

Message from the Director of Finance



The following is a report on the quantitative targets we have set in the new mid-term business plan (hereinafter, "New Mid-Term"). We will aim to sustainably improve our corporate value by increasing profitability and soundness and enhancing shareholder returns.

Gunma Bank
Managing Director
Takeo Uchibori

Our Performance

(1) Review of FY2021 Performance

In FY2021, the financial and economic environment was seeing a continuous recovery since the beginning of the fiscal year. However, this recovery was weakened by the emergency and quasi-emergency measures implemented in response to the COVID-19 pandemic. Despite the continuing impact of COVID-19, the economy of Gunma prefecture was basically recovering, although slowly. On the financial side, while interest rates had remained low due to Bank of Japan's strong monetary easing, the yield on 10-year government bonds was pushed above 0.2% by the rise in overseas interest rates after the start of the new year.

Given this environment, the Group was united in efforts to implement measures aimed becoming a regional financial group that responds to customer needs and delivers value through the innovation of financial services. This goal was set forth in our mid-term business plan for the three years between April 2019 and March 2022, entitled "Innovation New Dimension - Toward Delivering Value -" (hereinafter, "Last Mid-Term").

As a result, our performance in FY2021 was as follows.

Consolidated core business net income, which indicates the profits of our main businesses, increased by 6.3 billion yen YoY to 37.3 billion yen. One factor in this was an increase in net interest income due to factors such as an increase in interest and dividends on securities. Another was an increase in non-interest business income

from sources including corporate service revenues and customers' deposited financial assets. Efforts to reduce expenses were also a factor. Ordinary profit increased by 19.0 billion yen YoY to 39.1 billion yen. This was achieved despite a decrease in loss (gain) related to securities due to decreases in credit costs, retirement benefit expenses, and other expenses. Profit attributable to owners of parent, meanwhile, increased by 12.9 billion yen YoY to 26.4 billion yen.

(Unit: Hundred millions of yen)

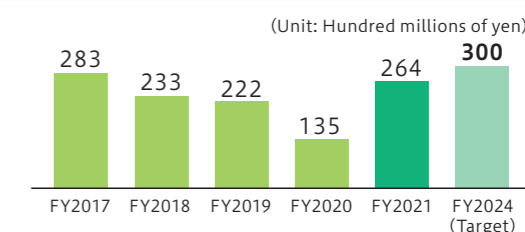
Consolidated	FY2021	YoY Change
Core business gross income (A)	925	61
Net interest income	720	47
Non-interest Business Income	205	13
Corporate service revenues	43	13
Customers' deposited financial assets	77	5
Expenses (B)	552	(2)
Core business net income (A - B)	373	63
Loss (gain) related to securities	96	(30)
Credit costs	83	(141)
Other	4	15
Ordinary profit	391	190
Extraordinary loss (income)	6	9
Income before income taxes	397	199
Total income taxes	133	70
Profit Attributable to Owners of Parent	264	129

(2) Review of Numerical Targets of Previous Mid-Term Business Plan

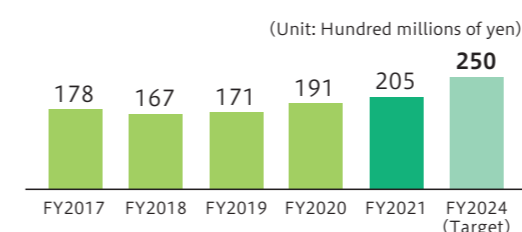
In this section, you will find a report on our performance against the quantitative targets set in the Last Mid-Term. You will also find a report on the quantitative targets set for the new mid-term business plan for the three years from April 2022 to March 2025, entitled "Innovation for "Purpose" (hereinafter, New Mid-Term).

