



# THE GUNMA BANK REPORT 2019

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





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## Editorial policy

The Gunma Bank created the “The Gunma Bank Report 2019 (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 2018 (from April  
2018 to March 2019)  
Also includes some  
information for April  
2019 and later.

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

## Date of publication

July 2019

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 2019 (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.

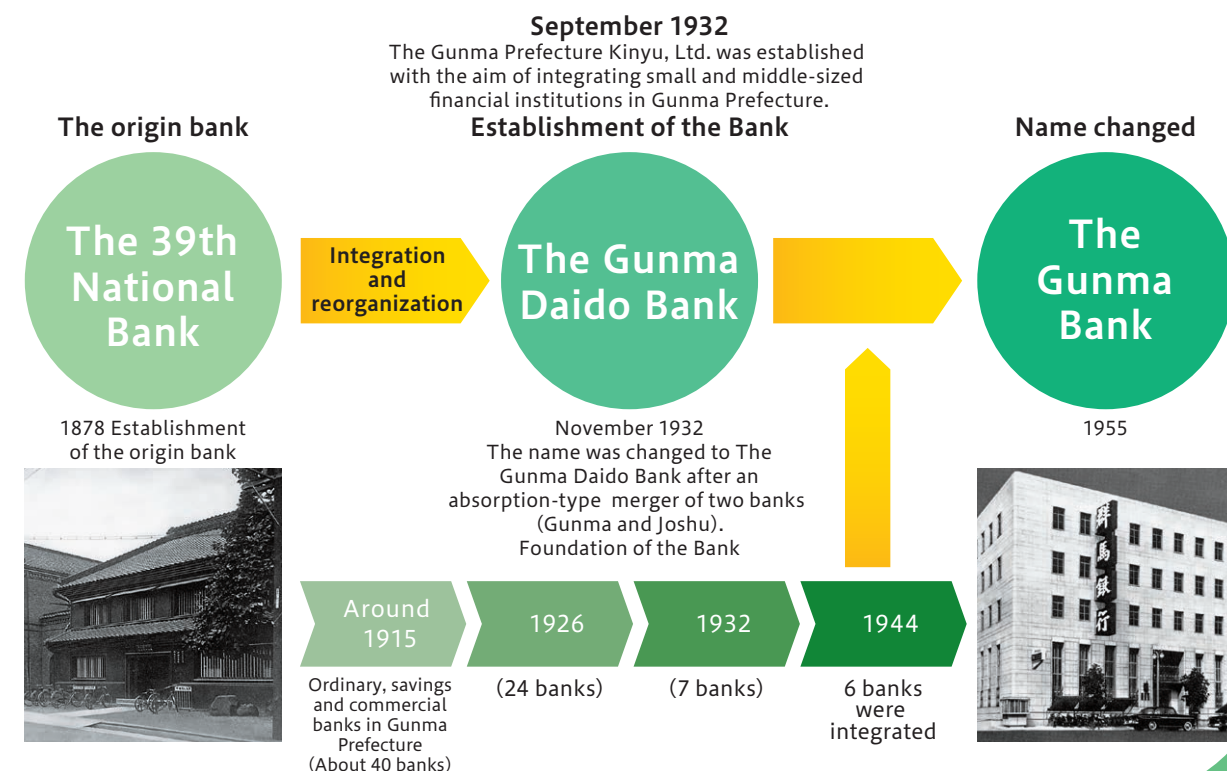
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## History of integration and reorganization

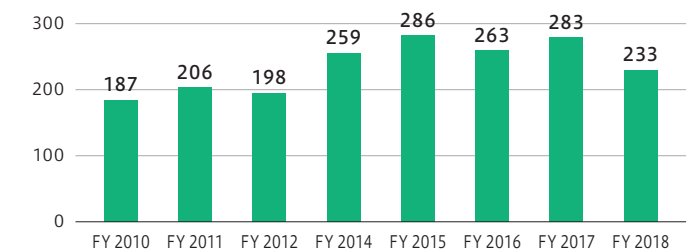
It is 141 years since the original bank started, 87 years since the foundation of the current bank, and 64 years under the name of The Gunma Bank.



- **February 1970** Tokyo Stock Exchange, Inc. (Listing changed to the first section)
- **As of the end of March 2019**
  - The Gunma Bank Group — Consolidated total assets 8,140.1 billion yen
  - Banking outlets — 154 domestically and 1 overseas (New York City)
  - Consolidated subsidiaries — 5 domestically and 1 overseas (Hong Kong)
  - Equity method affiliates — 2 subsidiaries and 1 affiliate

### 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

April 2013  
March 2016

#### “V-Plan”

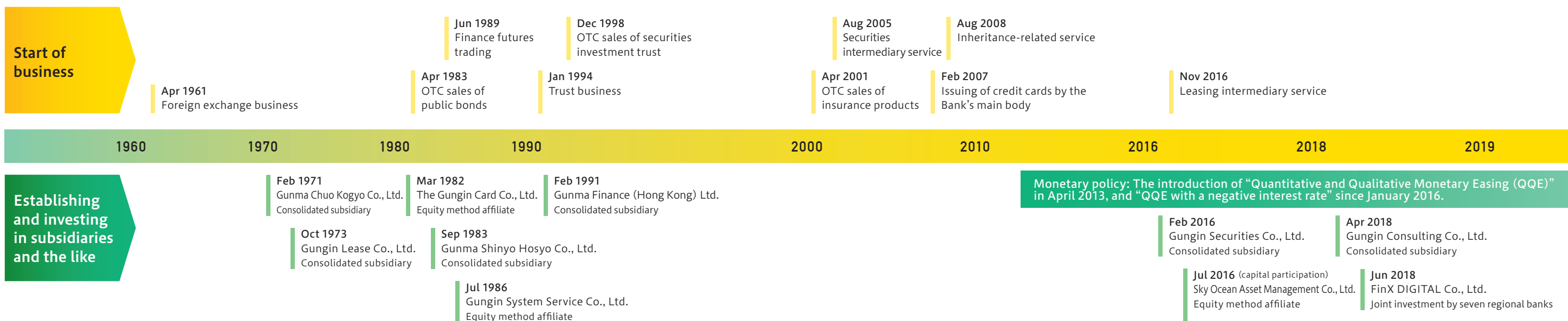
- Evolution to a bank that enables value proposition -  
While continuing our tradition of “Improvement in the quality of service,” this concept has evolved to that of “Value Proposition.”

April 2016  
March 2019

#### “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.



# Feature Article: Declaration of SDGs and Priority Issues

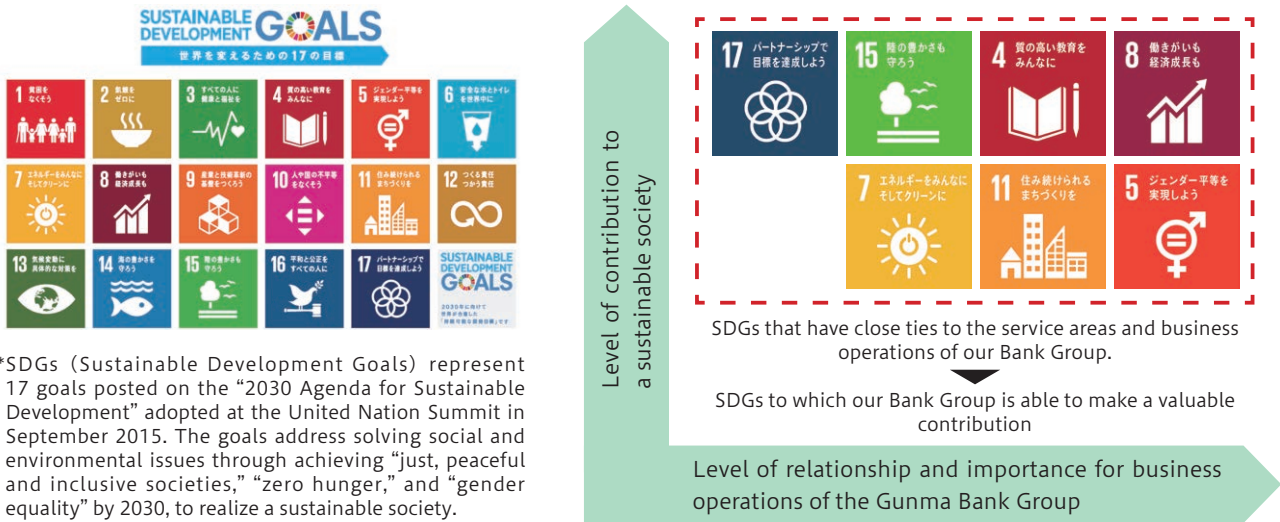
## Perspective of the Declaration of SDGs

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 Bank Group posts its corporate philosophy 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 our Bank Group.

Based on our declaration of SDGs, we are making efforts to further strengthen our 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.



## Declaration of SDGs and a new Mid-Term Business Plan

The new “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 regional communities and to secure stable and sound revenues for the future. (For the mid-term business plan, please refer to pages 18-21.)

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

## 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 and policies for action >

- 1. Sustainable development of regional economy**
  - Support the growth of regional business operators and enhance actions for regional vitalization, in addition to taking part in sustainable development of the regional economy through providing financial services that respond to a variety of customer needs.
  - Provide a variety of educational opportunities, especially for young people who will be leaders in the next generation, as well as support education which promotes the financial literacy of people in the regional community.
- 2. Conservation and creation of the global environment**
  - Based on the Gunma Bank Environmental Policy, we offer support to our customers who are undertaking measures for environmental conservation and the creation of a beautiful environment, and we promote the reduction of our environmental footprint through our business operations.
- 3. Promotion of a variety of human resources into active positions**
  - Increase the diversity of our executives and staff to build a workplace where all staff members, including women, young people, and elderly employees are able to play an active part, and support them through implementation of flexible working styles.
- 4. Promotion of partnerships**
  - Through partnership with regional public bodies, and corporate and personal customers, we are working to achieve sustainable regional communities.



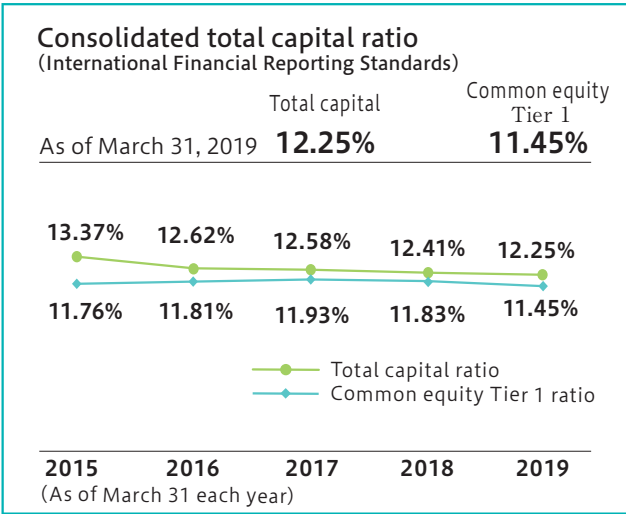
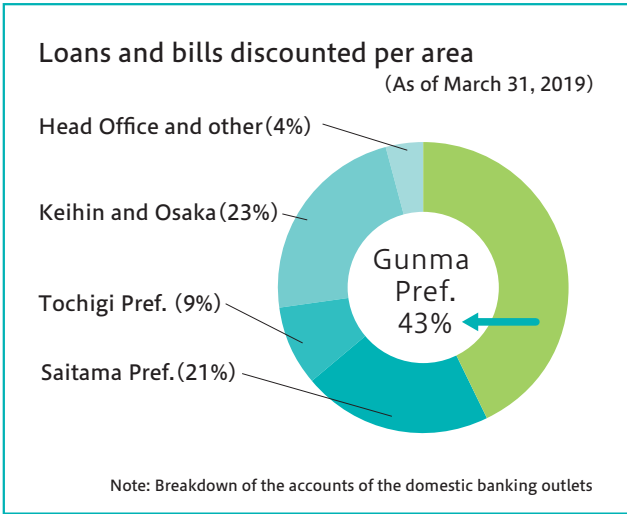
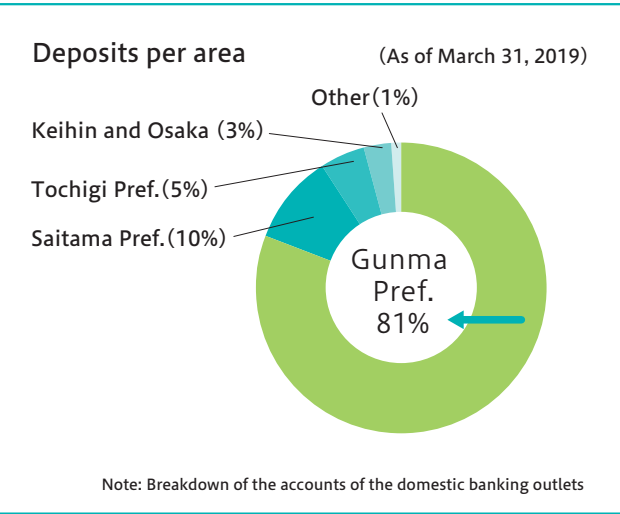
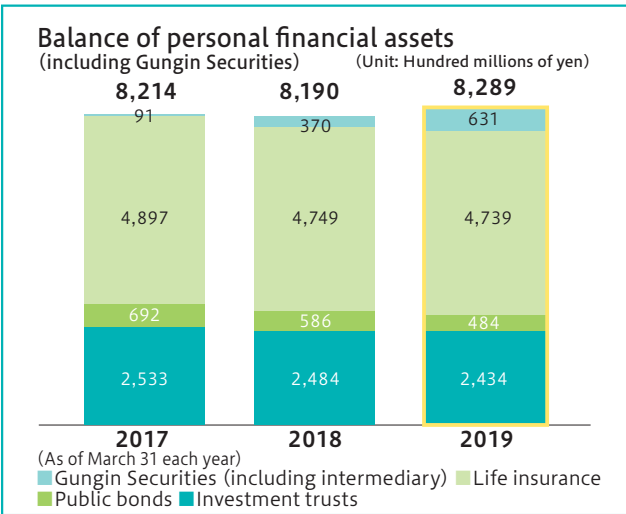
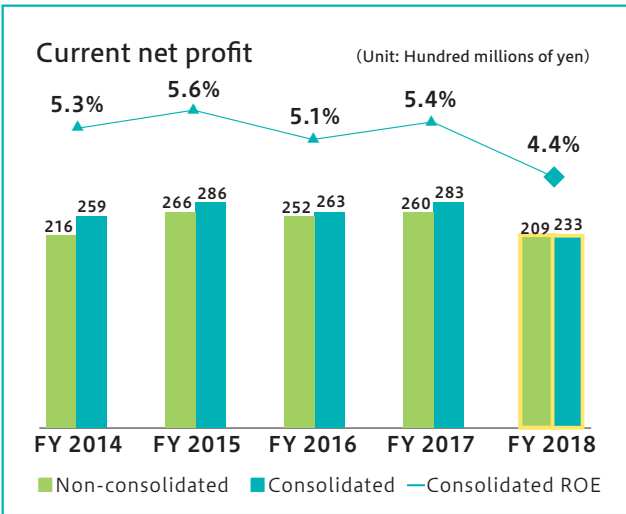
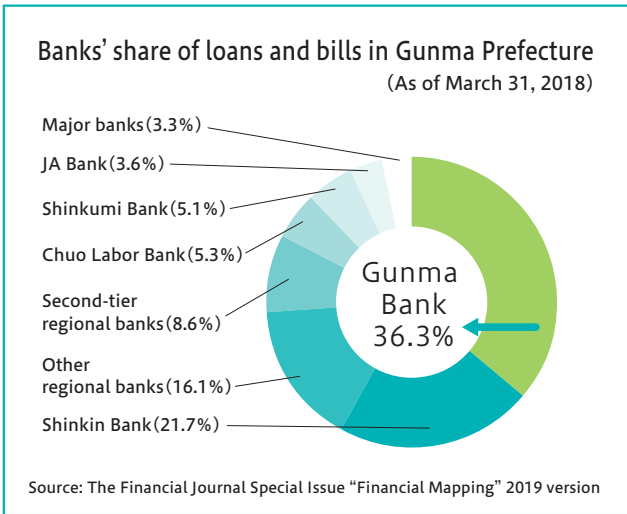
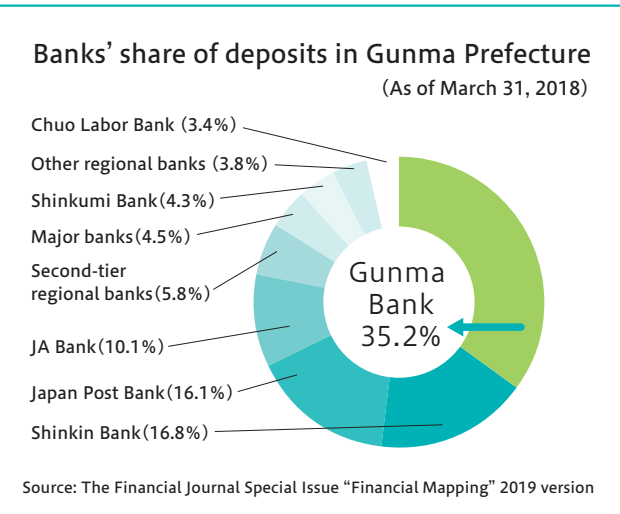
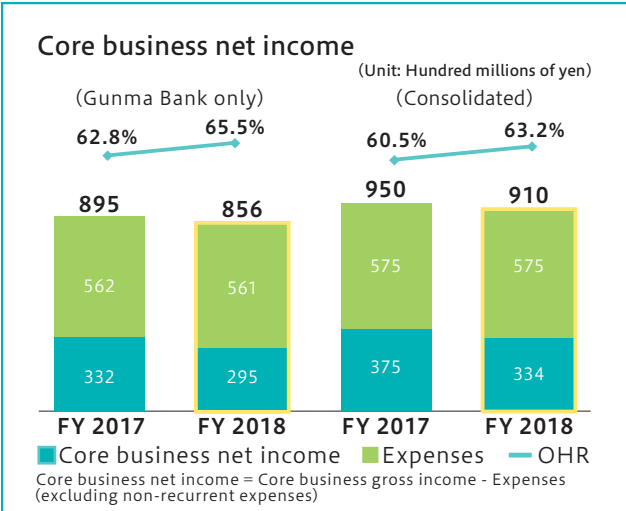
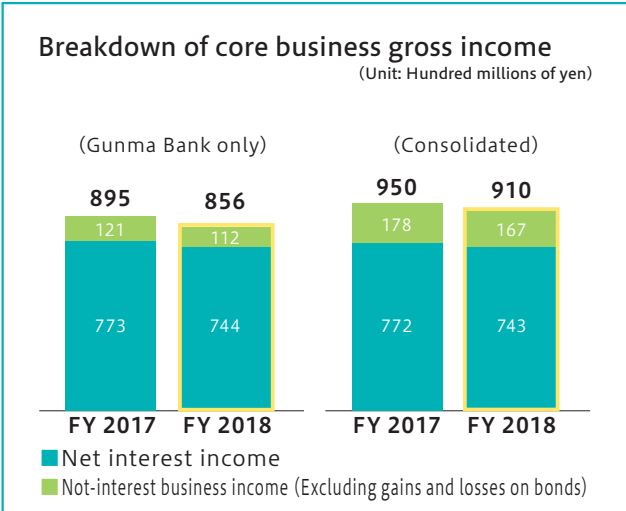
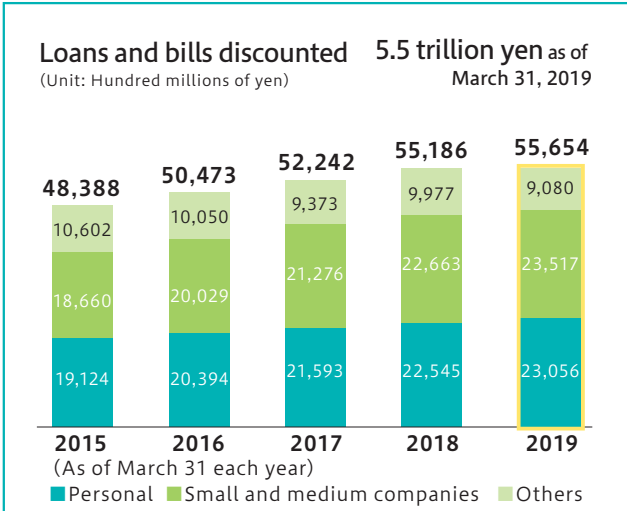
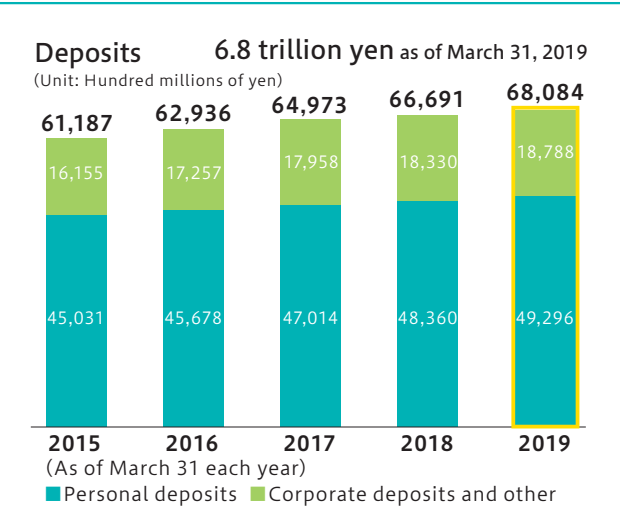
### [Fostering awareness among executives and staff in the Group]

