



# Message from the Director of Finance



Aiming to achieve ROE in excess of the cost of shareholder’s equity by implementing a corporate value enhancement story rooted in our Purpose

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The Gunma Bank

## Our Performance

### (1) Summary of business results for the fiscal year ended March 31, 2024

(Unit: Hundred millions of yen)

Based on our mid-term business plan called Innovation for “Purpose,” which is centered around our Purpose, the Gunma Bank Group is implementing various measures for the sustainable future of local communities and our Group. The results for the fiscal year ended March 31, 2024, which marks the second year of the mid-term plan, are as follows.

Core business net income, which represents the profits of our main businesses, increased 5.5 billion yen year-on-year to 45.4 billion yen. This is mainly due to an increase in interest income from a rise in loans and bills discounted, and an increase in non-interest business income.

Ordinary profit amounted to 43.7 billion yen, a year-on-year increase of 5.4 billion yen due primarily to an increase in securities-related gains and losses and a reduction in credit costs. As a result, profit attributable to owners of parent was 31.1 billion yen, a 3.1 billion yen increase year-on-year, marking our highest profit level ever in excess of the previous record of 28.6 billion yen in fiscal 2016.

[Consolidated]		FY2024	YoY Change
Core business gross income (Excluding gains/losses on cancellation of investment trusts)		902	(22)
Net interest income		660	(54)
Interest on loans (Japan)		527	16
Non-interest Business Income		242	31
Corporate service revenues		75	15
Revenue from financial assets held in custody		76	7
Expenses		521	(0)
Core business net income		380	(22)
Excluding gains/losses on cancellation of investment trusts		454	55
Loss (gain) related to securities		57	74
Credit costs		11	(0)
Other		11	0
Ordinary profit		437	54
Extraordinary loss (income)		(8)	(13)
Income before income taxes		429	40
Total income taxes		118	8
Profit attributable to owners of parent		311	31

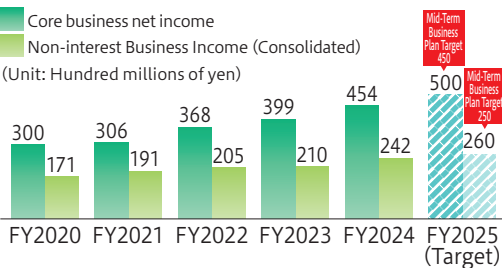
### (2) Progress of numerical targets in mid-term business plan

Next, I will report on the results for the fiscal year ended March 31, 2024, the second year of the plan, regarding the numerical targets set out in the mid-term business plan.

### Core Business Net Income (Excluding Gains/Losses on Cancellation of Investment Trusts) and Non-interest Business Income

Core business net income (excluding gains/losses on cancellation of investment trusts) increased 5.5 billion yen year-on-year to 45.4 billion yen, meaning we successfully achieved the mid-term plan target of 45.0 billion yen one year ahead of time.

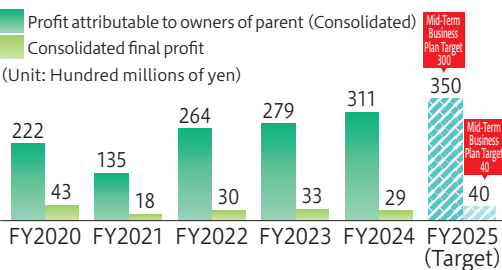
Under the prolonged negative interest rate policy, the Bank has been working to fundamentally change our profit structure by increasing non-interest business income and improving operational efficiency. Resultingly, non-interest business income increased 3.1 billion yen year-on-year to 24.2 billion yen, marking a new all-time-high for the fifth consecutive year. For our corporate clients, we developed the “Connecting Process,” a business feasibility assessment, and implemented full-specification solution proposals that start from an understanding of client needs and management issues. For retail customers, we responded to diverse needs by implementing asset management-type sales for financial assets under custody and collaborating more closely on securities. We will continue implementing efforts to realize our Purpose through tailored consulting sales to our customers.



