

Efforts to Improve Corporate Value

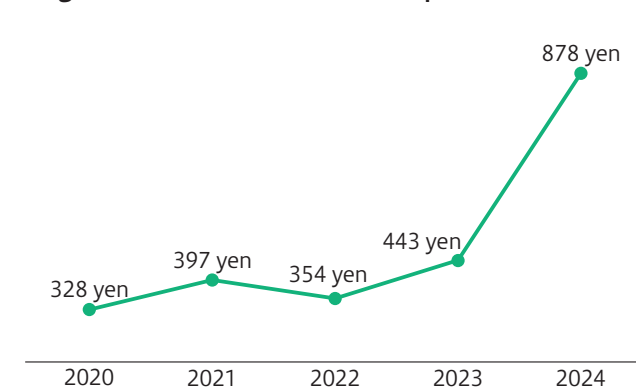
The Gunma Bank strives to realize a sustainable society and create economic value through business activities centered on its Purpose. By emphasizing dialogue with the capital markets and sharing with the Board of Directors issues based on analysis of the status quo and opinions from shareholders and investors, we practice management that is conscious of capital cost and stock price in order to increase corporate value.

Evaluation and Analysis of Current Status

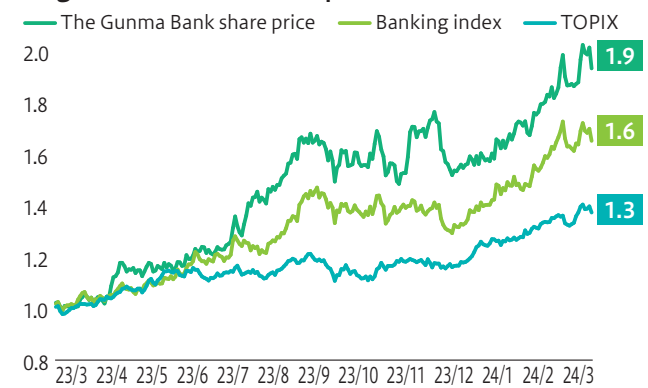
As of March 2024, the Gunma Bank's share price was ¥878, approximately double the ¥443 at the end of March 2023 (see Figure 1), with a rate of increase surpassing both the TOPIX and the average TOPIX of regional banks (see Figure 2). Although ROE for the fiscal year ending March 2024 was 5.7%, which ranks 4th among 73 listed regional banks, it is still below the cost of shareholders' equity recognized by the Bank.

Additionally, the PBR as of March 2024 stands at 0.6x, significantly above the average of 0.37x for the 73 listed regional banks, although there is still some distance from reaching a PBR of 1.0x.

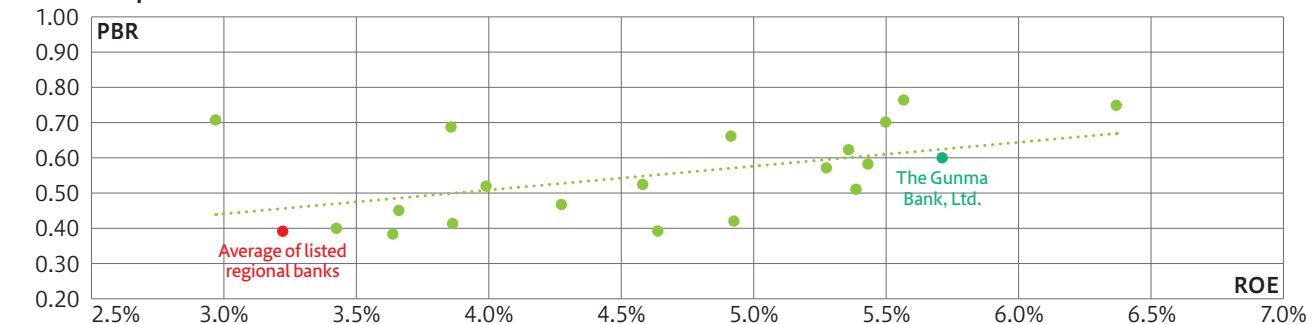
[Figure 1. The Gunma Bank's share price]