Since April 2019, all the executives and staff members of the Gunma Bank and its group companies have started wearing SDG badges. Before wearing it, they participated in a DVD-video seminar on SDGs. Also, the president of the bank gave instructions on the declaration of SDGs and priority issues to the managers of all departments and branches at the meeting of branch managers held on April 1. This allowed them to deepen their understanding of SDGs. (The contents of the meeting of branch managers were delivered via DVD-video to all staff members.)

In future, we will continue to support various programs including seminars to further promote understanding and foster awareness about SDGs. Also, we will work to achieve a sustainable society by “promotion of a partnership” with customers in our local communities through communication.



# Financial Information Highlights






















**Rating agencies**

Japan Credit Rating Agency (JCR)	AA
Rating and Investment (R&I)	A+
Moody's (Moody's Corporation)	A2
S&P (Standard and Poor's)	A-



Non-Financial Information Highlights (ESG/SDGs)

The Gunma Bank is engaged in actively working on environmental preservation of our communities and plays a responsible role as citizens while aiming at realizing the prosperity of regional communities based on the harmony between the environment and industries. In addition, we are working hard to support the growth of regional economies through the provision of broader financial services and are providing various initiatives for social contribution that lead to the development of regional communities.

ESG	Stakeholder	Section of this report	Main initiatives	SDGs	Achievement highlights
Environment (E)	Environment Regional community	○ Initiatives to Contribute to the Global Environment and Society (pp. 38-)	(Initiatives for environmental issues) Efforts through our banking businesses Gunma Bank Environment Foundation Efforts for the reduction of individuals' environmental impact	   	- Sales of the "Natural Environment Protection Fund (nickname: Oze Kiko)"; Outstanding deposit balance: 0.9 billion yen (as of March 31, 2019) (Part of the commission fee received by the Bank was donated to environmental protection organizations); Cumulative donation amount: 13 million yen - Balance of loans financing solar power generation business: 104.2 billion yen (as of March 31, 2019) - The Gunma Bank Environment Foundation Commendation was awarded to seven bodies for the Foundation Prize and 11 bodies for the Education Prize. - Promotion of going paperless by using tablet terminals at meetings within the Bank - Promotion of LED lighting at the headquarters and branches, and installation of an EV charging stand in the parking lot of the headquarters
			(Initiatives for social contribution) Promotion of sports Promotion of art and culture Financial education Barrier-free measures	 	- The "Mothers Volleyball Team Competition" was held by the Volley Club (participating in the V-League) - Sponsoring the marathon race in Gunma Prefecture - Sponsoring the regular concert of the Gunma Symphony Orchestra - Organizing the Gunma Tournament of the National Senior High School Finance and Economics Quiz Championship "Economics Koshien" - All the branches are equipped with communication tools such as hearing aid devices to assist customers.
Society (S)	Customer	○ Initiatives to Revitalize the Regional Economy (pp. 22-)	Initiatives through our banking businesses Promotion of regional community-based finance Gunma Bank Management Club Gungin Business Support Grand Award SDGs private placement bonds and Gunma Bank regional revitalization private placement bonds Regional revitalization funds	    	- The membership of the Gunma Bank Management Club is 12,067. - The number of supports for business start-up: 911 (fiscal year 2018) - Number of applications for the Gungin Business Support Grand Award: 340 (fiscal year 2018) - Total amount of underwriting private placement bonds to contribute to the environment, regional revitalization and SDGs: 61 billion yen (March 31, 2019) (Part of the commission fee received by the Bank was used to purchase goods that were donated to schools; the number of donations totaled 286 and the total amount of donations was 4.4 million yen) - Number of business succession services was 1,804, and that of M&A services was 367 (fiscal year 2018) - Number of the companies that created the management improvement plan was 232 (71%) out of the 326 major companies that changed their management conditions. (March 31, 2019)
		○ Initiatives for Corporate Customers (pp. 26-)	Business feasibility assessment Provision of management challenges and solutions	  	- Financing loans discounted based on business feasibility evaluation: 1,058; 288.5 billion yen (March 31, 2019) - Number of customers receiving solutions: 13,482 (fiscal year 2018) - Number of provisions of assistance in collaboration with Gungin Consulting, Co., Ltd.: 100 (fiscal year 2018)
		○ Initiatives for Retail Customers (pp. 28-)	Provision of services meeting every life stage Customer-oriented business operations		- Housing loans discounted: 1,317 billion yen (March 31, 2019) - Asset management seminars were held 549 times with about 7,000 participants (fiscal year 2018) - Number of the 1st grade certified skilled professionals of Financial Planning (FP): 116 (March 31, 2019)
		○ Initiatives for Digital Banking (pp. 34-)	Business innovation through digitization technology Efforts to provide cashless payment service		- Establishment of FinX DIGITAL Co., Ltd. by the joint investment of seven regional banks - Expansion of smartphone payment service (J-CoinPay, Merpay, etc.)
	Employee	○ Initiatives for Work Style Reform (pp. 36-)	Work style reforms Promotion of women's participation and advancement in the workplace	 	- Campaign of "smart working and leaving early" from the office - Percentage of female managers: 10.3% (March 31, 2019) - Certified as an enterprise of "Platinum Kurumin," "Eruboshi (highest grade 3)," "Health and Productivity Management (White 500)"
Governance (G)	Shareholder and investor	○ Communication with Our Shareholders and Investors (pp. 60-)	IR activities Shareholder return		- Implementation of explanatory meetings for investors (funds and personals) and interviews for individual investors - Shareholder return ratio: 41.9% (fiscal year 2018)
	Corporate governance (business management)	○ Management Framework to Support Business Model (pp. 42-)	Initiative in promoting corporate governance		- Establishment of the advisory bodies to the Bank's board of directors (the Nomination Advisory Committee and the Compensation Advisory Committee) - Reviewing of the directors' remuneration system (restricted stock remuneration and performance-linked stock remuneration)

# Value Creation Process at the Gunma Bank Group

- 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.

## Utilizing capital resources

### Financial capital

- Sound financial portfolio
- Abundant equity capital

### Human capital

- Number of employees on a consolidated basis: 3,185
- High abilities and strong organizing power
- Extensive specialized human resources
- Corporate culture rich in individuality

### Intellectual capital

- Knowledge and systems that are backed by our long years of experience and achievements
- Excellent information-collecting ability and ability to create proposals
- Ability to meet a variety of financial approaches including financial technology (fintech)

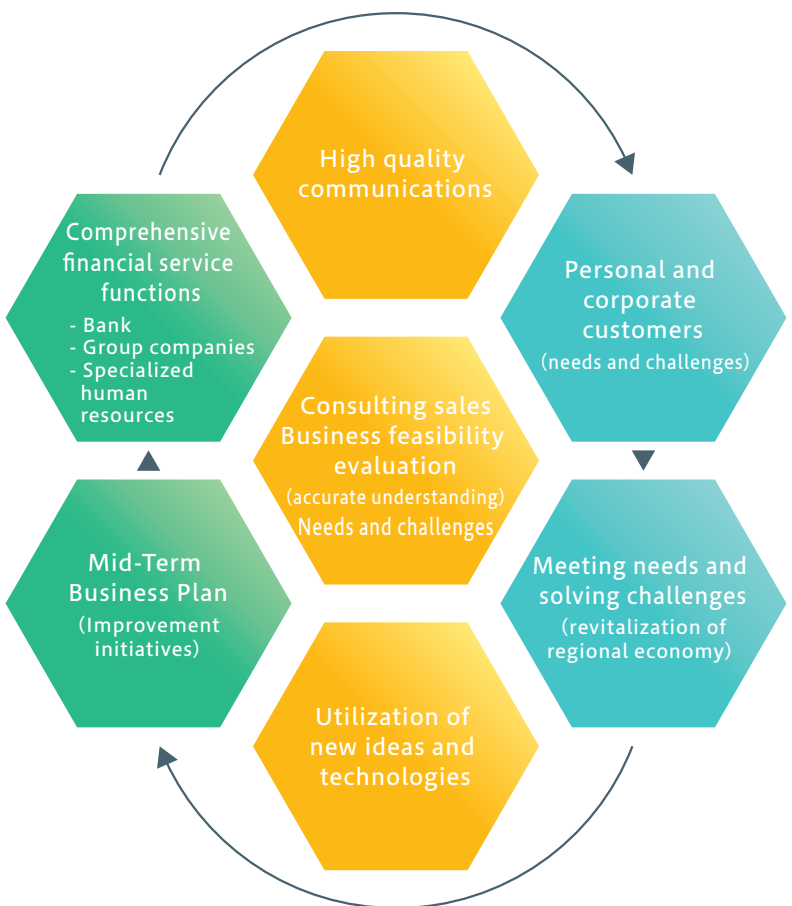
### Regional social capital

- Favorable relations with customers
- Resilient networks (company, personal and branch networks)
- Overwhelming business base (high shares of deposits and loans) (high percentage of major customers)
- Our service area is a good location for companies.
- Accumulation of companies with significant technologies

### Natural capital

- Blessed with a natural environment
- Region has few natural disasters

## Business model of the Gunma Bank Group



## Strong management base that supports our business model

Corporate governance

Risk management

Compliance

## External environment (social challenges)

- Initiative for SDGs (building a sustainable society)
- Decreasing birthrate and increasing aging population
- Growing expectations for women and elderly to take active roles in society
- Work style reform
- Progress in digitization
- Slowdown in the pace of business expansion
- Prolonged negative interest rate policy
- Diversification of asset management and fundraising
- Growth in demand for inheritance and business succession services

Other

## Products and services provided to customers



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



# Message from the President



Guided by our corporate philosophy, we focus on achieving the transformation of the management platform and the evolution of our business model as well as responding to customer needs through the innovation of our financial services, and we aim to be a regional financial group that realizes value.

**Akihiko Fukai**  
President

## Preface

When viewing the current economic climate, in spite of the moderate recovery of the domestic economy, uncertainty is growing because of overseas trade issues and other factors.

From a financial perspective, the environment for management at financial institutions is getting increasingly severe as a result of narrowing yield spreads on loans and securities due to the prolonged Negative Interest Rate Policy and increased competition caused by the entry of new players from other industries. In addition, Japanese society is in the midst of drastic structural changes relating to demographics and other emerging factors which have led financial institutions, including our Bank Group, to face various threats and challenges.

Meanwhile, the recent progress in digitization has brought dramatic changes to individuals' lifestyles and the corporate business model, and we believe that the evolution of technology in this area will cause financial institutions to enhance innovations in financial services together with radical cost reductions and allow them to create new opportunities.

With a firm awareness of this situation, we are prepared to grapple with various challenges and secure opportunities for growth through measures such as taking the initiative for revitalizing regional economies, implementing a radical transformation of the profit structure, responding to emerging needs involving business succession and other issues, utilization of digital technology, and promoting collaboration with fintech companies.

## Two perspectives fundamental to management strategy

In tackling management challenges, we have given priority to two perspectives.

The first is to flexibly develop businesses that are centered on the core competence of the Bank.

As a regional financial institution, we have been able to grow mainly through accepting deposits and making loans. To tackle the management challenges mentioned above, however, we are required to redefine the businesses we are targeting. The drastic change in the environment and the emerging new opportunities for businesses allow us to achieve further growth by making use of these opportunities. To this end, 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 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" that is 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. We have developed networks with corporate and personal customers both inside and outside of Gunma Prefecture. These networks were carefully built over many years and are expected to provide us with information from which business opportunities can arise.

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. We have promoted collaboration of banking/securities with Gungin Securities Co., Ltd. for personal customers. For corporate customers, we have devoted efforts to supporting them in solving management challenges with the establishment of Gungin Consulting Co., Ltd. the previous fiscal year.

Based on our core competence, we expect to concentrate our efforts on new areas which may lead to business expansion and increased profitability, for example, in the areas of consulting services for business succession and inheritance while providing smooth financial intermediation that is a fundamental part of banking operations.

However, it is critical to keep making efforts to periodically redefine core competence and foster new abilities since the effectiveness of practices differ depending on the market and competitive environment and, in some

# Message from the President

cases, we may lose our traditional competitive advantage through changes in the market environment. Thus, we need to foster future such as improving our skills in digitization to a level where they cannot be imitated by other companies.

Another important perspective is “Improving management speed.” Changes associated with the evolution of IT are occurring at an increasingly faster pace. For example, the smartphones that have spread throughout the world have allowed the launching of businesses that were beyond imagination ten years ago. Recently, the effectiveness of data utilization is attracting attention, and the qualities required for human resources are widely changing, and science and engineering personnel and data scientists are in great need. It is said that “the pace of environmental change is faster than ever.” In future, the speed of environmental change is expected to increase even more. Therefore, I believe that we must raise the speed of decision making and take actions to keep up with all these changes. What we must fear most is the risk of doing nothing. The whole bank, including management, is required to increase the speed of doing business.

## A new Mid-Term Business Plan: “Innovation New Dimension”

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

The Bank worked on the previous Mid-Term Business Plan revised twice 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 communities and our customers.

In a new Mid-Term Business Plan, we focus on realizing value proposition based on our conventional effort for “value proposition” 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.” We also set forth strategic themes for each of these policies.

In accordance with the policy of “Transforming our management platform through three reform initiatives,” we grapple with 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) and promote innovations to make our new strategies effective.

For the policy on “Realizing advanced value through evolution of our business model,” 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”. They lead us to further enhance our “ability to offer value proposition” to the “ability to realize value.”

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.

## Strengthening of governance and capital policy

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

In July 2018, the Bank established a “Nomination Advisory Committee” and a “Compensation Advisory Committee” to create a system which allows independent outside directors to be appropriately involved in

the decision-making process for the nomination and compensation of directors as stipulated in the Code of Corporate Governance. This has led to increasing objectivity and transparency in the decision-making process and enhancing governance. Further, in June 2019, the Bank introduced plans for “restricted stock remuneration and performance-linked stock remuneration” based on discussions by the Compensation Advisory Committee. I believe that these plans are effective schemes that allow the directors to enhance management awareness centered on shareholders and give them an incentive to work to sustainably enhance performance and increase the corporate value of the Bank.



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 and establish an efficient 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 (dividends plus treasury stock acquisition).

In addition, as various environmental and social issues are becoming increasingly urgent, 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 an aim to contributing to the resolution of environmental and social issues through business activities based on our corporate philosophy and SDGs. 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 for regional communities and our stakeholders, including customers, employees, shareholders and investors.

## Conclusion

Financial institutions are continuing to face challenging times, laden with a variety of issues both domestically and abroad. Amid these circumstances, my mission as the new President is to realize the development of regional communities and the growth of the Bank.

I believe that there is great value in tackling challenges in these difficult times. For business persons, the opportunity to take on many challenges is a joy, and I feel that we are blessed to be working at regional institutions in an era with so many challenges and opportunities.

What I have described above makes no sense if we do not work to achieve these goals. We will continue to steadily overcome each issue, one at a time, and take on the challenges that will lead us to a new dimension.

