

Optimal Capital Structure and Increased Corporate Value

The Gunma Bank Group strives to realize a sustainable society and create economic value through business activities centered on its Purpose.

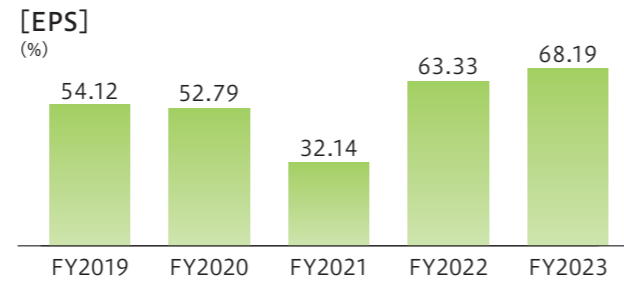
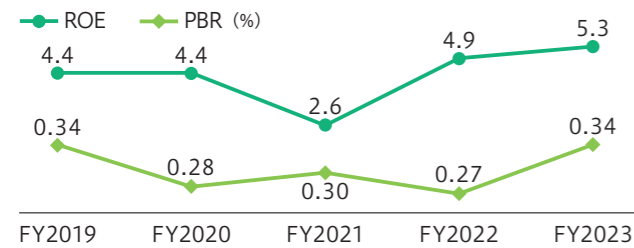
As a specific initiative to increase corporate value, we will aim to build an optimal capital structure, improve ROE, reduce the cost of shareholders' equity, and improve the equity spread.

Equity spread ↑ = ROE ↑ - Capital cost ↓ ➡ PBR ↑

Striving for a sustained increase in corporate value, we will implement a flexible and effective capital policy, taking into consideration the balance between risk taking, financial soundness, and shareholder returns.



Changes in ROE, PBR and EPS



Optimal Capital Structure and Ideal ROE

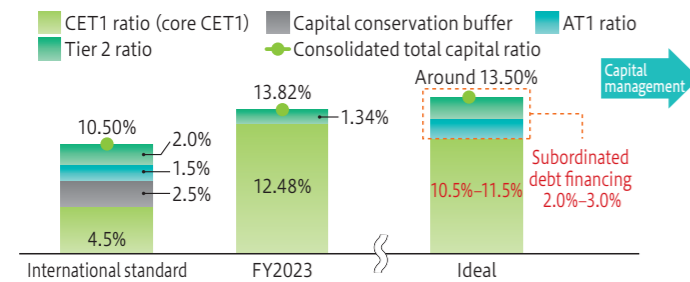
With the core CET1 ratio (calculated by deducting the valuation difference on securities from Common Equity Tier 1 capital) used as a perspective for capital management, the medium- to long-term target has been set at 10.5% to 11.5%.

As part of our efforts to improve ROE, we will increase capital efficiency by implementing flexible shareholder returns, while further strengthening our profitability by achieving the KPIs in Connections in the Mid-Term

Business Plan and by making growth investments (risk-taking). As such, we will aim for a ROE of 7% to 8% over the medium to long term.

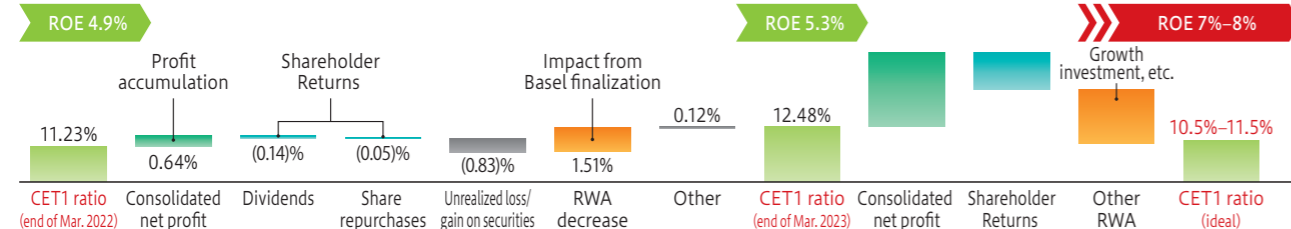
And in order to reduce capital costs, we will actively disclose financial and non-financial information, improve our investor relations, and strengthen initiatives for ESG and the SDGs.

