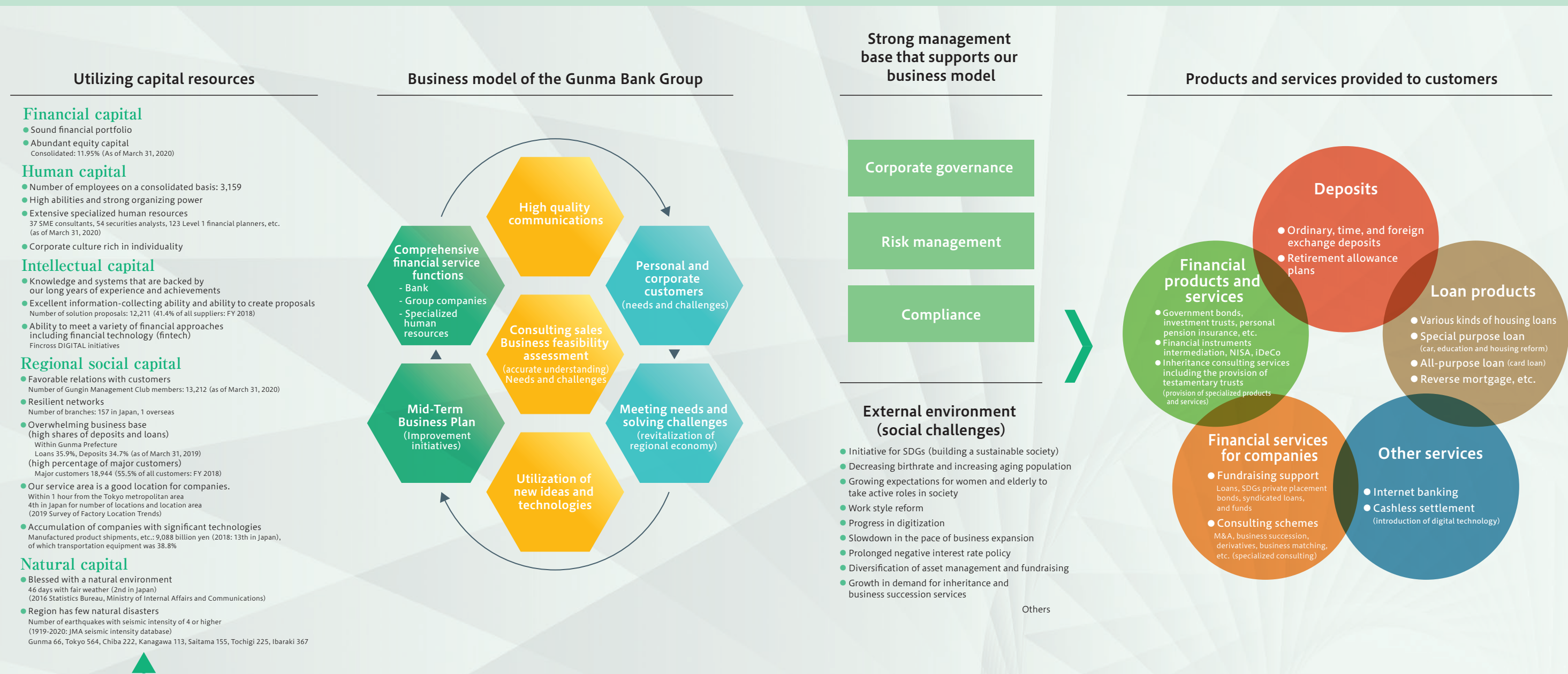
The framework has been put in place, so I feel it is now the stage when the Outside Directors will play their role fully.



Value Creation Process at the Gunma Bank

- As a comprehensive regional financial service institution, the Gunma Bank promotes businesses by using various management resources, and endeavors to realize a sustainable society and create economic value while providing value to the stakeholders including regional customers, shareholders, investors, employees and regional communities as well as contributing to achieve the SDGs.

- Value creation will result in even a higher value creation through increasing capital of the Bank Group and raising its corporate value.



Initiatives to realize a sustainable society allow us to enhance the corporate value and create higher value.

Creating shared value (CSV)

The Gunma Bank Group (image that we aspire to be)
A regional financial group that responds to customer needs and creates value through the innovation of financial services

Customers

- Financial services that meet their various needs
- Overcoming management challenges such as business succession
- Asset building to accommodate each stage of life

Shareholders and investors

- Maximize shareholder value on a mid- to long-term basis

Employees

- Promotion of a variety of human resources into active positions
- Fostering human resources to play an active role at work, and offering flexible work arrangements
- Fulfilling corporate culture

Environment and regional communities

- Preservation and creation of the global environment
- Sustainable development of regional economy
- Promotion of the partnership

Creation of the value

2. Mid-Term Business Plan

2019 Mid-Term Business Plan “Innovation New Dimension” - Toward delivering value -

《Duration of plan: Three years from April 2019 to March 2022》

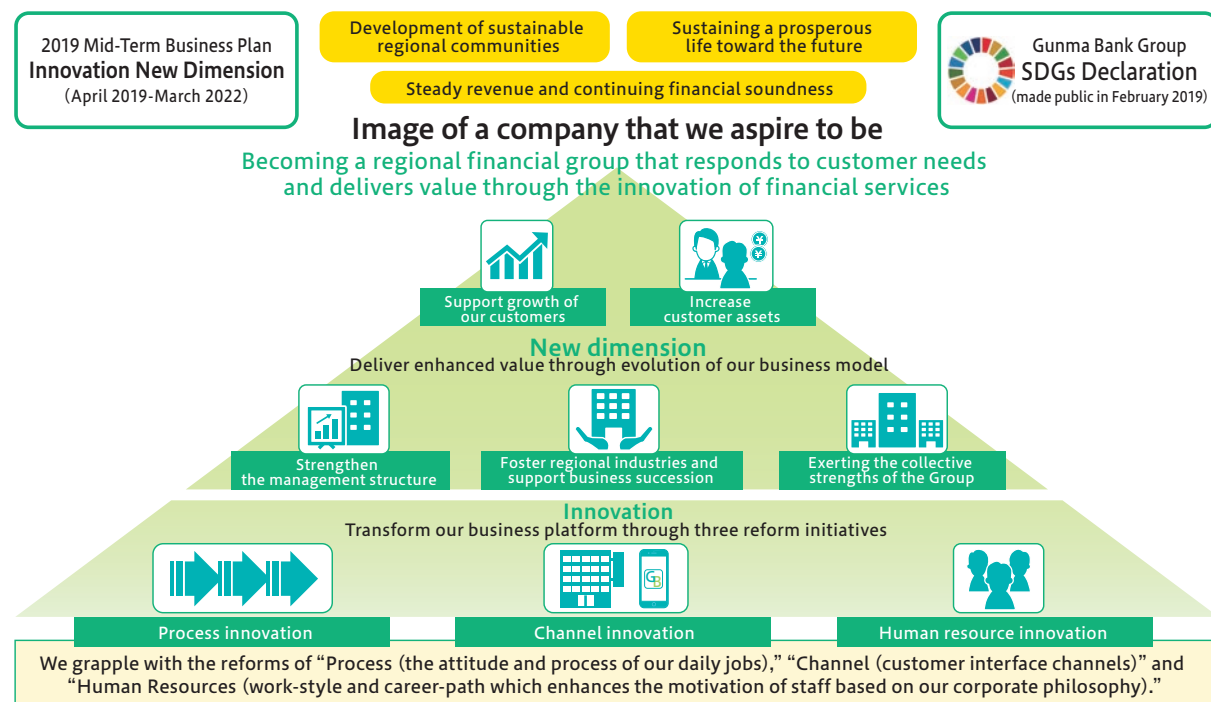
Perspectives

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.

This plan was formulated based on the concept of the “SDGs Declaration,” and by working toward the “realization of value” to achieve this plan, we will realize the development of sustainable local communities and the fulfillment of rich livelihoods that continue into the future, leading to the sound development of the Bank.

《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

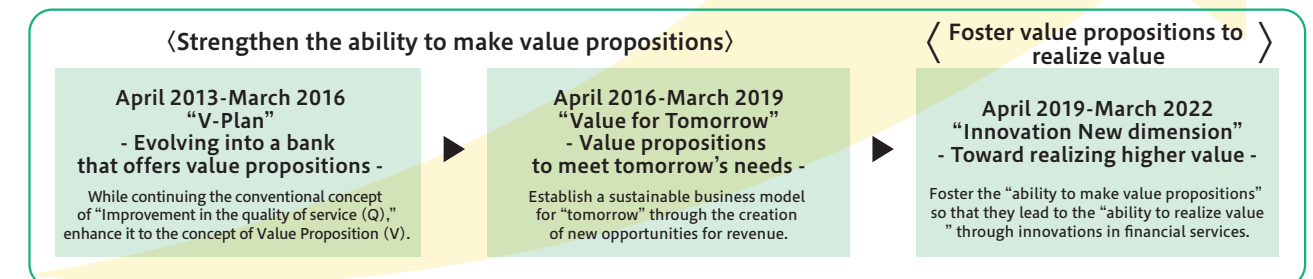
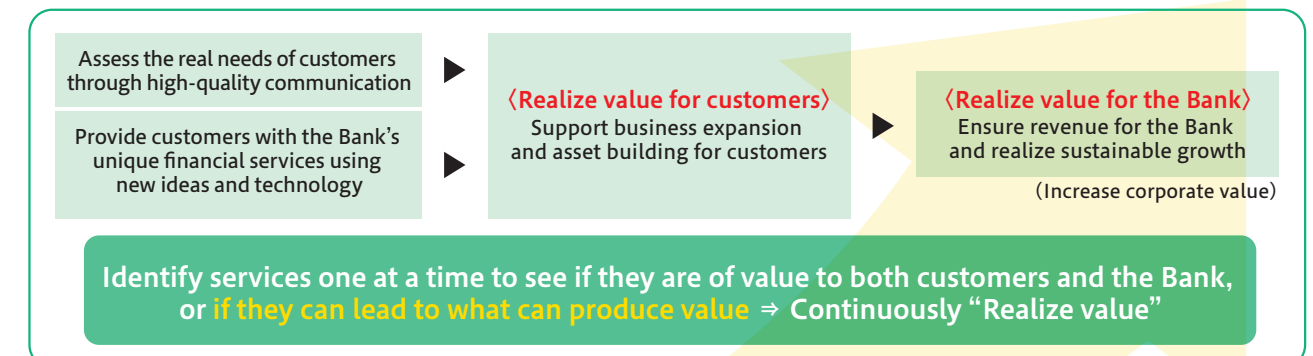
Deliver enhanced value through evolution of business model

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 (fiscal year ending March 31, 2022)

《Profitability index》	Current net income attributable to parent company shareholders	24 billion yen
	Non-interest business income	20 billion yen
《Efficiency index》	RORA	0.5% and above
	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 assessment	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%

*Please see from P24 to P35 for progress of each target.

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>



Basic Policies and Strategic Themes

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.

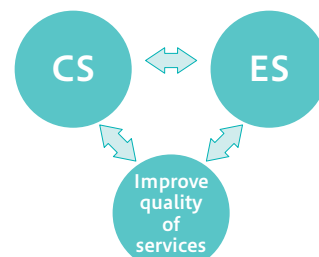
Transforming our business platform through three reform initiatives

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

In June 2018, seven regional banks established “Fincross DIGITAL Co., Ltd.”



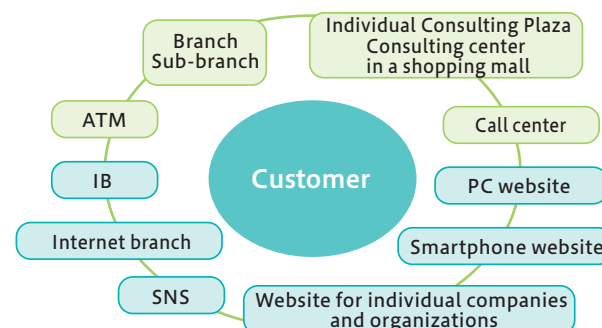
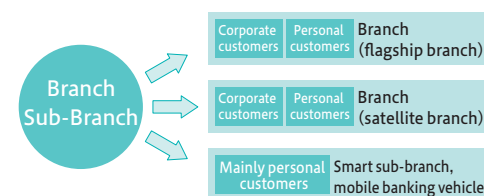
[Strategic Theme 2] Innovation of the Channel to expand customer interface channels

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”
- 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
- A new customer approach in collaboration with outside partners
- Improve customer loyalty through expanded communications

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.

Selection and concentration of bank functions



[Strategic Theme 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



L-NEXT, a team for promoting women’s empowerment in FY2019, planned products and services from a female perspective

“Realizing enhanced value through evolution of our business model”

[Strategic Theme 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”

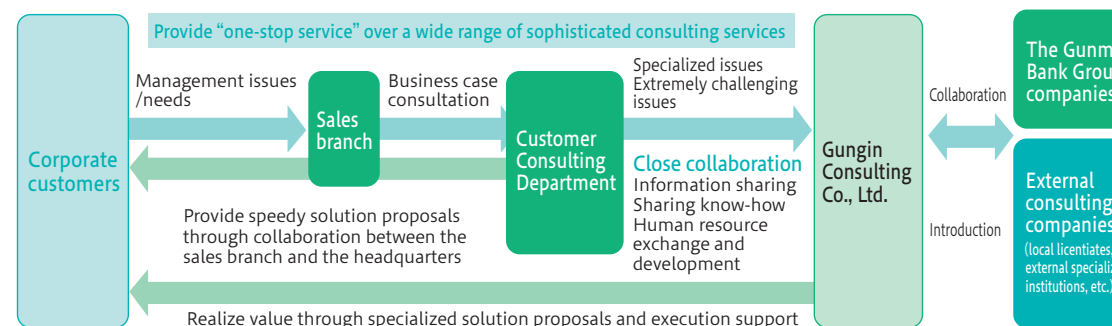


Kiryu City Tourist Information Center “Silkuru Kiryu” set up inside the Kiryu Branch

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



[Strategic Theme 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



Kojin Soudan Plaza Takasaki meets a wide range of consultation needs

[Strategic Theme 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



Issued the first regional bank green bond Received Regional Finance Prize at the Sustainable Finance Awards

[Strategic Theme 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

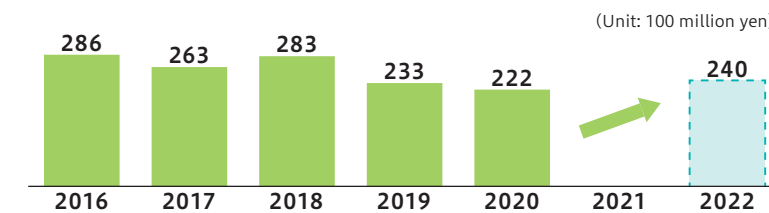
Consolidated Quantitative Target as of the Final Fiscal Year of the Plan (fiscal year ending March 31, 2022)

Profitability Index

Profit Attributable to Owners of Parent

Results of the previous Mid-term Business Plan	Mid-term Business Plan period		
As of March 31, 2019	As of March 31, 2020	As of March 31, 2021	As of March 31, 2022
Results	Results	Plan	Target
23.3 billion yen	22.2 billion yen	20.5 billion yen	24.0 billion yen

Profit attributable to owners of parent of the net profit in the consolidated statements of income

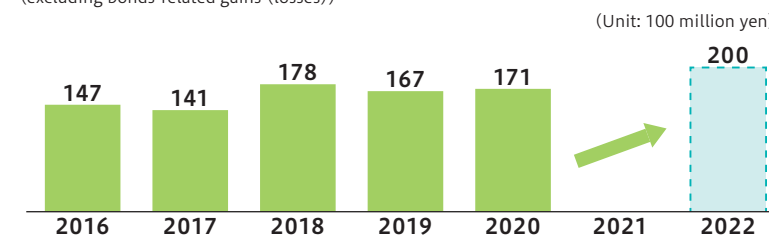


Overview of the fiscal year under review
 Ordinary income decreased by 5.6 billion yen YoY to 143 billion yen, mainly due to decreases in interest income and gain on sales of equity securities, despite an increase in gains on sales of bonds. Ordinary expenses decreased by 1.3 billion yen YoY to 111.5 billion yen, mainly due to decreases in general and administrative expenses and provision of allowance for loan losses.
 As a result of the above, ordinary profit was 31.5 billion yen, a decrease of 4.2 billion yen YoY, and profit attributable to owners of parent was 22.2 billion yen, a decrease of 1.0 billion yen YoY. Because non-consolidated net profit was 17.9 billion yen, the difference between consolidated net profit and non-consolidated net profit was 4.3 billion yen, and the ratio of consolidated net profit and non-consolidated net profit was 1.24 times.

Non-interest Business Income

Results of the previous Mid-term Business Plan	Mid-term Business Plan period		
As of March 31, 2019	As of March 31, 2020	As of March 31, 2021	As of March 31, 2022
Results	Results	Plan	Target
16.7 billion yen	17.1 billion yen	17.6 billion yen	20.0 billion yen

Total of fees and commissions and other business income (excluding bonds-related gains (losses))

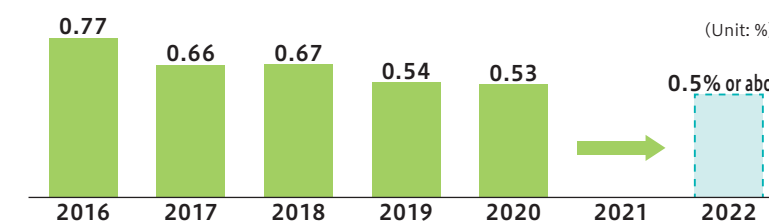


Overview of the fiscal year under review
 Non-interest business income, a key focus area of the Mid-term Business Plan, increased by 0.4 billion yen YoY to 17.1 billion yen due to an increase in proceeds from corporate service provision and contributions from the earnings of Group companies (Gungin Securities and Gungin Lease).
 In order to achieve the target (20.0 billion yen) of the Mid-term Business Plan, the Bank will continue to strengthen its consulting capabilities in areas such as business succession and mergers and acquisitions, and respond to a variety of needs including asset management in a more attentive manner.