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

July 2019

*Akihiko Fukai*  
Akihiko Fukai, President



# Transformation of Management Platform

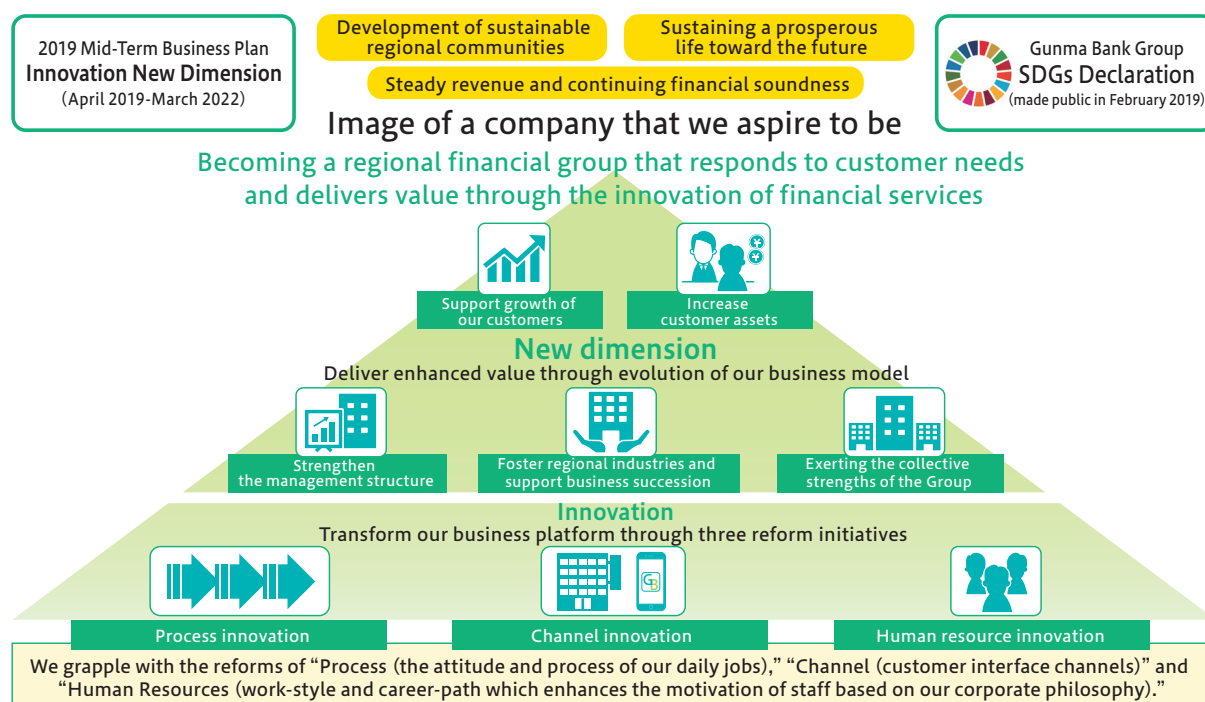
2019 Mid-Term Business Plan “Innovation New Dimension” - Toward delivering value -  
《Duration of plan: Three years from April 2019 to March 2022》

## Perspectives

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

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

《Outline of the Mid-Term Business Plan》



## Company image and basic policies

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

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

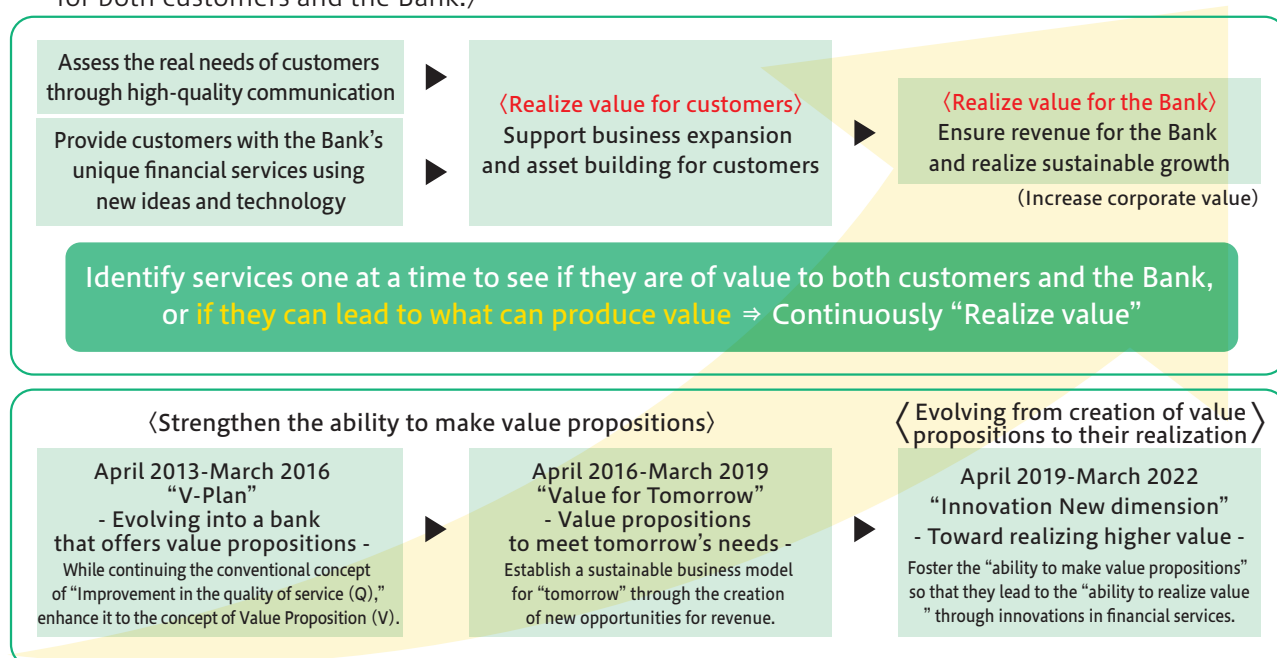
### Two basic policies

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

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

### Enhance ability to create unique propositions

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



## Quantitative planning (quantitative targets)

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

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

### Long-term target

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

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

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





# Evolution of the Business Model

## Strategic themes and major policies

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

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

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

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

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



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

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

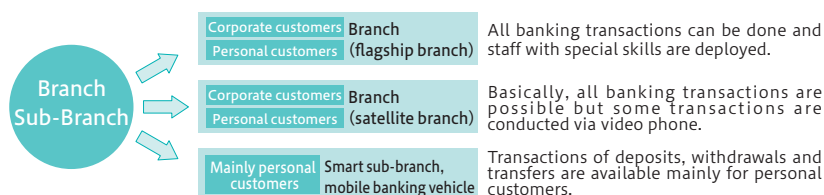
- Improve customer experience through the “DigiCal Strategy”
- A new customer approach in collaboration with outside partners
- Improve customer loyalty through expanded communications
- Selection and concentration of the bank network and functions for optimization
- Expand customer contact channels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

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

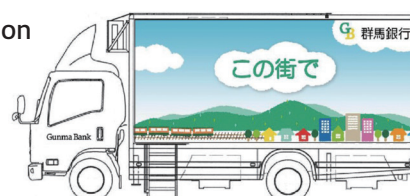
### [Specific measures]

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

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



#### 《Mobile banking vehicle》



#### Individual Consulting Plaza Maebashi (opened in February 2019)

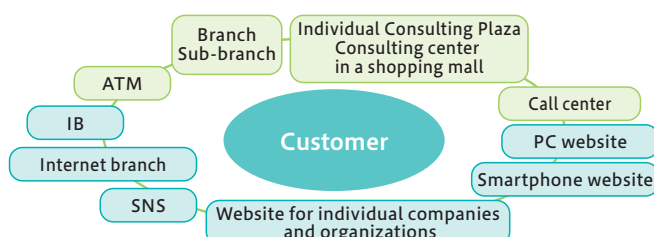


#### ■ Expansion of consulting centers for new personal customers

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

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

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



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

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



Activities by an exclusive women's team

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

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

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

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

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

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

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

- (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

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

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

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

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

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

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



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



Create a customer-oriented asset  
management plan



Gungin's SDGs private placement bonds

### Gunma Bank Group

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

# Initiatives to Revitalize the Regional Economy

(Status of initiatives to improve SME management and revitalize regional economy)

Our “Corporate Philosophy” states that we will “Constantly consider and take actions for the development of regional communities” and “Deepen a creative relationship with customers.” We believe that steady implementation of various measures in the Mid-term Business Plan based on this corporate philosophy leads to “revitalization of the regional economy and regional activation” and “promotion of community-oriented finance.”

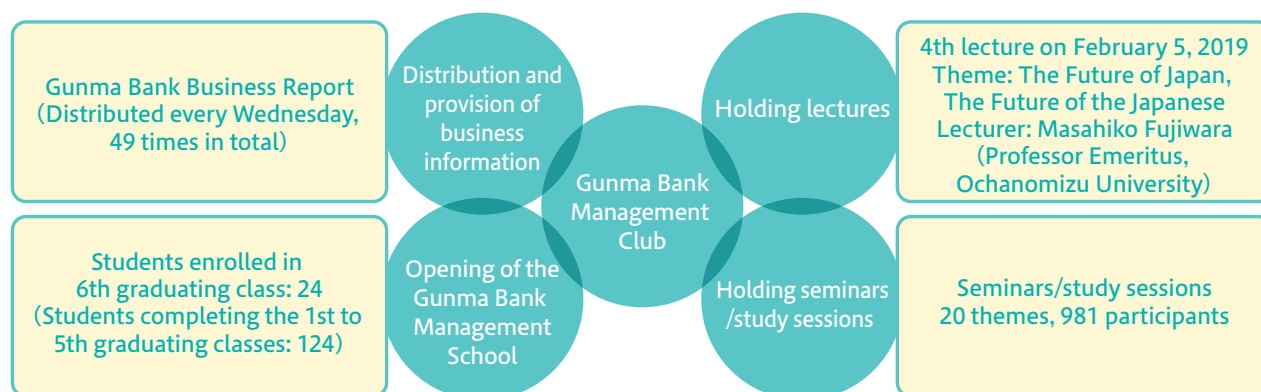
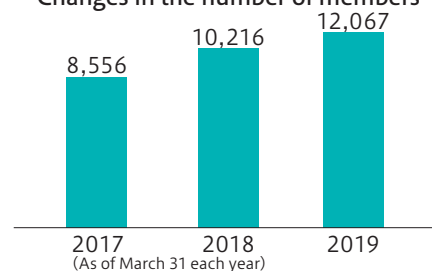
## Efforts for regional revitalization through the Gunma Bank Management Club

We regularly disseminate information useful for management through the corporate membership organization “Gunma Bank Management Club (no admission fee or annual fee).” Various events are also held to provide new information and networking opportunities.

Through such corporate management support, we are working to revitalize the regional economy. At present, we have 12,067 members.

In addition, we are striving to develop business successors who will be responsible for the next generation through the opening of the “Gunma Bank Management School”.

Changes in the number of members



Management School  
(social gathering)



Management School  
(lecture by the president)



Seminar

## Efforts for collaborations with local public bodies

We are actively supporting local public bodies by strengthening cooperation between each manager responsible for promoting regional revitalization (sales branch manager) and the related departments at the headquarters. While doing this, we conclude a comprehensive partnership agreement with local public bodies, and present specific proposals for attracting new companies, promotion of settlements, job creation and promotion of tourism in particular for them to work on regional revitalization together.

**Local public bodies that have concluded this agreement are as follows:** Gunma Prefecture, Maebashi City, Takasaki City, Kiryu City, Isesaki City, Shibukawa City, Fujioka City, Annaka City, Midori City, Shimonita Town, Oizumi Town



## Initiatives to promote the creation of a sustainable society through business

We offer a range of private placement bonds and investment trust instruments that can contribute to achieving the SDGs in corporate funding and individuals' asset management to respond to customers' needs for contribution to the achievement of the SDGs.

### <<SDGs support private placement bonds by The Gunma Bank>>

We respond to customer needs of contributing to the achievement of the SDGs through their financing. Specifically, we make a donation to schools, local public bodies, or groups that engage in the SDGs efforts by using a part of the fees that are received by the bank for the issuance of SDGs private placement bonds.

In April 2019, we started handling private placement bonds for which we offer fee-preferential treatment for companies\* conducting businesses that contribute to the achievement of the SDGs.

\*Operating companies contributing to the achievement of the SDGs are as follows: Companies that have received "Management Innovation, Environmental GS Business" certification from Gunma Prefecture, "Eco Action 21" certification from the Ministry of the Environment, ISO certification from the International Organization for Standardization, etc.



#### As of March 31, 2019

Total amount issued	61 billion yen
Total amount of donations	286 cases; 44,578 thousand yen

### <<Investment trusts that support activities for protecting the natural environment and the world heritage site>>

We have a lineup of investment trust products that donate the protection groups with a portion of the fund management expenses (trust fees) received by the bank and the trustee company, and respond to customer's desire to contribute to achieving the SDGs.

#### As of March 31, 2019

Total amount of donations 19,582 thousand yen

#### Tomioka Silk Mill, Silk Industrial Heritage Group Protection Activity Support Fund

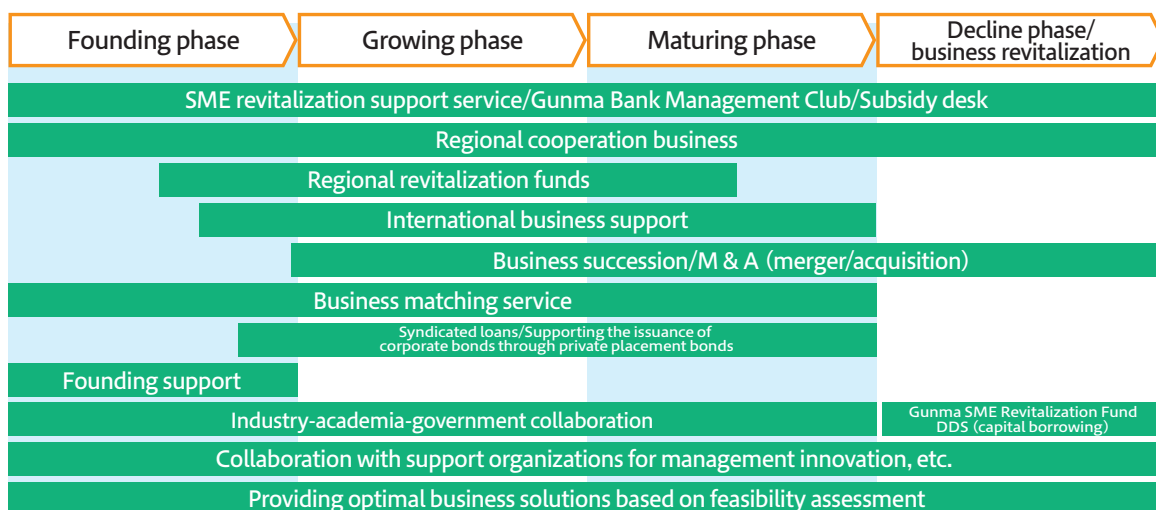
- Product nickname: Silk Inheritance of Gunma
- Donation to Gunma Prefecture World Heritage, Gunma Silk Inheritance Succession Fund

#### Natural Environment Protection Fund

- Product nickname: Oze Kiko
- Donation to the Oze Preservation Foundation

## Consulting functions according to each company's life stage

We strive to enhance our consulting functions to support the management issues of companies in various life stages and assign highly specialized staff members for this purpose.



# Initiatives to Revitalize the Regional Economy

## Efforts to support business start-ups

We actively support companies that are planning to start-up businesses or have just started, as well as launching new businesses and developing new products.

The 6th “Gungin Business Support Grand Award” in fiscal year 2018 encouraged the revitalization of companies and regional communities by awarding their new products and new business plans. At the 6th competition, there were 340 applications, and 18 companies and individuals received the prizes including the Excellence Award and the Challenging Spirit Award.

In addition, to support physicians employed by hospitals to start-up their own practice in the growing medical industry, the headquarters specialist staff cooperates with external specialist institutions to organize a system that fully supports busy physicians, and this system has been received favorably.

### 6th “Gunma Bank Business Support Grand Award” in FY 2018

<<Excellence Award: three winners>>

Isaac Co., Ltd.

Development of the world’s first synthetic resin pulverizer usable at room temperature

Coulomb Co., Ltd.

Succeeded in developing PERSONA, the world’s first revolutionary body storage system

Look Tec Co., Ltd.

Development of a non-invasive “blood sugar monitor” that can easily measure glucose at any time without blood sampling

### Doctor support loans (results)

FY 2017	133 loan cases; 3.3 billion yen
FY 2018	147 loan cases; 4.2 billion yen

### 2019 Mid-term Business Plan target

Number of start-up support cases	2,000
(Cumulative total from FY 2019 to FY 2021)	

## Sales channel development support

We are supporting business matching for companies having management challenges of sales channel development for business growth and stability. We are doing this by attracting participation for open innovation conducted by major companies and holding business meetings in cooperation with matching service providers.



Gunma Local Industry Festa  
2019 in Tokyo



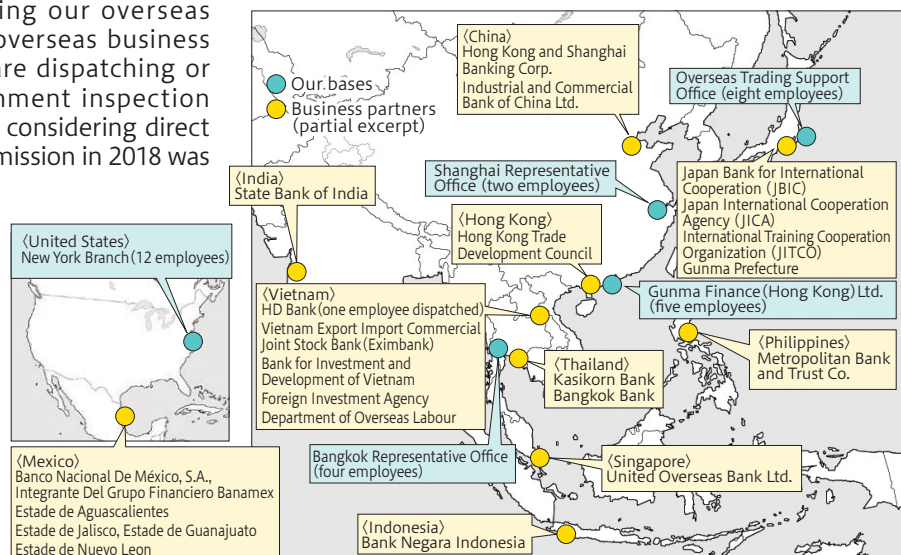
Come on! North Kanto!  
Ibaraki, Tochigi, and Gunma Fair

Due to the progress of globalization, there is a great need for expanding sales channels overseas. In addition to the support using our overseas support network and holding overseas business meetings (Bangkok, etc.), we are dispatching or supporting investment environment inspection missions consisting of companies considering direct investment overseas. (Inspection mission in 2018 was to Cambodia)



Business meeting of Japanese-affiliated companies in Thailand

### <<Overseas expansion support network using our overseas bases and business alliance partners>>



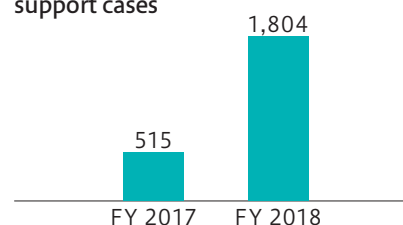
## Support for business succession

We provide proposals and advice to our business partners in cooperation with external experts for their business succession needs. In addition, the Gunma Bank Group's support system has been strengthened by establishing our wholly-owned subsidiary, Gungin Consulting Co., Ltd., which opened in October 2018 (see page 27).

While considering issues such as the aging work population and difficulty in finding successors, we believe that "a comprehensive approach to business succession" is particularly important for revitalizing the regional economy.

In fiscal year 2018, we conducted interviews with our 21,000 business partners on shareholder composition and successor information. With the results in mind, we will work to provide optimal solutions for each customer within three years of the new Mid-term Business Plan. We believe that smooth business succession will lead to the preservation and improvement of regional economic vitality.

Number of business succession support cases



### 2019 Mid-term Business Plan target

Number of support cases 6,000  
(Cumulative total from FY 2019 to FY 2021)

## Management improvement support

The headquarters and sales branches are actively engaged in promoting smooth financial services and providing support to our business partners for management improvement.

Depending on the management situation of individual companies, we provide them with support and advice on the formulation of management improvement plans through the main efforts of the Internal Review Office at the Credit Department, while collaborating with external organizations to increase the effectiveness of support.