Optimal capital structure and capital management



Core CET1 ratio	Operation
Over 11.5%	<ul style="list-style-type: none"> Implement flexible shareholder returns Capital utilization to strengthen profitability
Target range: 10.5%~11.5%	<ul style="list-style-type: none"> Maintain stable dividends, flexibly acquire treasury stock Use and accumulate capital to strengthen profitability
8.0%~10.5%	<ul style="list-style-type: none"> Continue stable dividends and control risk assets Capital accumulation to improve core CET1
Less than 8.0%	<ul style="list-style-type: none"> Revise return policy, reduce risk, increase capital

Capital allocation for our ideal ROE



Utilizing RORA

We recognize that efforts to improve RORA are an effective means of improving our capital adequacy ratio (soundness) and ROE (profitability). Gunma Bank will aim to achieve the ROE target, while suppressing the decline in the

capital adequacy ratio through risk-taking, by actively accumulating high-RORA assets and improving low-RORA assets, thereby improving the RORA of the Bank as a whole.

$$\text{RORA} = \frac{\text{Earnings}}{\text{Equity capital}} \times \text{ROE}$$

Note: Earnings refers to net income for the bank-wide RORA target.

Target RORA: 0.7%; set from medium-term target (total capital ratio, ROE)
Target 0.7% = Total capital ratio (long-term target) 13.5% × ROE (long-term target) 5.0%

Communication with Our Shareholders and Investors

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.

Looking at the distribution of voting rights of the Bank's shares by ownership, individual shareholders account for more than 25% of the voting rights, which is a large

percentage. In FY2022, in order to increase contacts with a diverse range of individual investors, we expanded our IR activities for individuals, which were previously available to limited locality, and held the first IR briefing session for individual investors across Japan via an online live streaming session.

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.

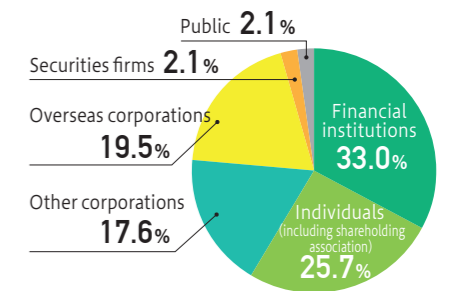


FY2022 interim large meeting (Tokyo, November 2022)



Briefing session for individual investors (online, February 2023)

[Breakdown of voting rights by shareholder (FY2023)]



Annual Results of Major IR Activities (FY2022)

Date	Activity	Target	Led By	Main Theme
April 2022	Briefing session for new mid-term business plan (for analysts)	Japan	President	Overview and background of the mid-term business plan Purpose
May	FY2021 results large meeting (for institutional investors and analysts)	Japan	President	Financial results, management strategy, capital policy and ESG initiatives, etc.
June	FY2021 results small meeting (for analysts)	Japan	President	Q&A session on financial results Exchange of opinions with analysts
August	FY2022 Q1 small meeting (for analysts)	Japan	Top executive (managing director)	Q&A session on financial results Exchange of opinions with analysts
September	Briefing session for individual investors (online live streaming for local individual investors)	Japan	President	Corporate profile, financial results, shareholder returns, etc. (approx. 120 participants)
September	Debt IR (related to subordinated bonds) (for institutional investors)	Japan	Head of Business Management Office	Financing background, overview of corporate bonds, financial results and ESG initiatives, etc.
October	SR meeting	Overseas	Head of Business Management Office	Corporate profile, financial results, capital policy and ESG initiatives, etc.
November	FY2022 interim large meeting (for institutional investors and analysts)	Japan	President	Financial results, management strategy, capital policy and ESG initiatives, etc.
December	FY2022 interim small meeting (for analysts)	Japan	President	Q&A session on financial results Exchange of opinions with analysts
December	Individual talks with overseas institutional investors (online)	Overseas	President	Operational base, corporate profile, financial results, etc.
December	SR meeting (for institutional investors (ESG personnel))	Japan	General Manager, Corporate Planning Department	Stewardship talk (results, strategy, shareholder returns, ESG)
February 2023	Briefing session for individual investors (online live streaming for individual investors across the country)	Japan	President	Overview of Gunma Prefecture and corporate profile Financial results, etc. (approx. 810 participants)
February	FY2022 Q3 small meeting (for analysts)	Japan	Top executive (managing director)	Q&A session on financial results Exchange of opinions with analysts
March	Online briefing session (online live streaming for local individual investors)	Japan	President	Corporate profile, financial results, shareholder returns, etc. (approx. 230 participants)
March	Overseas roadshow (non-deal) (overseas institutional investors)	Overseas	President	Overview of Gunma Prefecture and corporate profile Financial results, etc.