[Figure 2. Stock index comparison]



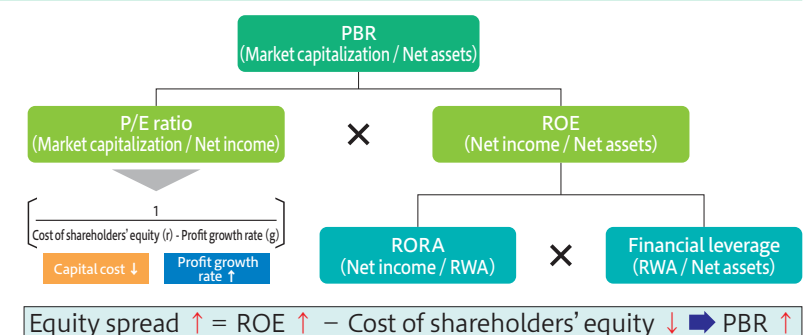
[Scatter chart of PBR and ROE (as of end of March 2024) the Gunma Bank's position among the top 20 banks by market capitalization as of the end of March 2024]



Improving Equity Spreads

The Gunma Bank will eliminate negative equity spreads and improve PBR over the medium to long term by taking steps to improve ROE and reduce the cost of shareholders' equity.

The main steps are as follows in 1 to 9.



1 Utilizing RORA

RORA (Return on Risk-Weighted Assets) is an indicator that measures how much profit is generated relative to the risks associated with lending to businesses and other activities. It is calculated using the formula on the right.

By focusing on high RORA activities, such as large corporate loans and cross-border structured finance, which exceed the target RORA of 1.0%, we aim to improve the overall RORA of the Bank. For loans to small and medium-sized enterprises (SMEs), which are crucial for the sustainability of our business and the region but tend to have higher risk weights and lower RORA, we will utilize our standard profit margin,

[RORA calculation formula]

$$\text{RORA (\%)} = \text{Profit} \div \text{Risk assets}$$

* Profit = (net interest income + non-interest business income - expenses - credit cost) × (1 - 30.5%)

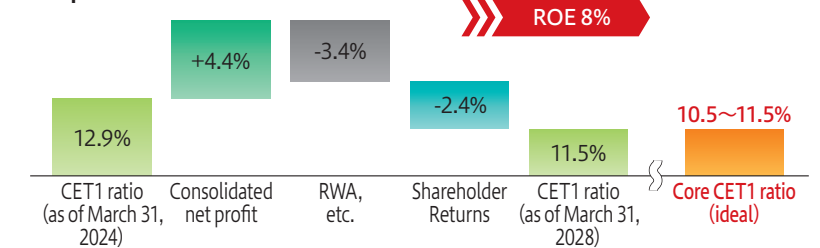
Target RORA	Current mid-term plan targets (April 2022 to March 2025)	Next mid-term plan targets (April 2025 to March 2028)
	0.7%	1.0%

an internal metric derived from the target RORA. By implementing goal-based and needs-based consulting sales, we will work to enhance the RORA level.

2 Building an optimal capital structure

We will focus on the Core CET1 Ratio as our capital management perspective, setting a medium- to long-term target range of 10.5% to 11.5%. Additionally, we will consider the procurement of subordinated debt such as B3T2 bonds and AT1 bonds while working towards optimizing our capital structure.

[Capital allocation]



* The Core CET1 Ratio is calculated by subtracting the valuation difference of securities from the amount of common equity tier 1 (CET1) capital (this difference is not subtracted if negative).