In addition, when necessary, we offer fundamental revitalization support using measures such as the Gunma SME Business Recovery Fund, debt-debt swap (DDS), and asset-based lending (ABL).

Number of major business partner cases with conditions changed 326

Number of above cases with plans formulated 232  
(Formulation rate 71%)  
As of March 31, 2019

## Business feasibility assessment

The headquarters and sales branches work together on business feasibility assessment so that we can offer optimal value propositions to our business partners pursuing business growth while sharing management issues with them.

The headquarters conducts business feasibility assessments of major business partners based on surveys and analyses of general aspects of automobile-related industries, which is a key industry in the region, while sales branches conduct business feasibility assessments based on individual company characteristics.

The headquarters and branch offices work together to provide optimal solutions regarding the management issues through the shared awareness after the dialogue with the corporate managers on business feasibility assessment. In addition, external organizations and specialists are called upon when necessary.

### Business feasibility assessment

Number of assessment cases 1,058  
As of March 31, 2019

### Loan balance based on business feasibility assessment

As of March 31, 2018 215.0 billion yen  
As of March 31, 2019 288.5 billion yen

Note: "Initiatives for promoting community-oriented finance" and "Benchmarks for financial intermediary functions" are posted on our website. Please read the QR code to view materials.

○ Initiatives for promoting community-oriented finance



<http://www.gunmabank.co.jp/about/csr/chiiki/chiiki1.html>

○ Benchmarks for financial intermediary functions



<http://www.gunmabank.co.jp/about/csr/benchmark/index.html>



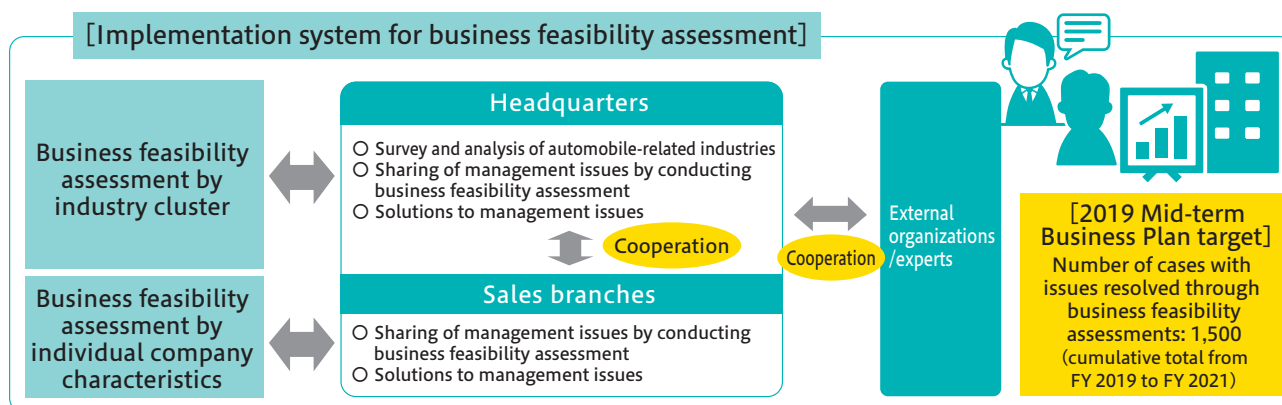
# Initiatives for Customer Consulting Services

## Initiatives for Corporate Customers

### Strengthening business feasibility assessment efforts

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, general affairs, 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.



### <<Introduction of process evaluation>>

Realizing optimal solution proposals based on business feasibility assessments may take a considerable amount of time.

To meet this, we have included in the business feasibility assessment the “Process evaluation items” that evaluate the implementation process for checking business results of each sales branch every six months. In the process evaluation, even if no clear results are shown in the sales performances, the appropriate implementation process for business feasibility assessment is recognized as a positive result. We believe that this system will encourage full-scale efforts at sales branches.

### Topic Customer voice

Thank you for your understanding of our business. We hope that you will continue to be a valuable consultation partner in future.



Based on our corporate philosophy of “Making people happy with **precise cutting**,” we have received orders for creating precision parts, especially automobile parts, both in Japan and overseas.

Our relationship with The Gunma Bank is still quite brief, but since the start of doing business with the bank, we have been receiving cooperation in solving various issues such as the introduction of specialized human resources\* to solve manager shortages. Above all, we appreciate the Bank’s response after fully understanding the way our business works.

Now we feel that The Gunma Bank will be our main bank for conducting transactions.

We hope that The Bank will continue to be a valuable partner in future.

\*Utilization of the Saitama Prefecture Professional Human Resources Strategic Base



Matsumoto Kosan Co., Ltd.  
Naoki Matsumoto  
Representative Director

## Initiatives for more specialized consulting services

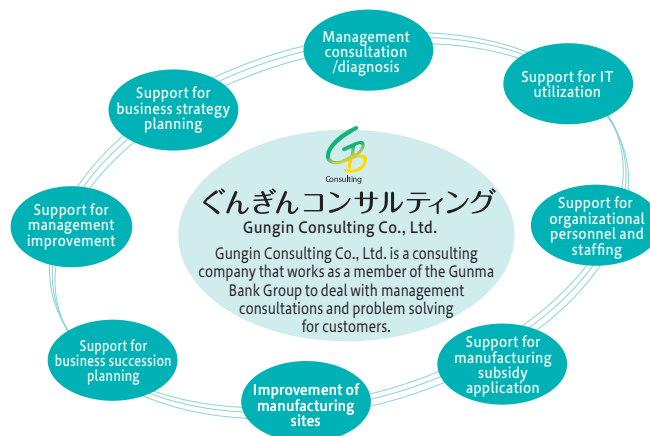
### <<Establishment of a consulting company>>

In solution proposals based on business feasibility assessment, we will introduce external specialized institutions if required. In such cases, we will provide indirect support for realizing the proposition.

Based on the above background, we established a consulting subsidiary so that we can be more actively involved in advanced consulting proposals and their realization.

#### Gungin Consulting Co., Ltd.

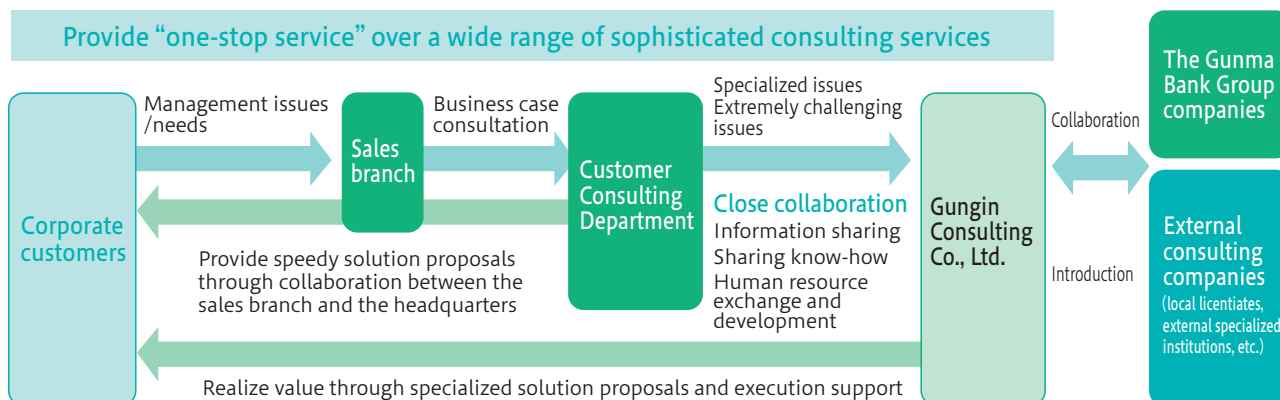
Capital: 100 million yen (100% investment by the Gunma Bank)  
Established in April 2018, operations started in October of the same year.



### <<Consulting on highly specialized issues>>

When consultation on customer management issues requires a high level of expertise or is a complex and difficult task, we work together with the Group's Gungin Consulting Co., Ltd. based on the customer's consent. As a result, we have been able to propose solutions for a wide range of management issues faster than before.

At Gungin Consulting Co., Ltd., consultants with expertise are working to propose optimal solutions and support execution for solving management issues under close cooperation with us through the use of the functions of the Gunma Bank and the collaboration with its staff. In addition, if necessary, we are collaborating with the Group companies, local licentiates, external specialized institutions, etc. to provide a wide range of consulting services.



### <<Situations at Gungin Consulting Co., Ltd. after its establishment >>

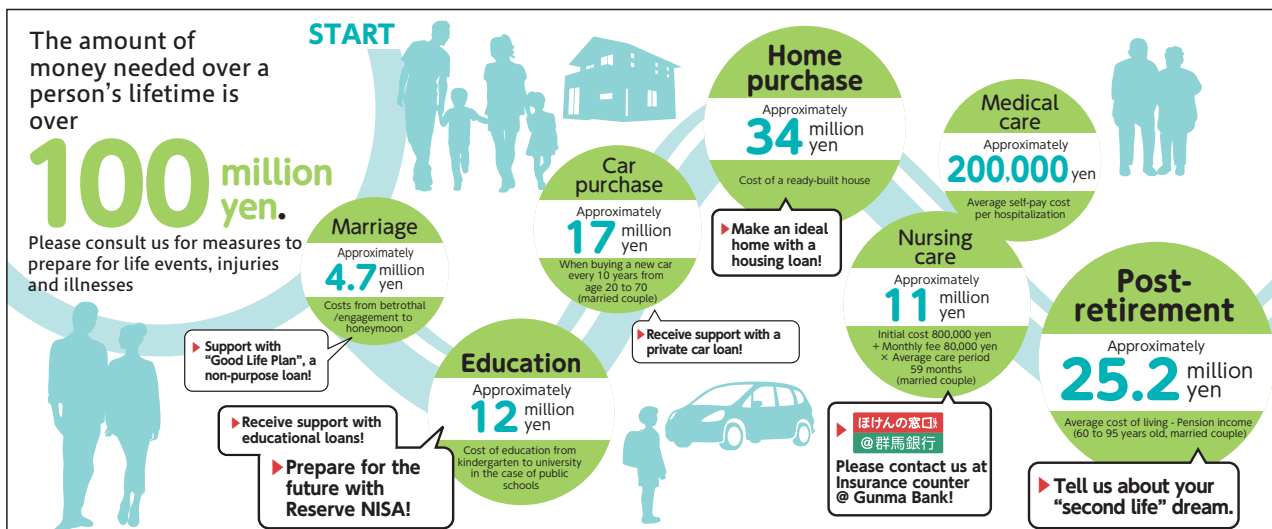
Since opening in October 2018, there have been 100 “toss-up cases” from sales branches in six months.

In order to solve various issues including high-need business succession, the responsible person at the sales branch collaborates with the staff of the Customer Consulting Department and the responsible consultant through making discussions or visits together to improve practical skills. This has led to improvement in the consulting ability of the Bank.

Another great strength is the ability to provide a one-stop consulting service through collaboration between sales branches, headquarters, and Gungin Consulting Co., Ltd.

# Initiatives for Customer Consulting Services

## Initiatives for Retail Customers



## Main products and services according to life stage

Life stage	Young adult		Asset building				Senior		
Event	Admission into/ Graduation from school		Start of a working career	Marriage	Child birth	Home purchase	Upper school education for a child		Retirement
Asset management	Small investment (NISA, etc.)		Investment trust		Savings insurance		Securities account		Inheritance measures
Insurance	Security insurance								
Deposit/ settlement	Salary, pension, direct debit, credit card, internet banking								
Borrowing	Card loan		Private car loan		Housing loan		Educational loan		Home improvement loan Reverse mortgage

## Start of a working career

For the future, "money management" planning that goes "one step ahead" is necessary.

Once you start working, you will have to manage all your income and expenses yourself. For example, you need to manage your salary and living expenses, prepare for sudden expenses, and plan funds for the future.

Your relationship with "money" becomes more complicated than when you were a student and thus requires more advanced planning.

Please learn how to manage your money more carefully when you start working.



"Useful" ..... Internet banking, "Money Forward (budget-managing app)"

"For the future" ..... Property-type deposits, iDeCo (pension plan), Gungin installment-type investment trusts, personal pension insurance, etc.

"Preparing for 'just in case'" ..... Credit card loan, credit card



## Marriage

We wish you a happy new life together and will support you as you begin a new chapter of your life as a family.

You will have expenses from your engagement, wedding ceremony, reception and honeymoon. It is common for expenses to increase, such as preparing for a new home and a new life, purchasing furniture, home appliances and household items. A solid money plan is essential to build a happy life. Marriage is also a good opportunity for purchasing or reviewing insurance coverage. We will firmly support the two of you as you begin this new chapter of your life.



“For someone special”……Protection-based products (medical insurance, cancer insurance, income security insurance, etc.)  
“Expenses for a new life”……“Good Life Plan,” a non-purpose loan

## Education

You need to ensure the future of your precious children to have peace of mind.

A large sum of money, especially for education expenses, is necessary to care for a child from birth to adulthood until they become a member of society. We recommend preparing systematically for your child's future.



“Careful and systematic preparation is needed”……Educational insurance, installment time deposits, Gungin installment-type investment trusts, etc.  
“For the future of your children”……Educational loan

## Housing

Dreaming of “My own home”

Let's prepare funds carefully and systematically to purchase your ideal home.

A house is one of the most expensive purchases a person makes. You need to make preparations such as applying for a loan that suits your lifestyle and create a funding plan from the beginning.

Another important part of the process is to make a reasonable repayment plan based on your child's growth and lifestyle changes.



“Careful and systematic preparation is needed”……Property accumulation housing savings, installment time deposits, Gungin installment-type investment trust, etc.  
“Create a plan that suits you”……Mortgage protected with group-credit joint life insurance, mortgage protected with group-credit life and specified disease insurance, etc.  
“Review your household budget”……Free loan/insurance consultation (Insurance counter @ Gunma Bank)

## Life after retirement

To enjoy a fulfilling life after retirement, prepare through smart and reliable financing.

A comfortable life after retirement is a future that everyone wants. Retirement generally reduces your income significantly. We recommend gathering information before retirement and making systematic preparations to realize a comfortable life after retirement.



“A comfortable life”……Retirement allowance plan, personal pension insurance, financial product brokerage, etc.  
“Review your insurance coverage”……Free insurance consultation (Insurance counter @ Gunma Bank)  
“Utilization of your home”……Reverse mortgage

Note: For detailed information on each product, please visit our website (<https://www.gunmabank.co.jp/>).

# Initiatives for Customer Consulting Services

## Initiatives for Retail Customers

For more advanced customer consulting services

### Inheritance consultation

We will help customers to realize their wishes, such as giving precious assets that have been built over many years, to specific family members and/or grandchildren.

“To achieve your wishes”

Will trust

“For ensuring a good future for your family”

Trust as a substitute for a will

“Handling troublesome procedures”

Liquidation of inheritance property service



### Asset management consultation

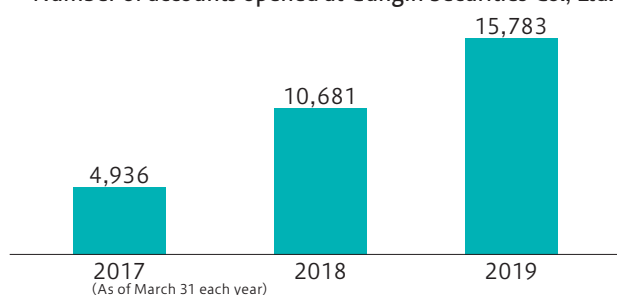
For customers who want more specialized products and services for asset management, we can meet a wide range of asset management needs: for example, we can introduce you to Gungin Securities Co., Ltd., and propose domestic and foreign bonds and stocks, and private placement structured bonds.\*

\*Private placement structured bonds are custom-made bonds based on the degree of risk allowed by customers and the desired rate of return.

#### Major types of private placement structured bonds

Stock index-linked bonds, EB bonds (convertible bonds from other companies), Dual currency bonds, Callable bonds

Number of accounts opened at Gungin Securities Co., Ltd.



Note: Gungin Securities Co., Ltd.

Established in February 2016 with the start of operations in October 2016

### Insurance consultation

Partnering with Hoken No Madoguchi Group Inc., Japan's largest insurance brokerage firm, we offer products that meet customers' needs from an abundant product lineup according to each customer's life plan.

#### Consultation bases (three bases in Gunma Prefecture)

Individual Consulting Plaza Maebashi

Loan and Insurance Consulting Plaza Maebashi

Loan and Insurance Consulting Plaza East

#### Products

112 life insurance products (22 insurance companies)



Individual Consulting Plaza Maebashi

## Customer-oriented Initiatives

Based on the “Principles for Customer-Oriented Business Conduct” (Fiduciary Duty) announced by the Financial Services Agency in March 2017, we established and announced a “Management Policy” and “Action Plan based on this Policy” together with Gungin Securities Co., Ltd. in June 2017.

### Action plan based on customer-oriented business conduct policy

- |   |  |
|---|--|
| 1. Selection of useful products for customers                         | 4. Provision of suitable products and services available for customers |
| 2. Improved transparency of bank commissions, etc.                    | 5. Human resource development and evaluation                           |
| 3. Provision of important information in an easy-to-understand manner | 6. Announcement of efforts   |

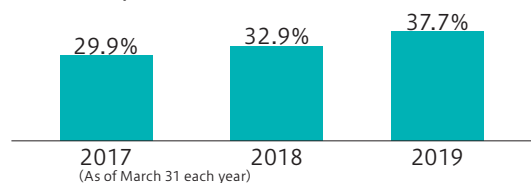
#### ○ Selection of useful products for customers

We propose “Core-Satellite Management” as an asset management method.

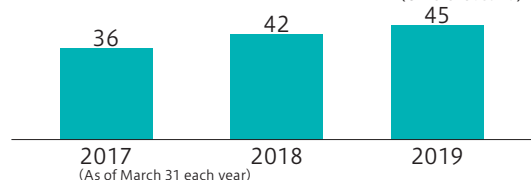
In “Core-Satellite Management”, we aim to increase operational efficiency from a long-term perspective by a well-balanced combination of “Core Assets”, which are stable investments over the medium- to long-term using diversified investments (balanced products, for example) and “Satellite Assets”, which 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: thousand)



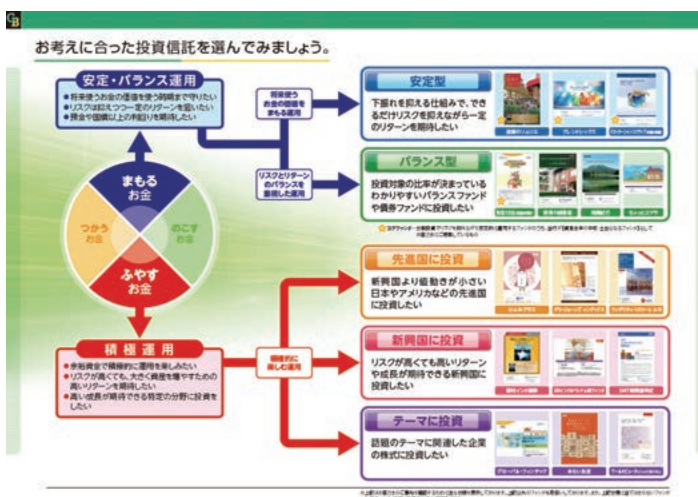
#### ○ Improved transparency of bank commissions, etc.