### Profit Attributable to Owners of Parent and Consolidated Final Profit

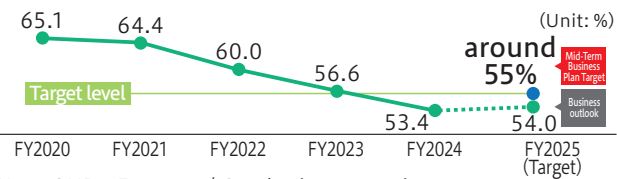
Profit attributable to owners of parent increased 3.1 billion yen year-on-year to 31.1 billion yen, reaching the mid-term target of 30 billion yen one year ahead of schedule along with core business net income (excluding gains/losses on cancellation of investment trusts).

Consolidated final profit (for the six consolidated subsidiaries and three equity-method affiliates) was 2.9 billion yen, a year-on-year decrease of 300 million yen due to a temporary increase in credit costs at the lease subsidiary. However, through our consulting subsidiary, we have been steadily expanding businesses, including the human resources business and regional trading company, which markets products and services outside the region utilizing local specialties and tourism resources. We will continue our efforts to further strengthen the collective strength of the Group.



### OHR

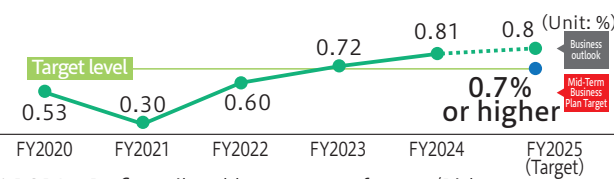
The OHR, which indicates management efficiency, improved by 3.2 percentage points year-on-year to 53.4% due to an increase in core business gross income (excluding gains/losses on cancellation of investment trusts) including an increase in non-interest business income, as well as efforts to reduce expenses. Thus, we have achieved efficient management under the mid-term plan target of “around 55%.”



Note: OHR = Expenses / Core business gross income (excluding gains/losses on cancellation of investment trusts)

### RORA

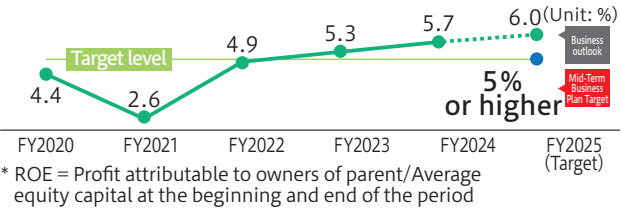
RORA, which indicates profitability relative to risk, increased 0.09 percentage points year-on-year to 0.81%. The Bank is taking the lead as a regional bank promoting sales activities with an awareness of RORA. Profitability-conscious sales for loan transactions have taken root at branches, and we have exceeded the target of “0.7% or higher” for the second consecutive year.



\* RORA = Profit attributable to owners of parent/Risk assets

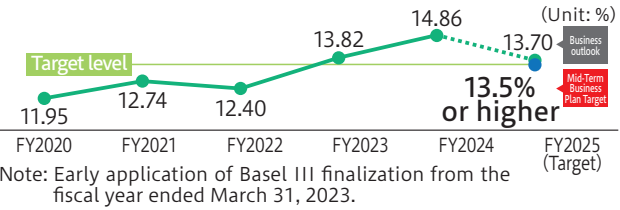
ROE

Return on equity (ROE), which indicates our capital efficiency, was 5.7%, up 0.4 percentage points from last year. Through efforts to raise RORA and to establish an optimal capital structure as described on the following page, we have exceeded our target of “5% or higher” for the second consecutive year.



Total capital ratio

The total capital ratio increased 1.04 percentage points year-on-year to 14.86%. The amount of total capital increased due to factors including an accumulation of profits and an increase in valuation differences on securities, and we ended with a ratio that sufficiently exceeds the target of “13.5% or higher.” We will continue working to ensure sound management through the strengthening of our financial foundations.