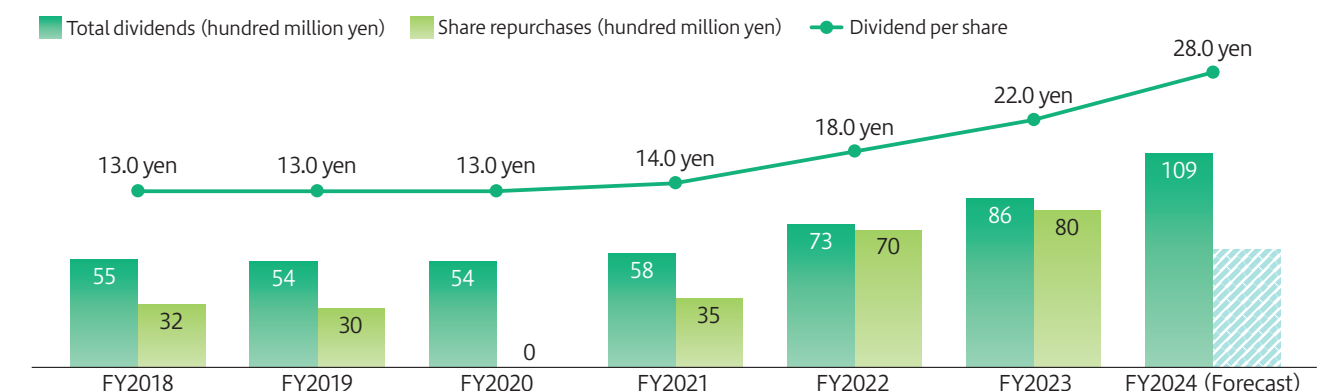
3 Providing substantial shareholder returns

Shareholder returns

- The annual dividend per share for fiscal 2023 has been increased by 4 yen from the previous fiscal year to 22 yen. Additionally, the dividend per share forecast for fiscal 2024 is 28 yen, an increase of 6 yen from the previous fiscal year (marking the fourth consecutive year of dividend increases).
- Starting from fiscal 2022, the basis for returns was changed from non-consolidated to consolidated profits in an effort to expand the base profits for returns. Additionally, the total return ratio exceeded 50% for two consecutive years, with 51% in fiscal 2022 and 53% in fiscal 2023.

Shareholder Returns Policy

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

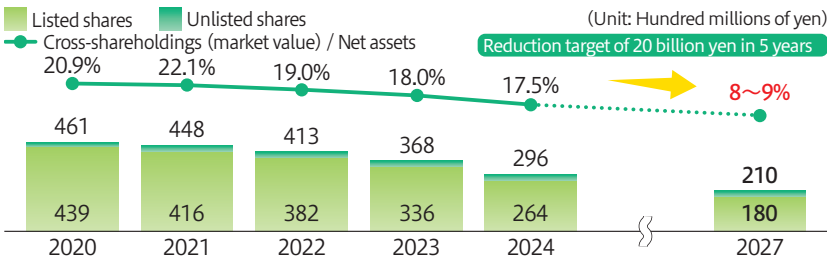


■ Efforts to Improve Corporate Value

4 Reducing cross-shareholdings

Over a five-year period (from the end of March 2022 to the end of March 2027), we are reducing the book value of our cross-shareholdings by 50%, amounting to a reduction of 20 billion yen.

We are 59% toward achieving this target as of the end of March 2024 (after two years) with a reduction of 11.8 billion yen.



5 Issuing subordinated bonds (B3T2 & AT1 bonds)

We will utilize subordinated bonds (debt) with lower costs than shareholders’ equity (diversifying capital requirements) to build an optimal capital structure and diversify our financing methods.

6 Improving IR activities and reducing information asymmetry

We are expanding our engagement with domestic and international investors by publishing CEO messages in English, sharing information via email, and regularly holding small meetings.



7 Promoting sustainable growth of the regional economy

- We will strive to promote sales activities based on our Purpose and uncover needs through our “Connecting Process.”

8 Strengthening sustainability initiatives

- We are working to bolster our sustainability initiatives, including strengthening sustainable finance and providing support for decarbonization.

9 Strengthening human capital management initiatives and alliances

- We will strive to improve employee engagement by converting to a job-based personnel system.
- We will achieve mutual sustainable growth through cooperation with alliance banks.