For bank commissions for investment trusts, we have prepared information on “Main services for investment trusts and costs to be borne by customers” 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

We have newly established and utilized an “Investment trust planning confirmation sheet” as a support tool for customers to select investment trusts that meet their needs.

[Investment trust planning confirmation sheet]





# Initiatives for Customer Consulting Services

## ○ 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.
- On our website, an information site for people in the life stage of asset building, "Savings Box for Future," has been opened and information videos related to money are posted. In addition, we are posting "Iroha," a free newspaper (first published in December 2018) that includes asset management information and local information on shrines and Buddhist temples which have become popular as places for spiritual energy in recent years as well as information on recommended restaurants in Gunma Prefecture.

FY 2019

Number of seminars held 529  
Approximately 7,000 participants

[Video distribution service "Money Class"]



[First issue of the free newspaper]



## ○ 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 basic OJT and 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 are also developing and introducing performance evaluations that encourage customer-oriented sales activities.

[Number of qualified employees]

		As of March 31, 2017	As of March 31, 2018	As of March 31, 2019
Certified Financial Planner	1st grade	112	113	116
	2nd grade	1,923	2,008	2,069
Deposited financial assets	Advanced	90	95	116
	Intermediate	573	605	643
	Beginner	422	498	602

Note: Please refer to our website for the overall Key Performance Indicators (KPI) for customer-oriented business conduct. Please read the QR code to view materials.

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



## Initiatives to Prevent Bank-Transfer Fraud

Bank-transfer fraud refers to a criminal act that involves illegal money transfer, such as “Oreore fraud”, which refers to phone scams where fraudsters pretend to be relatives in need of money and force victims to transfer large sums of money into a designated bank account.

Bank-transfer fraud has increased, particularly among the elderly, and recently the age of the victims has been decreasing.

### <<Features of recent bank-transfer fraud >>

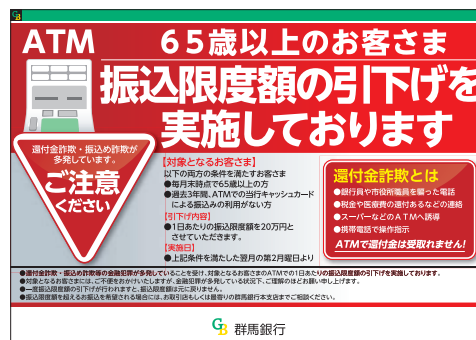
- Criminals call the victim's house in the guise of a police officer or bank employee, and skillfully inquire about the illegal use of the victim's cash card. After that, a person identifying himself as a member of the Financial Services Agency or Bankers Association visits the victim's home and tricks the victim into believing that they need to exchange their cash card for a new one, and hands the card over to the criminal with PIN information. (Cash card handling fraud)
- Pretending to be an employee of the local public body or tax office, the swindler deceives the victim into believing that they are receiving a refund for medical expenses or taxes, etc. and guides the victim to an ATM explaining that there is a special procedure for receiving the refund. Then, using a mobile phone, the criminal instructs the victim into making a transfer into the criminal's account using the victim's ATM card and thus deceives the victim into handing over their money. (called “Refund money fraud”)

## Preventive measures

In order to protect customers' valuable assets from “bank-transfer fraud” that has become a social issue, we have taken the following measures as a countermeasure against this crime.

### <<Contents of measures >>

- For bank transfers, the customer will be asked to give a reason for the transfer and other details.
- If bank-transfer fraud is suspected, the transfer is suspended until the facts are confirmed.
- If a customer is using a mobile phone at an ATM, a staff member will talk to them.
- Putting up posters near ATMs and at sales branches
- Posting warnings about such fraud on our website
- Strengthening cooperation with police and related authorities
- Implementing partial restrictions on transfer function at ATM
- Implementing transaction monitoring to prevent the spread of damage in the event of a bank-transfer fraud



## 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)

# Initiatives for Digital Banking

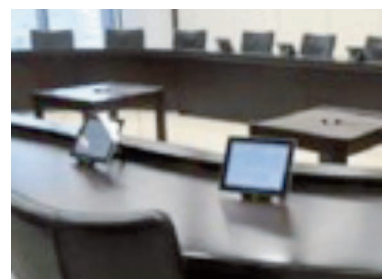
Since we believe that digitalization technology will bring great opportunities to financial institutions, we have been working on “creating new added value” and “improving customer convenience” along with “improvement in business efficiency” through business innovations. Furthermore, in the new Mid-term Business Plan, we will promote an effective combination of digital technology and physical ( “face-to-face” ) services.

## Initiatives to improve operational efficiency

### Going paperless for meeting materials and introduction of the video conference system

We have achieved a significant reduction in the use of paper by electronically replacing management-related documents used for the Board of Directors and the Executive Committee since 2015 (such documents could be viewed at any time using the tablet PC, so it is possible to respond to important matters while in the car or traveling overseas.)

In addition, as a business support tool, we distribute tablet PCs throughout the branches and actively utilize them. We hold video conferences only when necessary and they are attended only by necessary members. Even in Tokyo and at overseas offices, meetings are held where participants can look at each other's faces to achieve quick and efficient communications for conducting business operations.



Image

### Business Process Reengineering (BPR) initiatives

BPR is a complete review and redesign of contents, workflow, organizational structure, and rules of existing work.

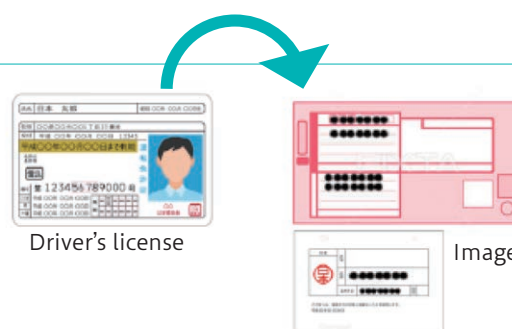
In particular, we have conducted a review of clerical work, systems development, and replacement of terminals with the aim of reducing our sales staff's clerical work and strengthening sales promotions. For example, for first-time ordinary deposit account customers, there are more than ten documents required by law, such as identity verification documents and anti-social forces related documents. However, when presenting a driver's license, for example, the pre-printing function automatically prints the customer's address on the documents, and the customer can complete the procedure simply by signing their name on these documents. The BPR has reduced the volume of sales-related clerical work corresponding to 133 employees and increased the number of staff members by 53 to provide asset management consultations, and assigned 48 employees from the loan-related clerical work to the external affairs section.

BPR efforts have made it possible to reduce the burden on customers and reduce the amount of our clerical work, and more time has been devoted to customer-oriented consulting services.

### Robotics Process Automation (RPA) efforts

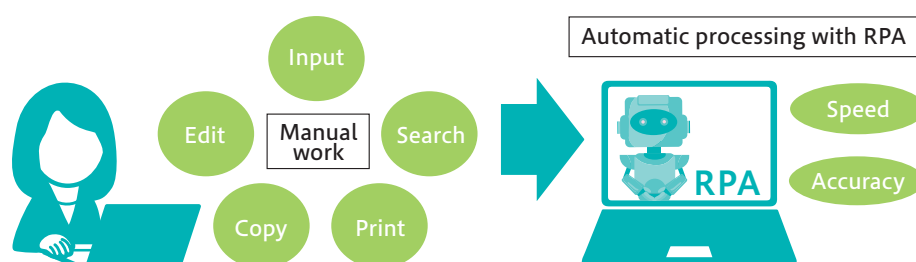
RPA was introduced in earnest throughout the headquarters to promote work automation using the RPA software for regular and routine work in October 2018.

With this approach, routine work can be carried out with robots, allowing employees to focus on higher value-added work, and improved work speed and accuracy. In addition, we expect a reduction of nearly 16,000 work-hours per year for 300 operations at headquarters.



Driver's license

Image





## Initiatives for “Creating new added-value” and “Improving customer convenience”

### Responding to changes in customer needs due to the spread of smartphones

- “Money Forward for The Gunma Bank” offers an automatic household account book and asset management services

(Providing a smartphone application program developed by Money Forward, Inc., for our customers)

In addition to the Gunma Bank accounts and credit cards, this application program is able to manage multiple accounts at once, such as bank accounts and credit cards from other banks, electronic money, mileage and points, and automatic classification and graphing of monthly food expenses, utility expenses, etc.



- Internet branch and The Gunma Bank application program

Customers can open an account of Internet branch with the Gunma Bank application program, and carry out Internet banking and ATM transactions.

Customers can use the “Simple bank book” application program that allows them to check transactions on their smartphones. There is also a preferential system for ATM fees.



#### 群馬銀行アプリ

スマートフォンで  
群馬銀行がもっと便利に!



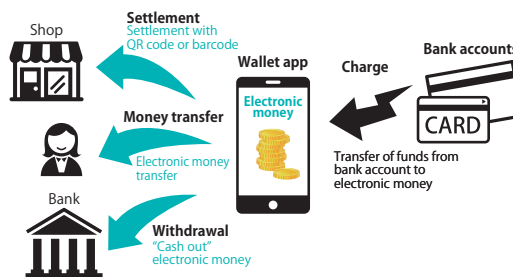
#### <<Simple bank book>>

年月	振込元	振込元口座	振込元金額	振込先	振込先口座	振込先金額
2017-6-28	75,000	振込元口座	75,000	振込先口座	75,000	75,000
2017-6-28	432	振込元口座	432	振込先口座	432	432
2017-6-18	265,321	振込元口座	265,321	振込先口座	265,321	265,321
2017-6-18	38,000	振込元口座	38,000	振込先口座	38,000	38,000
2017-6-18	12,000	振込元口座	12,000	振込先口座	12,000	12,000

- Initiatives for online payment and electronic money

The following Internet payments and electronic money services can be used.

- J-Coin Pay
- Origami
- Yahoo! Wallet
- LINE Pay
- Rakuten Edy
- Odds Park
- Merpay
- Pring



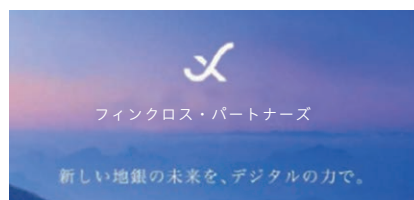
### Establishment of FinX DIGITAL Co., Ltd.

In June 2018, “FinX DIGITAL Co., Ltd.” was established in partnership with seven regional banks. The partnership here is a joint stock association of banks with the common understanding that “the future of new regional banks will be enhanced by digital power” and will be a place for discussing a wide range of advanced initiatives.

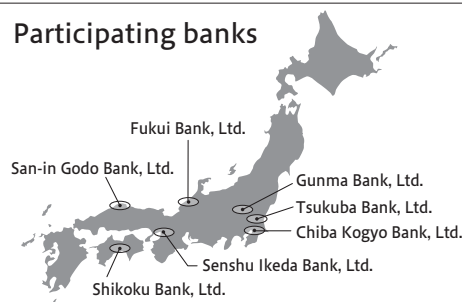
In the continuing harsh environment for financial institutions, we see the progress of socio-economic digitalization as an opportunity for regional banks. By realizing various ideas through this new institution, we will advance regional banking operations and dramatically improve customer services.

#### (References)

“Big data” total of seven banks
Ordinary deposit accounts: 10.9 million
Loan borrowers: 800,000



#### Participating banks



#### 〈Purpose〉

1. “Open innovation”
2. Realization of low-cost operations
3. Effective use of data
4. Creation of revenue opportunities
5. Development of new business fields

# Initiatives for Work Style Reform

We are making efforts to realize the work-life balance of employees, to support participation and enhancement of persons with diverse lifestyles, values, and backgrounds such as women, seniors, and young employees. We are also working on “work style reform” to foster a vibrant organizational culture in which employees work proactively.

We believe that enhancing the life of each and every employee through “work style reform” will lead to an improvement in the work satisfaction of employees which will then lead to better service for customers and “improvement in customer satisfaction.”

## Initiatives to reduce working hours

### Development of the “Working smarter to leave earlier” campaign

In October 2015, we started a campaign to work smarter and leave the office earlier (“Working smarter to leave earlier” campaign), and, in principle, working overtime after 19:00 is prohibited. In order to share the purpose of this campaign with all employees, we distributed a poster with the president’s signature to all departments and branches.

In conjunction with the start of this campaign, we introduced the flexible working style by improving the conventional staggered work shift system in November 2015, allowing employees to adjust their work hours to suite the progress situation of work and customer schedule without increasing their overtime hours.

Since April 2016, as a measure to support employees’ self-development goal under the “Working smarter to leave earlier” campaign, we have been implementing a program of “Night lectures” in different places to encourage them who want to improve their skills. Lecturers from the “Gungin Financial College” held by the Gunma Bank are playing a major role in this program.

In addition, since April 2019, the departments and branches have set “specific goals” according to their actual conditions to enhance the “Working smarter to leave earlier” campaign. This aims at allowing a more practical implementation of this campaign as an “advanced smart and early campaign” that will eventually be motivated by all employees.



### Establishment of “Day with no overtime for all employees”

Four times a month, all branches have a “Day with no overtime for all employees” in which employees of all branches are obliged to leave the office at 17:00.

In April 2015, we introduced a system of “voluntary scheduled no overtime day” that allows each employee to leave the office on time once a month on any day in addition to the “Day with no overtime for all employees” to realize a better work-life balance for our employees.

### Establishment of branch performance award for achieving an “overtime reduction target”

In order to raise awareness of work-hour management, efforts to reduce overtime are reflected in the branch performance awards. We also evaluate the status of “leaving the office on time” and the status of “childcare leave taken by men staff.”

We encourage employees to set goals related to work style reform and raising productivity for their target management in individual personnel assessment, and the status of the employee’s efforts will be reflected in these assessments.

### Introduction of annual paid leave by the hour

In July 2018, we established “timely leave”, a system for an annual paid leave with the aim of introducing more flexible work styles and supporting participation and enhancement of diverse human resources.

This system was newly established based on a proposal of the all-women staff team (see next page).

### Full-scale introduction of telecommuting

In August 2018, we introduced company-wide telecommuting by using thin-client laptop computers for headquarters employees and tablets for sales branch employees.

In April 2019, we expanded the number of telecommuters, the scope of telecommuting, and telecommuting hours to further promote telecommuting.

### Introduction of the “work-interval system”

In October 2018, we further promoted work style reform to achieve a work-life balance and established a new system to give employees “a certain rest period between the end of one workday and the start of the next” to create an environment where they are able to be active by maintaining a healthy state of mind and body.

Specifically, after one workday ends, employees are ensured of at least 11 hours of rest until the next workday starts.

## Initiatives for the promotion of women's participation and advancement in the workplace

### Institutional improvements

- **Creation of an all-women staff team (April 2015)**  
We have continuously made efforts to identify issues and propose solutions from a woman's perspective. We are currently in our fifth term.
- **Revision of the personnel system (June 2016)**  
We have abolished the conventional employment system for routine and support work and adopted a two-course system for the career-track employment: a course for unlimited career-track positions and a course for area-limited career-track positions. For both courses, there are no restrictions on job duties or positions, allowing all employees, including women employees, to achieve higher managerial positions.
- **Use of maiden name (business name) (October 2016)**  
The use of maiden names in the workplace is accepted.
- **Formulation of "General Employer Action Plan" (April 2019)**  
Based on the "Act on Promotion of Women's Participation and Advancement in the Workplace", we have formulated a "General Employer Action Plan" that incorporates the following numerical targets and initiatives for women's participation and enhancement. The plan was formulated for the second time since April 2016.
  - Increase women managers (deputy/vice branch managers or higher positions) to 120% of the number as of March 31, 2019 (120 women managers)
  - Improve percentage of women employees (39.4% as of March 31, 2019), paid leave acquisition rate (60.8% in fiscal year 2018; total of men and women), and average length of service for women (14 years and six months for women in service as of March 2019).



### Expansion and dissemination of various systems

- **Allowance for the support of early return to work after childcare leave (February 2017)**  
Provision for employees who return to work before child becomes one and a half years of age
- **Childcare support allowance (August 2017)**  
Provision for employees for the birth of the second child and each subsequent child (up to 2 million yen)
- **Child plan leave (August 2017)** Special leave of absence for fertility treatment (up to 5 days)
- **"Work-Life Balance Handbook" (April 2019)**  
Prepare various systems and preparations for users and managers in a single book

### Evaluation of women's participation and enhancement

Our efforts for women's participation and enhancement have resulted in the following achievements.

- "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 the Gunma Prefecture (February 2019, excellence office commendation)



## Initiatives for health and productivity management

### Declaration of health and productivity management

In September 2018, we established the "Declaration of Health and Productivity Management" to organize an environment where employees can work actively and keep a healthy state of mind and body, and to strengthen health maintenance and enhancement measures to contribute to the revitalization and development of regional communities.

#### "Declaration of Health and Productivity Management"

We will actively support employees so that they can maintain and enhance their mental and physical health, create a vibrant organization and a rewarding culture, and foster community prosperity for the future.

At the same time, we are also promoting collaborative efforts for health improvement (cooperation between the company and the health insurance society), opening a health management portal site, strictly prohibit smoking in company vehicles, setting up the non-smoking hours at sales branches, and posting posters.



### Acquisition of certification as an "Excellent Health and Productivity Management Enterprise (White 500)"

In February 2019, we were certified as an "Excellent Health and Productivity Management Enterprise (White 500)" in the "Certified Health & Productivity Outstanding Entities Recognition Program" organized by the Ministry of Economy, Trade and Industry.

The "Certified Health & Productivity Outstanding Entities Recognition Program" is a program that commends outstanding entities engaging in efforts to advance health and productivity management practices (maintaining employees' health from a management perspective and taking strategic efforts)".





# Initiatives to Contribute to the Global Environment and Society

## Initiatives to Conserve the Global Environment

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.

## Our efforts to reduce environmental impact

We are striving to reduce our impact on the environment by promoting resource saving, energy saving and recycling through the following activities: using tablet devices for paperless meetings (see page 34 “Initiatives for Digital Banking”); collecting used paper for recycling (e.g. confidential documents are completely dissolved before recycling); separating and disposing of recyclable plastic bottles; promoting LED lighting at all branches; installation of an EV car charging stand at the headquarter parking lot; and upgrading to a high-efficiency air conditioner system that is effective in reducing greenhouse gases.

It is estimated that the use of LED lighting will reduce overall power consumption of the Bank by 11%.

## 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.

In April 2019, 153 new employees carried out thinning and pruning work.



## The 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 2018, we held the “Eco-Kids Camp in Akagiyama” where elementary school students learned about environmental issues such as global warming. In September, 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 2018, 11 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 2019, 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.



Educational Award: Kanna River Clean-up Operation (Shinmachi 2nd Elementary School, Takasaki City)

### Sales of financial products that help protect the natural environment in local areas

We are involved with the “Natural Environment Protection Fund (nickname: Oze Kiko)”, an investment trust that donates part of the trust fees received by the Bank and the trustee company to the Oze Preservation Foundation.