(3) Business outlook for the fiscal year ending March 31, 2025

The business outlook for the fiscal year ending March 31, 2025, which is the final year of the mid-term business plan, forecasts an increase in interest income due to an increase in outstanding balance and improved yield, and a continued increase in non-interest business income. Therefore, we estimate that core business net income (excluding gains/losses on cancellation of investment trusts) will increase by 4.6 billion yen year-on-year to 50 billion yen, exceeding the mid-term plan target by 5 billion yen. Also, profit attributable to owners of parent is expected to increase 3.9 billion yen year-on-year to 35 billion yen, which would exceed the mid-term plan target by 5 billion yen.

Efforts to Improve Corporate Value

(1) Mid- to long-term vision (disclosure of final targets for next mid-term business plan)

At the IR briefing in November 2023, we announced the next mid-term plan, for which the final fiscal year will be the year ending March 31, 2028. We provided an update on the plan at the IR briefing in May 2024, announcing our plan to raise targets for the final fiscal year to 50 billion yen in profit attributable to owners of parent and 8.0% ROE.

We are working together as a unified Group toward achieving 50 billion yen in profit attributable to owners of parent. We will work to increase loans and bills discounted by strengthening the growth fields of cross-border loans and structured finance and to strength non-interest business income.

[Key figures]	Current Mid-Term Business Plan			Next Mid-Term Business Plan			
	FY2024 results	FY2025 forecast	Vs. Mid-Term Plan Target	FY2026	FY2027	FY2028 Final fiscal year	Vs. November IR publication
(Unit: Hundred millions of yen)							
Consolidated core business net income*	454	500	50	550	635	700	30
Net interest income	734	780		820	885	935	
Non-interest Business Income	242	260	10	280	300	320	20
Current net profit	311	350	50	390	460	500	30
Consolidated profit	29	40	—	45	50	60	10
Capital ratio	14.8%	13.7%	0.2%	13.9%	13.8%	13.4%	—
Core CET1 ratio	12.9%	12.0%		12.1%	12.0%	11.5%	0.1%
ROE	5.7%	6.0%	1.0%	6.4%	7.5%	8.0%	0.3%
RORA	0.8%	0.8%	0.1%	0.9%	1.0%	1.0%	—

(\*) Excluding gains/losses on cancellation of investment trusts

(2) Capital allocation

With the core CET1 ratio (calculated by deducting the valuation difference on securities from Common Equity Tier 1 capital) used as a perspective for capital management, we have set the mid- to long-term target

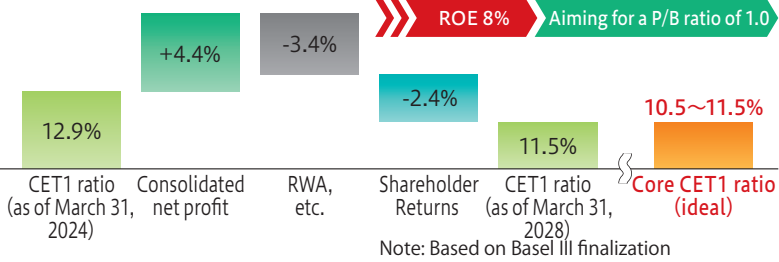
at 10.5% to 11.5%. Leveraging the Bank’s status as a bank adhering to the uniform international standard, we are working to build an optimal capital structure while also considering subordinated debt financing

such as AT1 and B3T2 bonds. Specifically, in addition to Tier 2 bonds, in January 2024 we became the first regional bank to issue 10 billion yen of AT1 bonds.