RORA

Results of the previous Mid-term Business Plan	Mid-term Business Plan period		
As of March 31, 2019	As of March 31, 2020	As of March 31, 2021	As of March 31, 2022
Results	Results	Plan	Target
0.54%	0.53%	Around 0.5%	0.5% or above

This is the ratio of profit to risk assets, and it represents the return on risk. RORA = Profit attributable to owners of parent/risk assets



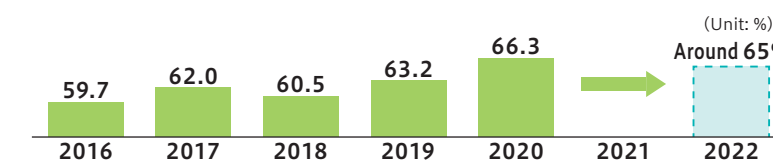
Overview of the fiscal year under review
 Risk assets were 4,232.1 billion yen, a decrease of 93.7 billion yen YoY. Profit attributable to owners of parent decreased by 1 billion yen YoY to 22.2 billion yen.
 As a result of the above, the decline in profit attributable to owners of parent exceeded the decline in risk assets, and RORA fell 0.01 percentage point YoY to 0.53%.

Efficiency Index

OHR

Results of the previous Mid-term Business Plan	Mid-term Business Plan period		
As of March 31, 2019	As of March 31, 2020	As of March 31, 2021	As of March 31, 2022
Results	Results	Plan	Target
63.2%	66.3%	67.7%	Around 65%

This is the ratio of general and administrative expenses (excluding non-recurring expenses) to profit, which is business gross income excluding bonds-related gains (losses), and represents efficiency. OHR = general and administrative expenses/(business gross income - bonds-related gains (losses))



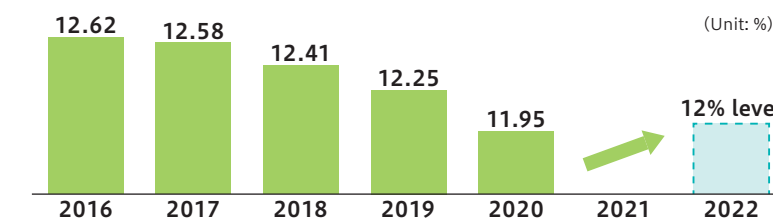
Overview of the fiscal year under review
 Expenses were 56.1 billion yen, a reduction of 1.3 billion yen, mainly from personnel expenses and property expenses. Meanwhile, core business gross income decreased by 6.3 billion yen to 84.7 billion yen, mainly due to a decrease in investment trust cancellation losses.
 As a result of the above, consolidated OHR was 66.3%, up 3.1 percentage points YoY.

Soundness Index

Total Capital Ratio

Results of the previous Mid-term Business Plan	Mid-term Business Plan period		
As of March 31, 2019	As of March 31, 2020	As of March 31, 2021	As of March 31, 2022
Results	Results	Plan	Target
12.25%	11.95%	Around 12%	12% level

This is the ratio of total capital to risk assets, and it represents the soundness of the company. Total capital ratio = total capital/risk assets



Overview of the fiscal year under review
 As a result of a decrease in the total capital ratio due mainly to a decrease in unrealized gains on securities, the consolidated total capital ratio declined by 0.3 percentage points to 11.95%. The target in the Mid-term Business Plan is set at 12% level.

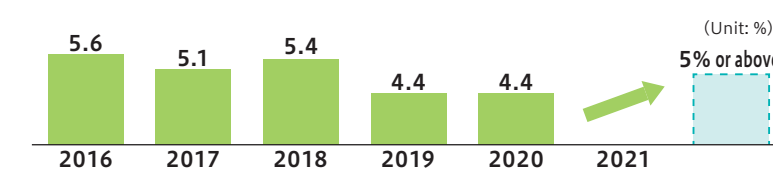
Long-Term Target

Profitability Index

ROE

Results of the previous Mid-term Business Plan	Mid-term Business Plan period		
As of March 31, 2019	As of March 31, 2020	As of March 31, 2021	Long-term target
Results	Results	Plan	Target
4.4%	4.4%	4.1%	5% or above

This is the ratio of profit to equity capital, and it represents the return on equity capital. ROE = profit attributable to owners of parent/average equity capital at the beginning and end of the period



Overview of the fiscal year under review
 The consolidated ROE, which expresses the return on equity (capital efficiency), was 4.4%, the same level as last year. The average ROE for the last five years was 4.9%. The Bank's long-term target is to achieve an ROE of 5% or above.

Major Quantities for Achieving the Targets

Retail loans receivable

Target of **4,780 billion yen**
(balance as of March 31, 2022)

(Unit: 100 million yen)

	As of March 31, 2019	As of March 31, 2020
Results	45,008	45,505
SME loans	21,952	22,358
Individual loans	23,056	23,147
Achievement rate	-	95.1%

Initiatives to Achieve Targets

(1) SME loans

- The Bank continued to implement consulting services based on proactive cash flow support and business feasibility assessments by exercising discernment based on the life stage of client companies.
- The Bank proactively promoted lending by responding to diversifying customer needs and gaining an accurate understanding of the funding needs of individual companies, through efforts such as starting to handle loans with a special clause for principal waiver in the event of an earthquake disaster and improvements to the product features of monitored short-term extension loans.

(2) Individual loans

- In order to support the overall consultation needs of individual customers, we opened the Individual Consulting Plaza Takasaki and the Individual Consulting Plaza East, and expanded points of contact with customers, including the commencement of loan consultations inside booths at shopping malls.
- We also actively worked to improve the product features of loan products and launched various campaigns to meet the diversifying needs of customers.

Status as of March 31, 2020

(Unit: 100 million yen)

	As of March 31, 2019	As of March 31, 2020	YoY change	
			Change	Rate of change
Retail loans	45,008	45,505	497	1.1%
SME loans (*)	21,952	22,358	406	1.9%
Individual loans	23,056	23,147	91	0.4%
Of which, housing loans	13,170	13,124	(46)	(0.4%)
Of which, apartment loans	6,316	6,514	198	3.1%
Of which, unsecured consumer loans	515	546	31	6.1%

- Retail loans increased by 1.1% to 4,550.5 billion yen.
- Total SME loans increased by 1.9% to 2,235.8 billion yen as a result of robust performance in Gunma Prefecture, in a highly competitive environment.
- Total individual loans increased by 0.4% YoY to 2,314.7 billion yen, mainly due to an increase in apartment loans and unsecured consumer loans.

Policy for Future Initiatives

(1) SME loans

- In response to the rapid changes in the economic environment caused by factors including the spread of the novel coronavirus infection, the Bank will continue to fulfill its responsibilities as a regional financial institution by proactively supporting the cash flows of corporate customers.
- In addition, the Bank is actively promote high-value-added lending products including structured covenant loans and monitored short-term extension loans.
- The Bank will improve the quality of its loans and maintain and enhance net interest income and non-interest business income by instilling and deepening efforts to secure customer profitability commensurate with credit risk through standardized profit margins (the internal target level of customer profitability).

(2) Individual loans

- The Bank will strengthen efforts to capture new execution projects, mainly for housing loans in Gunma Prefecture, including the launch of special interest rates for group credit joint life insurance for couples and special interest rates for group credit cancer insurance and improvements to the efficiency of examinations through enhanced cooperation with guarantee companies.
- In addition, the Bank will improve its housing loan and apartment loan products and services to meet the needs of customers, and it will proactively hold consultations at Connect booths at housing exhibitions and shopping malls.
- The Bank will also respond to the growing need for non-face-to-face channels triggered by the spread of the novel coronavirus infection through means such as improving the product features of the web-based unsecured loans, using reception channels including the Internet, and considering the introduction of electronic contracting services.

Unsecured consumer loans receivable

Target of **60 billion yen**
(balance as of March 31, 2022)

	As of March 31, 2019	As of March 31, 2020
Results	51.5 billion yen	54.6 billion yen
Achievement rate	-	91.0%

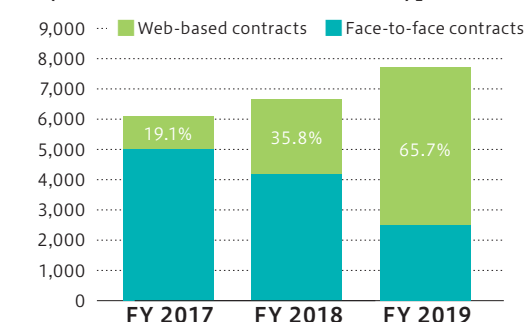
Initiatives to Achieve Targets

- In November 2018, we expanded the products covered by the web-based completion service for unsecured consumer loans to allow customers to make web-based contracts for loans including car loans and educational loans.

[Products covered by the web-based completion service (loans on deeds)]

Private car loan • Purchase of new cars, used cars, and motorcycles • Refinancing of loans from other companies, such as credit with residual value, etc.	Educational loan • Admission fees, tuitions • Funds sent to family members • Other expenses at the time of admission and during the school year, etc.
Non-purpose loan Good Life Plan Omatome Taro Internet loans	Home renovation loans Energy saving loans Eco plans

[Ratio of web-based contracts (based on the number of contracts)]



- The Bank worked to expand transactions through advertising in various channels, including posting advertisements for unsecured consumer loans on social networking sites.
- The Bank revised the product features of various loans to meet the diversifying needs of customers. For example, the Bank raised the borrowing limit for car loans (from 5 million yen to 10 million yen), raised the age at the time of full repayment (from under age 71 to under age 76), and expanded the scope of loan coverage to include customers with less than one continuous year of employment.

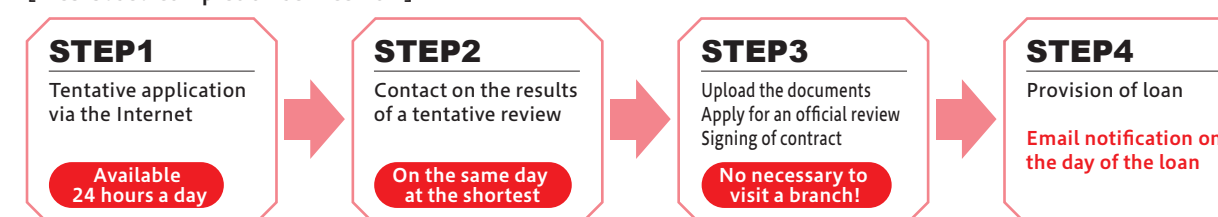
Status as of March 31, 2020

- The balance of unsecured consumer loans was 54.6 billion yen as a result of revisions to various loan product features, improved convenience through the introduction of the web-based completion service, and enhanced telemarketing utilizing the loan desk established in June 2019.
- Demand for financing for automobiles, travel and other products is declining as a result of the spread of the novel coronavirus infection, which will have a negative effect on achieving the target.

Policy for Future Initiatives

- The Bank will strengthen efforts to capture unsecured consumer loans by promoting the web-based completion service, which allows customers to complete the entire process from application to contracting channels utilizing the non-face-to-face channel.
- The Bank will endeavor to improve its services by reviewing the content of its products to meet the needs of customers in the future.

[Web-based completion service flow]



Major Quantities for Achieving the Targets

Proceeds from corporate service provision (consolidated)

Target of 4.2 billion yen

Total fee and commission income from corporate services. Includes Gungin Consulting and Gungin Securities

(Unit: million yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Proceeds from corporate service provision	2,216	2,967
Of which, the Bank	2,158	2,760
Of which, Gungin Securities	56	95
Of which, Gungin Consulting*	2	112
Progress rate	—	70.6%

*After consolidation adjustments



Seminar on growth strategy through M&As

Initiatives to Achieve Targets

(1) Problem solving through business feasibility assessment → P32

(2) Business succession initiatives → P33

(3) M&A initiatives

The Bank supported 13 clients without a successor in business succession through M&As during FY 2019 through the Bank's independent support and collaboration with external experts with whom it has partnerships. The Bank entered business alliance agreements on M&As with the following external organizations in order to accelerate support for resolving business succession issues for SMEs and small businesses with a successor undecided.

July 2019: Hoken no Madoguchi Group *First time in Japan for this group and a financial institution to form an alliance related to business succession

March 2020: Three credit unions in Gunma Prefecture (Takasaki Shinkin Bank, Kiryu Shinkin Bank, and Shinonome Shinkin Bank)

(4) Business matching

The Bank is actively providing group company functions, providing introductions to external partners of the Bank, and providing support for sales channel development to contribute to improvements in the productivity of client companies.

The Bank introduced the Gungin Business Matching System in September 2019 to create a database of information on the needs of its corporate clients to enable more sophisticated business matching.

(5) Issuance of private placement bonds

Along with fundraising support, the Bank provides services such as Gungin SDGs private placement bonds to support the needs of customers to contribute to the achievement of the SDGs. A portion of the fees received by the Bank for the issuance of SDGs private placement bonds are donated to schools, local public bodies, or groups that engage in the SDGs efforts.

As of March 31, 2020

Total amount issued 72.9 billion yen (including private placement bonds for environmentally-friendly projects and regional revitalization)

Total amount of donations 348 cases; 62,052 thousand yen (including private placement bonds for regional revitalization)

(6) Gungin Consulting

The consultants of Gungin Consulting use their expertise to propose the best solutions and support the implementation of solutions when consulting on a client's business issues requires a high level of expertise or a complex and difficult approach.

(7) Gungin Securities

The Bank works in collaboration with Gungin Securities to provide a wide range of financial products including stocks, investment trusts, and bonds that Gungin Securities offers, as well as specialized services, to meet the diverse needs of customers and support surplus fund management.

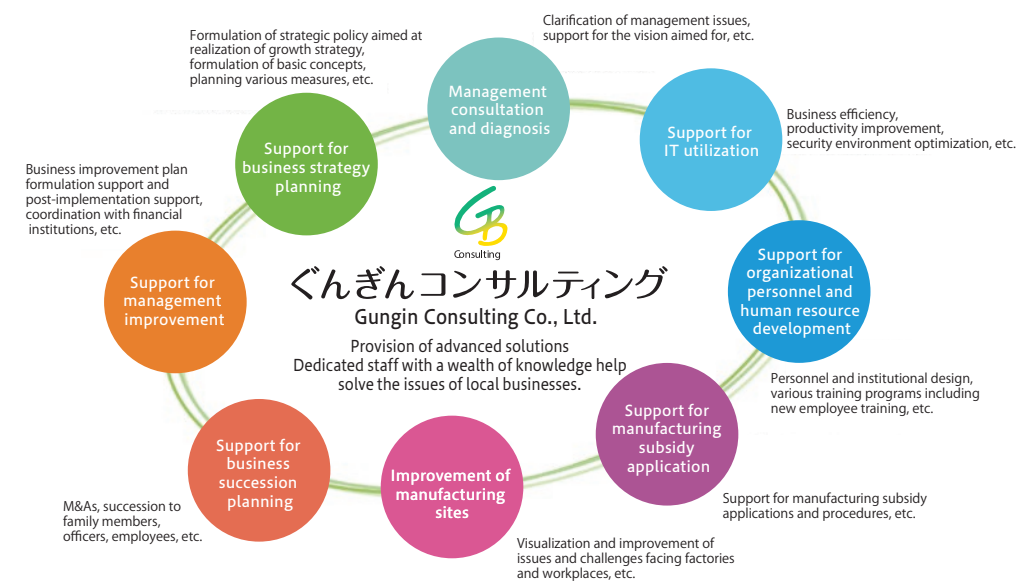
Status as of March 31, 2020

(Unit: million yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	YoY change	
			(Amount)	(Rate of change)
[Corporate service provision]	2,216	2,967	751	33.9%
Of which, the Bank	2,158	2,760	602	27.9%
Syndicated loans	533	703	170	31.9%
Private placement bonds	258	290	32	12.4%
Financial instruments intermediation for corporate customers	52	91	39	75.0%
Business insurance for corporate customers	316	50	(266)	(84.2%)
M&As	181	277	96	53.0%
Business matching	307	440	133	43.3%
Structured covenant loans and short-term extension loans	63	272	209	331.7%
Derivatives (interest rate and foreign exchange)	435	623	188	43.2%
Other	13	13	0	0.0%
Of which, Gungin Securities	56	95	39	69.6%
Of which, Gungin Consulting*	2	112	110	5,500.0%

*After consolidation adjustments

- Results were up 751 million yen YoY, the rate of change was steady at +33.9%, and progress on the Mid-term progress rate was 70.6%.
- Efforts were made to steadily increase syndicated loans, business matching, and derivatives (foreign exchange). In addition, the major policies of the Mid-term Business Plan are showing results, including structured covenant loans to support business succession and M&As due to the effect of increasing the number of dedicated head office staff.
- Business insurance for corporate customers decreased significantly YoY due to a sharp decline in term insurance for corporate customers following a revision of tax treatment.
- Sales increased steadily for Gungin Securities due to an increase in proposal opportunities in collaboration with banks and securities companies and the development of initiatives to meet surplus funds management needs.
- Gungin Consulting had a full year of activity since fully launching operations in October 2018. More than 330 requests for problem resolution were received, bringing the total number of contracts to 103.



Policy for Future Initiatives

In addition to conducting sales activities that combine financing and consulting, the Bank is actively working to diversify its earnings by providing services that meet the challenges and needs of our client companies and changes in social structure.

Particularly in the area of business succession, the Bank is striving to support its clients by providing value-added solutions through M&A, business matching, and structured covenant loans, which are directly linked to our corporate services and financing functions, in order to increase its profitability.

Major Quantities for Achieving the Targets

Customers' deposited financial assets (consolidated)

Target: 1 trillion yen

*Customers' deposited financial assets including investment trusts, public bonds, and life insurance. Including Gungin Securities

	As of March 31, 2019	As of March 31, 2020
Customers' deposited financial assets	877.6 billion yen	850.8 billion yen
Of which, the Bank	786.0 billion yen	737.5 billion yen
Of which, Gungin Securities	91.5 billion yen	113.2 billion yen
Achievement rate	-	85.1%

Initiatives to Achieve Targets

(1) Realization of stable asset formation for customers

The Bank expanded the number of balanced core funds and introduced a principal-protected funds for low-risk customers.

(2) Support for asset formation for customers through long-term, installment-type, and diversified investments

The Bank expanded the range of Reserve NISA dedicated products, which provide long-term tax benefits. In addition, a campaign was launched for installment-type products.

(3) Support for an era of people living to age 100

The Bank has introduced investment trust products that extend the life of money through asset management while receiving fixed-rate distributions as well as life insurance products that protect against the risk of longevity.

(4) Expansion of Individual Consulting Plazas as a holiday sales base

With the addition of the Takasaki and East branches in October 2019, three branches, including the Maebashi branch, meet the asset management and insurance consultation needs of asset building customers who are not able to visit standard branches on weekdays.