Profit Attributable to Owners of Parent

As explained in the previous section, profit attributable to owners of parent increased by 12.9 billion yen YoY to 26.4 billion yen due to the strong core business performance, low credit costs, and other factors. This is our third ever highest profit levels. As a result, we were able to achieve our Last Mid-Term target of 24.0 billion yen. With the New Mid-Term, we will aim for even greater heights by setting a target of 30.0 billion yen for the final fiscal year of the plan (FY2024).



Non-interest Business Income

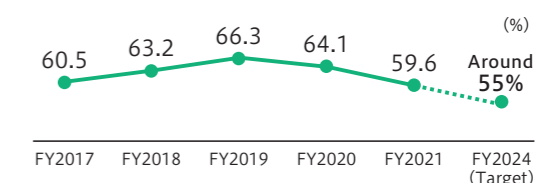


Non-interest business income = Total of fees and commissions and other business income (excluding bonds-related gains (losses))

Non-interest business income increased by 1.3 billion yen YoY to 20.5 billion yen. Factors in this include the strengthening of business succession supports, inheritance-related services, and wealth management services such as customers' deposited financial assets. As a result, we were able to achieve the Last Mid-Term target of 20.0 billion yen. In the three years of the Last Mid-Term, non-interest business income increased by 3.8 billion yen. As such, we recognize that we were able to steadily transform our profit structure in this low interest rates. With the New Mid-Term, we will aim to deepen our consulting business and enhance our digital strategy in an effort to increase non-interest business income towards achieving a quantitative target of 25.0 billion yen.

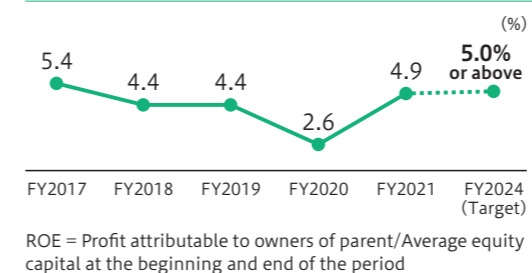
OHR

Our overhead ratio (OHR), which indicates our operational efficiency, improved by 4.5 points YoY to 59.6%. This was due to an increase in core business gross income due to increases in net interest income and non-interest business income, as well as the effects of expense reductions. This fell 5.4 points below the Last Mid-Term goal of "around 65%," showing that our operational efficiency is steadily improving. In the New Mid-Term, we will accelerate operational efficiency improvements and build a lean organization by aiming for a goal of "Around 55%."



OHR = Expenses/Core business gross income

ROE

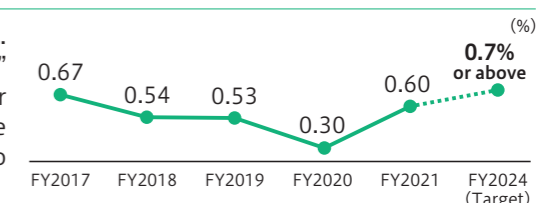


ROE = Profit attributable to owners of parent/Average equity capital at the beginning and end of the period

Our return on equity (ROE), which indicates our capital efficiency, increased by 2.3 points YoY to 4.9%. This was due in part to an increase in profit attributable to owners of parent. With the Last Mid-Term, we set a long-term target of "ROE of 5.0% or above." With the New Mid-Term, we also set "ROE of 5.0% or above" as a three-year target. We hope to consistently maintain an ROE of 5.0% or above by developing an appropriate capital policy while also maintaining high profit levels.

RORA

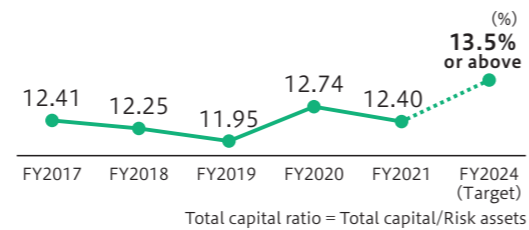
Our return on risk assets (RORA) increased by 0.3 points YoY to 0.6%. As a result, we surpassed the Last Mid-Term goal of "0.5% or above" by 0.1 points. With the New Mid-Term, we will set a goal of "0.7% or above," striving to increase RORA by continuing to take appropriate risks using the Risk Appetite Framework and promoting initiatives to improve the profitability of customers.