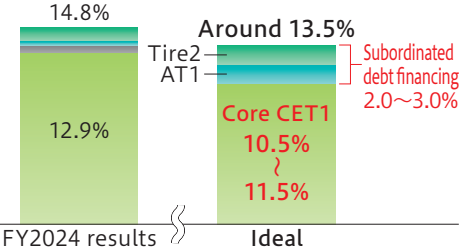
In parallel with the diversification of the capital structure, we will increase profitability by accumulating risk-weighted assets with high RORA and increasing

non-interest business income, while at the same time enhancing shareholder returns. We will enhance corporate value with an awareness of leveraging capital to increase ROE and mitigate capital costs, while pursuing an optimal balance between financial soundness, risk taking, and shareholder returns.

[Capital allocation]



[Consolidated total capital ratio]



(3) Management with an awareness of capital cost and stock price

We, the Gunma Bank Group, aim to increase the corporate value through realizing of our Purpose. For increasing the corporate value, we are focusing on business management in consideration of capital cost and stock price by valuing dialogue with capital markets as well as sharing issues as a result of current analysis and opinions provided by shareholders and investors among the Board of Directors.

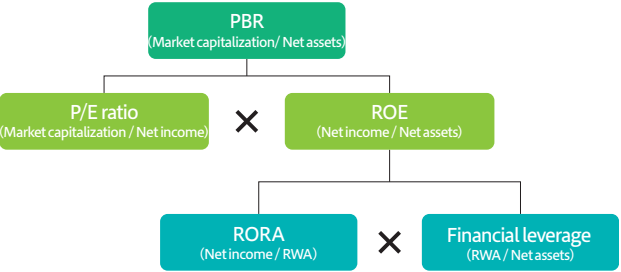
As shown in the diagram at right, ROE must be increased and cost of shareholder’s equity must be reduced in order to raise the P/B ratio.

We will raise ROE by increasing RORA, where we are a leader among the other banks, as well as building an optimal capital structure and expanding shareholder returns. We recognize that the Bank’s cost of shareholder’s equity is approx. 8% - 9% (earnings yield) looking at the current share price as of May 2024, and approx. 6% - 7% based on the capital asset pricing model (CAPM). Though proactive IR

activities (mitigation of information asymmetry), steady implementation of mid-term plan measures, and posting stable profits, we hope to deepen our stakeholders’ understanding of the Bank and increase our corporate value.

Over the medium- to long-term we will aim for a P/B ratio of 1.0 by achieving ROE in excess of the cost of shareholder’s equity (elimination of negative equity spread).

[Logic tree]

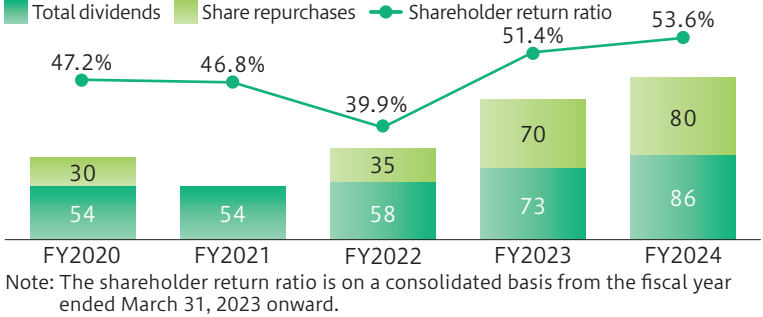


Shareholder Returns

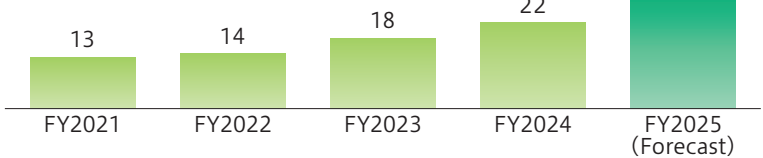
At the Gunma Bank Group, under our shareholder return policy we aim for a shareholder return ratio of 40% of profit attributable to owners of parent through a combination of stable dividends and share repurchases.