Plaza Maebashi
(Maebashi Minami Mall Sub-branch)

Status as of March 31, 2020

Customers' deposited financial assets decreased due to the impact of a sharp drop in stock prices resulting from the spread of the novel coronavirus infection and a general decline in the net asset value of investment trusts. However, the impact of cancellation was minimal thanks to careful follow-ups with a wide range of customers after the sudden change in market conditions.

[Reference] Customers' deposited financial assets commissions (Unit: million yen)

	FY 2018	FY 2019	YoY change	
			(Amount)	(Rate of change)
[Customers' deposited financial assets]	5,306	5,531	225	4.2%
Investment trust handling commissions	2,398	2,212	(186)	(7.8%)
Insurance sales commissions (individuals)	1,658	1,375	(283)	(17.1%)
Gungin Securities (for individuals), etc.	1,250	1,944	694	55.5%

Policy for Future Initiatives

(1) Investment trusts

The Bank will continue to promote balanced core funds that can be expected to deliver stable investment results over the medium- to long-term while minimizing risk through diversified investment. In addition, the Bank will support the stable asset formation of our customers by strengthening the promotion of installment-type investment trusts that provide time diversification benefits.

(2) Life insurance

The Bank meets the needs of customers who are concerned about the risk of living longer in an era of people living to age 100 by providing insurance products including whole life annuities that complement public pension insurance. The Bank also offers comprehensive consulting services including measures for inheritance and gift giving.

(3) Bonds (financial instruments intermediation)

The Bank will respond to a wide range of asset management needs of customers through proposals for foreign bonds and private placement structured bonds. It will strengthen its ability to make proposals to customers with diverse investment needs by strengthening its alliance with Gungin Securities.

(4) Inheritance-related services

The Bank will increase the number of head office staff dedicated to inheritance-related services and improve its organizational structure to meet the latent needs of customers in order to provide will trust and liquidation of inheritance property services.

Increasing the number of dedicated head office staff

As of March 31, 2019	As of March 31, 2020	Plan for March 31, 2021
4 people	9 people	13 people

Will trust and liquidation of inheritance property services achievements

	As of March 31, 2019	As of March 31, 2020	Mid-term Business Plan target for March 31, 2022
Will trusts	23 cases	61 cases	400 cases
Liquidation of inheritance property services	13 cases	10 cases	
Total	36 cases	71 cases	

Feature Article Customer-Oriented Business Conduct

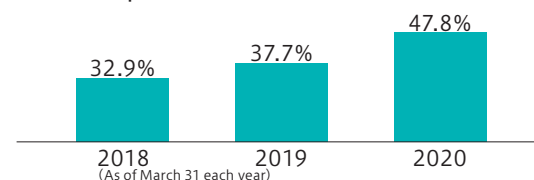
In June 2017, the Bank, together with Gungin Securities, established the Customer-Oriented Business Conduct Policy and Action Plan based on Customer-Oriented Business Conduct Policy, and regularly announces the status of its efforts, including performance indicators.

Selection of Useful Products for Customers

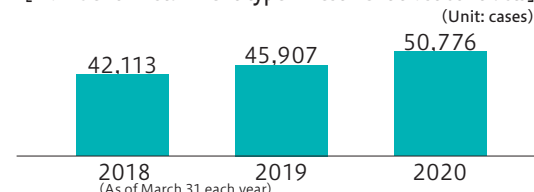
The Bank proposes core-satellite management as an asset management method. In core-satellite management, we aim to increase operational efficiency from a long-term perspective by a well-balanced combination of core assets, which are stable investments over the medium- to long-term using diversified investments (balanced products, for example) and satellite assets, which focus on specific fields and aim for high returns.

For customers in the life stage of asset building, we recommend installment-type investment trusts utilizing Reserve NISA, etc.

[Balanced product ratio in investment trust balance]



[Number of installment-type investment trust contracts] (Unit: cases)



Improved Transparency of Bank Commissions, etc.

For bank commissions for investment trusts, we have prepared information on "Main services for investment trusts and costs to be borne by customers" (included in the Investment Trust Lineup sales materials) in an easy-to-understand manner. This document also shows our fundamental perspective on the level of commissions that we receive as a sales company.

Provision of Important Information in an Easy-to-understand Manner

The Core Fund Product Lineup is available as a resource for comparing the product features of core funds.

Provision of Suitable Products and Services Available for Customers

We conduct seminars on weeknights and on holidays to improve the financial literacy of a wide range of customers.

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Large-scale seminars	9	9	2
Holiday and evening seminars	16	16	14
Branch manager seminars	37	504	615



Asset management seminars

Human Resource Development and Evaluation

In order to improve the skills of employees so that they can make appropriate asset management proposals according to the customer's life cycle and various needs, we strive to develop specialized skill holders by implementing weekend and night classes for employees. In addition to encouraging employees to acquire Level 1 Financial Planner certification, we are also focusing on support for certification acquisition, such as holding exam preparation courses in weekend seminars.

We have also introduced performance evaluations that encourage customer-oriented sales activities.

[Number of qualified employees] (Unit: people)

		As of March 31, 2018	As of March 31, 2019	As of March 31, 2020	YoY change
		Certified Financial Planner	Level 1	113	116
	Level 2	2,008	2,069	2,114	45
Deposited financial assets *Internal bank qualification	Advanced	95	116	142	26
	Intermediate	605	643	681	38
	Beginner	498	602	668	66



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

Major Quantities for Achieving the Targets

Number of cases with issues resolved through business feasibility assessments

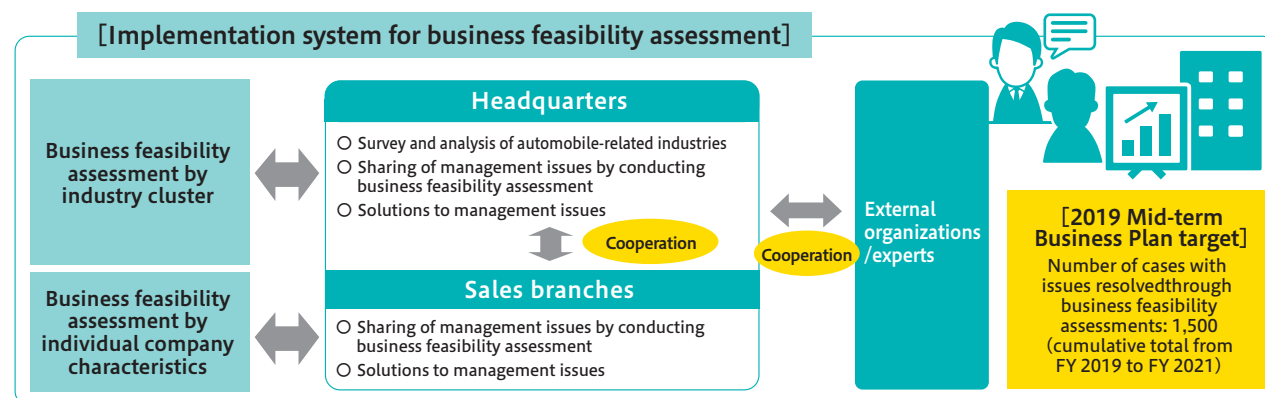
Target: 1,500 cases

	As of March 31, 2020
Number of business feasibility assessments	1,430 cases
Number of problems resolved	739 cases
Progress rate	49.2%

*The number of solutions to customer problems identified through business feasibility assessments (cumulative total)

Initiatives to Achieve Targets

- In addition to expanding the businesses of our corporate customers, we provide optimal solution proposals (value propositions) for overcoming various obvious and/or potential management issues such as for human resources, sales, and risk management. We believe that we can create shared values with our customers only after realizing such value propositions.
- To that end, we are strengthening our business feasibility assessment efforts by sharing awareness of management issues through repeated dialogue with corporate managers.



Status as of March 31, 2020

Major problem solving items	Number of cases	Resolution rate*	Average time to resolution
Expansion of business facilities	150 cases	74.0%	8 months
Diversification of funding and improvement of financial structure	145 cases	79.6%	7 months
Recruitment and training of human resources	64 cases	54.2%	8 months
Business succession	63 cases	47.7%	10 months
Sales channel development	44 cases	57.9%	9 months

*The ratio of the management issues of clients that have been resolved by identifying and helping to resolve them.

The largest number of projects are related to financing operations, such as expansion of business facilities, diversification of funding, and improvement of the financial structure. In addition, the Bank is also proactively addressing social issues such as the recruitment and training of human resources and business succession.

Policy for Future Initiatives

The headquarters and branch offices work together to provide optimal solutions regarding the management issues through the shared awareness on the business feasibility assessment, and when implementing more advanced consulting proposals, the Bank will provide a wide range of one-stop in-depth consulting services in cooperation with Gungin Consulting Co., Ltd. The Bank will also collaborate with other Group companies, local professionals, and external professional organizations as necessary.

Number of business succession support cases

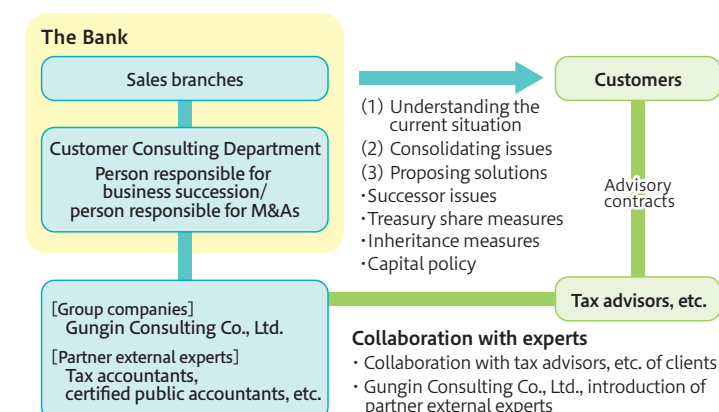
Target: 6,000 cases

	As of March 31, 2020
Number of support cases	3,083 cases
Progress rate	51.3%

Initiatives to Achieve Targets

- Amid concerns about aging managers and successor issues, management issues related to business succession by customers will have a significant impact on local economies in terms of passing down technology, maintaining supply chains, and maintaining employment.
- Up until now, the Bank has provided various types of support for business succession, including (1) understanding the current situation, (2) consolidating issues, and (3) proposing solutions, through consultations with customers. Because regional financial institutions are increasingly being required to provide business succession support for SMEs, all branches have worked to support business succession by customers since FY 2018.
- Sales branches, Customer Consulting Department, and the wholly-owned subsidiary, Gungin Consulting Co., Ltd., work together to support customers in resolving their issues by consolidating issues and proposing solutions.
- The Bank also strives to resolve issues by providing a place where customers and experts can consult with each other on an individual basis.

[Activity scheme]

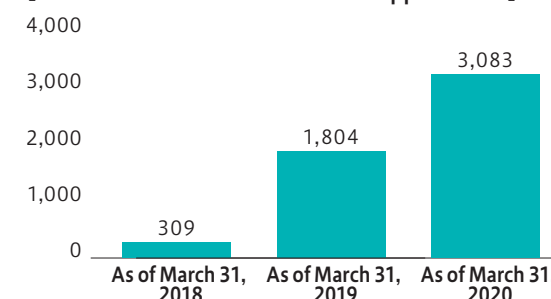


[Individual consultation meetings, M&A seminars]

Name of seminar	Date held	Location held	Total number of participants
Individual consultation meetings on business succession	May and Sept. 2019 and Mar. 2020	Inside the prefecture: 2 Outside the prefecture: 2	Number of companies: 20
Seminar on growth strategy through M&As	May and Nov. 2019	Inside the prefecture: 1 Outside the prefecture: 1	49 people

Status as of March 31, 2020

[Number of business succession support cases]



- The number of business succession support cases as of March 31, 2020 totaled 3,083 as a result of efforts at all sales branches.
- Progress has been steady, with a progress rate of 51.3% compared to the plan.
- In addition, the Bank has increased the number of dedicated head office staff in order to strengthen efforts to meet the needs of clients. There are also plans to increase the number of staff going forward.

Item	As of March 31, 2019	As of March 31, 2020	Plan for March 31, 2021
Business succession	6 people	8 people	12 people
M&A	6 people	8 people	12 people

Results of M&A initiatives

FY	FY 2017	FY 2018	FY 2019
Cases	11 cases	18 cases	28 cases
Amount	232 million yen	181 million yen	277 million yen

Support starting from business succession (fiscal year ended March 31, 2020)

Structured covenant loans	Loan amount: 4,790 million yen / 84 million yen in commissions
Business matching	42 cases / 6 million yen in commissions
Promotion of corporate and individual integration (assets under management)	12 million yen in commissions

Policy for Future Initiatives

The Bank will continue to meet with customers and provide optimal solutions for each customer to resolve issues, thereby ensuring smooth succession and maintaining and improving regional economic vitality.

Major Quantities for Achieving the Targets

Number of start-up support cases

Target: **2,000** cases

	As of March 31, 2019	As of March 31, 2020
Number of start-up support cases*	911	565
Progress rate	-	28.2%

*Number of corporations and sole proprietors who plan to establish a business within six months or who have been in business for five years or less

Initiatives to Achieve Targets

The Bank is actively working to find and support start-up companies in order to maintain and improve the vitality of the regional economy.

(1) Strengthen the structure for the start-up dedicated desk

○ Subsidies

As an organization supporting business innovation, the Bank provides useful information on subsidies and supports subsidy applications.

○ Interest subsidy system

The Bank provides useful information on interest subsidies and supports interest subsidy applications in order to stimulate the latent equipment needs of clients.

FY 2018 supplemental budget

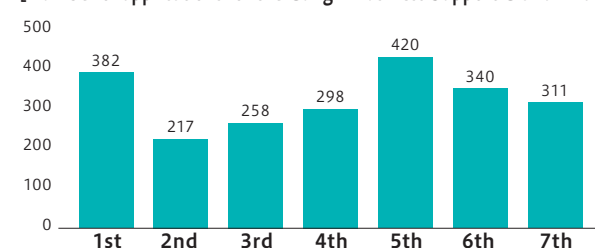
Manufacturing, Commerce, and Service Management Capabilities Improvement Support Subsidy:
57 cases adopted with application support

FY 2019

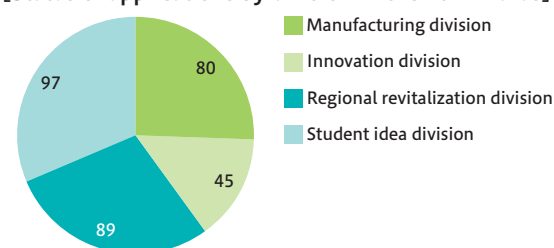
Subsidy for Energy Efficiency Investments:
3 cases adopted with application support

(2) Promoting the commercialization of new business plans through the Gungin Business Support Grand Award

[Number of applications for the Gungin Business Support Grand Award]



[Status of applications by division in the 7th Awards]



There have been a total of 2,226 applications for the Gungin Business Support Grand Award, and the Bank has supported 818 companies with commercialization. [Number of loans provided to applicants: 1,460 cases, amount of loans: 48,893 million yen]

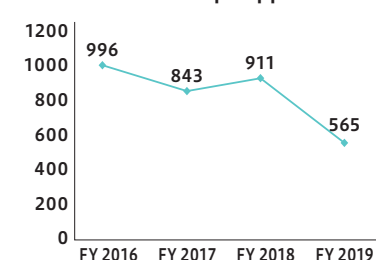
(3) Expansion and implementation of multifaceted growth support measures

The Bank has provided support in cooperation with local public bodies and other related institutions, such as by handling start-up support loans in cooperation with the Credit Guarantee Corporation of Gunma and the Japan Finance Corporation, and by dispatching instructors to the Maebashi City Start-up Support School.

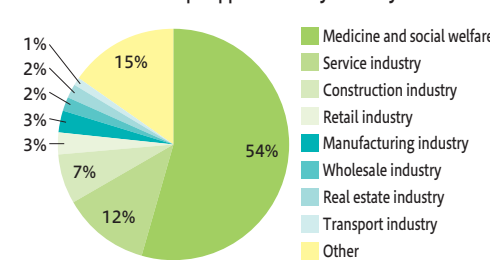
In addition to start-up loans, the Bank has also provided multifaceted support for growth, including business matching and the dispatch of external experts.

Status as of March 31, 2020

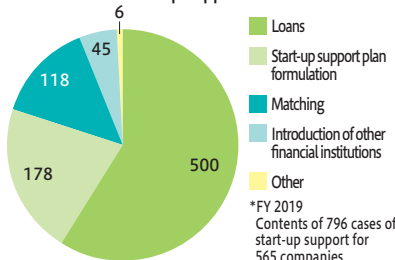
[Number of start-up support cases]



[Breakdown of start-up support cases by industry in FY2019]



[Contents of start-up support in FY2019]



Although the Bank has proactively provided support, the number of support cases has been on a downward trend due to the enhancement of various start-up support programs by government agencies and efforts by other financial institutions. Meanwhile, from the perspective of fostering and revitalizing local industries, the Bank recognizes the importance of supporting start-ups and will continue to provide active support in cooperation with related institutions.

Policy for Future Initiatives

The Bank will promote the commercialization of new business plans through the Gungin Business Support Grand Award while continuing to provide multifaceted support in cooperation with the start-up support measures of Gunma Prefecture and other municipalities in Japan. Furthermore, the Bank will actively provide consulting support such as dispatching external experts and providing information on subsidies in response to the issues and needs of companies.

Number of women in managerial positions

Target: **20% increase** from March 31, 2019

	As of March 31, 2019	As of March 31, 2020
Results	120 people	131 people
Progress rate	-	90.9%

Initiatives to Achieve Targets

In addition to assigning human resources and training managers to enable women to play an active role in more fields, the Bank is developing systems that enables women to achieve a balance between work and family life and to maximize their abilities.

Development of Systems

○ Continuous initiatives to identify issues and propose solutions from a woman's perspective

Since November 2014, the Bank has continued team activities to identify issues to promote the advancement of women from a woman's perspective and propose specific measures to address these issues.

In 2019, the team's name was changed from the all-women staff team to L-NEXT, with an "L" which stands for luminous, and "next", which means "to connect to the next generation". This reflects the desire of the team to create an environment in which each person of different ages and genders can be luminous with energy and enthusiasm, and carry on with activities that will continue to bring that energy and enthusiasm shining into the next generation.

○ Formulation of General Employer Action Plan

Based on the Act on Promotion of Female Participation and Career Advancement in the Workplace, the Bank formulated its second General Employer Action Plan in April 2019 that incorporates the following numerical targets.

