

4 Management Base That Supports Sustainable Growth

Sustainability Initiatives

With the understanding that sustainability initiatives are an important management issue, in February 2019, the Gunma Bank formulated the Gunma Bank Group SDGs Declaration. We have been working as one to carry out business activities based on the declaration to contribute to the achievement of the SDGs and the creation of a sustainable society.

In February 2025, in order not only to contribute to the achievement of the SDGs but also to advance a broader range of sustainability initiatives, we renamed the declaration as the Gunma Bank Group Sustainability Policy and also defined the Group's materiality as "priority issues for the realization of the Purpose" and set six material issues and initiative policies for addressing those issues.

Based on the policy, we at the Gunma Bank are implementing our initiatives to contribute to the region's sustainable development and solve environmental and social issues.

See P.26 Materiality

The Gunma Bank Group Sustainability Policy (GB Sustainability Policy)

Through business activities based on its Purpose "By connecting the strands of resources, people, and generations, we weave better futures for our communities," the Gunma Bank Group will work to contribute to the sustainable development of the regional economy and solve environmental and social issues, and strive to help create a sustainable society and improve its corporate value. We will also promote dialogue with stakeholders and step up disclosures to enhance their understanding of our initiatives and make our trusting relationship with stakeholders even stronger.

Materiality (priority issues for the realization of the Purpose) and initiative policies <Related major SDGs>

1. Sustainable development of regional economy

- We will step up our efforts to revitalize local communities, such as supporting the growth of local business operators, innovation, and start-ups, and provide financial services tailored to customers' diverse needs to support the sustainable development of the regional economy.
- Through partnerships with local public bodies, corporations, individuals, and other customers, we will work to achieve sustainable communities.



2. Response to decreasing birthrates and a declining, aging population

- To develop next-generation leaders, we will enhance our finance and economics education aimed at increasing local residents' financial literacy. We will also provide appropriate financial services aligned with each customer's life cycle to create a prosperous, secure future for customers.



3. Response to digital transformation

- By utilizing digital technology, we will support local business operators working to improve their productivity, establish sustainable regional ecosystems and infrastructure, and enhance accessibility to financing.



4. Preservation and creation of the global environment

- We will support customers working to conserve the environment and create beautiful environments, and we will also reduce the environmental impact of our business activities and strive to address climate change and maintain natural capital.



5. Enhancement of human capital

- In order to create a workplace environment in which all staff members can perform vibrantly, we will strive to enhance the diversity of executives and employees, work on human resource development, and achieve flexible work styles.
- By enhancing human capital, we will strive to better serve customer needs that have become more diversified while also working to solve regional issues.



6. Establishment of robust governance

- In order to meet customer needs and support the sustainable development of regions and customers, we at the Gunma Bank Group will work as one to take our governance to a higher level and thereby strive to achieve a more stable, more robust management base.



Environmental Policy

As well as working to reduce our impact on the environment based on the Gunma Bank Environmental Policy & Environment Conservation Behavior Code established and announced in May 2009, the Gunma Bank continues to implement environmental conservation initiatives, such as supporting activities and providing education on environmental conservation through the GUNGIN Foundation, in addition to providing financial products and services that help protect the environment through business activities.

Please see here for the Gunma Bank Environmental Policy.



(<https://www.gunmabank.co.jp/about/csr/environment-policy.html>)