IR Activities

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

Looking at the distribution of voting rights of the Bank’s shares by ownership, overseas investors account for over 20%, making up a significant portion along with individual shareholders. In fiscal 2023, we expanded our IR activities to increase engagement with overseas investors. This included releasing English message videos from the CEO and conducting overseas IR in Europe, the US, and Asia.

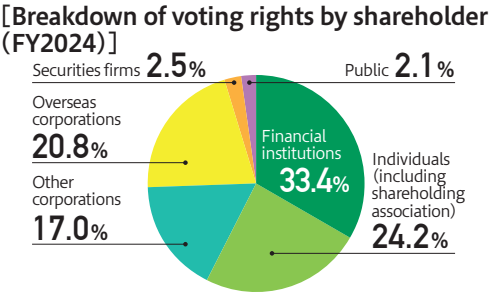
Additionally, we plan to continue enhancing our timely disclosure of information and IR-related materials in English, actively communicating with our shareholders and investors to further increase our corporate value.



FY2024 interim large meeting (Tokyo, November 2023)



Meeting with overseas (US) investors (July 2023)



Annual Results of Major IR Activities (FY2023)

		Target	Led By	Main Theme
June 2023	FY2023 results large meeting <for institutional investors and analysts>	Japan	President	Financial results, management strategy and capital policy ESG initiatives, etc.
June	FY2023 results small meeting <for analysts>	Japan	President	Q&A session on financial results Exchange of opinions with analysts
July	Overseas roadshow (non-deal) <overseas institutional investors>	Overseas (US)	President	Overview of Gunma Prefecture and corporate profile Financial results, etc.
August	FY2024 Q1 small meeting <for analysts>	Japan	Top executive (Managing Director)	Q&A session on financial results Exchange of opinions with analysts
September	Regional bank top seminar sponsored by SBI Securities Co., Ltd. <For buy-side investors>	Japan	President	Q&A session on financial results and strategy
September	Briefing session for individual investors <online live streaming for local individual investors>	Japan	President	Corporate profile, financial results, shareholder returns, etc. (100 participants)
September	Briefing session for individual investors <online live streaming for local individual investors>	Japan	President	Corporate profile, financial results, shareholder returns, etc. (114 participants)
November	FY2024 interim large meeting <for institutional investors and analysts>	Japan	President	Summary of financial results, initiatives to improve corporate value The Bank’s strengths and management strategies, etc.
November	SR meeting	Japan	IR manager	Stewardship talk (results, strategy, human capital, ESG)
December	FY2024 interim small meeting <for analysts>	Japan	President	Q&A session on financial results Exchange of opinions with analysts
December	Overseas roadshow (non-deal) <overseas institutional investors>	Overseas (Asia)	President	Overview of Gunma Prefecture and corporate profile Financial results, etc.
January 2024	Debt IR (related to perpetual subordinated bonds) <for institutional investors>	Japan	IR manager	Financing background, overview of corporate bonds and financial results ESG initiatives, etc.
February	FY2024 Q3 small meeting <for analysts>	Japan	Top executive (managing director)	Q&A session on financial results Exchange of opinions with analysts
March	Overseas roadshow (non-deal) <overseas institutional investors>	Overseas (Europe)	President	Overview of Gunma Prefecture and corporate profile Financial results, etc.
As required	One-on-one meetings with institutional investors	Japan and Overseas	IR manager	Financial results, management strategy, capital policy, etc.

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.

	2021	2022	2023	2024
Date	Jun. 24 (Thu.)	Jun. 24 (Fri.)	Jun. 27 (Tue.)	Jun. 20 (Thu.)
Number of shareholders in attendance	46*	52*	98	89
Voting rights exercise ratio	85.7%	83.9%	82.2%	82.4%
Dispatch date of notice	Jun. 2 (Wed.)	Jun. 2 (Thu.)	Jun. 5 (Mon.)	May 30 (Thu.)
Posting date of notice on website	May 27 (Thu.)	May 27 (Fri.)	May 29 (Mon.)	May 22 (Wed.)

* To prevent the spread of COVID-19, from 2020 to 2022 we gave top priority to the safety and security of our shareholders and have asked them to avoid coming to meetings as much as possible.