- Increase women managers by 20% (deputy/vice branch managers or higher positions) compared to the number as of March 31, 2019 (120 women managers)
- Improve percentage of women employees (39.1% as of March 31, 2019)
- Improve paid leave acquisition rate (60.8% in fiscal year 2018: total of men and women)
- Improve average length of service for women (14 years and six months for women in service as of March 31, 2019)

○ Abolition of specific days

The Bank has eliminated specific days with a 17:45 end of the workday from July 2019 in response to the team's recommendations.

With the end of the workday at this time, the Bank will promote the achievement of work-life balance and revitalize the organization by promoting work-style reforms.



Women in managerial positions

Expansion and Dissemination of Various Systems

The Bank has established its own systems to help women achieve their full potential.

- Allowance for the support of early return to work after childcare leave (provision for employees who return to work before child becomes one and a half years of age)
- Childcare support allowance (provision for employees for the birth of the second child and each subsequent child (up to 2 million yen))
- Timely leave (a system for acquiring annual paid leave by the hour)
- Use of business names (employees who have changed their surname may use their maiden name if they wish)
- Child plan leave (special leave of absence for fertility treatment for up to five days)
- Work-Life Balance Handbook (issuance of a booklet to promote the use of various systems)

Evaluation of Women's Participation and Enhancement

The Bank's efforts for women's participation and enhancement have resulted in the following achievements, and it will continue to make efforts to improve systems to ensure that the certification is continued.

- Platinum Kurumin Mark certified by the Ministry of Health, Labor and Welfare (June 2017)
- Eruboshi Mark certified by the Ministry of Health, Labor and Welfare (June 2018, highest grade 3)
- Gunma Prefecture breath breath G company: certified by Gunma Prefecture (February 2019, excellence office commendation)

Highest grade 3



Status as of March 31, 2020

As of March 31, 2020, the number of women in managerial positions was 131 (down 13 compared to the target).

19 new appointments were made in April 2020, bringing the total number of women in managerial positions to 150 (up six compared to the target).

Policy for Future Initiatives

So that female employees can continue working, the Bank will enhance the systems and programs that enable them to make the most of their abilities while achieving a good work-life balance.

At the same time, the Bank will continue to support and develop the career development of female employees, who will form the base for women in managerial positions, and actively promote female employees.

3. ESG Initiatives

Declaration of SDGs and Priority Issues

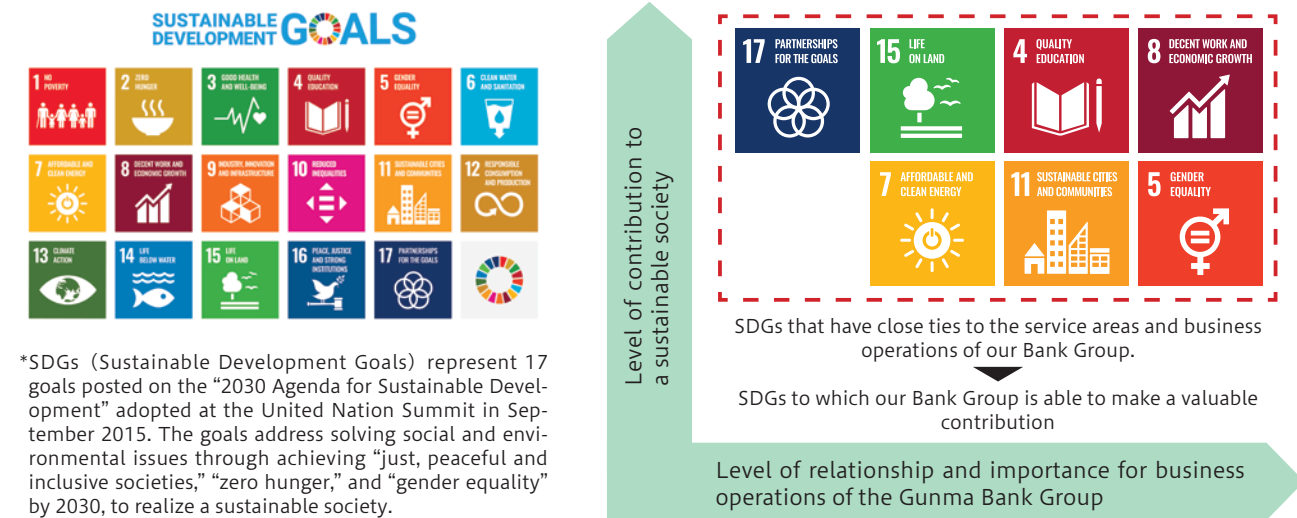
Perspective of the Declaration of SDGs

The Bank formulated and publicly released “The Gunma Bank Group SDGs Declaration” in February 2019 to promote actions tackled by the Group as a whole, toward achieving the “Sustainable Development Goals (SDGs)”* as adopted by the United Nations.

The Group’s corporate philosophy is as follows: “It is our mission to take actions that will foster the development of regional communities.” We hope to accomplish this by working to achieve the SDGs relevant to social and environmental issues, and proactively grapple with initiatives through our business activities.

In this context, upon declaring our SDGs, we have determined our priority issues and policies for action that are centered on seven out of 17 SDGs goals, and we hope to achieve these goals while recognizing the business contents and service areas of the Group.

Based on our declaration of SDGs, we are making efforts to further strengthen initiatives on social and environmental issues through our business activities as well as to realize a sustainable society and create economic value. In addition, we intend to expand SDGs actions to all the local communities by raising awareness and dissemination of SDGs for our customers and supporting them in their efforts to achieve the SDGs.



*SDGs (Sustainable Development Goals) represent 17 goals posted on the “2030 Agenda for Sustainable Development” adopted at the United Nation Summit in September 2015. The goals address solving social and environmental issues through achieving “just, peaceful and inclusive societies,” “zero hunger,” and “gender equality” by 2030, to realize a sustainable society.

*The Gunma Bank Group SDGs Declaration can be found here.

Declaration of SDGs and the Mid-Term Business Plan

The “2019 Mid-Term Business Plan “Innovation New Dimension” – Toward Delivering Value” that started in April 2019 was based on the ideas expressed in the declaration of SDGs. The Gunma Bank Group is tackling actions toward achieving the Mid-Term Business Plan that will allow people to realize a rich fulfilling life that is closely tied to the development of sustainable communities in the region and to secure stable and sound revenues for the future. (For the Mid-Term Business Plan, please refer to pages 20-35.)

Corporate philosophy	It is our mission to take actions that will foster the development of regional communities.
Declaration of SDGs	We are working to achieve the SDGs through our business activities that will foster the development of regional communities as well as to realize a sustainable society and create economic value.
Mid-Term Business Plan “Innovation New Dimension” [Image of a company we aspire to be]	A regional financial group that responds to customer needs and delivers value by innovation of financial services

New Initiatives for Achieving the Gunma Bank Group SDGs Declaration

The SDGs Declaration identifies four priority issues, with a focus on seven goals to which the Group can make a particular contribution, based on the nature of its business and the areas in which it operates, and it is working to address social and environmental issues through its business activities. The Group is committed to contributing to the realization of a sustainable society and the creation of economic value by implementing each of the measures in its Mid-Term Business Plan, which is based on the perspective of the SDGs Declaration, as well as taking new initiatives to resolve the issues faced.

The Gunma Bank Group SDGs Declaration (GB Sustainability Policy 2030)

We are working to achieve the SDGs through our business activities that will foster the development of regional communities as well as to realize a sustainable society and create economic value.

[Priority issues]

1. Sustainable development of regional economy	2. Conservation and creation of the global environment
3. Promotion of a variety of human resources into active positions	4. Promotion of partnerships

Establishment of the SDGs & ESG Management Office

We established the SDGs & ESG Management Office within the Corporate Planning Department in June 2020 to manage and oversee efforts to achieve the SDGs, with the aim of stepping up and accelerating initiatives to achieve the SDGs. This office will continue to lead steady Group-wide efforts.

Setting Reduction Targets for Greenhouse Gas Emission and Paper Consumption Reduction

We have set new targets for the reduction of greenhouse gas emissions at the Bank as part of our efforts to address one of the key issues in the SDG declaration, conservation and creation of the global environment. As part of these initiatives, we have also set reduction targets for paper consumption, and we will continue to review operations that are dependent on paper and aim for a paperless environment through digitization.

Greenhouse gas emission reduction target

FY2025	Reduction of at least 23% compared to FY2013
FY2030	Reduction of at least 26% compared to FY2013

* Greenhouse gas emissions are calculated by fixing the emission factor for electricity to the FY2013 figures in order to eliminate the effect of changes in emission factors.
* The scope of the greenhouse gas emissions calculation is part of scope 1, scope 2, and scope 3 for the domestic offices of Gunma Bank

Paper (copy paper) usage reduction targets

FY2025	Reduction of at least 30% compared to FY2013
FY2030	Reduction of at least 40% compared to FY2013

Declaration of Support for the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

As the damage caused by extreme weather events and large-scale disasters has become increasingly severe in countries around the world recently, there has been a growing momentum to address climate change on a global scale. Companies are being required to improve their disclosure of information as the risks and opportunities of climate change have an impact on corporate financial information and strategies.

Against this backdrop, the Bank declared its support for the recommendations of TCFD in July 2020. The Group will continue to enhance its disclosure of information on climate-related risks and opportunities in line with the recommendations of the TCFD.

* The TCFD (Task Force on Climate-related Financial Disclosures) is a private-sector-led task force on climate-related financial disclosure established by the Financial Stability Board (FSB) in 2015 in response to a request from the G20 Finance Ministers and Central Bank Governors. It released its final report in 2017, recommending that companies and others disclose information about climate-change-related risks and opportunities in line with its recommendations.

Environmental Initiatives

Based on the Gunma Bank Environmental Policy/Environment Conservation Behavior Code established and announced in May 2009, we are working to reduce our impact on the environment by supporting environmental conservation activities and environmental conservation education. As part of our efforts, we are continuing to actively engage in environmental conservation, such as selling financial products that can contribute to environmental protection.

[Environmental Policy]

We want to cherish the natural environment of our hometown with the aim of realizing a truly affluent community where industry is compatible with the environment. We will play an active role in environmental conservation and play a responsible role as a citizen.

[Environment Conservation Behavior Code]

1. Promote resource saving, energy saving and recycling activities to reduce environmental impact.
2. Support customers who are engaged in environmental conservation through the provision of financial products and services.
3. Promote environmental education and support environmental conservation activities for executives and employees.
4. Support regional environmental conservation activities.

Maintenance Activities for Gungin Forest

As part of our environmental conservation activities, we named a forest as the Gungin Forest based on the designation in the Prefectural Forest Maintenance Partner Project Implementation Agreement signed with Gunma Prefecture, and are working on its maintenance and conservation activities.

A new employee training course incorporates forest maintenance experience and conducts employee education on forest maintenance and protection. (Not conducted in 2020 due to the impact of the novel coronavirus infection.)



Environmental Foundation Activities

The Gunma Bank Environmental Foundation was established with the aim of promoting a comfortable and healthy environment and has been engaged in education and subsidy programs for environmental conservation and environmental research.

As part of educational activities, in August 2019, we held the Eco-Kids Camp in Akagiya, where elementary school students learned about environmental issues such as global warming. In September and October, we organized the Environmental Expedition Group for junior high school students to learn about the importance of protecting the natural environment through environmental learning and tree-planting experiences, specifically by visiting the headwaters of the Watarase River and the former Ashio copper mine site.



Eco-Kids Camp



Environmental Expedition Group

As a subsidy program, in November 2019, 14 schools were commended among the elementary schools, junior high schools, and high schools in Gunma Prefecture for their outstanding activities for environmental improvement and conservation, and they received the Gunma Bank Environmental Foundation Education Award. In March 2020, seven organizations were commended for outstanding achievements in conservation activities and research on the natural environment, and they received the Gunma Bank Environmental Foundation Award.



Education Award: Nature School (Release of Brook Trout) (Manba Elementary School, Kanna-machi)

Feature Article First Green Bond Issuance by a Regional Bank

We became the first regional bank in Japan to issue a green bonds in November 2019.

The Gunma Bank Group SDGs Declaration positions the conservation and creation of the global environment as one of the key issues for achieving a sustainable society and creating economic value. The Bank issued green bonds ahead of other regional banks to support customers who are undertaking measures for environmental conservation and the creation of a beautiful environment, as well as to raise awareness of the Bank's proactive efforts in the SDGs among a wide range of stakeholders.

Overview of the Green Bond

Name of the bond	5th Series of Unsecured Corporate Bonds with Early Redemption Clause (With an Exemption Clause in the Event of Bankruptcy and a Subordinated Clause) of the Gunma Bank, Ltd.
Issuance amount	10 billion yen
Issuance date	November 26, 2019
Interest rate	First five year: 0.37% per annum, following five years: 6-month Euro yen LIBOR +0.42%
Maturity	10 years (with early redemption clause)
Date of redemption	November 26, 2029
Interest payment date	May 26 and November 26 every year
Use of the funds	<p>The funds raised through the issuance of green bonds will be used to fund new and existing loans or expenditures that meet the following eligibility criteria.</p> <ul style="list-style-type: none"> Renewable energy <ul style="list-style-type: none"> • Solar power generation • Biomass power generation • Hydroelectric power generation business Energy efficiency <ul style="list-style-type: none"> • Renewal of LED lighting and air conditioning systems • Repair of buildings, etc. Clean transportation <ul style="list-style-type: none"> • Electric vehicles, fuel cell vehicles Green buildings <ul style="list-style-type: none"> • Construction, purchase, and repair of buildings that meet official standards Environmentally-friendly private placement bonds <ul style="list-style-type: none"> • Underwriting of private placements of bonds issued by companies engaged in an environmentally-friendly business

Reporting

[Reporting on status of allocation of funds]

The amount of funds allocated and unallocated for each use category and the amount of green bonds outstanding is disclosed on our website once a year.

[Impact reporting]

A CO₂ reduction impact report for each use category is disclosed on our website once a year. (The first report is scheduled to be released in November 2020.)

Our Green Bond Initiatives Have Been Highly Commended.



Bronze Medal in the 1st ESG Finance Awards Japan held by the Ministry of the Environment



Sustainable Finance Award at the 5th Sustainable Finance Awards held by the Research Institute for Environmental Finance



Social Contribution Activity Initiatives

At Gunma Bank, our mission is to be a good citizen and contribute to the development of local industry and culture and to the enrichment of people's lives, and we are committed to supporting the arts, culture, sports, and financial and economic education, in addition to the protection of local cultural heritage. In addition, for corporate customers, we provide fundraising support for private placement bonds that can either contribute to the achievement of the SDGs or support businesses to contribute to the achievement of the SDGs.

Initiatives for Social Contribution Activities

Sales of Investment Trusts that Support Cultural Heritage Conservation Activities

We work with the Tomioka Silk Mill, Silk Industrial Heritage Group Protection Activity Support Fund (nickname: Silk Inheritance of Gunma) that donates part of the trust fee received by the Bank and the trustee company for the protection of the World Cultural Heritage site of the Tomioka Silk Mill and Related sites.



Support for Arts and Cultural Activities

We support activities such as sponsoring regular concerts for the Gunma Symphony Orchestra.

The Gunma Symphony Orchestra is engaged in artistic activities closely connected to regional communities and contributes to the improvement of regional music culture by holding traveling music classes for elementary and junior high school students in addition to regular concerts.



Support for Sports Activities

The Gunma Bank Green Wings is participating in the V2 level of the Women's V. League. It won their first-ever V2 League championship with a record of 18 wins and three losses, beating the second-place finisher by a wide margin. Although the team lost in the exchange match against a V1 team, and their promotion to the V1 League was unfortunately postponed, they did a great job.

The team will continue to play in the V. League and other national-level competitions, as well as actively contribute to the local community through activities such as volleyball classes.



Many employees participate as volunteers in the management of marathons and sports events held in each district.

At the Gunma Marathon Race (November 3, 2019), 55 employees enthusiastically participated as volunteers to support 15,000 runners.



Support for Finance and Economics Education

In order to provide opportunities for high school students to enjoy learning about finance and the economy and acquire financial literacy while having fun, we hold the Gunma Tournament of the National High School Finance and Economics Quiz Championship "Economics Koshien."

This was the 8th tournament in Gunma Prefecture, and it was attended by 25 teams by a total of 50 students. The top six teams with the highest total points from the written and quick-press quizzes advanced to the finals. It was won by Gunma Prefectural Chuo Secondary School "GYM," which won the board quiz through knowledge and strategy.



50 high school students who participated in the Gunma Tournament

Gungin SDGs Private Placement Bond

In our funding support services for customers (companies) who wish to participate in activities that contribute to environmental protection, social contributions and achievement of the SDGs, we deal in private placement bonds in which part of the bond issuance fee received by the Bank will be donated to schools, local public bodies, and groups that work to achieve the SDGs.

In April 2019, we began dealing in private placement bonds that offer preferential fee treatment to customers who conduct businesses that help achieve the SDGs.



Creative wooden playground equipment donated to a child care center (Issuer of private placement bonds: Inter Zone Co., Ltd.)

Barrier-Free Initiatives

Installation of Communication Tools at All Branches

Various communication tools that can be used by customers who are elderly or those who need hearing or writing assistance are available at the counters of all sales branches, including hearing aids, ear mark plates, and writing boards for communication.

Introduction of a Remote Sign Language Interpretation Service

A remote sign language interpretation service was introduced at 26 banking outlets in June 2019. Operators who know sign language provide interpretation through a video call using a tablet with a special application installed.



Barrier-free ATMs

ATMs with handsets have been installed at all branches so that visually impaired or elderly customers can use ATMs smoothly. Operations such as deposits and withdrawals can be made according to the voice guidance from the handset placed next to the ATM. We are also proceeding with installing universal design ATMs so that customers using wheelchairs can easily access ATMs.

Barrier-free Support at Banking Outlets

We are promoting the creation of a banking service environment that is safe and convenient for the elderly or customers with disabilities, such as by eliminating steps inside and outside banking outlets, and installing parking areas convenient for disabled people and those in wheelchairs.

Other Initiatives

- The transfer fee at the counter for visually impaired customers will be the same as that for ATM transfer fees.
- For customers who are visually impaired or have difficulty reading, our staff will do the procedure by reading or writing on behalf of the customer.
- We will send notifications in braille by postal mail upon request from the customer.
- Braille business cards are used for visually impaired customers.
- Our website is equipped with a voice reading function.