Efforts to address climate change

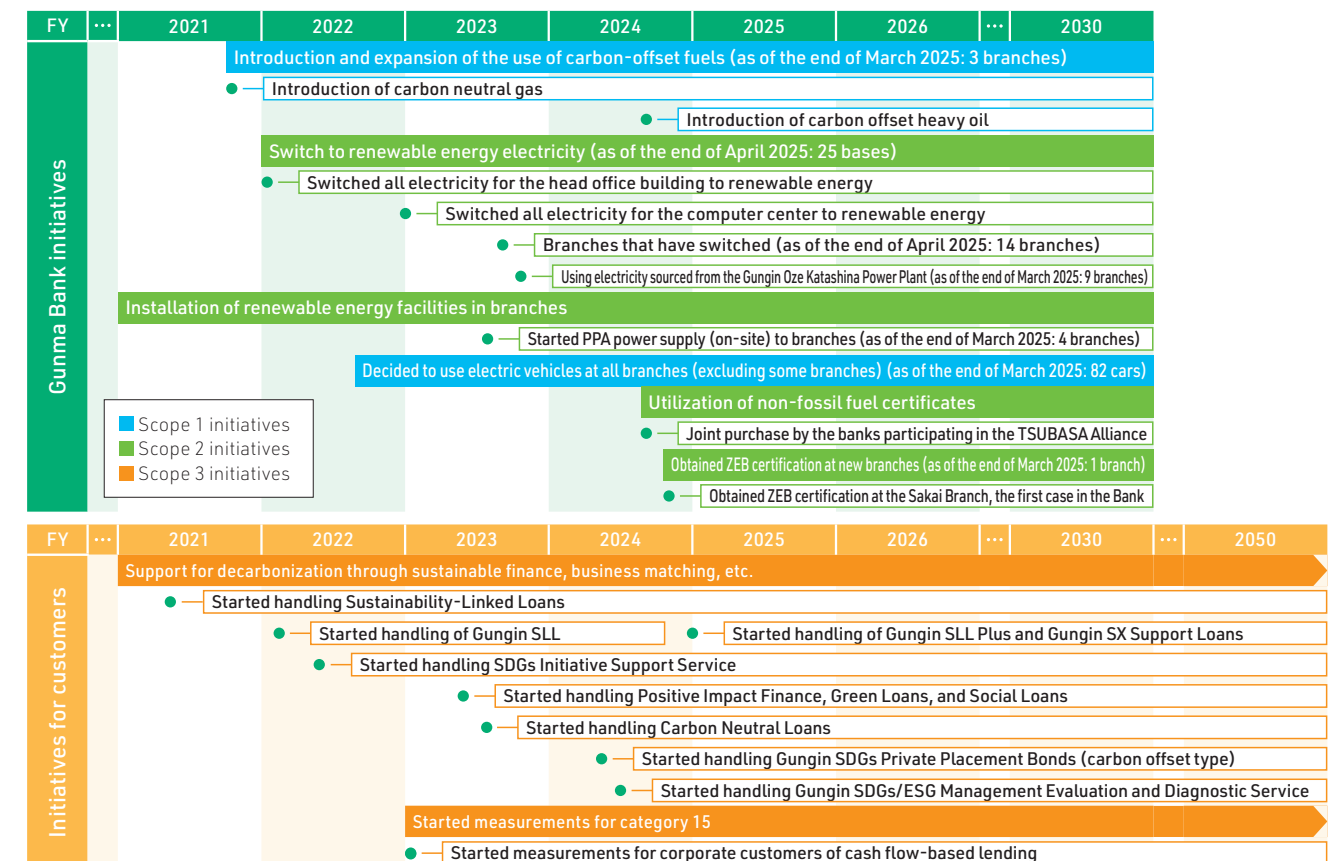
In July 2020, the Gunma Bank announced its support for the TCFD* recommendations as a means to preserve and create the global environment, one of the priority issues in the Gunma Bank Group Sustainability Policy. The Gunma Bank analyzes the impact of climate change on its business.

We will continue to step up our efforts to address climate change and work to enhance our disclosures according to the provisions of the TCFD recommendations.

Moreover, in order to achieve decarbonization of the region, the Gunma Bank not only promotes its own decarbonization efforts, but it also provides a variety of solutions to support customers who are actively working on carbon-free initiatives.

*Task Force on Climate-related Financial Disclosures (TCFD)

[Decarbonization roadmap]



Gungin Oze Katashina Power Plant

In January 2024, we started using carbon-free renewable energy sourced from the Oze Katashina Power Plant operated by The Tokyo Electric Generation Co., Ltd., and in addition, named the hydro power plant the Gungin Oze Katashina Power Plant by exercising the naming rights that we had acquired. In January 2025, the "regional co-existence project using a power plant with advanced design (the Gungin Oze Katashina Power Plant)," which has been jointly undertaken by the Gunma Bank, The Tokyo Electric Generation Co., Ltd., TEPCO Energy Partner, Inc., Katashina Village Office, and Norihiko Dan and Associates, received the New Energy Foundation Chairman Award in the regional co-existence sector of the 2024 New Energy Award sponsored by New Energy Foundation.



Supporting the TCFD recommendations

Disclosures related to governance, strategy, risk management, and metrics and targets based on the TCFD recommendations are as follows.

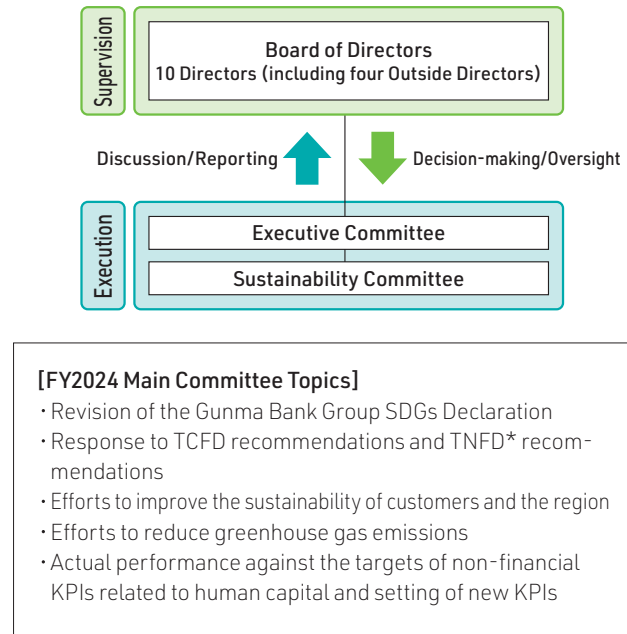
Governance

Governance structure

The Bank considers SDGs, ESG and sustainability-related initiatives, including measures to address the issues of climate change, natural capital, and biodiversity, as important management issues, and has established its governance structure based on this understanding.