RORA = Profit attributable to owners of parent/Risk assets

Total Capital Ratio

Our total capital ratio decreased by 0.34 points to YoY 12.40% due mainly to a decrease in valuation difference on available-for-sale securities. We were able to maintain high soundness by holding to our target of “the 12% level.” With the New Mid-Term, we will aim for a target of “13.5% or above,” striving to strengthen our financial base while reducing cross shareholdings.



(3) Projections for FY2022

The projection for FY2022, the first fiscal year of the New Mid-Term, is as follows. Consolidated core business net income is projected to be 37.3 billion yen, the same level as FY2021. While we project a decrease in net interest income due to factors such as increased

redemption of domestic high-yield bonds and financing expenses, we hope to further increase non-interest business income and reduce expenses. We also project that profit attributable to owners of parent will increase by 600 million yen YoY to 27.0 billion yen.

Shareholder Returns

(1) Shareholder Returns

In May 2022, we changed our shareholder return policy. As shown on the right, begging from FY2022, we changed the profit that is basis for shareholder returns from non-consolidated net income to profit attributable to owners of parent. Compared to the previous policy, the product of the difference between consolidated and non-consolidated profits multiplied by 40% will be added to the return. With the plan for FY2022, we project that profit attributable to owners of parent will be 27.0 billion yen, and non-consolidated net income will be 23.5 billion yen. As such, the amount of around 1.4 billion yen, the product of the difference between these two profits (3.5 billion yen) multiplied by 40%, will be added on top of the return, unlike the previous policy.

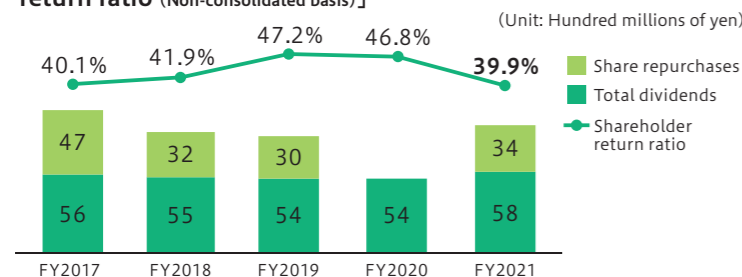
We have also weighted dividends. While FY2021

dividends were set to 14 yen (7 yen interim and 7 yen year-end), a YoY increase of 1 yen, we plan to further increase dividends for FY2022 by 2 yen to 16 yen (8 yen interim and 8 yen year-end). We will continue to strive to increase our equity capita while aiming to expand shareholder returns.

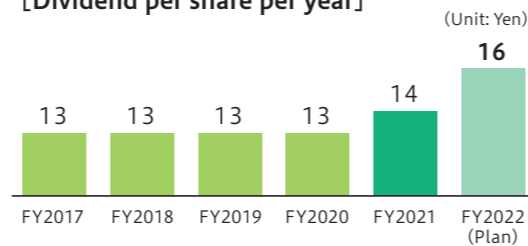
Shareholder return policy for FY2022 and beyond

As a regional financial institution, we will strive to increase our equity capital and expand shareholder returns by balancing profitability, investment for growth, and other considerations. Specifically, we will aim for a shareholder return ratio of 40% of profit attributable to owners of parent through a combination of stable dividends and repurchases of treasury shares.

[Total dividends/share repurchases/shareholder return ratio (Non-consolidated basis)]



[Dividend per share per year]



(2) Shareholder Benefits Program

The Bank has a shareholder benefits program through which we offer shareholders complimentary local specialty items. The catalog includes many local specialties such as foods and crafts and products from our local business partners, and is especially popular with our individual shareholders. Since the end of FY2018, we have introduced the “Donation Course” that contributes to achieving the Sustainable Development Goals (SDGs). From the end of FY2020, we introduced the “Shareholder Benefits TSUBASA Alliance Joint Plan” where shareholders can select from other local specialty items from the joint catalogs of banks participating in

the TSUBASA Alliance. We will continue to strive to enhance our shareholder benefits.