Non-Financial Information Highlights (ESG/SDGs)

ESG	Stakeholder	SDGs declaration	Main initiatives	Specific initiatives	Main achievements	FY 2017	FY 2018	FY 2019				
Environment (E)	Regional community	Conservation and creation of the global environment	   	Environmental conservation initiatives through the core business	First green bond issuance by a regional bank Donations from the Natural Environment Protection Fund "Oze Kiko" Donations from the donation course of the shareholder benefits program	Issuance amount of 10 billion yen in November 2020 Allocated to the payment of loans for equipment for renewable energy Donations to Oze Preservation Foundation (total amount of 14,969 thousand yen)	-	-	-			
				The Gunma Bank Environmental Foundation	Educational activities (holding eco-kids camp, environmental expeditions) Subsidy programs (awarding of Foundation Prize and Education Prize)	Total number of participants Total amount of subsidies (Foundation Prize and Education Prize)	66 people 2,105 thousand yen	33 people 2,060 thousand yen	53 people 2,115 thousand yen			
				Initiatives to reduce the environmental impact	Energy-saving at banking outlets	Installed solar power generation and LED lighting when newly constructing banking outlets. Installed EV stands at the Head Office Sales Department parking lot	-	-	-			
				Social (S)	Customers	Sustainable development of regional economy	Solutions to management issues	Consulting practices based on business feasibility assessments Initiatives to resolve the challenges of business succession	Number of business feasibility assessment cases Number of business succession support cases	680	1,058	1,430
							Information provision and development of next-generation management leaders	Activities of the Gunma Bank Management Club Provision of useful management information	Number of members Number of seminars and study sessions held (times/participants)	10,216 people	12,067 people	13,212 people
Consulting according to life events such as marriage, education, and home purchase Proactive response to increasing needs of senior citizens	Housing loan balance Number of will trust and liquidation of inheritance property services provided	1,314.8 billion yen	1,317.0 billion yen					1,312.4 billion yen				
Initiatives to increase the assets of customers	Implementation of customer-oriented, asset building initiatives Development of specialized human resources	Balanced product ratio in investment trust balance Number of people acquiring Level 1 FP qualification	32.9%				37.7%	47.8%				
	Support for digitalization	Fincross DIGITAL initiatives Cashless payment initiatives	Main development projects Online payment and digital money partnerships				Intra-bank document search system (April 2019) and financial product recommendation system (October 2019) J-Coin, PayPay, Merpay, LinePay, etc.					
Regional community		Promotion of sports in the community	Activities of the Gunma Bank Green Wings in the V. League Holding of the Gungin Cup Mothers' Volleyball Team Competition				Women's V. League V2 level achievements Competition by 30 teams that qualified for the regionals	Championship 5th competition (March 18 and 19)	Third 6th competition (March 10 and 11)	Championship 7th competition (May 18 and 19)		
	Promotion of art and culture in the community		Support for the Gunma Symphony Orchestra Donations from the Silk Inheritance of Gunma investment trust		Support four of the regular performances as a sponsor or supporting member every year Donations to Gunma Prefecture World Heritage, Gunma Silk Inheritance Succession Fund (total amount of 6,814 thousand yen)		- 1,566 thousand yen	- 1,256 thousand yen	- 1,022 thousand yen			
		Improve financial literacy in the community	Donations from the donation course of the shareholder benefits program (conducted from the fiscal year ended March 31, 2019) Donations from SDGs private placement bonds		Number/amount of donations from SDGs private placement bonds (348 total donations/62,052 thousand yen)		- 110 donations/23,472 thousand yen	- 99 donations/16,513 thousand yen	43 thousand yen 114 donations/16,408 thousand yen			
	Employees		Promotion of a variety of human resources into active positions		Holding the Gunma Tournament of the National High School Finance and Economics Quiz Championship "Economics Koshien" Financial education classes at high schools		Number of teams/number of participants Number of classes conducted	28 teams/56 people 14 classes	30 teams/60 people 18 classes	25 teams/50 people 15 classes		
Support for women, elderly, and young employees Acquisition of various certifications Proactive approach to health and productivity management		Percentage of female manager Acquired Platinum Kurumin (2017) and Eruboshi (highest grade 3) certification (2018) Acquisition of certification as an Excellent Health and Productivity Management Enterprise 2020 (White 500) (March 2020)			8.5% - -		10.0% - -	11.2% - -				
Management		Improving corporate governance		Improving the effectiveness of the Board of Directors Reviewing of the directors' remuneration system	Structure with three outside directors (including one female outside director) from June 2020 Transition to a restricted share remuneration plan	-	-	-				
	Shareholders		Communication with shareholders and investors	Conducting IR activities Provision of shareholder returns linked to business performance	Number of briefing sessions for investors Ratio of total payout to shareholders	13 times 40.1%	13 times 41.9%	11 times 47.2%				

Corporate Governance

Basic Perspective

While always keeping in mind the development of regional communities, the Bank's basic policy is to respond appropriately to the financial needs of customers, enhance corporate value by ensuring asset soundness and strengthening its profitability, and to be highly evaluated by shareholders and the market. To realize this basic policy, we have positioned the enhancement of corporate governance as the most important management challenge, and are working on the following three points:

- (1) Decision-making for appropriate management and establishment of an efficient business operations system
- (2) Enhancement of compliance and risk management systems that form the basis of sound management
- (3) Timely and appropriate disclosure of corporate information and active IR activities aimed at transparent management

Corporate Governance System

The Bank has a corporate auditor system with the five members of the Audit and Supervisory Board (including three Outside Auditors).

The Board of Directors consists of nine Directors, including three Outside Directors.

To achieve our management goals, we believe that it is effective to enhance the corporate auditor system by appointing Inside and Outside Auditors, as well as to strengthen management oversight functions by the presence of Outside Directors and Outside Auditors.

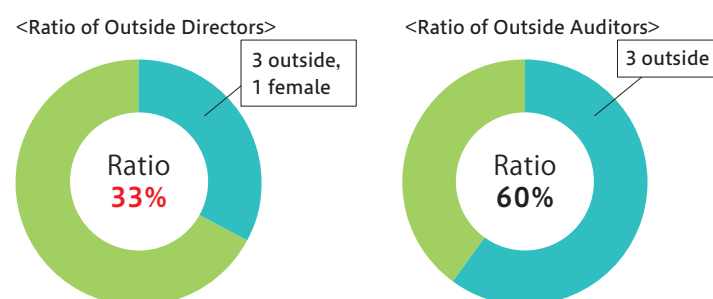
Outside Directors are responsible of management oversight for the Board of Directors, and Outside Auditors are responsible of the auditing in the corporate auditor system, and all have the role of management monitoring and supervising for corporate governance.

In addition, to enhance corporate governance and manage oversight functions of the entire Group, the Group Management Meeting is held every six months to report and discuss management policies and operational status of each Group company on the executive level.

Governance Strengthening Initiatives

In our self-evaluation of the effectiveness of the Board of Directors as a whole, we have shared the issue of the composition of the Board of Directors, and have been considering the ratio of Outside Directors, and inviting female Directors and legal experts. In 2020, we appointed one female Outside Director with extensive experience and insight into corporate management, bringing the number of Outside Directors to three out of nine Directors, or one third.

In addition, we appointed one Outside Auditor who has extensive experience as an attorney and specialized knowledge of legal matters overall. We are working to ensure that the Board of Directors as a whole has a diversity of knowledge, experience and capabilities, and that its functions are performed effectively and efficiently.



Fiscal Year	Main Initiatives
2001	• Introduction of executive officer system
2005	• Appointment of Outside Directors
2010	• Designation of independent board members
2012	• Introduction of share remuneration-type stock options
2015	• Start of effectiveness assessments for Board of Directors
2018	• Establishment of the Nomination and Compensation Advisory Committees
2019	• Release of basic policy for executive remuneration • Introduction of "Restricted Share Remuneration Plan and Performance-linked Share Remuneration Plan"
2020	• Appointment of one female Outside Director

Board of Directors

The Board of Directors consists of six Inside Directors and three Outside Directors (one third of total are Outside Directors), makes decisions on basic management-related matters and important business operations, and supervises the performance duties of each Director.

In order to execute important business operations based on management policies determined by the Board of Directors, the Executive Committee, which is a consultative body to the President, meets once a week in principle to conduct thorough deliberations for decision-making to ensure prompt and smooth execution.

The term of Directors is limited to one year to build a management system that can respond more quickly to changes in the business environment.

In nominating Outside Director candidates, we are

strongly aware that the structure of the Board of Directors should consist of members with diverse values and perspectives based on different types of knowledge, experience, and attributes.

Nomination and Compensation Advisory Committees

In order to establish a system in which Independent Outside Directors are appropriately involved in the decision-making process for nomination and remuneration of the Directors, to increase the objectivity and transparency of the process, and to enhance corporate governance, the Nomination Advisory Committee and the Compensation Advisory Committee were established as advisory bodies to the Board of Directors. The majority of the members of both committees are independent Outside Directors.

Audit & Supervisory Board

The Audit & Supervisory Board meets once a month in principle, and its members make decisions based on discussions on how to resolve various issues. Additionally, each member of the Audit & Supervisory Board reports on the results of audits, and shares information, and exchanges opinions with the others when necessary.

Also, the Audit & Supervisory Board Office consisting of dedicated staff members, has been set up directly under the Audit & Supervisory Board, and is working to maintain a more effective audit system.

The members of the Audit & Supervisory Board conduct audits in accordance with the auditing policies, audit plans and audit duties established by the Audit & Supervisory Board in accordance with the Audit & Supervisory Board Member Auditing Standards. The performance of duties by the Directors is monitored and verified through attendance at board meetings and other important meetings, audits of the headquarters, visits to branch offices, investigations of Group company operations, examinations of important documents, and surveys of the operations and assets of the Bank. In addition, the Company is working to share awareness of management policies, management issues and important auditing issues by meeting regularly with the President, Outside Directors and the Accounting Auditor.

Executive officer system

The Bank has adopted an executive officer system to enhance corporate governance and separate management decision-making from business operations and promote the role of the Board of Directors.

Accounting audit

Our accounting auditor, Ernst & Young ShinNihon LLC conducts accounting audits in accordance with the Companies Act and the Financial Instruments and Exchange Act. There are no special interests between the executive officers of Ernst & Young ShinNihon LLC and the Bank.

- Accounting audit fee for fiscal year 2019 paid by us: 66 million yen
- Total amount of remuneration paid by our Group: 89 million yen

Internal audit

For internal audits, the Inspection & Audit Department, which is independent from the departments to be audited, conducts annual audits of the entire Group based on an audit plan determined by the Board of Directors.

Support system for Outside Directors and Outside Auditors

The Secretariat, which is responsible as the secretariat of the Board of Directors, has a key role in supporting Outside Directors while distributing materials for the Board of Directors meetings in advance by the tablet. In order to allow for sufficient time to prepare for deliberations, the Outside Directors receive the materials at the same time as Inside Directors. Along with supplying information on the Bank's new initiatives in advance, they are also provided with opportunities for information exchange with the President and Auditors. Through these efforts, we are working to create an environment where the Outside Directors can always make useful recommendations to the Board.

Outside Audit & Supervisory Board members are also provided with the materials for the Board of Directors in advance, and the dedicated staff in the Audit & Supervisory Board Members' Office offers necessary support for auditing operations by distributing materials for the Audit & Supervisory Board meetings in advance. In addition, at the Audit & Supervisory Board, the standing Auditors explain the agenda of the Board of Directors meetings and minutes of the Executive Committee meetings in detail to the Outside Auditors

to share information such as reports on the status of audits conducted by the standing Auditors.

Evaluation criteria for independence of Outside Directors and Outside Auditors

Candidates for Outside Director or Outside Auditor of the Bank are deemed to be independent from the Bank when they do not come under any of the following conditions:

- (1) A person whose main business partner is the Bank, or, if it is a corporate or legal entity, its executive officer,
- (2) A person who is a major business partner of the Bank, or, if it is a corporate or legal entity, its executive officer,
- (3) A consultant, professional accountant or legal professional who has gained a "large amount" (Note 1) of fees or other properties in addition to executive remuneration from the Bank,
- (4) A person who "recently" (Note 2) fell under (1), (2), or (3), and
- (5) A "close relative" (Note 4) of a person who falls under any of the following items from A to D (excluding those who are not considered "important" (Note 3)).

- A . A person who falls under (1) to (4) above
- B . An executive officer of the Bank's subsidiary
- C . A director who is not an executive officer of the Bank's subsidiary
- D . A person who "recently" fell under B or C above or was an executive officer of the Bank

Note 1: "Large amount" refers to an amount of 10 million yen or more on average over the past three years.

Note 2: "Recently" can be regarded as being almost equal to "presently." For example, at the time when the content of the proposals was determined for the General Meeting of Shareholders where the person was elected as an Outside Director or Outside Auditor.

Note 3: "Important" refers to those who are directors, general managers and the like (executive officers); and certified public accountants and lawyers (accounting professionals and legal experts).

Note 4: "Close relative" refers to first and second-degree relatives.

Ensuring the effectiveness of the Board of Directors

We analyze and evaluate the effectiveness of the entire Board of Directors based on self-evaluation of the Directors and Auditors regarding items such as composition of the Board of Directors, operational status, support system, deliberations, roles and responsibilities, and communications with shareholders.

At the meeting of the Board of Directors in March 2020, we confirmed that the effectiveness of the Board of Directors was secured.

With regard to the issue of "Encouraging spirited discussions at the meeting of the Board of Directors," which had been shared with the Board of Directors as an issue, the Board of Directors commended the fact that the Outside Directors and Outside Auditors were able to engage in lively discussion based on their experience and knowledge, and recognized that securing time for deliberation on important management themes is an issue that must be continued. Regarding the issue of "Reviewing the composition of the Board of Directors," which was also shared by the Board of Directors, the Board of Directors recognized the need to consider inviting women and legal experts to serve as outside board members in consideration of diversity, expertise and the ratio of the internal composition of Directors.

In light of these issues, we have appointed one female Outside Director who has extensive experience and knowledge of corporate management, and one Outside Auditor who has extensive experience as an attorney and specialized knowledge of legal matters overall to serve as Outside Directors in 2020.

Executive remuneration

We reviewed the executive remuneration system to urge the management to make further efforts from the same perspective as shareholders and to give them an incentive to improve the Bank's sustainable business performance and value. We abolished the conventional Share Remuneration-type Stock Option Plan and introduced a Restricted Share Remuneration Plan and Performance-linked Share Remuneration Plan. (Resolved at the General Meeting of Shareholders in June 2019)

The remuneration of the Directors, excluding the Outside Directors, is comprised of fixed-amount remuneration, bonus, and share remuneration. The Outside Directors and Auditors receive only fixed-amount remuneration, taking into account that they are required to play a role of auditing and supervising.

The remuneration limit was determined by the resolutions of the General Meeting of Shareholders in 2012 and 2019 as follows:

<Remuneration Limit>

	Fixed-amount remuneration	Bonus	RS and PS
Director	Total 360 million yen per year		120 million yen per year
Auditor	80 million yen per year	—	—

Note: RS stands for "Restricted Share Remuneration," and PS stands for "Performance-linked Share Remuneration."

<Total amount of remuneration, etc. by board member category, total amount by type of remuneration, etc., and number of eligible board members>

Current fiscal year (from April 1, 2019 to March 31, 2020)

Board member category	Total compensation (millions of yen)					Number of eligible board members (people)
	Monthly compensation (non-performance linked)	Bonus (performance linked)	Stock compensation with transfer restrictions (non-performance linked)	Performance share (performance linked)		
Directors (excluding Outside Directors)	315	199	61	54	—	10
Auditors (excluding Outside Auditors)	43	43	—	—	—	2
Outside board members	34	34	—	—	—	5

(Note) 1. The number includes three Directors and one outside board member who retired during the current fiscal year.
2. The standard amount of monthly remuneration, bonuses and restricted share remuneration is determined by position.

Basic policy for executive remuneration

We formulated the "Basic policy for executive remuneration," and the Bank determines the Directors' and Auditors' remuneration in accordance with the perspectives and procedures based on this policy.

Basic policy for executive remuneration

1. Basic perspective on the directors' remuneration system

- In order to create a directors' remuneration system that contributes to realization of the Bank's management policy, our basic perspective on the directors' remuneration system is based on the principles of the Corporate Governance Code as follows:

- #1 To further motivate the Directors to contribute to sustainable growth of the Bank and increase the corporate value of the Bank over the mid- to long-term,
- #2 To share profit awareness with shareholders and raise management awareness focusing on shareholders,
- #3 To maintain proper linkage with business performance and give a sound incentive,
- #4 To avoid inappropriate risk taking,
- #5 To be able to hire or secure excellent managerial talent,
- #6 Because the Directors are primarily responsible for the performance of the entire Bank, individual evaluation for incentive remuneration is more focused on contributing to the overall performance of the Bank than the performance of the business in which the Director is in charge, and
- #7 To show an objective and transparent decision-making process.

2. Governance for determining remuneration

- In accordance with the regulations set forth separately, the Board of Directors determines the following items based on the advice and recommendations from the Compensation Advisory Committee consisting of three or more members (at least half of them are Independent Outside Directors) after the committee has deliberated the items in response to the request by the Board of Directors.

- #1 Proposal for the General Meeting of Shareholders on Director and Auditor Remuneration,
- #2 Policy for remuneration of Directors (including this policy),
- #3 Remuneration system for Directors (including amount of remuneration by individuals),
- #4 Items such as policies needed when deliberating each of the above items, which are deemed necessary by the Compensation Advisory Committee, and
- #5 Remuneration for Auditors is determined through discussions by the Audit & Supervisory Board Members.

3. Remuneration structure

(1) Directors, excluding Outside Directors

[Summary of remuneration structure]

Features of remuneration	Base remuneration	Variable remuneration		
		Short-term incentive remuneration	Mid- to long-term incentive remuneration	
Cash/Share	Cash remuneration		Share remuneration	
Performance-linked remuneration	Non-performance-linked remuneration	Short-term performance-linked remuneration	Non-performance-linked remuneration	Mid- to long-term performance-linked remuneration
Type of remuneration	Monthly remuneration	Bonus	Restricted share	Performance-linked share

- The executive remuneration for individuals shall be set at a ratio of 3:1:1 in the following order: 1) Base remuneration, 2) Short-term incentive remuneration, and 3) Mid- to long-term incentive remuneration, taking into account the absolute amount of remuneration.