We established the Sustainability Committee, chaired by the President. Its goal is to reinforce the Bank's sustainability initiatives, develop management strategies from a mid- to long-term perspective, and enhance the effectiveness of measures. The Sustainability Committee will hold four meetings per year, in principle. The main matters to be discussed and considered include the formulation of policies related to sustainability initiatives and reports on the progress of the plan.

The matters discussed and considered by the Sustainability Committee are submitted and reported to the Executive Committee, an advisory body to the president, which discusses important business matters each time the committee is convened. The committee will make four reports to the Board of Directors per year, in principle, allowing the Board of Directors to provide oversight. The committee submits important sustainability-related matters for discussion by the Board of Directors, which in turn makes decisions on these matters.



*Taskforce on Nature-related Financial Disclosures (TNFD)

Performance-linked share remuneration

A performance-linked share remuneration system (hereinafter referred to as Performance Shares) for inside directors was introduced in June 2019. In addition to financial evaluation indicators, the Bank has adopted non-financial indicators for this system that measure contributions towards the achievement of the SDGs, including addressing climate change. These indicators include the Bank's greenhouse gas emissions reduction rates and the cumulative amount of sustainable financing.

See P.73 Performance Shares

Strategy

Identifying climate change-related risks and opportunities

We conduct qualitative analyses of the risks (physical risks and transition risks) and opportunities of climate change on short- (three-year), mid- (10-year), and long-term (30-year) time scales.

Risks and Opportunities		Overview	Time Scale
Risk			
Physical risk			
	Credit risk	• Damage to real estate collateral (buildings) due to flooding, etc.	Short to long term
	Operational risk	• Business stagnation and performance deterioration caused by damage to customers' business facilities	Short to long term
Transition risk			
	Credit risk	• Business interruption caused by damage to the Bank's business facilities	Short to long term
Opportunity			
	Credit risk	• Deterioration in customer performance due to stronger regulations and tax systems related to climate change	Mid to long term
	Reputational risk	• Deterioration in customer performance due to increased costs of transitioning to low-carbon and carbon-free products, and delays in responding to changes in consumer product preferences, etc.	Short to long term
Opportunity			
	Reputational risk	• Damage to the Bank's reputation in the event that it is determined we have not provided adequate disclosure	Short to long term
Opportunity			
	Increased business opportunities	• Greater opportunity to provide new financial products and services to support the transition to a decarbonized society	Short to long term
	Cost reductions	• Increased demand for public works projects, corporate capital investment, etc. as a countermeasure for climate change-related disasters	Short to long term
Opportunity			
	Cost reductions	• Reduction of operating costs through resource and energy conservation at the Bank's business facilities	Short to long term

Opportunity

As demand heightens for the transition to a decarbonized society and action to address the issue of biodiversity, customers' management issues have become more diversified. At the Gunma Bank, we are committed to deepening purpose-driven sales in the Mid-Term Business Plan, and to address an increasingly diversified selection of management issues faced by customers, we are striving to dig deep into customers' goals and needs and provide high-quality solutions based on the connecting process, such as offering new financial products and services and meeting new demand for financing.

We believe that actively supporting our customers in addressing the issues of climate change and natural capital will lead to the strengthening of their business foundations and that it will eventually result in greater profit opportunities for the Gunma Bank and contribute to the Bank's sustainable growth.

See P.38, P.67 and P.68 Initiatives for customers

Scenario analysis

We analyzed physical and transition risks for the Bank in multiple temperature range scenarios. Our evaluation of the results indicates that the impact on the Bank's finances is limited.

Physical risk

The majority of physical risk was due to natural disasters caused by climate change. As floods have a high probability of occurring in Japan, we analyzed the impact of flood damage.

The analysis was based on the Intergovernmental Panel on Climate Change (IPCC) 8.5 scenario (4°C scenario). We calculated the increase in the Bank's credit costs through 2050 based on two factors estimated using hazard maps: the amount of damage to the value of the Bank's real estate collateral, and the number of days of business stagnation for customers due to flooding.

In addition, **we calculated the amount of damage to the Bank's business facilities through 2050 using the same scenario, a new measure that we launched in FY2024.**

Scenario	IPCC/RCP8.5 (4°C Scenario) Assumed major trend: Slow adoption of regulations will lead to further global warming.	
Subjects of analysis	Financed small- and medium-sized companies with head offices in Japan	The Gunma Bank's business facilities
Content of analysis	Damage to the value of real estate (buildings and condominiums) collateral held by the Bank estimated using hazard maps/Estimated impact on credit costs of decreased customer revenue due to business stagnation	Estimated the amount of damage to the Bank's business facilities (buildings, equipment, etc.) and the ratio of bases that may suffer damage due to flooding estimated using hazard maps
Results of analysis	Maximum increase in credit costs through 2050: 4.3 billion yen	Maximum amount of damage through 2050: 0.2 billion yen Ratio of bases that may suffer damage due to flooding: 19%

Transition risk

Among the sectors that are considered to be susceptible to climate-related financial impacts according to the TCFD recommendations, sectors were selected for analysis in terms of the impact on climate change and the Bank's exposure. **In FY2024, we newly added the metal and mining sector.**

In our analysis of the automotive sector, which is one of the core industries in the region, we are working to refine the results. This includes estimating the increase in credit costs for customers other than model companies based on sales forecasts according to the degree of impact of the products handled, etc.