Through the sales and operations of this investment trust, we contribute to protecting the natural environment of Oze and respond to the needs of customers who love the natural beauty of Oze.

#### As of March 31, 2019

Safe deposit balance	900 million yen
Total amount of donations	13.8 million yen



## Initiatives for social contribution activities

In addition to protecting the cultural heritage of the region, we are supporting the arts, culture, sports activities based on our corporate philosophy of playing a role in the development of regional industries and culture and the creation of a prosperous life. We are also working to support financial and economics education. 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.

### 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”.

#### As of March 31, 2019

Safe deposit balance	900 million yen
Total amount of donations	5.7 million yen





# Initiatives to Contribute to the Global Environment and Society

## 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

Our volleyball club “Gunma Bank Green Wings” is participating in the V2 level of the Women’s V. League, and working to be promoted to the V1 level.

In addition, Green Wings actively engages in activities that contribute to the regional community through activities such as holding local volleyball classes and the Mothers’ Volleyball Team Competition “Gungin Cup.”



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

At the Gunma Marathon Race (November 3, 2018), 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*.”

The 2018 tournament was attended by a record 30 teams for a total of 60 students, and was won by the Gunma Prefectural Chuo Secondary School “SUMMITS” and this school won second place in the national tournament.



60 high school students who participated in the Gunma Tournament

For customers who are working members of society and are planning to build their assets and want to learn from the basics, we are conducting private seminars divided into two classes: “A generation who are going to generate and save money for asset building from now” and “a generation who are going to spend the money they have saved and managed their assets.”



## “Gungin SDGs private placement bonds”

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.

<< Private placement bonds for environmentally-friendly projects, Gungin regional revitalization private placement bonds, and Gungin SDGs private placement bonds >>

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.

### As of March 31, 2019

Total amount issued	61 billion yen
Total amount of donations	44 million yen



“Tricycles and back hip circle-assist devices” donated to nursery school (Issuer of private placement bonds: Kurihara 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.

In April 2018, priority seats were set up so that customers with infants and those who are pregnant can use them in addition to the above mentioned customers.



Hearing aid



“Ear mark plate” (for hearing-impaired person)



Writing board for communication



Communication board



Reading glasses



Cane holder



Priority seat

## Barrier-free ATM

ATMs with handsets are 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.



ATM with handset

## 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 the banking outlet, and installing parking areas convenient for disabled people and those in wheelchairs.



Braille block



Multifunctional toilet

## 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.

# 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 two 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.

## Board of Directors

The Board of 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.

## Structure of the Board of Directors

The Board of Directors consists of seven Inside Directors and two Outside Directors.

Currently, there are no women directors at Gunma Bank, but we believe that diversity, including gender, is important to ensure effectiveness of the Board of Directors, and we are working toward this end. Specifically, we have strengthened our efforts to actively promote

women into managerial posts, and the ratio of women managers has increased from 6% before the action plan was established (as of March 2016) to 10.3% by the end of March 2019. We believe that the number of women candidates for directors will increase proportionally to the number of women managers.

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.

## Establishment of the Nomination and Compensation Advisory Committees

In July 2018, 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.

## 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. They monitor and verify the performance of duties by the Directors through attending meetings of the Board of Directors and other important meetings, auditing the accounts of the headquarters and branch offices, investigating the Group companies' operations, examining important documents, and investigating the operations and assets of the Bank. They hold an Audit & Supervisory Board meeting once a month in principle, and collect and share information on the status of audits conducted by each Auditor, as well as meet 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 2018 paid by us: 66 million yen - Total amount of remuneration paid by our Group: 80 million yen
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## 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)).



# Corporate Governance

- 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 2019, we confirmed that the effectiveness of the Board of Directors was secured.

Regarding the shared issue of "Encouraging spirited discussions at the meeting of the Board of Directors," it was evaluated that the content of the discussions on the proposals at the Board of Directors meeting was fulfilled and the number of proposals and comments had increased. However, in order to further revitalize important management themes, we acknowledged the issue of securing adequate time for deliberations. Regarding the topic of "Reviewing the composition of the Board of Directors," it was confirmed that we would continue to examine issues such as the "ratio of outside directors," "recruitment of women directors," and "recruitment of legal experts."

## Executive remuneration

In July 2018, the Compensation Advisory Committee was established as an advisory body to the Board of Directors to improve objectivity

and transparency of the decision-making process regarding executive officers remuneration.

In line with the start of the new Mid-term Business Plan, 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 June 2012 and June 2019 as follows:

### << Fiscal year 2018 remuneration limit >>

	Fixed-amount remuneration	Bonus	Share remuneration-type stock option
Director	Total 360 million yen per year		120 million yen per year
Auditor	80 million yen per year	—	—

### << Fiscal year 2018 remuneration results>>

	Fixed-amount remuneration	Bonus	Share remuneration-type stock option
Director	Total 232 million yen		69 million yen
Auditor	59 million yen	—	—

### << Fiscal year 2019 remuneration limit (after revisions) >>

	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."

## Basic policy for executive remuneration

In June 2019, we formulated the "Basic policy for executive remuneration." 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 remuneration for Directors, excluding Outside Directors, consists of fixed remuneration or “base remuneration” and “variable remuneration” that fluctuates depending on business performance.
- “Variable remuneration” consists of “bonus” as short-term incentive remuneration based on performance for each fiscal year; “bonus” as mid- to long-term incentive remuneration, and “share remuneration” as mid- to long-term incentive remuneration that leads to sustainable corporate value enhancement over the mid- to long term.
- The “share remuneration” consists of pre-issued “restricted share” that is subject to certain conditions such as working as a Director of the Bank for a certain period and “performance-linked share” that is a post-issued performance-based share remuneration and is subject to conditions of achieving predetermined

# Corporate Governance

performance indicators, etc. in addition to satisfying the first condition for “restricted 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.

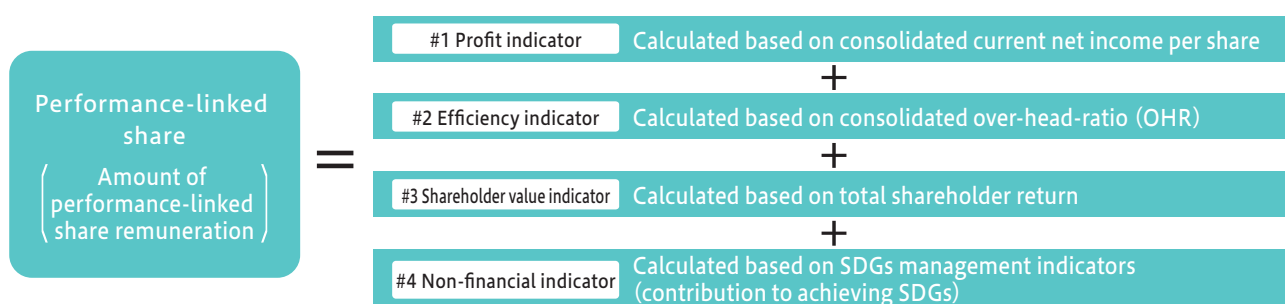
## 5. Performance-linked remuneration

### (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

- Due to the nature of mid- to long-term incentive remuneration, 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).

FY n	FY n + 1	FY n + 2	FY n + 3	FY n + 4	FY n + 5
Performance evaluation period			Share delivery		
	Performance evaluation period			Share delivery	
		Performance evaluation period			Share delivery



[Reasons for selecting evaluation indicators to calculate the amount of remuneration for performance-linked share]

**#1 Consolidated earnings per share (EPS)**

EPS is a profit indicator that shows the profitability of current net income per share. The Bank positions performance-linked share as one of the mid- to long-term incentive remuneration plans, and by its nature recognizes that it should reflect the mid- to long-term “results,” and as an indicator to measure the “results,” first, we list a profit indicator. Next, instead of simply using consolidated current net income, we adopt an evaluation indicator that shows how much consolidated EPS, which is valued by shareholders, has grown.

**#2 Consolidated over-head-ratio (OHR)**

OHR is the ratio of operating expenses to gross operating income. It is an efficiency indicator and the lower percentage represents more operating profits with lower operating expenses. Increasing corporate productivity and efficiency has become a social demand, especially in Japan, and the banking sector, to which the Bank belongs, has been paying close attention to its cost reduction initiatives. Thus, the consolidated OHR, which is also set as a target in the Mid-term Business Plan, is used as an evaluation indicator.

**#3 Total shareholder return (TSR)**

TSR measures the earnings of a share to the shareholder, and indicates the total return generated by a share through dividends and capital gains (valuation gains or losses) on the share price movement during a given period (generally, one fiscal year). The adoption of these evaluation indicators is considered to be in line with the purpose of our basic policy for executive remuneration, which is to “share the awareness of interests with shareholders and raise management awareness that values the shareholders.”

**#4 SDGs management indicator (indicator that measures our contribution to achieving the SDGs)**

Based on the Gunma Bank Group SDGs Declaration, the Group contributes to achieving the SDGs through its business activities and strives to realize a sustainable society and create economic value. Among 17 goals of the SDGs adopted by the United Nations, we have determined the seven goals in our Declaration, stating that we are able to make a special contribution for these goals. We set an evaluation indicator for the Bank’s management indicators that are associated with them.

## **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 (including the share remuneration-type stock option plan) 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.

# Interview with Outside Director



In this current age, the world is changing at a very rapid pace.

The message from our President in the new Mid-term Business Plan says, “Working on discontinuous change is an urgent task.”

We need to pursue constant challenges under a healthy sense of crisis while promoting diversity.

## **Eiji Muto**

Director

Director Eiji Muto worked as General Manager of the Examination Division as well as Executive Director at the Bank of Japan, and then held many important positions at other companies, including that of Chairman at NTT Data Management Laboratories. (See his biography on page 51)

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

My basic role is to help expand and deepen the content of discussions of the Board of Directors from the perspective of an outsider or third-party. In this way, the supervisory function of the Board of Directors is enhanced, which contributes to increasing the corporate value of the Bank. This sounds somewhat vague and stereotypic so I will break it down to make this a little clearer based on my impression of the board meetings.

Something that Mr. Kondo, another outside director of the Bank, said describes the “outsider or third-party perspective.” He is from the manufacturing industry and has a deep knowledge of how to carry out production management and plan-do-check-act (PDCA) cycles, and I am impressed with his point of view and comments backed by his knowledge; it feels like a breath of fresh air. I myself speak mainly from the financial perspective, but I hope that the experience I gained at the Bank of Japan and investigative and consultation firms will help heighten the effectiveness of the Board of Directors.

The outside executives with various backgrounds complement each other and revitalize the Board of Directors and promote appropriate risk-taking that will be a source of increased corporate value — I feel that the Bank is making steady progress on this path.

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

Many of the Bank's employees are from within the prefecture, and the bank is full of "Love for Gunma." I think the biggest advantage is that we can work together under the theme of "For Gunma." The image song "In This Hometown" that is played in the lobby of the branch offices is a symbol of this. Another key factor supporting the Bank's performance is that we are blessed with an industrial base, especially in the automobile industry, as well as its proximity to the Tokyo metropolitan area which is a fertile financial market.

However, strengths can also be weaknesses. The homogeneity and unity of the Bank can be a hindrance to ensuring diversity. Also, the stable foundation on which the bank stands can dilute a sense of crisis and can lead to a "boiling frog" phenomenon.

The pace at which changes occur is extremely fast including the progress of digitalization. This is why the President said that "Working on discontinuous changes is an urgent task" in the message of the new Mid-term Business Plan. It is desirable that under a healthy sense of crisis, we will pursue diversity and address discontinuous challenges.

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

Nowadays, companies are required to strive for a sustainable society through business activities. Investors are also seeing a growing trend in environmental, social, and governance (ESG) investment, which prioritizes investments in companies that consider environmental and social issues and that have an appropriate governance structure. In response to this trend, the Bank formulated the Sustainable Development Goals (SDGs) Declaration and, to enhance this effort, a Mid-term Business Plan entitled "Innovation New Dimension" was formulated.

The new Plan was deliberated three times by the Board of Directors, and I myself actively participated in the discussions. The course of action and challenges that we need to take are fully incorporated into the Mid-term Business Plan. The most important thing is that each executive and employee reflects on the contents of the Mid-term Business Plan and put them into action.

For this purpose, building a rewarding workplace environment is essential. This is an important management responsibility, and as a member of the Board of Directors, I will spare no effort.



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

To sum it up, I would say that we are making steady progress.

Since I was appointed as the first independent director in June 2015, the Bank's start in strengthening governance was not too early. However, after that the number of independent directors was increased and inside directors were gradually decreased from 11 to nine and then to seven. Accordingly, since 2017, the Board of Directors has been composed of 14 members in total with seven inside directors, two outside directors, and five auditors. It is a balanced structure that has facilitated discussions. In 2018, the voluntary Nomination and Compensation Advisory Committees were established.

In addition to these institutional improvements, it is noteworthy that actual measures have been taken to allow outside directors to grasp conditions within the Bank. We have had opportunities to visit major branch offices and interview executives. It can be said that governance is more focused on substance than just form. Of course, there are issues such as further improvement in diversity, but I think that evolution with a focus on substance will continue in the future.



# Executives

## Directors



### Kazuo Saito

#### Chairman

Apr 1972	Joined the Bank	Jun 2005	Director, Executive Officer and General Manager, Credit Department
Jun 1995	General Manager, Ota-nishi Branch	Jun 2006	Managing Director and General Manager, Credit Department
Apr 1998	Senior Deputy General Manager, Cooperate Planning Department	Jun 2007	Managing Director
Jun 2001	General Manager, Secretariat	Jun 2009	Senior Managing Director
Jun 2003	General Manager, Tokyo Branch	Jun 2011	President
Jun 2004	Executive Officer and General Manager, Credit Department	Jun 2019	Chairman (current position)



### Akihiko Fukai

#### President

Apr 1984	Joined the Bank	Jun 2013	Director and General Manager, Corporate Planning Department
Jun 2003	General Manager, Osaka Branch	Jun 2014	Managing Director and General Manager, Business Planning & Administration Department
Jun 2005	General Manager, Kiryu Branch	Jun 2015	Managing Director
Jun 2007	General Manager, Ota Branch	Jun 2017	Senior Managing Director
Jun 2009	General Manager, Risk Management Department	Jun 2019	President (current position)
Jun 2011	General Manager, Corporate Planning Department		



### Nobuyuki Horie

#### Director and Executive Vice President

Apr 1978	Joined the Bank	Jun 2011	Executive Officer and General Manager, Personnel Department
Feb 2000	General Manager, Fukaya-Kamishiba Branch	Jun 2012	Director, Executive Officer and General Manager, Personnel Department
Mar 2002	Deputy General Manager, Personnel Department	Jun 2013	Director and General Manager, Personnel Department
Jun 2004	Senior Deputy General Manager, Personnel Department	Jun 2014	Managing Director and General Manager, Compliance Department
Jun 2005	General Manager, Kumagaya Branch	Jun 2015	Managing Director
Jun 2007	General Manager, Corporate Banking Department	Jun 2017	Senior Managing Director
Jun 2009	Executive Officer and General Manager, Utsunomiya Branch	Jun 2019	Executive Vice President (current position)



### Satoshi Hanasaki

#### Managing Director

Apr 1981	Joined the Bank	Jun 2013	Executive Officer and General Manager, Omiya Branch
Oct 2001	General Manager, Honjo-minami Branch	Jul 2013	Executive Officer and General Manager, Ota Branch
Oct 2003	Deputy General Manager, Business Planning & Administration Department	Jun 2016	Executive Officer and General Manager, Tokyo Branch
Feb 2006	General Manager, Kasukabe Branch	Jun 2017	Managing Executive Officer and General Manager, Tokyo Branch
Jun 2008	General Manager, Fukaya Branch	Jun 2018	Managing Director (current position)
Jun 2010	General Manager, Corporate Banking Department	Oct 2018	President, Gunma Finance (Hong Kong) Co., Ltd. (current position)
Jun 2011	General Manager, Omiya Branch		



### Yukio Yuasa

#### Managing Director

Apr 1983	Joined the Bank	Oct 2012	General Manager, Personal Banking Department
Oct 2002	General Manager, Fukiage Branch	Jun 2014	Executive Officer and General Manager, Personnel Department
Aug 2005	Deputy General Manager, Personnel Department	Jun 2016	Dispatched, treated as Executive Officer; President, Gungin Securities Co., Ltd.
Jul 2006	Deputy General Manager, Business Planning & Administration Department	Jun 2017	Dispatched, treated as Managing Executive Officer; President, Gungin Securities Co., Ltd.
Jun 2008	Senior Deputy General Manager, Business Planning & Administration Department and General Manager, Business Strategy Office	Jun 2019	Managing Director (current position)
Jun 2009	General Manager, Omiya Branch		
Jun 2011	General Manager, Personal Financial Assets Department		



## Satoshi Inoue

## Managing Director

Apr 1983	Joined the Bank	Jun 2011	General Manager, Corporate Banking Department
Feb 2003	General Manager, Nakaizumi Branch	Jun 2014	Executive Officer and General Manager, Takasaki Branch
Jun 2005	General Manager, Musashi-urawa Branch	Jun 2017	Managing Executive Officer and General Manager, Business Planning & Administration Department
Apr 2007	Senior Deputy General Manager, Tokyo Branch	Jun 2019	Managing Director (current position)
Feb 2010	General Manager, Tomioka Branch		



## Hiroyuki Irisawa

## Managing Director

Apr 1984	Joined the Bank	Jun 2011	General Manager, Kumagaya Branch
Oct 2003	Administration Deputy Manager, Takasaki Branch	Jun 2014	General Manager, General Affairs Department
Jun 2005	Chairman, Opening Preparation Committee, Tokorozawa Corporate Sales Office (Sub-branch)	Jun 2016	Executive Officer and General Manager, Corporate Planning Department
Oct 2006	General Manager, Tokorozawa Branch	Jun 2018	Managing Executive Officer and General Manager, Cooperate Planning Department
Dec 2006	Deputy General Manager, Credit Department	Jun 2019	Managing Director (current position)
Jun 2009	Manager, Internal Review Office, Credit Department		



## Eiji Muto

## Outside Director

Jul 1971	Joined the Bank of Japan	May 2007	Outside Corporate Auditor, Takashimaya Co., Ltd. (current position)
May 1993	General Manager, Shimonoseki Branch, Bank of Japan	Jun 2010	Outside Director, Mizuho Trust & Banking Co., Ltd.
Sep 1998	General Manager, Examination Department, Bank of Japan	Nov 2010	Chairman, Organization for Promoting Urban Development
May 2000	General Manager, Nagoya Branch, Bank of Japan	Jun 2015	Director of the Bank (current position)
Feb 2002	Director, Bank of Japan		
Jun 2006	Chairman, NTT Data Management Laboratories, Inc.		