(2) Outside Directors and Auditors

- Remuneration for Outside Directors and Auditors shall consist of only base remuneration, considering their role and independent status.

4. Remuneration level

- The Bank determines the appropriate amount of remuneration based on its business performance, the environment surrounding the Bank, social and economic conditions, and industry trends.
- Also, as a leading company in the region, we are aware of the appropriate level of remuneration received by executives of regional businesses through survey data from obtained by regularly participating in surveys conducted by external research organizations (so-called executive remuneration survey, etc.) and use this information as a reference in determining our own remuneration.

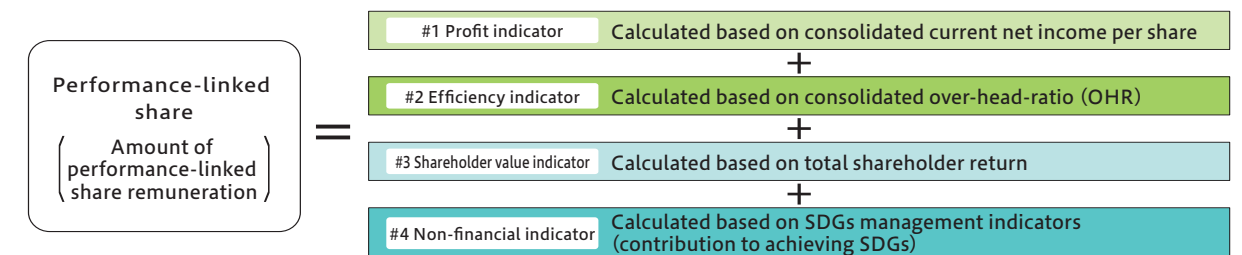
5. Performance-linked remuneration

(1) Bonus

- Due to the nature of short-term incentive remuneration, consolidated current net income is adopted as an evaluation indicator with the aim of increasing motivation to contribute to business performance for each fiscal year. For the performance-linked portion, the amount of remuneration is determined within the range of 0 to 200% depending on the status of achievement of consolidated current net income.

(2) Performance-linked share

- The following four indicators are adopted as evaluation indicators, with the aim of enhancing corporate value over the mid- to long-term as well as sharing profit awareness with shareholders and raising management awareness that values the shareholders. The amount of remuneration is determined within the range of 0 to 200% depending on the status of achievement.



- In principle, the Bank issues the Bank's common shares equivalent to the above remuneration in each fiscal year after being reasonably adjusted in accordance with the executive tenure during the evaluation period (the immediately preceding three fiscal years).

[Evaluation indicators to calculate the amount of remuneration for performance-linked share]

- #1 Consolidated earnings per share (EPS/Earnings Per Share)
We have set profit as our number one indicator for measuring medium- to long-term results, and we have set consolidated EPS, which is a key indicator for shareholders, as our benchmark.
- #2 Consolidated over-head-ratio (OHR/Over Head Ratio)
We will use consolidated OHR, which is also a key indicator in the numerical targets of our medium-term management plan, as a benchmark.
- #3 Total shareholder return (TSR/Total Shareholders Return)
The Bank's shareholder value index, which shows the return on investment, will be used to raise awareness of the benefits to shareholders and the importance of shareholder-oriented management.
- #4 SDGs management indicator (indicator that measures our contribution to achieving the SDGs)
The Bank's evaluation indicators will be selected from among management indicators associated to the seven goals set out in our SDGs declaration.

6. Perspective on the forfeiture and recovery clauses for remuneration

- To prevent excessive risk taking and ensure the soundness of management, and to prevent serious scandals, such as accounting fraud or significant corrections required for past fiscal year financial statements, which may be caused by excessive incentives, we established the clauses (Clawback clause and Malus clause) for the recovery and forfeiture of all or part of the share remuneration in the event of the circumstances.

7. Perspective on holding treasury shares

- In order to share awareness of the interest with shareholders and raise awareness of management with the emphasis on shareholders, we introduce share remuneration to the Directors, excluding Outside Directors, and encourage them to hold a certain amount or more of the Bank's treasury shares depending on their positions.

8. Disclosure policy

- We release this disclosure policy publicly to the stakeholders appropriately through media and the following disclosure materials: securities reports, reference documents for the General Meeting of Shareholders, reports on corporate governance, our website, etc.

Executives

Directors



Kazuo Saito

Chairman

Apr. 1972 Joined the Bank
Jun. 1995 General Manager, Ota-nishi Branch
Apr. 1998 Senior Deputy General Manager, Cooperate Planning Department
Jun. 2001 Secretariat General Manager
Jun. 2003 General Manager, Tokyo Branch
Jun. 2004 General Manager, Credit Department

Jun. 2005 Director, Executive Officer and General Manager, Credit Department
Jun. 2006 Managing Director and General Manager, Credit Department
Jun. 2007 Managing Director
Jun. 2009 Senior Managing Director
Jun. 2011 President
Jun. 2019 Chairman (current position)



Akihiko Fukai

President

Apr. 1984 Joined the Bank
Jun. 2003 General Manager, Osaka Branch
Jun. 2005 General Manager, Kiryu Branch
Jun. 2007 General Manager, Ota Branch
Jun. 2009 General Manager, Risk Management Department
Jun. 2011 General Manager, Corporate Planning Department

Jun. 2013 Director and General Manager, Corporate Planning Department
Jun. 2014 Managing Director and General Manager, Business Planning & Administration Department
Jun. 2015 Managing Director
Jun. 2017 Senior Managing Director
Jun. 2019 President (current position)



Nobuyuki Horie

Director and Executive Vice President

Apr. 1978 Joined the Bank
Feb. 2000 General Manager, Fukaya-Kamishiba Branch
Mar. 2002 Deputy General Manager, Personnel Department
Jun. 2004 Senior Deputy General Manager, Personnel Department
Jun. 2005 General Manager, Kumagaya Branch
Jun. 2007 General Manager, Corporate Banking Department
Jun. 2009 Executive Officer and General Manager, Utsunomiya Branch

Jun. 2011 Executive Officer and General Manager, Personnel Department
Jun. 2012 Director, Executive Officer and General Manager, Personnel Department
Jun. 2013 Director and General Manager, Personnel Department
Jun. 2014 Managing Director and General Manager, Compliance Department
Jun. 2015 Managing Director
Jun. 2017 Senior Managing Director
Jun. 2019 Executive Vice President (current position)



Yukio Yuasa

Managing Director

Apr. 1983 Joined the Bank
Oct. 2002 General Manager, Fukiage Branch
Aug. 2005 Deputy General Manager, Personnel Department
Jul. 2006 Deputy General Manager, Business Planning & Administration Department
Jun. 2008 Senior Deputy General Manager, Business Planning & Administration Department and General Manager, Business Strategy Office
Jun. 2009 General Manager, Omiya Branch

Jun. 2011 General Manager, Personal Financial Assets Department
Oct. 2012 General Manager, Personal Banking Department
Jun. 2014 Executive Officer and General Manager, Personnel Department
Jun. 2016 Dispatched, treated as Executive Officer; President, Gungin Securities Co., Ltd.
Jun. 2017 Dispatched, treated as Managing Executive Officer; President, Gungin Securities Co., Ltd.
Jun. 2019 Managing Director (current position)



Satoshi Inoue

Managing Director

Apr. 1983 Joined the Bank
Feb. 2003 General Manager, Nakaizumi Branch
Jun. 2005 General Manager, Musashi-urawa Branch
Apr. 2007 Senior Deputy General Manager, Tokyo Branch
Feb. 2010 General Manager, Tomioka Branch

Jun. 2011 General Manager, Corporate Banking Department
Jun. 2014 Executive Officer and General Manager, Takasaki Branch
Jun. 2017 Managing Executive Officer and General Manager, Business Planning & Administration Department
Jun. 2019 Managing Director (current position)



Hiroyuki Irisawa

Managing Director

Apr. 1984 Joined the Bank
Oct. 2003 Administration Deputy Manager, Takasaki Branch
Jun. 2005 Chairman, Opening Preparation Committee, Tokorozawa Corporate Sales Office (Sub-branch)
Oct. 2006 General Manager, Tokorozawa Branch
Dec. 2006 Deputy General Manager, Credit Department

Jun. 2009 Manager, Internal Review Office, Credit Department
Jun. 2011 General Manager, Kumagaya Branch
Jun. 2014 General Manager, General Affairs Department
Jun. 2016 Executive Officer and General Manager, Corporate Planning Department
Jun. 2018 Managing Executive Officer and General Manager, Corporate Planning Department
Jun. 2019 Managing Director (current position)



Eiji Muto

Outside Director

Jul. 1971 Joined the Bank of Japan
May 1993 General Manager, Shimonoseki Branch, Bank of Japan
Sept. 1998 General Manager, Examination Department, Bank of Japan
May 2000 General Manager, Nagoya Branch, Bank of Japan
Feb. 2002 Director, Bank of Japan

Jun. 2006 Chairman, NTT Data Management Laboratories, Inc.
May 2007 Outside Corporate Auditor, Takashimaya Co., Ltd. (current position)
Jun. 2010 Outside Director, Mizuho Trust & Banking Co., Ltd.
Nov. 2010 Chairman, Organization for Promoting Urban Development
Jun. 2015 Director of the Bank (current position)



Jun Kondo

Outside Director

Apr. 1976 Joined Fuji Heavy Industries Ltd. (present Subaru Corp.)
Jun. 2003 Executive Officer, Chief General Manager, Subaru Manufacturing Division, and Plant Manager, Gunma Plant of the Company
May 2004 Executive Officer, Chief General Manager, Subaru Cost Planning and Management Department, and General Manager, Cost Planning Department of the Company
Jun. 2004 Managing Executive Officer, Chief General Manager, Subaru Cost Planning and Administration Division of the Company
Jun. 2006 Managing Executive Officer, Chief General Manager, Subaru Cost Planning and Administration Division and Vice General Manager, Subaru Purchasing Division of the Company

Apr. 2007 Managing Executive Officer, Chief General Manager, Strategy Development Division, and Chief General Manager, Subaru Cost Planning & Management of the Company
Jun. 2008 Director, Senior Managing Executive Officer, and Chief General Manager, Strategy Development Division of the Company
Apr. 2009 Director and Senior Managing Executive Officer of the Company
Jun. 2010 Outside Director, Gunma Television Co., Ltd.
Jun. 2011 Executive Vice President, Subaru Corp.
Jun. 2016 Director of the Bank (current position)
Jun. 2017 Chairman, Subaru Corp.



Kuniko Nishikawa

Outside Director

Apr. 1986 Joined Citibank, N.A.
Feb. 1996 Joined A.T. Kearney
Sept. 2000 President, Super Nurse Co., Ltd.
Aug. 2010 President, FIRSTSTAR Healthcare Co., Ltd. (current position)
Apr. 2013 Outside Director, Regional Economy Vitalization Corporate of Japan
Jun. 2013 President, Benesse MCM Corp.

Jun. 2015 Outside Director, OMRON Corporation
May 2017 President, FRONTEO Healthcare, Inc.
Jun. 2018 Outside Corporate Auditor, AIG Japan Holdings KK
Jun. 2020 Director of the Bank (current position)
Jun. 2020 Outside Director, Solasto Corp. (current position)
Jun. 2020 Outside Director, AIG Japan Holdings KK (current position)

Executives

Audit & Supervisory Board Members



Noriyuki Watanabe Standing Audit & Supervisory Board Member

Apr. 1983	Joined the Bank	Jul. 2013	General Manager, Shibukawa Branch
Aug. 2006	Deputy General Manager, Corporate Planning Department	Jun. 2015	Executive Officer and General Manager, Compliance Department
Jun. 2007	Deputy General Manager, Inspection & Audit Department	Jun. 2016	Executive Officer and General Manager, Personnel Department
Jun. 2009	General Manager, Takasaki-kita Branch	Jun. 2018	Standing Audit & Supervisory Board Member (current position)
Jun. 2011	General Manager, Secretariat		



Shinya Koitabashi Standing Audit & Supervisory Board Member

Apr. 1984	Joined the Bank	Jun. 2014	General Manager, Corporate Banking Department
Aug. 2007	Deputy General Manager, Inspection & Audit Department	Jun. 2016	General Manager, General Affairs Department
Jun. 2008	Senior Deputy General Manager, Kencho Branch	Jun. 2017	Executive Officer and General Manager, General Affairs Department
Feb. 2010	Senior Deputy General Manager, Personal Financial Assets Department	Jun. 2019	Managing Executive Officer and General Manager, General Affairs Department
Jun. 2012	General Manager, Kencho Branch	Jun. 2020	Standing Audit & Supervisory Board Member (current position)



Kaneo Fukushima Outside Audit & Supervisory Board Member

Apr. 1972	Joined Gunma Prefectural Office	Apr. 2008	Superintendent of Education, Gunma Prefectural Board of Education
Apr. 1997	General Manager, Tomioka Finance Office of Gunma Prefecture	Jun. 2012	Chairman, Gunma Prefecture Foundation for Education and Culture
Apr. 2003	Executive Director, Gunma Prefectural Hospitals Bureau	Jun. 2012	Director, Gunma Symphony Orchestra
Nov. 2007	Executive Director, Gunma Prefectural Department of General Affairs	Jun. 2014	Audit & Supervisory Board Member of the Bank (current position)



Makoto Tanaka Outside Audit & Supervisory Board Member

Apr. 1978	Joined Tokio Marine & Fire Insurance Co., Ltd.	Jul. 2010	Director, The Japanese Institute of Certified Public Accountants Tokyo Chapter
Aug. 1993	Registered as a certified public accountant; Opened Makoto Tanaka Certified Public Accountant Office	Nov. 2010	Vice President, Shibukawa Chamber of Commerce and Industry (current position)
Nov. 1993	Registered as a certified tax accountant	Mar. 2016	Established Susei Audit Corporation; Representative Partner (current position)
Mar. 1998	Established Suiran Joint Certified Public Accountant Office; Representative certified public accountant	Jun. 2016	Audit & Supervisory Board Member of the Bank (current position)
Sept. 2002	Established Tanaka Tax Accounting Office (currently Tucks Tax Accounting Office); Representative certified tax accountant (current position)	Jun. 2016	Outside Audit and Supervisory Board Member, Hochiki Corp. (current position)
Apr. 2007	Comprehensive External Auditor, Gunma Prefecture		



Yasuo Kamiya Outside Audit & Supervisory Board Member

Apr. 1981	Registered as a lawyer (Gunma Bar Association)	Jul. 2012	Member of the Gunma Prefectural Public Safety Commission
Apr. 1983	Established Kamiya Law Office (currently Ryomo Law Office) (current position)	Jul. 2014	Chairman, Gunma Prefectural Public Safety Commission
Oct. 2003	Member of Dispute Coordinating Committee, Gunma	Nov. 2018	Chairman, Gunma Prefectural Pollution Review Board (current position)
Apr. 2008	Chairman, Gunma Bar Association; Executive Governor, Japan Federation of Bar Association; Managing Director, Kanto Federation of Bar Association	Jun. 2020	Audit & Supervisory Board Member of the Bank (current position)
Nov. 2009	Member of Gunma Prefectural Pollution Review Board (current position)		

Executive officers

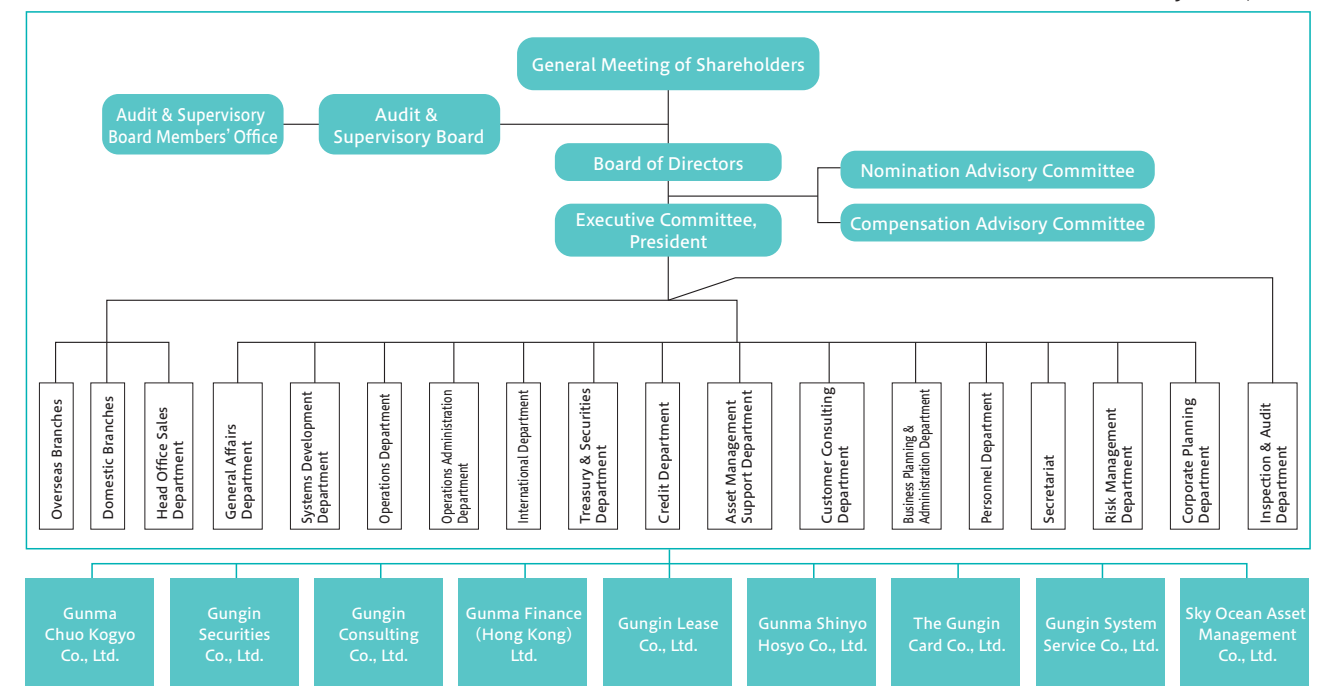
Managing Executive Officer	General Manager, Business Planning & Administration Department	Akihiko Horie
Managing Executive Officer	General Manager, Inspection & Audit Department	Keita Muto
Managing Executive Officer	General Manager, Personnel Department	Akihiro Goto
Managing Executive Officer	General Manager, Head Office Sales Department	Tsutomu Takei
Managing Executive Officer	General Manager, Takasaki Branch	Nobuyuki Kitamura
Managing Executive Officer	General Manager, Corporate Planning Department	Takeo Uchibori
Managing Executive Officer	General Manager, Tokyo Branch	Atsushi Hirota
Managing Executive Officer	General Manager, Omiya Branch	Kimitoshi Mashimo
Executive Officer	General Manager, Systems Development Department	Naofumi Arisaka
Executive Officer	General Manager, Treasuries & Securities Department	Yasuhiro Morijiri
Executive Officer	General Manager, Ota Branch	Yoshihisa Okada
Executive Officer	General Manager, Credit Department	Satomi Nagaoka
Executive Officer	General Manager, Risk Management Department	Hideyuki Saito
Executive Officer	General Manager, Isesaki Branch	Takashi Ishizeki
Executive Officer	General Manager, General Affairs Department	Takeshi Hasegawa

Findings of Outside Directors and Auditors

Position	Name	Term of office	Number of concurrent positions at listed companies	Expertise				
				Corporate management	Finance	Financial accounting	Legal	Administration
Directors	Eiji Muto	5 years	1 company		●			
	Jun Kondo	4 years	—	●				
	Kuniko Nishikawa	New	1 company	●	●			
Audit & Supervisory Board Members	Kaneo Fukushima	6 years	—					●
	Makoto Tanaka	4 years	1 company			●		
	Yasuo Kamiya	New	—				●	

Organization Chart

(as of June 30, 2020)



Compliance Management System

With a view to fulfilling the social responsibility and public mission of a bank, it is indispensable to establish and implement a compliance management system. Thus, we regard compliance as one of the most important management tasks and will work together with all of our executives and employees to foster a corporate culture that emphasizes the importance of compliance.