Scenario	NGFS/NetZero2050 (1.5°C scenario), IEA/NZE2050 (1.5°C scenario), IPCC/RCP2.6 (2°C scenario) Assumed major trend: The regulations and technological innovations necessary to control temperature increases are adopted.	
Subjects of analysis	Automotive, energy (electric power, oil and gas), trucking services, and metal and mining	
Content of analysis	• Qualitative evaluation of the expected business impact on the sector • Based on qualitative analysis, model companies are selected for each sector with future performance changes predicted from scenario forecast data, public information, etc. • Above analysis results rolled out for entire sector to estimate increase in credit costs	
Results of analysis	Cumulative increase in credit costs through 2050: 19.8 billion yen	

State of carbon-related assets

Carbon-related assets accounted for approximately 24.8% of the Bank's total credit balance.

	Energy	Transportation	Materials and buildings	Agriculture, food, and forest products	Total
Amount of exposure	77.0 billion yen	307.9 billion yen	1,141.2 billion yen	188.8 billion yen	1,714.9 billion yen
Ratio	1.1%	4.5%	16.5%	2.7%	24.8%

(Total of loans, acceptances, foreign exchange, private placement bonds, etc. at the end of March 2025. Excludes waterworks and renewable energy business.)

Risk management

The Bank recognizes that the physical and transition risks arising from climate change are significant risks that could significantly impact the Bank's business operations and strategic and financial plans. The impact of the various risks identified through scenario analysis, etc. will be assessed for different categories, such as credit risks and operational risks. The Bank will adopt a posture that allows it to manage such risks within the existing framework.

Based on the results of scenario analysis and other factors, we will strengthen our dialogue (engagement) with customers with the aim of addressing climate change and transitioning to a decarbonized society. Deeply understanding the challenges and needs of each of our customers and providing them with solutions will lead to the creation and better management of business opportunities.

In its Environmentally and Socially Conscious Investment and Loan Policy established in June 2021, the Bank clearly states its stance on providing credit to sectors that have a significant impact on climate change risk, including a principle of not providing investments and loans for the construction of new coal-fired power plants.

Please see here for more details on the Environmentally and Socially Conscious Investment and Loan Policy.



(<https://www.gunmabank.co.jp/about/csr/investment-policy.html>)

Metrics and targets

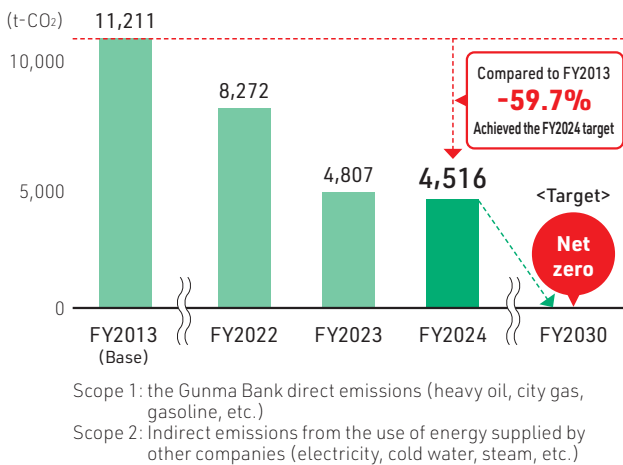
Greenhouse gas emission

○Scope 1 and Scope 2

To help create a carbon-free world and contribute to the sustainable development of society, the Bank is committed to its greenhouse gas emission reduction target of achieving net zero by FY2030. As a result of the installation of solar power generation facilities in our branches under PPAs, the use of renewable energy sourced from the Gungin Oze Katashina Power Plant, for which we acquired naming rights, the introduction of carbon-offset fuels, and other initiatives, **our GHG emissions in FY2024 were 4,516 tons of CO₂ (after offsetting), representing a 59.7% reduction compared to FY2013.** We achieved the target of 50% reduction by FY2024 compared to FY2013 in FY2023, one year ahead of schedule.

We will continue to step up our efforts to be net zero by FY2030, including creating environmentally friendly branches and introducing electric vehicles.

[The Gunma Bank's greenhouse gas emission]



(Units: Tons of CO₂)

Item	FY2013	FY2022	FY2023	FY2024
Scope 1	2,019	1,544	1,381	1,402
Scope 2	9,191	6,728	3,435	3,447
Scope 1 + Scope 2	11,211	8,272	4,816	4,849
(Offset)	-	-	(9)	(333)
Scope 1 + Scope 2 (after offsetting)	11,211	8,272	4,807	4,516

*Calculated in accordance with criteria from the periodic reports mandated by the Act on Rationalizing Energy Use. Gasoline emissions are calculated using average annual gasoline prices and emission factor.