## Jun Kondo

## Outside Director

Apr 1976	Joined Fuji Heavy Industries Ltd. (present Subaru Corp.)	Apr 2007	Managing Executive Officer, Chief General Manager, Strategy Development Division, and Chief General Manager, Subaru Cost Planning & Management of the Company
Jun 2003	Executive Officer, Chief General Manager, Subaru Manufacturing Division, and Plant Manager, Gunma Plant of the Company	Jun 2008	Director, Senior Managing Executive Officer, and Chief General Manager, Strategy Development Division 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	Apr 2009	Director and Senior Managing Executive Officer of the Company
Jun 2004	Managing Executive Officer, Chief General Manager, Subaru Cost Planning and Administration Division of the Company	Jun 2010	Outside Director, Gunma Television Co., Ltd.
Jun 2006	Managing Executive Officer, Chief General Manager, Subaru Cost Planning and Administration Division and Vice General Manager, Subaru Purchasing Division of the Company	Jun 2011	Executive Vice President, Subaru Corp.
		Jun 2016	Director of the Bank (current position)
		Jun 2017	Chairman, Subaru Corp.

# Executives

## Audit & Supervisory Board Members



### Shusuke Nakamura

#### Standing Audit & Supervisory Board Member

Apr 1979	Joined the Bank	Jun 2011	General Manager, General Affairs Department
Aug 2001	Deputy General Manager, Personnel Department	Jun 2013	Executive Officer and General Manager, General Affairs Department
Oct 2002	General Manager, Komagata Branch	Jun 2014	Executive Officer and General Manager, Inspection & Audit Department
Jun 2004	Senior Deputy General Manager, Corporate Planning Department	Jun 2016	Standing Audit & Supervisory Board Member (current position)
Feb 2007	General Manager, Utsunomiya Branch		
Jun 2009	General Manager, Secretariat		



### 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		



### Hirosuke Kobayashi

#### Outside Audit & Supervisory Board Member

Apr 1963	Joined the Japan Broadcasting Corporation (NHK)	Apr 1997	Managing Director and General Manager, Sales Department of the Company
Jun 1973	Joined Kashimaya Co., Ltd.	Oct 2001	President and General Manager, Sales Department of the Company
Jun 1975	Managing Director of the Company	Feb 2004	President of the Company
Jan 1985	Joined FM GUNMA Broadcasting Co., Ltd.	Jun 2010	Chairman of the Company
Jun 1992	Director and General Manager, Broadcasting Department of the Company	Jun 2012	Audit & Supervisory Board Member of the Bank (current position)
		Jun 2013	Advisor, FM GUNMA Broadcasting Co., Ltd.



### Kaneo Fukushima

#### Outside Audit & Supervisory Board Member

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



### Makoto Tanaka

#### Outside Audit & Supervisory Board Member

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

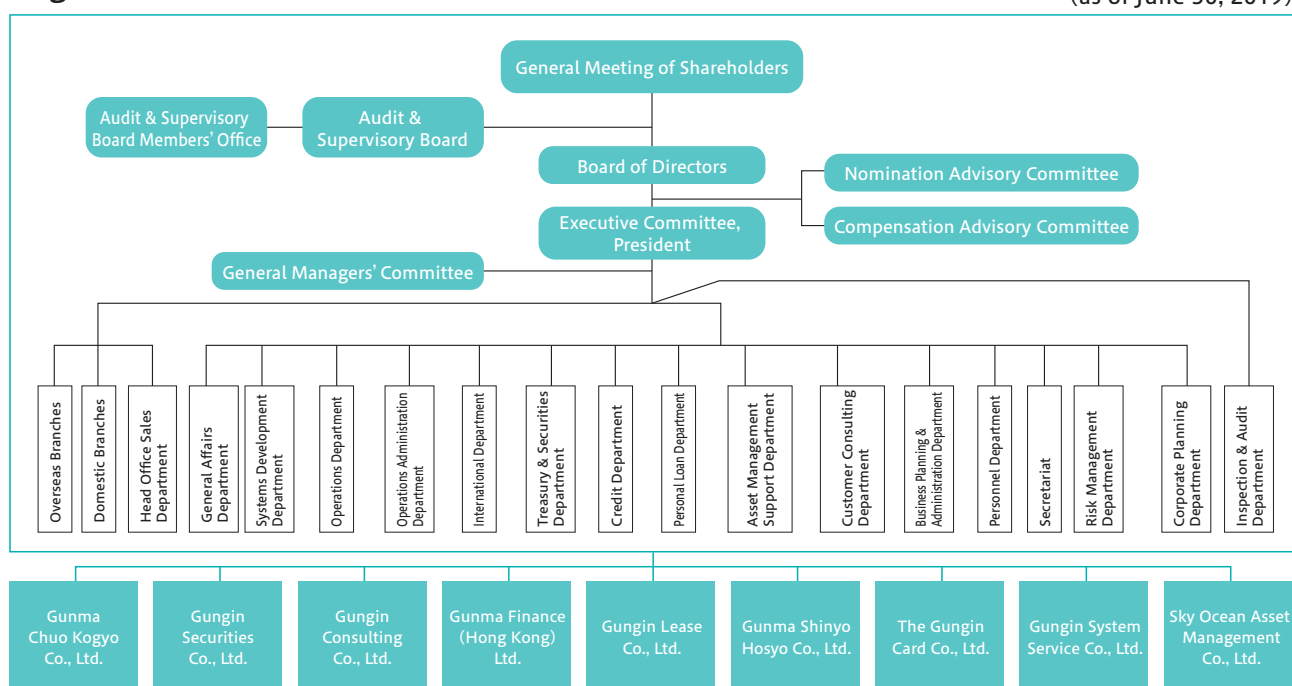


## Executive officers

Senior Managing Executive Officer	General Manager, Head Office Sales Department	Toshio Osawa
Managing Executive Officer	General Manager, Ota Branch	Akihiko Horie
Managing Executive Officer	General Manager, General Affairs Department	Shinya Koitabashi
Managing Executive Officer	General Manager, Inspection & Audit Department	Keita Muto
Managing Executive Officer	General Manager, Personnel Department	Akihiro Goto
Managing Executive Officer	General Manager, Business Planning & Administration Department	Tsutomu Takei
Managing Executive Officer	General Manager, Takasaki Branch	Nobuyuki Kitamura
Managing Executive Officer	General Manager, Corporate Planning Department	Takeo Uchibori
Executive Officer	General Manager, Tokyo Branch	Atsushi Hirota
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, Asset Management Support Department	Yoshihisa Okada
Executive Officer	General Manager, Credit Department	Satomi Nagaoka
Executive Officer	General Manager, Risk Management Department	Hideyuki Saito

## Organization Chart

(as of June 30, 2019)



# 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)

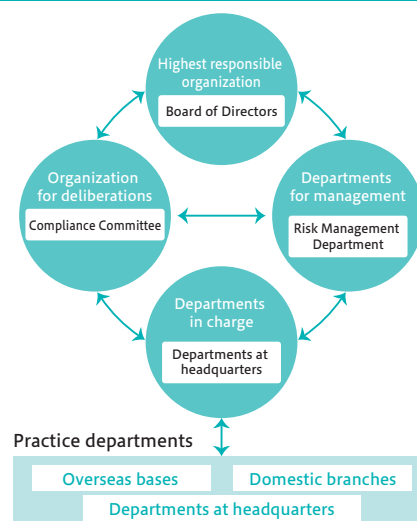
#### [Action Guidelines]

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 2018)

- Oct: Prevention of harassment
- Nov: Behavior at parties with alcohol
- Dec: Loans not based on actual demand
- Jan: Eradication of drinking-related problem behaviors including drunk driving
- Feb: Prevention of money laundering/terrorist financing
- Mar: Risk Assessment by a Specified Business Operator

### Compliance system



### 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.

## Measures to prevent money laundering, etc.

As the threat of international crimes and terrorism increases, the international community requires stronger and stricter countermeasures to deal with the many issues faced by financial institutions. It is an urgent management issue to advance a system so that banks can prevent money laundering and terrorist financing.

In order to strictly carry out “confirmation at the time of transaction” and “notification of suspicious transaction” as defined in the “Act on the Transfer of Revenue Used in a Crime” and the “Foreign Exchange and Foreign Trade Act” aiming to eradicate anti-social forces (crime syndicates) and criminal activities from a financial perspective, we are working to let our executives and employees learn how to deal with crimes and to raise awareness of risks, by such measures as organizing internal regulations and holding study sessions using actual cases at each department and branch.

In February 2019, we established the “Financial Crime Countermeasures Office” in the Risk Management Department and enhanced our system to centrally manage and cope with money laundering and terrorist financing, financial crimes, and anti-social forces.

## 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)	0570-017109 (Navi Dial (NTT's Japan-wide call handling service))	0120-817335 (Domestic toll free)
	+81-(0)27-252-1111 (key number)	+81-(0)3-5252-3772	+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 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.



# Risk Management

## Basic perspective

The risks that banks in Japan confronted are becoming increasingly diversified and complicated as financial liberalization and internationalization progress and financial and information technology advances. Under such circumstances, in order to improve the corporate value while ensuring soundness and stability of management, it is necessary that we appropriately manage and control risks according to the characteristics of operations and risks.

The Bank understands adequate risk management as one of the most important managerial tasks. The Board of Directors has established the “Basic Policy on Risk Management” and strengthens and improves the risk management system, including the risk management following this basic policy.

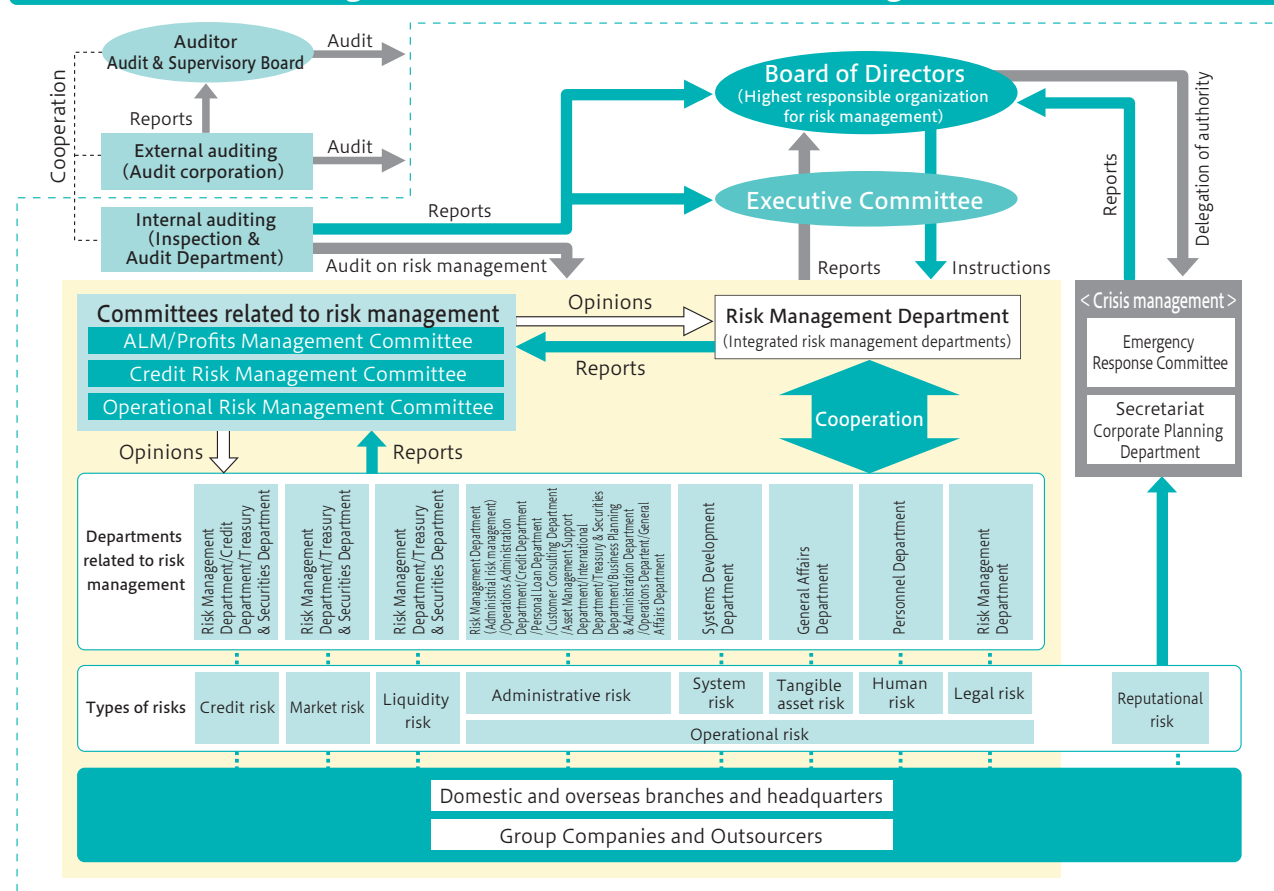
## Overview of risk management system

The Board of Directors fully recognizes the importance of risk management, determines the risk management policy based on the Bank’s management policy, etc., and strives to foster a corporate culture that places emphasis on risk management.

In addition, the Risk Management Department has been established as an integrated risk management organization for the entire bank, which comprehensively grasps and manages the status of various risks including risk measurement results from a cross-sectional perspective.

The Risk Management Department and various risk management-related departments work together concerning risk situations and challenges and report the results to the Executive Committee and the Board of Directors based on discussions and reviews by the ALM/Profits Management Committee, the Credit Risk Management Committee, and the Operational Risk Management Committee.

### Organizational framework of risk management



## Integrated risk management

### (1) Basic perspective

In addition to managing individual risks such as credit, market, and liquidity risks, it is necessary to comprehensively manage risks such as overall risk of the Bank as a whole, and to compare and contrast these risks with management vitality. For this reason, the Risk Management Department is taking the lead in developing a system for integrated risk management, strengthening the management of various risks, and promoting the advancement of integrated risk management.

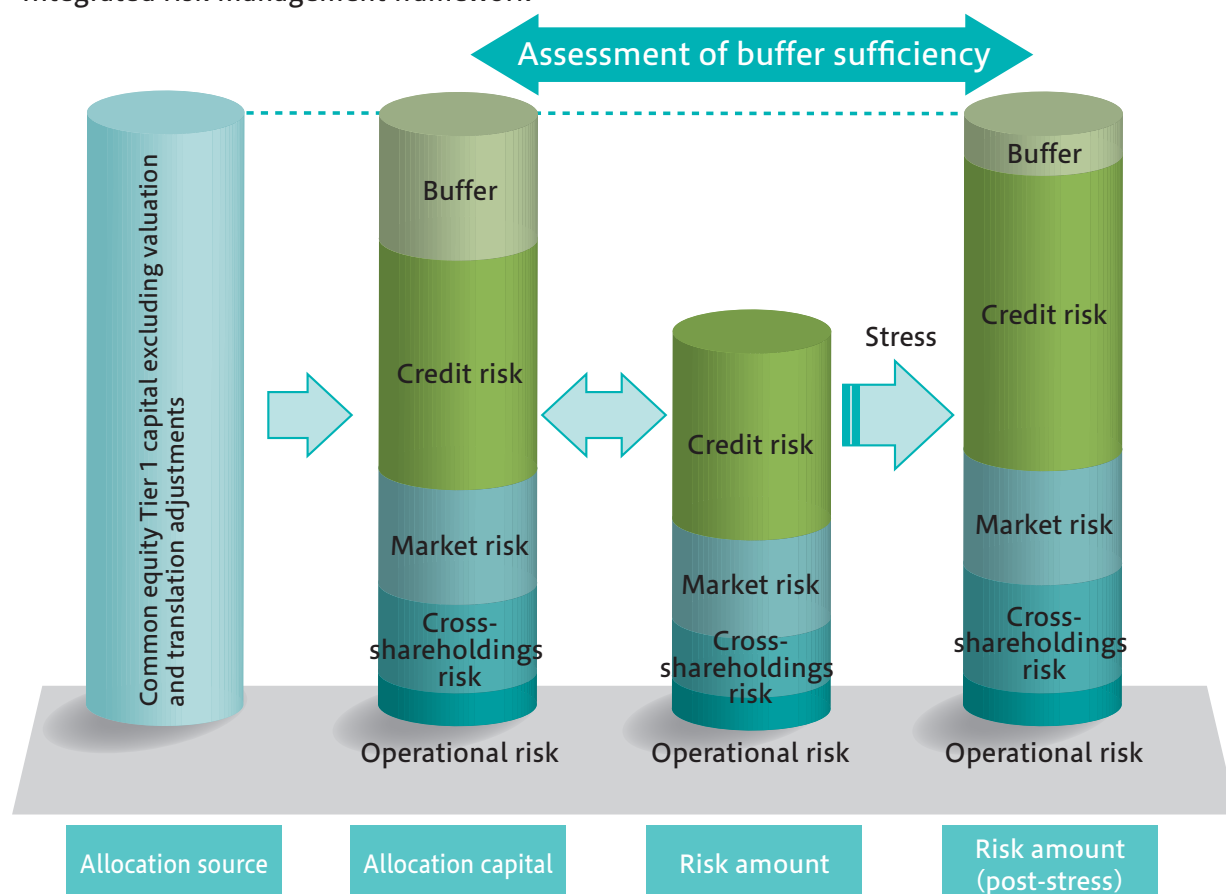
### (2) Integrated risk management framework

As one of the methods for integrated risk management, we implemented a system of “Integrated risk management” to measure the amount of risk by each category such as credit risk and market risk using a unified framework (Value at Risk (VaR), etc.) and integrate them to be compared with management vitality (equity capital).

In specific terms, the Board of Directors determines allocation of risk capital by risk category every six months, with the amount obtained by subtracting valuation and translation adjustments, etc. from common equity Tier 1 capital as the allocation source.

The department for risk management regularly monitors the risk amount to determine whether it is within the allocated risk capital. The Management Committee is reported the results every month through the Asset Liability Management (ALM) / Profits Management Committee as well as the Executive Committee.

### << Integrated risk management framework >>



# Risk Management << Management by Risk Category >>

## Credit risk management

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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.

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 management

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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.

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 control risks 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 management

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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.

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 management

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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 as follows in accordance with the organizational structure and content of operations: (1) administrative risk, (2) systems risk, (3) tangible asset risk, (4) human risk, and (5) legal risk, in order to effectively manage 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 professional standpoint.



## Crisis Management

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, epidemic of a new type of influenza, 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. For major earthquake disasters, we have developed measures such as “backup offices” and “backup systems” based on the expected impact, as well as strengthening our system against cyber attacks that become a societal problem.