Compliance Management System

The Board of Directors is the highest organization responsible for compliance, and its authorized Compliance Committee deliberates on important matters related to compliance. In addition, managers and personnel in charge of compliance are assigned to all departments and branches to ensure thorough compliance by raising compliance awareness of the executives and employees and providing educational guidance to them. The Risk Management Department that oversees compliance, centrally manages compliance-related matters, and strives to develop and establish a system for compliance with applicable laws and regulations and a management system to protect our customers.

Compliance in Practice

In order to put our “Corporate Philosophy” into practice, we have established “Corporate Ethics” as a basic policy for compliance and “Action Guidelines” as the criteria for compliance.

All executives and employees are provided with “Compliance Guidelines” summarizing all matters considered to be necessary for practicing compliance, including “Corporate Ethics” and “Action Guidelines.” In addition, the “Compliance Action Plan,” which is a specific practical plan for fulfilling compliance requirements, is formulated annually by the Board of Directors, based on which measures should be taken. We are striving to further enhance and reinforce our compliance practices, such as checking and monitoring compliance status and conducting consultations and guidance by visiting branches.

Contents of “Corporate Ethics” and “Action Guidelines”

[Corporate Ethics]

1. Awareness of social responsibility and public mission
2. Strict compliance with laws and regulations
3. Transparency in management and openness to society
4. Measures to deal with anti-social forces (crime syndicates)

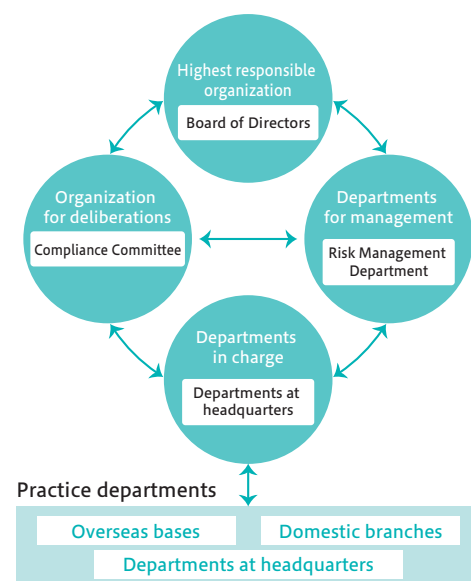
[Action Guidelines]

1. Understanding and complying with laws, regulations, and rules
2. Maintaining and improving confidence
3. Reporting, communicating, and consulting
4. Drawing a line between public and private matters
5. Honesty and sincerity in customer service
6. Steadfast actions against anti-social forces
7. Strict management of customer information
8. Prevention of money laundering

Themes of Training Sessions for Each Department and Branch (Second Half of FY 2019)

- October: Prevention of harassment
- December: Eradication of drunk driving
- February: Internal whistleblowing system

Compliance system



Internal Whistleblowing System

We have established a system (Compliance Hotline) that allows all executives and employees to report violations of laws and regulations directly to the Risk Management Department and outside lawyers. This system has an important mechanism for protecting the confidentiality of whistleblowers and prohibiting disadvantageous handling of them, which results in ensuring the effectiveness of the system by protecting whistleblowers, and encouraging early detection of violations of laws and regulations.

Compliance Action Plan

The Board of Directors formulates a Compliance Action Plan every year as a specific practical plan for fulfilling compliance requirements.

In the Compliance Action Plan, the highest priority items are listed as common themes across the Bank.

The Compliance Committee confirms the implementation status of the Compliance Action Plan every quarter, and the Board of Directors confirms the implementation status of the plan every six months.

<FY 2020 Compliance Action Plan Bank-wide Common Themes>

1. Prevention of fraud
2. Eradication of harassment
3. Prevention of money laundering
4. Performance of accountability
5. Appropriate management of customer information

Measures to Protect Customers

In addition to announcing a “Customer Protection Management Policy,” the Bank assigns personnel in charge of customer protection management to each department and branch, allowing them to offer sufficient explanations about this to customers and handle consultations, requests, and complaints from customers in a timely manner. We are working to develop and establish an enhanced customer protection management system.

Our “Customer Support Office” handles customer complaints. In addition, we support the financial Alternative Dispute Resolution (ADR) system in which a designated dispute resolution organization settles conflicts from a fair and neutral position.

《Contacts and phone numbers for suggestions or complaints》

	Customer Support Office, Gunma Bank	Designated dispute resolution organization	
		Consultation Office, Japanese Bankers Association (JBA)	Investors Consultation Office, The Investment Trusts Association, Japan
Phone numbers	0120-203041 (Domestic toll free) +81-(0)27-252-1111 (key number)	0570-017109 (Navi Dial (NTT's Japan-wide call handling service)) +81-(0)3-5252-3772	0120-817335 (Domestic toll free) +81-(0)3-6206-3988
Reception time	09:00-17:00	09:00-17:00	09:00-17:15
Reception date	Monday to Friday (excluding public holidays and Dec 31-Jan 3)		

In April 2019, we also announced that we would conduct foreign exchange operations adequately in compliance with the Global Code of Conduct for Foreign Exchange and released publicly our “Basic Policy on Foreign Exchange Transactions,” which stipulates how to conduct foreign exchange transactions with customers and how to protect customer information within the transactions.

Measures to Protect Business Partner Information (Personal Information)

The Bank published a “Personal Information Protection Declaration” as our policy for appropriate

protection and use of personal information obtained in connection with our operations by assigning personnel responsible for managing and supervising business partner information, including personal information throughout the Bank, and developing and establishing a management system to implement meticulous safety management measures and supervise outsourcers.

To protect specific information on corporate entities acquired by executives and employees, we have established measures to communicate and manage such information, and aim to prevent unfair transactions using such information.

Measures to Manage Conflicts of Interest

Together with announcing a “Conflict of Interest Management Policy,” we perform our business operations so as not to unduly harm our customers’ profits, by properly managing transactions that may cause conflicts of interest between customers and the Bank or its Group as well as between customers of the Bank or its Group companies.

Severing Ties with Anti-social Forces

Unfair intervention by anti-social forces can lead to a decline in confidence of a bank, making it difficult to ensure the suitability and soundness of business operations.

Based on the importance of the social responsibility of a bank, we take a firm position against anti-social forces in accordance with the three principles of “Prevent access to our funds, prevent use of their funds, and do not fear such anti-social forces and groups.” We are working to suspend relationships with such anti-social forces.

Specifically, starting new solicitation and transaction activities for anti-social forces is banned, and transactions already made are reduced and eventually stopped when such transactions are discovered. In addition, we have introduced stipulations to exclude anti-social forces in contracts.

In order to eliminate unreasonable claims from anti-social forces and transactions with such groups, we ensure the safety of executives, employees and related parties. The Bank and its Group companies take measures together and cooperate, on a daily basis, with external organizations such as the police and lawyers.

Other Measures

The Bank has established “Guidelines for Gifts and Entertainment” to eliminate acts that may lead to suspicion, distrust, misunderstanding, and criticism from society, and maintains sincere, fair, and transparent relationships with our business partners, and will strive to prevent a loss of social trust and confidence. The guidelines stipulate the type of gifts and entertainment that the Bank may give and the type of gifts and entertainment that the Bank may receive from business partners.

Credit Risks

The nature of the risk, the degree of likelihood that the risk will materialize and timing of materialization, and the impact on business performance if the risk does materialize

- Credit risk refers to the possible loss that a bank may suffer because a bank's business partner or securities issuer cannot repay/redeem interest and/or principal as promised due to worsening business conditions, etc.
- The occurrence of unexpected nonperforming loans due to various factors such as the local economic situation in the local area (*1), business conditions of borrowers (*2), fluctuations in real estate prices and stock prices may increase the cost of disposing of nonperforming loans, which could have an adverse effect on the Bank's business performance.

*1. Local economic situation
The three prefectures of Gunma Prefecture, Saitama Prefecture, and Tochigi Prefecture are the Bank's core areas. Core areas account for more than 70% of the Bank's total loans and more than 90% of total deposits on a non-consolidated basis. A downturn in the economy in our core areas could have an adverse effect on the Bank's business performance.

*2. Loans to SMEs
The Bank has been working to increase its lending to SMEs and individuals. Although the Bank seeks to diversify risk by reducing the size of its loans to SMEs and individuals, trends such as the business performance of SMEs, falling prices of secured real estate, and the household budgets of individuals could have an adverse effect on the Bank's business performance.

Measures in response to risks

- At the Bank, asset-based lending accounts for the majority of credit risk, and ensuring the soundness of asset-based lending is an important task in managing credit risk in the future.
- In order to perform strict credit risk management, mutual checks on credit risks between related departments are necessary. At the Bank, the Risk Management Department is independent from the sales promotion departments and the examination departments, and plans and verifies the management system that forms the basis of credit risk management, such as a credit rating system, asset self-assessment, and amortization and depreciation system, which all work as a regular check function.

Market Risk

The nature of the risk, the degree of likelihood that the risk will materialize and timing of materialization, and the impact on business performance if the risk does materialize

- Market risk refers to the possible loss that a bank may suffer due to fluctuations in market factors such as interest rates, exchange rates, and share prices.
- Although the Bank manages securities appropriately while keeping a close eye on market trends, it may incur valuation losses on bonds including Japanese government bonds due to rising interest rates, foreign exchange losses due to fluctuations in foreign exchange rates, and stock write-downs due to declines in stock prices. As a result, it could have an adverse effect on the Bank's business performance.

Measures in response to risks

- For the departments in charge of market transactions, the department in charge of trading (front office) is separated from the department in charge of risk management and the department in charge of routine paperwork (middle and back offices) to provide a check and balance system.
- Our basic policy is to recognize the importance of impact of fluctuations in market factors for management and to take appropriate actions. In particular, bonds and shares are subject to price fluctuations, and therefore, we deal with them within the range of proper transaction size by determining suitable and sufficient risk assessment.

Liquidity Risk

The nature of the risk, the degree of likelihood that the risk will materialize and timing of materialization, and the impact on business performance if the risk does materialize

- Liquidity risk consists of cash flow risk and market liquidity risk.
- Cash flow risk means the possible loss that a bank may suffer if the Bank is unable to secure the necessary funds due to mismatches between operating and funding periods or unexpected capital outflows or is forced to raise funds at significantly higher rates than usual.
- Market liquidity risk refers to the possible loss that a bank may suffer due to an inability to trade because of market turmoil, etc. or a trade where the Bank is forced to accept significantly unfavorable price.
- The Bank could incur losses if it is not able to obtain the necessary funds or is forced to raise funds at significantly higher interest rates than usual due to changes in internal or external economic conditions or market conditions, or due to a decline in the creditworthiness of the Bank. For example, if liquidity risk materializes due to factors such as a credit rating downgrade, it could have an adverse effect on the Bank's business performance.

Measures in response to risks

- Our basic policy is to recognize the importance of impact of liquidity risk for the Bank. When liquidity risk becomes apparent, there arises a possibility of directly leading to management failure. We constantly assess the status of liquidity risk precisely.

Operational Risk

The nature of the risk, the degree of likelihood that the risk will materialize and timing of materialization, and the impact on business performance if the risk does materialize

- Operational risk is the possible loss that the Bank may suffer due to inadequate operational processes, activities of workers such as executives, employees, and temporary employees, and functions of systems, or exogenous events. The Bank divides operational risk into five categories in accordance with the organizational structure and content of operations.

- (1) Administrative risks
Failure to properly handle the administrative work associated with each type of transaction may result in accidents, which may result in the loss of financial assets or costs associated with restoring the property to its original condition, or a loss of public trust. This could have an adverse effect on the Bank's business performance.
- (2) Systems risk
In the event of a computer system outage or malfunction due to computer equipment or communication line failure, program malfunction or the destruction or leakage of information due to unauthorized use of a computer or external attack, settlement functions or service operations may be suspended, or public confidence may be damaged. This could have an adverse effect on the Bank's business performance.
- (3) Tangible asset risk
The occurrence of a natural disaster such as an earthquakes, social infrastructure damage such as a power outages or damage caused by crimes, terrorism, etc. to facilities owned by the Bank, such as branches, head office buildings, or computer centers, may interfere with the Bank's business operations. This could have an adverse effect on the Bank's business performance.
- (4) Human risk
Factors such as various problems in personnel management (such as remuneration, benefits, or termination) or discriminatory behavior (such as sexual harassment) could have an adverse effect on the Bank's business performance.
- (5) Legal risk
If the Bank fails to comply with laws, regulations, and contracts due to differences in interpretation of laws and regulations, deficiencies in legal procedures, violations of laws and regulations by the Bank or its executives and employees, etc., the Bank may be subject to penalties or compensation for damages. This could have an adverse effect on the Bank's business performance.

Measures in response to risks

- The Board of Directors has established a Basic Policy on Risk Management and Basic Regulations on Operational Risk, which stipulate basic matters concerning operational risk management. The Director in charge of the Risk Management Department is designated as the person in charge of supervising overall operational risks and the Risk Management Department is designated as the integrated operational risk management division. The Risk Management Department plans and supervises the overall management of operational risk under the direction and supervision of the director in charge, and each risk management-related department manages each risk from a specialized standpoint.

Disaster Risk, Infectious Disease Risk, and Reputational Risk

The nature of the risk, the degree of likelihood that the risk will materialize and timing of materialization, and the impact on business performance if the risk does materialize

- The occurrence of a large-scale natural disaster, such as an earthquake with an epicenter in the Tokyo metropolitan area or an outbreak of an infectious disease such as the novel coronavirus could result in sluggish economic activity in the region or interfere with the Bank's business activities, and this could have an adverse effect on the Bank's business performance.
- Negative press and malicious rumors about the Bank and the banking industry, which may or may not be true, could lead to liquidity risk, and this could have an adverse effect on the Bank's business performance.

Measures in response to risks

- Based on our social responsibility and public mission as a regional financial institution, the Bank has developed a system that can respond to emergencies quickly and appropriately in the event of a major natural disaster, system failure, novel coronavirus pandemic, etc. and convey relevant information to everyone within the organization.
- Specifically, in order to ensure the safety of our customers, executives and employees, and to perform operations smoothly, we have a crisis management plan (business contingency plan (BCP)). We conduct regular training to ensure its effectiveness and periodically review its contents. We have also established a system to convene an emergency response committee chaired by the President in the event of a crisis. In particular, for major earthquake disasters, we have developed measures such as backup offices and backup systems based on the expected impact.

Risk of Cyber Attacks

The nature of the risk, the degree of likelihood that the risk will materialize and timing of materialization, and the impact on business performance if the risk does materialize

- Unauthorized access to computer systems and networks via means such as the Internet could result in the theft, falsification, or destruction of information, as well as malfunctions or shutdowns of computer systems, etc., and this could have an adverse effect on the Bank's business performance.

Measures in response to risks

- In order to cope with cyber-attacks, we have established a list of Regulations for Cyber Security Management and implement multi-layered measures to prevent unauthorized entry into the system and to detect viruses. We are continuously reviewing these regulations to ensure their effectiveness.
- The Gungin CSIRT* installed in the Risk Management Department plays a central role in dealing with cyber-attacks. In addition to taking necessary measures, we collect relevant information and conduct classes and training in cyber security and cyber-attacks. We are continuously strengthening our security management system.

*CSIRT: Abbreviation for "Computer Security Incident Response Team"

Risk Related to Outsource Operations and Introduction of New Products and New Businesses

The nature of the risk, the degree of likelihood that the risk will materialize and timing of materialization, and the impact on business performance if the risk does materialize

- If an incident, such as an administrative accident, system failure, or information leakage, occurs at any of our outsourcers, the resulting damage to public confidence could have an adverse effect on the Bank's business performance.
- If a violation of laws and regulations, loss of customers, or leakage of information, etc. occurs due to an inappropriate new product or new business structure or administrative processing system, the resulting damage to public confidence could have an adverse effect on the Bank's business performance.

Measures in response to risks

- When outsourcing operations, the Bank has established the Outsourcing Management Regulations that outline the procedures for starting outsourcing, during outsourcing, and at the end of outsourcing to maintain a level of operation equivalent to work done in house, and we strive to ensure that functions for customer risk management and operational risk management work well in outsourced operations.
- In addition, when introducing new products and new operations, we identify, evaluate, and manage in advance the presence/absence of inherent risks and the types of risks. Further, we have established and operated a management framework that allows multiple departments to verify risks from various angles so that they can prepare materials and measures for coping with risks and explain them to our customers.

Risk Related to Financial Crime

The nature of the risk, the degree of likelihood that the risk will materialize and timing of materialization, and the impact on business performance if the risk does materialize

- In the event of a financial crime of a greater magnitude than anticipated, the Bank may violate the laws and regulations of domestic and foreign authorities, incur significant compensation to victims, incur significant costs for security measures, or be imposed with fines. The resulting increase in expenses or loss of credibility could have an adverse effect on the Bank's business performance.