*The scope of the greenhouse gas emissions calculation is scope 1 and scope 2 emissions from the Bank's domestic offices.

Obtained ZEB certification at the Sakai Branch, the first case in the Bank

The Sakai Branch, which started operations at a new outlet in March 2025, has earned six stars in the Building-Housing Energy Efficiency Labeling System (BELS), the highest rating in the evaluation, and obtained ZEB* certification, becoming the first branch in the Bank to do so. With solar panels installed on its roof, the outlet has a combination of functional beauty created through maximizing its energy saving performance, the atmosphere of a resting spot for travelers retained in the town, and the traditional design of redbrick buildings scattered in the area.

*Net Zero Energy Building (ZEB) refers to buildings that aim to balance primary energy consumption with energy produced on-site through the use of energy-saving and energy-generating equipment while ensuring a comfortable indoor environment. A ZEB is a building whose annual primary energy consumption is net zero or negative, and it represents the highest rank in ZEB certification.



○Scope 3

The Gunma Bank has been working to expand the scope of greenhouse gas emissions measurement. Starting FY2023, the Bank has calculated its emissions in all applicable categories.

(Units: Tons of CO₂)

Item	FY2022	FY2023	FY2024
Category 1 (purchased goods and services)	13,202	13,876	14,726
Category 2 (capital goods)	10,713	16,132	11,526
Category 3 (fuel- and energy-related activities not included in Scopes 1 and 2)	1,537	1,482	1,212
Category 4 (upstream transportation and distribution)	280	310	314
Category 5 (waste generated in operations)	166	146	206
Category 6 (business travel)	287	450	739
Category 7 (employee commuting)	3,481	3,242	3,147
Total	29,666	35,638	31,870

*Categories 8 to 14 are not applicable due to the nature of the business.

*Starting with its greenhouse gas emissions in FY2024, the Bank is working to obtain third-party assurance. As a result, the Bank has changed measurement methods, and is therefore re-measuring the emissions in the past fiscal years.

[Measurement methods]

Category 1: The amount of purchased products and services is multiplied by the respective emissions intensity. For calculation, we use data obtained from the expense management system used by the Bank, and determine the necessity of the calculation and the appropriate emissions intensity to use based on account items and description codes.

Category 2: The amount of tangible fixed assets and intangible fixed assets acquired in each fiscal year is multiplied by the emissions intensity.

Category 3: The amount of electricity used is multiplied by the emissions intensity. The consumption of gasoline, city gas, propane gas, heavy oil, and steam (including chilled water) is

multiplied by the emissions intensity of the LCI database IDEAv2.3 (for calculating supply chain greenhouse gas emissions).

Category 4: Postage costs and transportation costs (excluding intra-group transactions) are multiplied by the emissions intensity.

Category 5: Expenditures for waste collection and treatment are multiplied by the emissions intensity.

Category 6 and 7: The amount of transportation expenses paid for each mode of transport is multiplied by each emissions intensity.

*Measurements were made using the Japanese Ministry of the Environment and the Ministry of Economy, Trade and Industry's Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain (ver. 2.7) and the Ministry of the Environment's Emissions Intensity Database for Calculating an Organization's Greenhouse Gas Emissions Throughout the Supply Chain (Ver. 3.5).

○Scope 3 Category 15

Since Scope 3 Category 15 (financed emissions) is considered to be important for financial institutions in understanding the risks and opportunities in climate change, Category 15 calculations were made, based on the PCAF* standard measurement method, for investments and loans to domestic business loan recipient corporations as of the end of March 2025.

In the future, we will continue to look at ways to expand the scope and improve measurements.

*Partnership for Carbon Accounting Financials: An international initiative to develop standards for standardizing the measurement and disclosure of financed emissions.

Emissions by industry (18 carbon-related sectors based on TCFD recommendations)

Industry	Carbon intensity (t-CO ₂ /million yen)	Emissions (t-CO ₂)	Weighted average data quality score	Industry	Carbon intensity (t-CO ₂ /million yen)	Emissions (t-CO ₂)	Weighted average data quality score
Oil/Gas	6.38	727,079	3.34	Chemicals	11.86	436,105	2.19
Coal	-	-	-	Construction materials	12.08	298,026	2.83
Electric utilities	27.70	648,292	2.81	Capital goods	4.16	1,545,658	3.54
Air cargo	12.14	214	4.00	Real estate management and development	1.43	376,638	3.37
Passenger air transport	-	-	-	Beverages	3.19	89,430	3.94
Maritime transport	12.40	23,544	1.82	Agriculture	6.26	51,168	4.00
Rail transportation	2.02	80,496	1.79	Packaged food and processed meats	5.62	809,745	3.81
Trucking services	3.07	529,945	3.96	Paper and forest products	4.88	187,871	2.86
Automobiles and components	6.98	972,620	3.33	Other	2.75	6,130,955	3.43
Metals and mining	7.13	1,116,639	2.99	Total		14,024,425	3.36

[Calculation formula for emissions]

Financed emissions are calculated by multiplying the ratio of the Bank's investments and loans to the total amount of funds raised by the investment and loan recipient (attribution factor) by the greenhouse gas emissions* of the investment and loan recipient.