The dividend per share for the fiscal year ended March 31, 2024 was 22 yen, an increase of 4 yen from the previous fiscal year (dividend payout ratio: 28.1%) with a total of 8.6 billion yen in dividends paid. Also, the total amount of share repurchases was 8.0 billion yen. As a result, the total amount of returns was 16.6 billion yen, for a shareholder return ratio of 53.6%—a 2.2 percentage point increase year-on-year. This marks the second consecutive fiscal

[Shareholder Returns]



[Dividend per share per year]



## ■ Message from the Director of Finance

year with a ratio exceeding 50%, which significantly surpasses our shareholder return policy of 40%. In addition, for the fiscal year ending March 31, 2025, we are planning to pay dividends per share of 28 yen, an increase of 6 yen year-on-year (dividend payout ratio: 31.4%).

We provide shareholder returns with a close eye on the level of dividends, and this will be the fourth consecutive year since the fiscal year ended March 31, 2022 that we will have increased dividends. We will continue aiming to expand shareholder returns while taking into consideration the balance between increasing equity capital, profitability, and growth investment.

We also have a shareholder benefits program as part of our shareholder returns. The catalog includes a variety of items such as regional foods and craft items, a donation course for contributing to the achievement of the SDGs, and more. Shareholders can also choose from a joint catalog created with the TSUBASA Alliance participating banks. We will continue to strive to enhance our shareholder benefits.

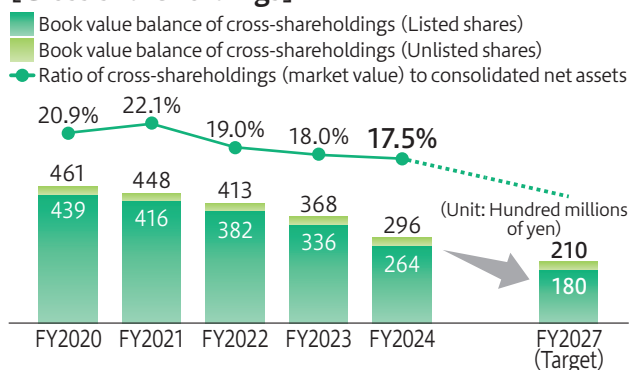
## Cross shareholdings

The Bank's basic policy is to reduce cross shareholdings, except in cases where the appropriateness of holding such shares is judged on a case-by-case basis and the significance of holding such share is recognized.

In order to clarify our policy and targets for this reduction, in November 2022 we stated our aim to reduce the book value balance of listed cross shareholdings by 20 billion yen (approximately 50% of the book value balance of cross shareholdings as of the end of March 2022) over the five years ending March 31, 2027.

As of the end of fiscal 2024, which was the second year of this initiative, we have reduced 11.8 billion yen in cross shareholdings, for a progress rate of 59%. In addition, the ratio of the market value of cross shareholdings to the amount of consolidated net assets has decreased to 17.5%, showing that reductions are steadily progressing.

### [Cross shareholdings]



## Dialogue with Shareholders and Investors

Aiming for transparent management and the reduction of cost of shareholder's equity, along with timely and appropriate disclosures the Bank is engaged in proactive investor and shareholder relations activities. In our IR activities, we hold various types of briefings for investors, including institutional investors and individuals, where we communicate our business performance, management strategy, and other information, and also leverage these as opportunities to receive feedback. In February 2024, in light of the high level of overseas interest in the Japanese banking sector, we began uploading video messages from the President in English with the aim of creating more points of contact with overseas investors. As part of our shareholder relations activities, we hold regular meetings with voting advisory companies, institutional investors, and others to share our understanding of current issues.

The information and knowledge gained through our investor and shareholder relations, as well as the opinions of shareholders and investors, are fed back to the Board of Directors where they are used to lead to initiatives that contribute to increasing corporate value.



An investor relations briefing in action

Note: In principle, figures in financial statements are rounded down to the nearest whole number.