## Cyber security management

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 Systems Development 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”

## Management on outsource operations and introduction of new products and new businesses

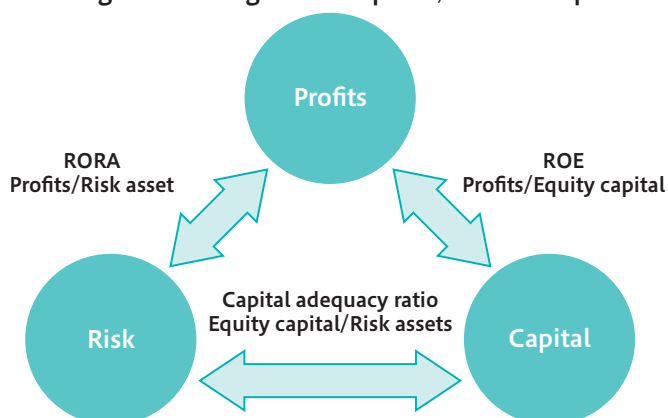
When outsourcing operations, the Bank has established the “Outsourcing Management Regulations” that outline the procedures for starting outsourcing, during outsourcing, and at the end of outsourcing to maintain a level of operation equivalent to work done in house, and we strive to ensure that functions 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 risk from various angles so that they can prepare materials and measures for coping with risk and explain them to our customers.

## Building 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 the “Risk Appetite Framework (RAF),” a framework for business management that optimizes risk and return. (Policies under the New Mid-term Management Plan 2019)

<< Integrated management of profit, risk and capital >>



# 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, 2019)

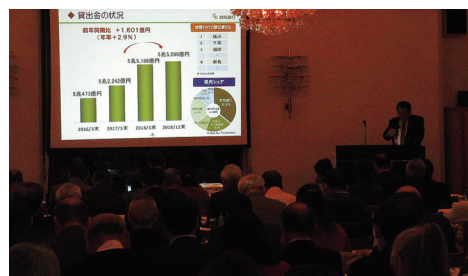
Trust banks	Individuals (including employee shareholding association)	Other corporations	Overseas corporations	Financial institutions (excluding trust banks)	Securities firms	Public	Total
22.0%	20.2%	18.8%	17.8%	16.9%	2.4%	1.9%	100.0%

## IR activity results in fiscal year 2018

IR activities (FY 2018 results)	Number of participants
For analysts and institutional investors	
Financial results briefing (large meeting)	Twice (May/Nov) 239
Profitability trend briefings (small meeting)	Four times (every quarter) 57
Securities firm-sponsored conference (for overseas investors)	Twice (Feb/Mar)
Nine individual interviews (including six overseas investors)	
IR briefings for individual investors	Four times (Sep/Mar) 521
Overseas IR briefings	Once (Jun, US)



For analysts (large meeting)



For individuals

## 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.

	2017	2018	2019
Date	Jun 27 (Tue)	Jun 26 (Tue)	Jun 25 (Tue)
Number of shareholders in attendance	185	172	197
Voting rights exercise ratio	82.2%	84.7%	83.0%
Dispatch date of notice	Jun 5 (Mon)	Jun 4 (Mon)	Jun 3 (Mon)
Posting date of notice on website	May 30 (Tue)	May 29 (Tue)	May 28 (Tue)



## << Disclosure Policy >>

### 1. Basic perspective

By recognizing our social responsibility and public mission as a regional financial institution and improving soundness and transparency in management, we endeavor to disclose financial data and other information in a timely, appropriate, and easily understandable manner to gain the trust and confidence of our customers, shareholders, investors, and stakeholders in regional communities.

### 2. Disclosure of material information

With regard to “material information\*” that has a significant impact on investors’ investment decisions, we are complying with laws and regulations such as the Financial Instruments and Exchange Act and Securities Listing Regulations as established by the Tokyo Stock Exchange, and strive to disclose information in a timely and appropriate manner.

### 3. Voluntary information disclosure

In addition to disclosing material information, we also disclose company information that we believe is useful for stakeholders to understand the Bank.

### 4. Information disclosure system

In order to implement this policy, we have established various internal regulations such as the “Timely Disclosure Regulations” and have improved and enhanced the compliance system to ensure appropriate information management and information disclosure.

When disclosing information, the Corporate Planning Department, which has a role for timely disclosure, first reports details to the President and then promptly discloses this information to all the parties concerned.

### 5. Fair disclosure

From the perspective of fair disclosure, operation and management are conducted with due consideration given to fairness so that information disclosure is not a selective disclosure to certain investors.

### 6. Future outlook

The company information disclosed by the Bank may include forward-looking statements regarding financial status and business performance. The statements do not guarantee that our future performance will be achieved as described, as there are certain risks and uncertainties involved, so that actual performance may fluctuate depending on various factors.

\*“Material information” refers to company information regarding the Bank or the Group that is required to be disclosed in accordance with the Financial Instruments and Exchange Act, the relevant rules established by the Tokyo Stock Exchange, etc. (facts of decisions made, facts of actual events, forecasts of business performance, etc.) and other company information that is required to be disclosed in other laws and regulations.



# Performance and Financial Status

<< Major Financial Data >>

## Performance Summary (Gunma Bank)

(Unit: Hundred millions of yen)

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Core business gross income	922	916	886	895	856
Net interest income	817	814	790	773	744
Fees and commissions	97	93	87	110	105
Others (excluding bonds-related gains (losses))	7	8	8	11	7
Expenses	583	567	566	562	561
Core business net profit	339	349	319	332	295
Credit costs	19	(5)	47	23	79
Securities-related gains (losses)	8	27	89	108	117
Bonds-related	8	8	(32)	(42)	(27)
Shares-related	0	18	121	150	144
Others	12	15	(15)	(32)	(13)
Ordinary profits	342	397	345	385	319
Extraordinary gains (losses)	(4)	(3)	(2)	(10)	(4)
Income taxes	120	128	90	114	105
Current net income	216	266	252	260	209

## Balance sheet summary (Gunma Bank)

Total assets	75,211	76,121	79,727	79,874	81,225
Loans and bills discounted	48,388	50,473	52,242	55,186	55,654
Securities	23,040	21,300	20,891	17,624	17,018
Total liabilities	70,150	71,136	74,642	74,735	76,141
Deposits	61,187	62,936	64,973	66,691	68,084
Total net assets	5,060	4,984	5,085	5,138	5,084
Total shareholders' equity	3,552	3,714	3,871	4,054	4,168
Valuation difference on available-for-sale securities	1,365	1,124	1,068	941	773

## Performance summary (consolidated)

Core business net profit*	376	386	352	375	334
Ordinary profits	390	436	365	424	357
Current net income (attributable to parent company shareholders)	259	286	263	283	233

\*Calculated excluding bonds-related gains (losses) and extraordinary cost processing allowances.

## Financial indicators (consolidated)

Total capital adequacy ratio (uniform international standards) (%)	13.37	12.62	12.58	12.41	12.25
Tier 1 ratio (uniform international standards) (%)	11.76	11.81	11.94	11.90	11.52
Common Equity Tier 1 ratio (uniform international standards) (%)	11.76	11.81	11.93	11.83	11.45
Dividend per share (yen)	11.00	12.00	12.00	13.00	13.00
Dividend payout ratio (%)	19.5	18.8	20.2	19.9	24.0
Shareholder return ratio (involving the sum of dividend payouts and share repurchase amounts per profit for the year) (%)	67.5	41.0	39.7	40.1	41.9
ROE (%)	5.3	5.6	5.1	5.4	4.4

## Fiscal year-end data

225-issue Nikkei Stock Average	19,206.99	16,758.67	18,909.26	21,454.30	21,205.81
Exchange rate (USD to JPY)	120.17	112.68	112.19	106.24	110.99

## Current net income/current net income attributable to parent company shareholders

When the Bank of Japan's negative interest rate policy resulted in a decrease in profits, we strengthened retail banking loans and fee and commission based operations and also made efforts to reduce cross-shareholdings. Thus, we were able to partially offset the impact of decreasing profit on interest.

Under these circumstances, in fiscal year 2018, because of an increase in credit costs due to the sudden bankruptcy of one of our major customers, current net income decreased by 5.0 billion yen year-on-year to 20.9 billion yen, and current net income attributable to parent company shareholders was 23.3 billion yen.

## Contribution to consolidated net income (fiscal year 2018)

The contribution to consolidated net income was as follows:

	Profits of each company	Consolidated net income (Note 1)
The Gunma Bank, Ltd.	209	209
Gunma Shinyo Hosyo Co., Ltd.	12	12
Gungin Lease Co., Ltd.	7	3 Note 2
Gungin Securities Co., Ltd.	2	2
Others	4	7 Note 3
<b>Total</b>	<b>23.4 billion yen</b>	<b>23.3 billion yen</b>

Note 1: Attributable to parent company shareholders

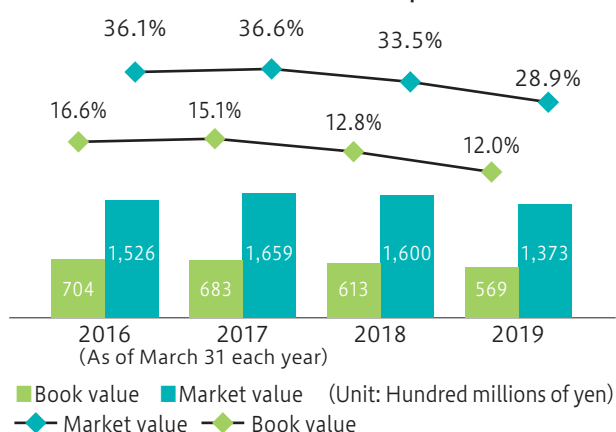
Note 2: Earnings contributions from consolidated profits is 55.2%.

Note 3: The figures include an increase due to a partial increase in the Group's equity of the shares of the equity-method affiliates.

## Cross-shareholdings policy

We are working to reduce cross-shareholdings. Both the book value and market value of the balance sheet have been steadily decreasing, reaching 12% of the book value and 28.9% of the market value for the non-consolidated Tier 1 capital as of March 31, 2019.

### << Cross-shareholding balance and its comparison to the non-consolidated Tier 1 capital >>

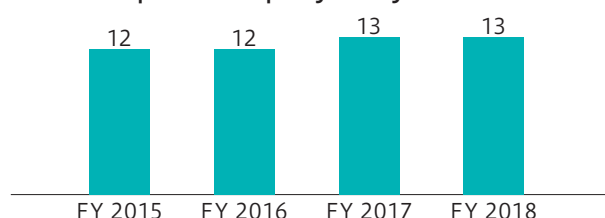


## Shareholder returns

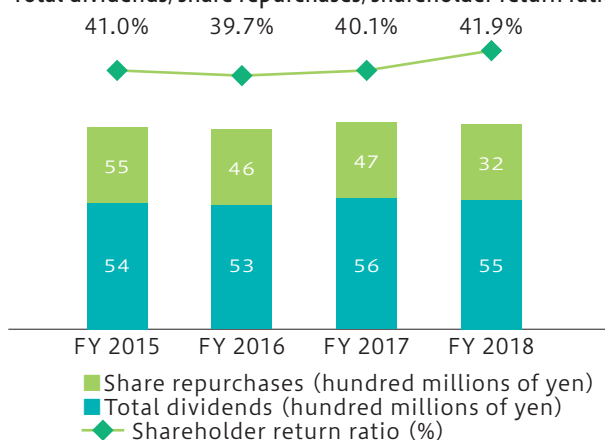
### << Shareholder return policy >>

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.

### Dividend per share per year (yen)



### Total dividends/share repurchases/shareholder return ratio



## 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). Donation destinations are the same as "Investment trusts that support activities for protecting the natural environment and the world heritage site" on Page 23.

### << 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

# Company Overview

## Company overview

Name	The Gunma Bank, Ltd.	(as of March 31, 2019)		
Date of establishment	September 1932			
Location of head office	194 Motosojamachi, Maebashi, Gunma	Total assets	8,122.5 billion yen	
Capital	48.6 billion yen	Deposits	6,808.4 billion yen	
Number of employees	3,072 (excluding temporary employees)	Loans and bills discounted	5,565.4 billion yen	
Number of bases	Domestic: 154 banking outlets in Japan (106 in Gunma, 48 outside Gunma)	Net assets	508.4 billion yen	
	Overseas: one banking outlet in New York; two offices in Shanghai and Bangkok	Total capital adequacy ratio (uniform international standards)	Consolidated 12.25%, Non-consolidated 11.84%	
Subsidiaries	Domestic: Seven companies	Ratings	JCR	AA
	Overseas: One company (Hong Kong)		R&I	A+
Affiliates	Domestic: One company		Moody's	A2
			S&P	A-

Note: Number of employees in the consolidated companies is 3,185 (2,995 for the Gunma Bank and 190 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.

Banking	.....	The Gunma Bank, Ltd.; Gunma Finance (Hong Kong) Ltd.
Leasing	.....	Gungin Lease Co., Ltd.
Others	.....	Gunma Chuo Kogyo Co., Ltd.; Gungin Securities Co., Ltd.; Gunma Shinyo Hosyo Co., Ltd.; Gungin Consulting Co., Ltd.; The Gungin Card Co., Ltd.; Gungin System Service Co., Ltd.; Sky Ocean Asset Management Co., Ltd.

## Consolidated subsidiaries, etc.

Names	*1	Key operations	Location	Establishment	Capital (Million JPY)	Ratio of ownership of voting rights by the Group		
						(%)	Gunma Bank	Subsidiaries, etc.
Gunma Chuo Kogyo Co., Ltd.	CS	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.	CS	Securities dealing	2-2-11 Honmachi, Maebashi, Gunma	Feb 12, 2016	3,000	100.0	100.0	-
Gunma Finance (Hong Kong) Ltd.	CS	Financing and securities dealing	*2	Feb 19, 1991	30 (Million USD)	100.0	100.0	-
Gungin Consulting Co., Ltd.	CS	Customer consulting services, venture capitaling	194 Motosojamachi, Maebashi, Gunma	Apr 18, 2018	100	100.0	100.0	-
Gunma Shinyo Hosyo Co., Ltd.	CS	Assurance ngagements	194 Motosojamachi, Maebashi, Gunma	Sep 28, 1983	30	100.0	45.4	54.5
Gungin Lease Co., Ltd.	CS	Leasing	171-1 Motosojamachi, Maebashi, Gunma	Oct 1, 1973	180	61.1	47.9	13.1
The Gungin Card Co., Ltd.	ES	Credit card services	194 Motosojamachi, Maebashi, Gunma	Mar 12, 1982	30	75.0	31.6	43.3
Gungin System Service Co., Ltd.	ES	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.	EA	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, 2019)

Name	Number of shares held (in thousands)	Shareholding ratio (%)
Japan Trustee Services Bank, Ltd. (Trust account)	19,291	4.51
The Master Trust Bank of Japan, Ltd. (Trust account)	17,344	4.06
Japan Trustee Services Bank, Ltd. (Trust account 9)	16,051	3.76
Sumitomo Mitsui Banking Corporation	12,148	2.84
The Gunma Bank Employees' Stockholdings Association	11,983	2.80
Meiji Yasuda Life Insurance Company	11,056	2.59
Sumitomo Life Insurance Company	10,657	2.49
Japan Trustee Services Bank, Ltd. (Trust account 4)	7,754	1.81
Japan Trustee Services Bank, Ltd. (Trust account 5)	7,723	1.80
Nippon Life Insurance Company	7,608	1.78

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.

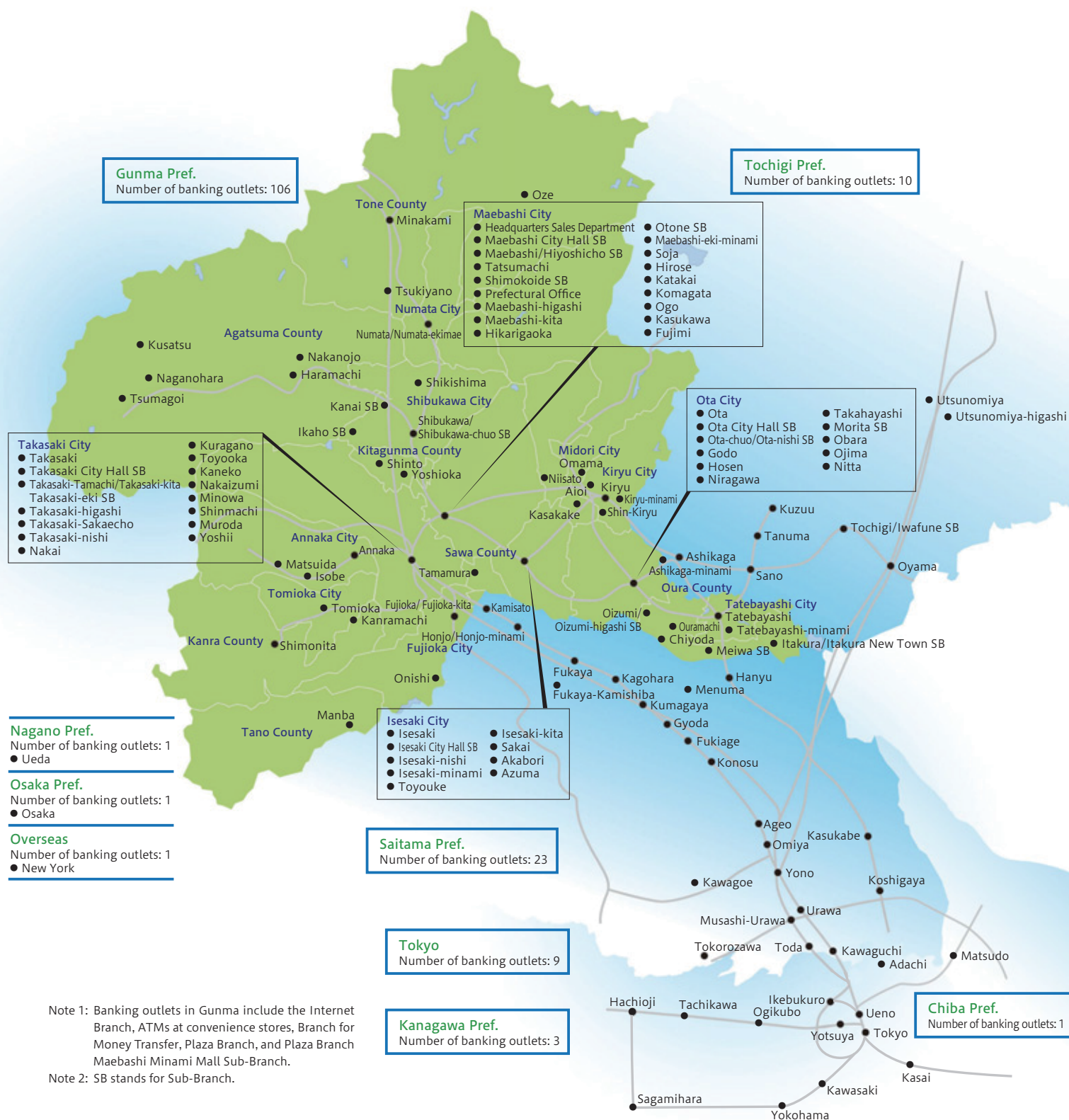
Note 3: Total number of outstanding shares (453,888 thousand shares) and number of treasury shares (27,065 thousand shares).

## 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		We are engaged in 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 insurances 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 <i>Liquidation of inheritance</i> property services).
Handling of defined contribution pension plans		We are engaged in 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, and #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, and (9) Handling of commercial papers	

## Service Network

(as of June 30, 2019)



### Gunma Bank Image Song

You can listen to the song on our website:



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

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



LINE ID :  
@gungin



USER ID :  
@gunma\_bank





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