*For companies whose disclosed information has been obtained, disclosed information is used, and for other companies, estimated values are used.

Financed Emissions =

$$\sum_i \text{Attribution Factor } i \times \text{Emission } i$$

$$\text{Attribution Factor } i = \frac{\text{Investment and loan amount } i}{\text{Total funding amount } i}$$

(i is each investment and loan recipient)

[Calculation formula for carbon intensity by industry]

Carbon intensity by industry is derived by the following formula for each industry.

$$\frac{\sum (\text{Carbon intensity of individual company} \times \text{investment and loan amount of individual company})}{\text{Total investment and loan amount of individual company}}$$

[Data quality score]

Scores are assigned on a 5-point scale based on the content of available data. A score of 1 is the highest quality data, and a score of 5 is the lowest quality.

*Since FY2024, the Bank has been working to obtain third-party assurance and has changed measurement methods. Calculation results may change in the future due to expanded disclosure of financed emissions, updates to carbon intensity data, and more sophisticated calculation methods.

Obtaining third-party assurance

Since FY2024, we have been working to obtain third-party assurance of our measurement and disclosure of greenhouse gas emissions to ensure the credibility of our data. For our greenhouse gas emissions in FY2024, we have obtained independent third-party assurance by SOCOTEC Certification Japan Co., Ltd. We will continue to have our emission data verified by a third-party organization to enhance the credibility and transparency of our disclosures.

Please see here for the Third-Party Assurance Report.



(https://www.gunmabank.co.jp/about/csr/torikumi/pdf/kikohendo_hosyou.pdf)

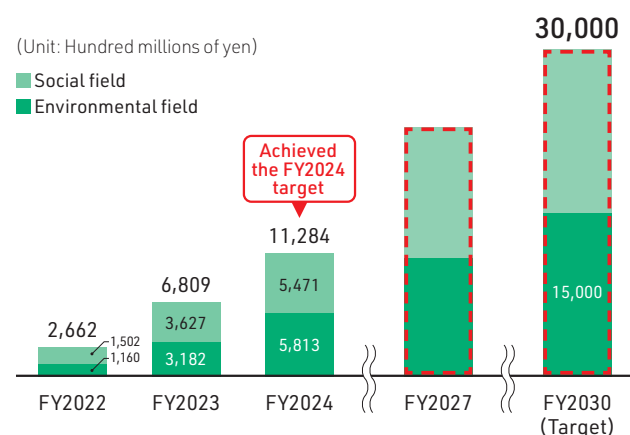
Sustainable finance

To further initiatives aimed at achieving sustainability in the region by solving environmental, social and other issues, we have set the target of executing sustainable finance* worth a cumulative total of 3 trillion yen (including 1.5 trillion yen in the environmental field) for the period from FY2022 through FY2030.

In FY2024, the cumulative total of sustainable finance executed was 1,128.4 billion yen (including 581.3 billion yen in the environmental field), exceeding the FY2024 target of 800.0 billion yen (including 450.0 billion yen in the environmental area).

To achieve the FY2030 target, in the Mid-Term Business Plan we have set the target of executing sustainable finance worth a cumulative total of 1,200.0 billion yen (including 600.0 billion yen in the environmental field) for the period from FY2025 through FY2027.

By proactively engaging in sustainable finance, we will uncover and resolve local ESG issues.



* Sustainable finance refers to financing activities that contribute to solving environmental issues (renewable energy, energy-saving equipment, etc.) and social issues (business start-ups and succession-related issues, medical care, etc.).

[Decarbonization initiatives of customers and the region]

◇Support for customers in their transition to carbon-free

Reducing Scope 3 Category 15 emissions (greenhouse gas emissions from investment and loan recipients) is an essential initiative for financial institutions because it leads to decarbonization of the regions where they operate, and the Gunma Bank has been working on initiatives such as engagement using the “connecting process.”

In particular, the automobile industry, which plays a central role in the local economy, is faced with dramatic changes in the business environment, such as a rapid advance of electrification. Local suppliers also need to respond to various challenges, including the electrification of their products and the reduction of greenhouse gas emissions from their manufacturing process. Accordingly, we have positioned the automobile sector as one of the important sectors in our decarbonization efforts and are working to enhance our support structure by, for example, hiring employees who have experience working for automobile manufacturers. We have also interviewed each of our customers in this sector and, based on the results, put together data and prepared a positioning map to use for supporting them.

Furthermore, based on a sectoral analysis of investment and loan recipients' greenhouse gas emissions, we have selected sectors that we prioritize and are working to provide the most appropriate solutions that fit customers' needs and situations.

◇Contributing to regional decarbonization through finance

To support regional decarbonization efforts, the Gunma Bank is actively engaging in sustainable finance initiatives such as Sustainability-Linked Loans, the Gungin SLL Plus, and Gungin SX Support Loans. The loans for renewable energy businesses that the Gunma Bank handled from FY2022 to FY2024 have contributed to generating renewable energy of 7,731,268 MWh.