«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

SDGs and ESG Initiatives

Key measures of the New Mid-Term include SDGs and ESG initiatives such as proactive involvement in regional sustainability. Specifically, we have set our own greenhouse gas emission reduction target of “Net Zero FY2030” and will take the lead in tackling related issues. We will also support local decarbonization through, among other things, the introduction of SDGs initiatives support services. The Bank’s FY2021 greenhouse gas emissions were 10,256 tons of CO₂. This is a 3.7% YoY reduction and a 8.5% reduction from FY2013, the base year used for reduction targets used in Japan.

The Group has also set mid- to long-term finance targets in order to further initiatives within the Group aimed at achieving the SDGs by solving environmental, social, and other issues. Specifically, we will aim for cumulative sustainable financing targets of 500 billion yen (including 300 billion in the environmental

field) by FY2024, the final year of the New Mid-Term, and 1.5 trillion yen (including 1.0 trillion yen in the environmental field) by FY2030.

In addition to this, the Bank will issue ESG bonds, which limit the use of funds to environmental and social purposes. In November 2019, we issued 10 billion yen in green bonds. In October 2021, we issued 10 billion yen in sustainability bonds. These were the first issuances of both types of bonds by a regional bank. The funds raised are being allocated (invested and loaned) to businesses that improve the environment or contribute to social issues. The CO₂ emissions reductions from the Investments and loan in projects such as solar and biomass power generation are equivalent to the CO₂ emissions of approximately 19,000 households (as of the end of March 2022). We believe that we are contributing to environmental improvements in the region.

Policy on Reducing Cross Shareholdings

The Bank has established a basic policy to reduce cross shareholdings where possible and only maintain cross shareholdings in the event that the significance of holding these shares for maintaining and strengthening business relationships with customers and stimulating the regional economy is acknowledged.

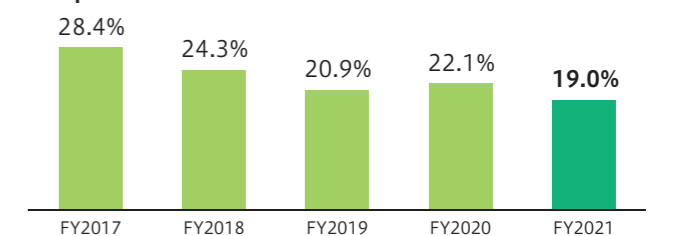
The suitability of individual cross shareholdings is comprehensively determined after an in-depth review of the medium- to long-term business relationship and economic rationality. Further, the Board of Directors regularly examines the suitability of cross shareholdings using indicators such as profits after the deduction of expenses and credit costs, RORA, etc.

Based on the aforementioned policy, the Bank is working to reducing cross shareholdings. The ratio of the balance of cross shareholdings to the total consolidated net assets has been reduced from 32.5% prior to the enactment of Japan’s Corporate Governance

Code (as of the end of FY2014) to 19.0% as of the end of FY2021.

We are currently studying the issue so that we can provide you with specific reduction targets in the future.

[Trends in balance of cross shareholdings (market value) compared to consolidated net assets]



*1 Includes shares in unlisted companies and excludes shares in subsidiaries and affiliates.

*2 RORA = (Profit After Expenses and Credit Costs + Dividends Received) ÷ Risk Assets of Borrowings and Stock

IR activities

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

Further, as the portion of voting rights of shares of the Bank held by individual shareholders has increased to 25%, we are considering holding live IR webcasts for individual investors in the future.

As for overseas investors, we intended to actively communicate with them by, among other things, providing English translations of timely-disclosed information and financial results briefing materials, etc. for analysts. By doing so, we hope to enhance our corporate value.