Measures in response to risks

- In view of the increasing diversification and sophistication of financial crimes such as forgery and theft of cash cards and remittance fraud, the Bank is taking measures to strengthen security to prevent damage from occurring. The Bank is aware of the risk of our products and services being used for money laundering and financing of terrorism due to the borderless nature of financial crimes, and it has positioned the prevention of money laundering and financing of terrorism as an important management issue and is working to strengthen its preventive measures.

Initiatives of the Financial Crime Countermeasures Office

The Bank has established the Financial Crime Countermeasures Office in the Risk Management Department and it is enhancing system to centrally manage and cope with money laundering. Based on the Required Actions for a Financial Institution indicated by the Guidelines for Anti-Money Laundering and Combating the Financing of Terrorism issued by the Financial Services Agency, the Bank has taken a risk-based approach to identify and assess risks and enhance risk mitigation measures. Specifically, we analyze each suspicious transaction report by category such as reason of notification, area of occurrence, and type of entity, and prepare our own money laundering risk assessment report. This money laundering risk assessment report not only analyzes the details of the suspicious transactions reported, but also describes the risk factors for each product/service, customer attributes, and the counterparty country. The report describes a series of anti-money laundering measures, including the implementation of risk reduction measures according to the level of risk and regularly updating customer information according to the level of risk.

Financial crime prevention service

If you are affected by bank-transfer fraud, please contact the following service.

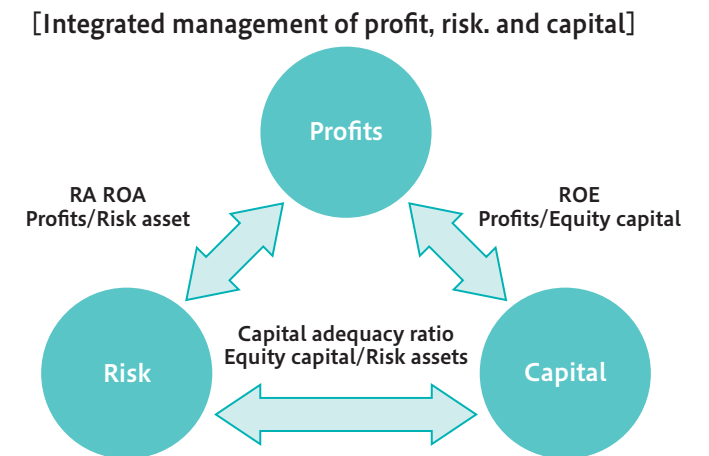
Gunma Bank "Financial Crime Prevention Service"

Toll free number: 0120-788511

Hours: 09:00-17:00 (excluding bank holidays)

Establishment of a Risk Appetite Framework (RAF)

The Bank performs integrated management of profits, risk, and capital, and makes the best use of limited capital and management resources, and accordingly, builds and utilizes a risk appetite framework (RAF), a framework for business management that optimizes risk and return.



Response to the Novel Coronavirus (COVID-19) Infection

The first novel coronavirus (COVID-19) infection in Japan was confirmed in January 2020, and the coronavirus subsequently spread throughout the country. On April 7, the government declared a state of emergency and request people to refrain from going out and to close businesses.

Although the declaration of a state of emergency was fully lifted on May 25, the spread of the novel coronavirus infection has had a direct impact on the restaurant, retail, and accommodation industries including a decrease in sales. It has also had a serious impact on a wide range of industries in Gunma Prefecture, including a temporary suspension of production.

It will be necessary to adapt to new business models for coexistence with the coronavirus going forward.

Excerpt from remarks by the President at a meeting of branch managers held on April 1, 2020

The time to fulfill our role as a regional financial institution is when our customers are facing difficulties and feeling insecure. We need to make the most of the results of our daily efforts including communications with our customers and business feasibility assessments. I urge you to provide tailored support to customers by taking advantage of tools including financing programs and subsidies.

Response by the Bank

1. Cash flow consultations

The Bank has provided consultations with customers on their cash flow needs as well as on various financing programs, subsidies, and employment adjustment subsidies to propose optimal support methods for customers.

- From February 5: Set up cash flow consulting desks at 113 sales branches that handle loans. Branch managers and representatives also visited customers.
*Interviews were held with approximately 30,000 customers to discuss matters including immediate cash flow needs.
- From March 14: Set up holiday telephone consultation desks every Saturday.
- May 2 to May 6: Set up holiday telephone consultation desks at 21 sales branches during the Golden Week holiday period



[Consultations received] (cumulative total from February 5 to June 25)

(1) Number of consultations on business funding

A. New loans (number of new loans actually accepted out of 22,583 new loans consultations)

New loans accepted	Of which, loans executed			
			Of which, funding in response to the novel coronavirus*	
7,082 cases	4,857 cases	184,737 million yen	2,462 cases	52,622 million yen

*Financing programs started on May 1 as a government economic measure

B. Number and amount of term changes accepted

402 customers	34,059 million yen
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(2) Number and amount of housing loan term changes accepted

79 customers	1,081 million yen
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2. Infection Prevention and Business continuity Initiatives

- Shift work arrangements have been implemented at sales branches to prevent infection of customers and employees, and to ensure business continuity. A lunch break (11:30 to 12:30, except for some branches) has been implemented in line with this.
- Split operations (employees performing the same duties are divided into two teams and work in shifts or at different work locations) and telecommuting have been implemented.
- Customers have been encouraged to refrain from non-urgent visits to sales branches in order to avoid the Three Cs (closed spaces, crowded places, close-contact settings) in the lobbies of sales branches. Restrictions on entry to stores have been implemented during busy periods.
- Transparent acrylic panels have been installed at sales branch counters to prevent droplet infection.

3. Other Measures

- The Bank has made donations to Gunma Prefecture to prevent novel coronavirus infection. Amount of donations: 10,000,000 yen (June 1, 2020)
- [Hot Springs Support Team] In this project, bank employees who wish to participate purchase pre-paid hot spring and accommodation tickets for hot springs and accommodation facilities in Gunma Prefecture, which can be used after the novel coronavirus has been contained. A total of 1,574 executives and employees have cooperated with this project.



Communication with our Shareholders and Investors

Basic Perspective

The Bank strives to make timely and appropriate disclosure of company information with a high level of transparency as well as have constructive dialogues with our shareholders and investors through IR activities. The opinions of shareholders and investors obtained through such dialogues are reported to the management in a timely and appropriate manner and utilized in management strategies.

Plans and results of IR activities are regularly reported to the Board of Directors, and efforts are being made to improve such activities.

IR Activities

Our IR activities include regularly holding financial briefings for analysts by the President, IR briefings for individual investors, and IR briefings for overseas investors. Small meetings are hosted by the directors in charge to meet analysts' request for individual interviews. In this way, we have set up opportunities to explain our business performance and sales strategies, etc. to the shareholders and investors and to absorb market opinions.

A breakdown of voting rights of the shareholders shows that foreign corporations account for a little less than 20%, and we therefore strive to promote constructive dialogues with overseas investors. In addition to overseas IR briefings, our directors in charge actively participate in conferences hosted by a securities firm for overseas investors. Also, based on the disclosure policy, English translations of timely-disclosed information and financial results briefing materials, etc. for analysts are quickly posted on our website.

<<Shares of the Bank>> Breakdown of voting rights by shareholder (as of March 31, 2020)

Trust banks	Individuals (including employee shareholding association)	Other corporations	Overseas corporations	Financial institutions (excluding trust banks)	Securities firms	Public	Total
22.2%	23.1%	18.7%	18.5%	14.4%	1.1%	2.0%	100.0%

IR Activity Results in Fiscal year 2019

IR activities (FY 2019 results)	Number of participants	
For analysts and institutional investors		
Mid-Term Business Plan briefing	Once	33
Financial results briefing (large meeting)	Twice (May/November)	260
Profitability trend briefings (small meeting)	Four times (every quarter)	69
Individual interviews	11	
IR briefings for individual investors	Two times (September)	268
Overseas IR briefings	Twice (June/Europe, November/Asia)	



Briefing for analysts



Briefing for individuals

*In fiscal 2019, the Bank had scheduled a brief for analysts and a briefing for individuals in March 2020, but they were postponed in order to prevent the spread of COVID-19.

General Meeting of Shareholders

For the general meeting of shareholders held in June, we issue a convocation notice before the meeting and post a notice at the stock exchanges and the Bank's website. We have also striven to improve the voting environment by enabling shareholders to exercise their voting rights via the Internet and participate in the voting platform. After the general meeting, a notice of resolutions and results of the exercise of voting rights (extraordinary report) are immediately posted on our website.

	2018	2019	2020
Date	Jun. 26 (Tue.)	Jun. 25 (Tue.)	Jun. 24 (Wed.)
Number of shareholders in attendance	172	197	50 ※
Voting rights exercise ratio	84.7%	83.0%	85.1%
Dispatch date of notice	Jun. 4 (Mon.)	Jun. 3 (Mon.)	Jun. 2 (Tue.)
Posting date of notice on website	May 29 (Tue.)	May 28 (Tue.)	May 27 (Wed.)

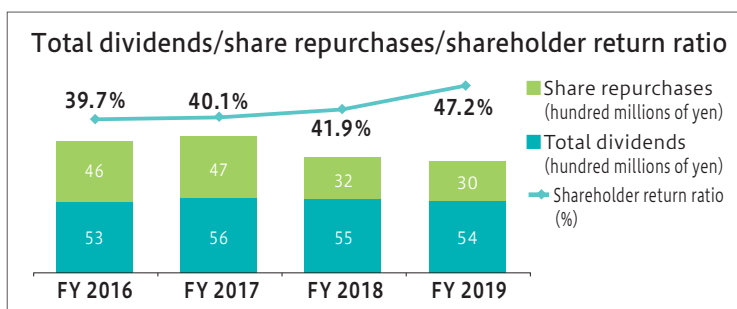
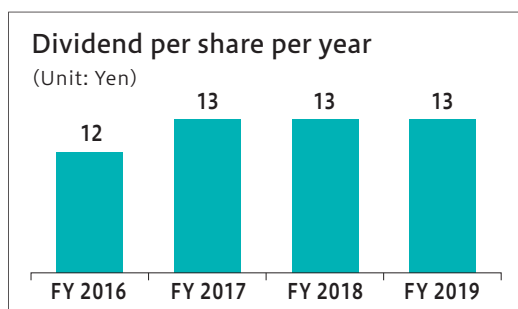
*To prevent the spread of COVID-19, we have given top priority to the safety and security of our shareholders and have asked them to avoid coming to meetings as much as possible.



Shareholder Returns

Shareholder return policy

While strengthening our financial structure with a basic policy of continuing stable dividends, we link the shareholder returns to our business performance. The target of the shareholder return ratio, which involves the sum of dividends and share repurchases, will be set to, for the time being, 40% of non-consolidated net income.



Shareholder Benefits Program

The Bank has a shareholder benefits program in order to contribute to the revitalization of the regional economy, we offer shareholders complimentary local specialties.

There are many local specialties such as foods and crafts and products from our local business partners. Since March 31, 2019, we have introduced the "Donation Course" that contributes to achieving the Sustainable Development Goals (SDGs).

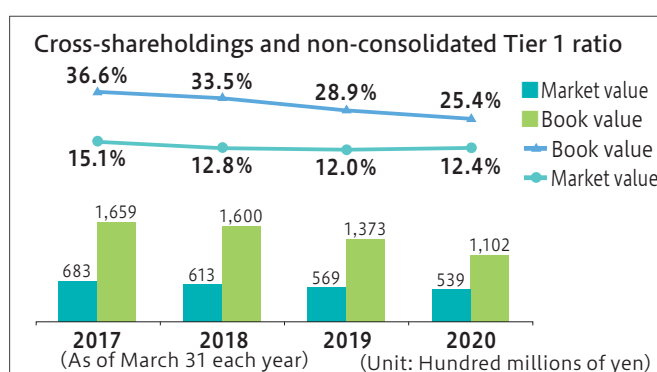
<<Shareholder benefits program (shareholder registration as of March 31)>>
(Local specialties, etc.)

1,000 shares or more and less than 5,000 shares	Equivalent to 2,500 yen
5,000 shares or more and less than 10,000 shares	Equivalent to 4,000 yen
10,000 shares or more	Equivalent to 6,000 yen

Initiatives to Reduce Strategic Holdings

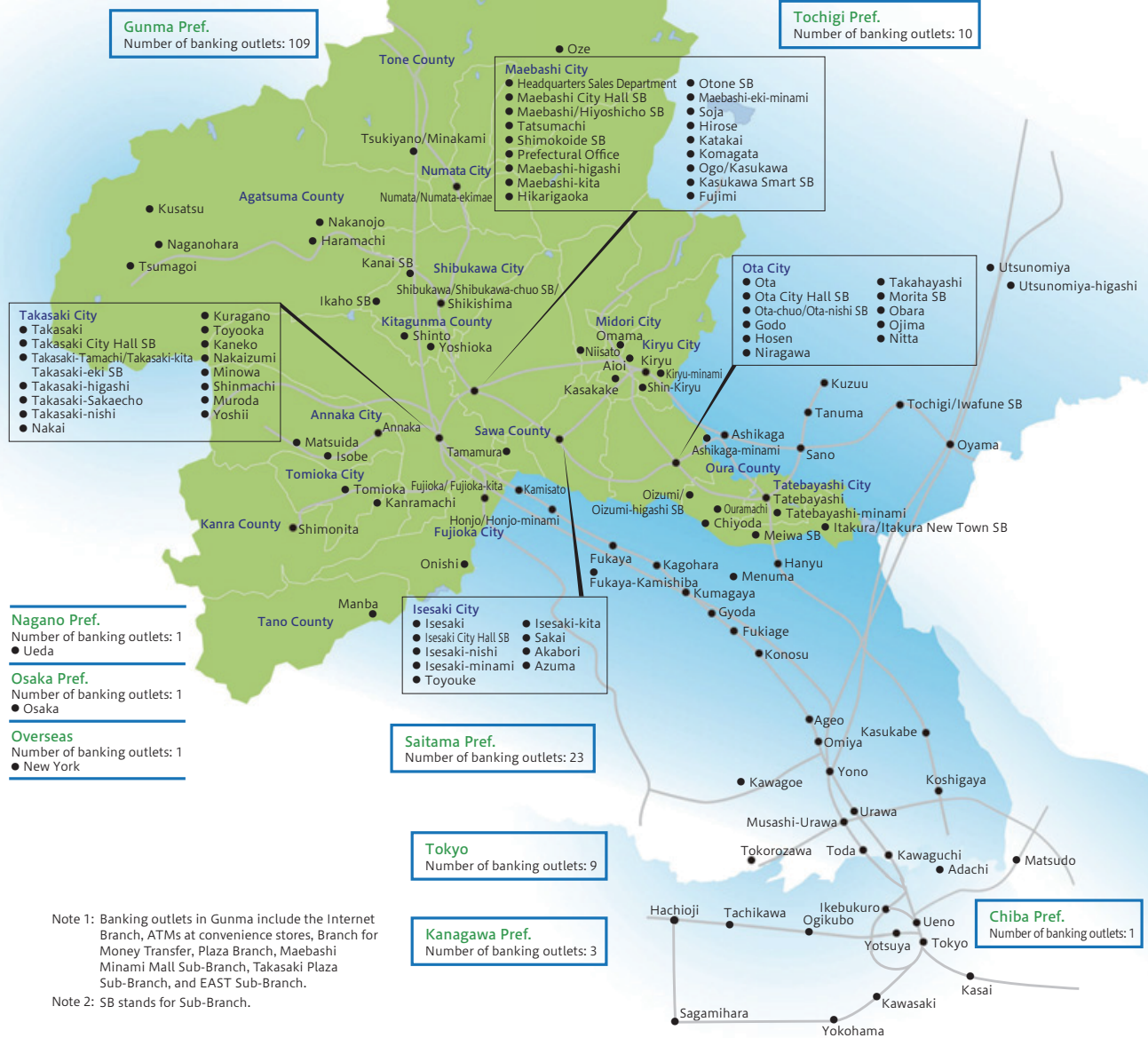
From the perspective of ensuring the rights and equality of our shareholders, we are working to reduce our policy-holding shareholdings by examining the significance of holding these shares for maintaining and strengthening business relationships with customers and stimulating the local economy.

As of the end of March 2020, the balance of strategically held shares decreased both in market and book value, and the market value for non-consolidated Tier 1 was 25.4% and the book value was 12.4%.



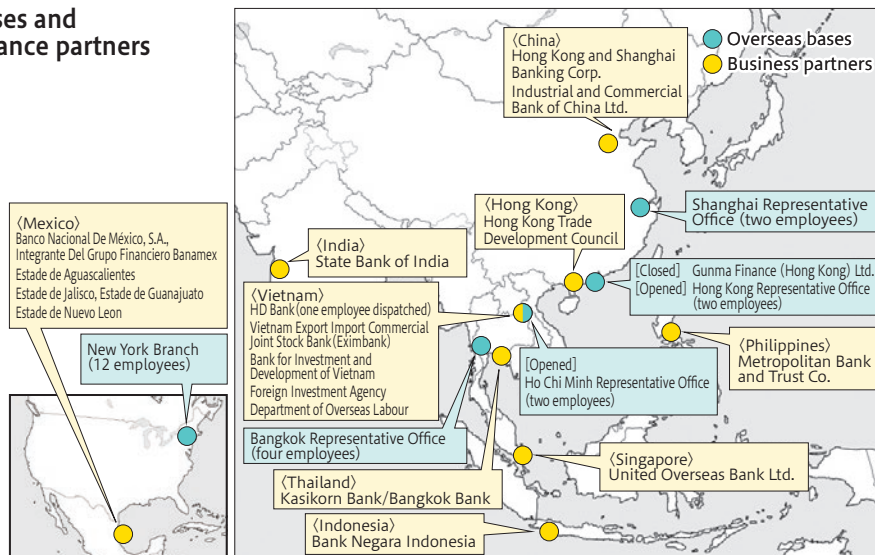
Service Network

(as of June 30, 2020)



Note 1: Banking outlets in Gunma include the Internet Branch, ATMs at convenience stores, Branch for Money Transfer, Plaza Branch, Maebashi Minami Mall Sub-Branch, Takasaki Plaza Sub-Branch, and EAST Sub-Branch.
Note 2: SB stands for Sub-Branch.

Overseas bases and business alliance partners



*In October 2020, we will open a representative office in Ho Chi Minh City, Vietnam.



The Gunma Bank, Ltd.

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