Greenhouse gas emission reductions made by customers who used our sustainable finance products, such as Sustainability-Linked Loans, totaled 1,737,165 t-CO₂. On an annualized basis, this is 128 times more than the Gunma Bank's greenhouse gas emission (Scope 1 and Scope 2), and it translates into an estimated reduction of 45,910 t-CO₂ of the Bank's Scope 3 Category 15 emission (investment and loan recipients' greenhouse gas emissions).^{*1}

Environmental improvement results through sustainable finance (April 2022 to March 2025)

Item	Result ^{*1}	Household equivalent ^{*2}
Amount of renewable energy generated by financing renewable energy projects	7,731,268 MWh	Approx. 1.98 million households
Reduction in greenhouse gas emissions for customers using sustainable finance products	1,737,165 t-CO ₂	Approx. 1.00 million households
Total		Approx. 2.98 million households (Number of households in Gunma Prefecture: 830,000 households)^{*3}

^{*1} Sustainable finance projects (environmental field) are selected where quantitative effects can be identified. These effects are then calculated based on the Gunma Bank's criteria.

^{*2} Calculated from annual greenhouse gas emissions (electricity) per household based on the Results of Survey on the Actual Conditions of Carbon Dioxide Emissions from Residential Sector in FY2023 (Preliminary Figures), Ministry of the Environment

^{*3} Source: 2024 Gunma Prefecture Population Movement Survey Results (Annual Report), Gunma Prefecture

[Engagement in initiatives and external evaluation]

To help achieve a sustainable society, the Gunma Bank has supported the Paris Agreement and endorsed and engaged in related industry organizations and various initiatives. When deciding to endorse or engage in an initiative, or to continue such endorsement or engagement, we deliberate by considering the relevance to the Gunma Group Sustainability Policy and our businesses, the consistency with developments in Japan, and other factors.

◇Task Force on Climate-related Financial Disclosures (TCFD)



◇Principles for Financial Action Towards a Sustainable Society (Principles for Financial Action for the 21st Century)



◇Sustainability Data Standardization Consortium (SDSC)



◇Taskforce on Nature-related Financial Disclosures (TNFD) Forum



◇The GX League sponsored by the Ministry of Economy, Trade and Industry



◇CDP



External collaboration

Joint publication of Survey on Progress of Carbon Neutrality Initiatives in Gunma Prefecture

In March 2025, the Gunma Bank, the Gunma Economic Research Institute, the Development Bank of Japan, and the Japan Economic Research Institute jointly published a survey report titled Survey on Progress of Carbon Neutrality Initiatives in Gunma Prefecture. The Gunma Economic Research Institute surveys and researches industry trends in Gunma Prefecture, and the Development Bank of Japan and Japan Economic Research Institute have deep insight into industry trends and decarbonization in Japan.

This report describes the current status of carbon neutrality efforts of major industries in Gunma Prefecture, while also outlining an introduction scenario for Gunma Prefecture in which hydrogen and ammonia are positioned as major energy sources and studying a structure of collaboration with energy supply bases in and outside of the region. In interviews, involved parties maintain that to achieve carbon neutrality, it is essential not only that local businesses step up their efforts but also that the national and local governments, regional financial institutions, and industry organizations work together to support local initiatives. This report emphasizes the necessity of cooperation and presents possible specific support measures for future collaborations.

We will continue to provide relevant information for customers by using this report and other resources and support customers who work on decarbonization, thereby contributing to the achievement of regional decarbonization.

Please see here for the report Survey on Progress of Carbon Neutrality Initiatives in Gunma Prefecture.



(<https://www.gunmabank.co.jp/info/news/pdf/20250321d.pdf>)

Utilization of non-fossil fuel certificates in collaboration with TSUBASA Alliance member banks

In March 2025, the Gunma Bank and other TSUBASA Alliance member banks purchased a 5 million kWh-worth of FIT non-fossil fuel certificates created in sales areas of the banks, in an effort to locally use locally produced environmental value, invigorate the renewable energy value trading market, and promote widespread use of FIT non-fossil fuel certificates.^{*} The purchased non-fossil fuel certificates were used to offset the banks' greenhouse gas emissions due to electricity use, resulting in a reduction of a total of approximately 2,100 t-CO₂.

^{*}A certificate that represents the environmental value portion of the electricity generated from non-fossil energy sources (greenhouse gas emission-free renewable electric power sources such as solar power, wind power, and biomass-derived electricity) to which the feed-in tariff (FIT) system, a system to purchase renewable energy at fixed prices, applies. Non-fossil fuel certificates can be used for the reduction of greenhouse gas emissions due to electricity use.



Natural capital and biodiversity initiatives

To achieve a sustainable society, we believe it is essential not only to address climate change but also to halt and restore the loss of natural capital, achieving a nature-positive outcome. Since April 2024, we have endorsed the TNFD initiatives and engaged in the TNFD Forum.

At the Gunma Bank we will actively work to conserve regional natural capital and biodiversity while also exploring ways to enhance our disclosures based on the TNFD recommendations.

Response to the TNFD recommendations

Gunma Prefecture, a major geographic area in which the Gunma Bank operates, is rich in nature. It has notable natural sites such as Oze National Park and the Three Mountains of Jomo and serves as home to a variety of animals and plants. At the Gunma Bank, we also consider that addressing the issues of natural capital and biodiversity is one of the priority issues for the Bank. We discuss and study these matters at the Sustainability Committee. [See P.70 Governance structure](#)

In the TNFD recommendations, it is recommended that businesses consider making disclosures in accordance with the LEAP approach,* and the Gunma Bank will follow the recommendations.

*An approach to identify and assess nature-related dependencies, impacts, risks, and opportunities by following the Locate, Evaluate, Assess, and Prepare phases.

Strategy

Most companies including the Gunma Bank are doing business activities while engaging with nature. We understand that financial institutions do not only have connections with natural capital in their own business, but customers' connections with natural capital are also important to us as we serve customers through investments and loans.

Accordingly, at the Gunma Bank we analyzed 12 sectors that we considered as potentially having important connections with nature and prepared heat maps, by using the ENCORE tool* for analyzing loan recipients' dependencies and impacts on natural capital.

*A tool that enables assessing and visualizing how the economy depends on nature and how it may impact nature as well as how environmental changes may produce risks to businesses.

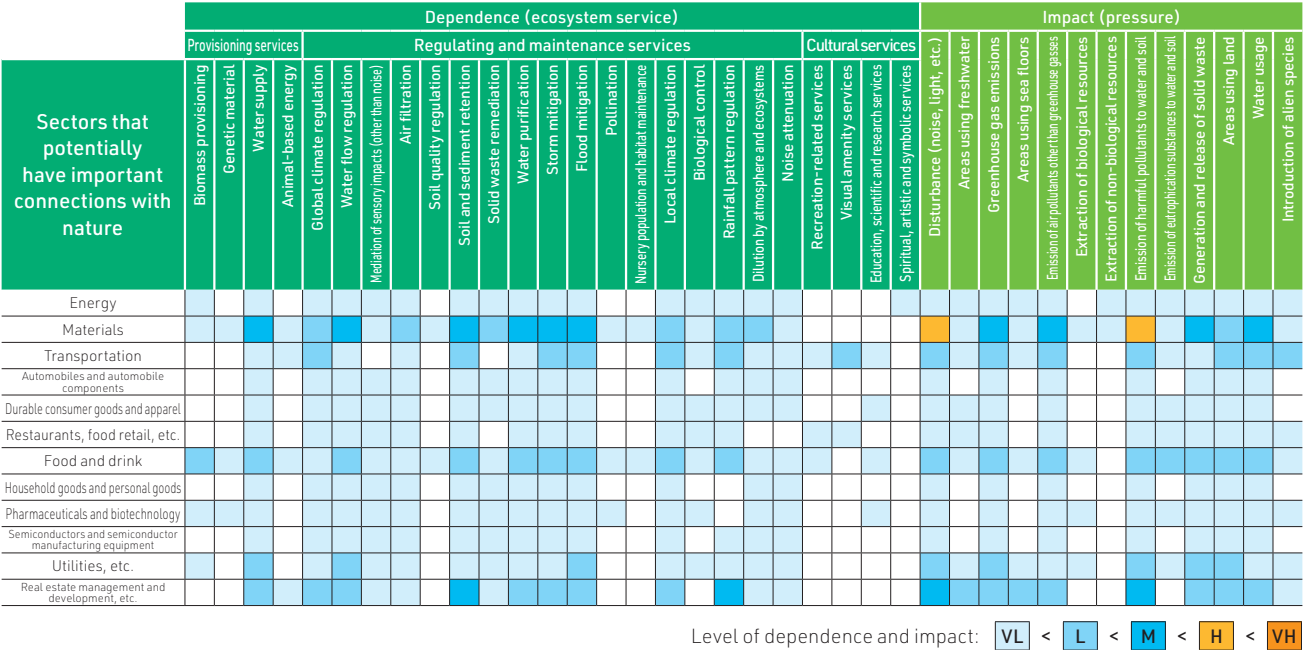
From the analysis, which considered our portfolio, it was found that we primarily have a high dependence and a high impact on water-related items. Going forward, we will carry out a closer analysis by, for example, taking Gunma Prefecture's local characteristics into account, and work to determine priority sectors and identify risks and opportunities.

Furthermore, to achieve sustainability in the region, we will step up efforts to support customers who work on environmental and social issues by providing sustainable finance and other solutions while also actively engaging in nature conservation.

[See P.62 Metrics and targets](#)

[See P.85 Biodiversity initiatives](#)

[Dependencies and impacts on natural capital by sector]



Supporting customers' SDGs and ESG initiatives

The Gunma Bank Group strives to contribute to the growth and development of regional businesses by providing various solutions to environmental and social issues facing customers in the region.

Since we started handling SDGs Initiative Support Service in September 2022, we have offered solutions from both financial and non-financial perspectives to support our customers' sustainability management.

In August 2024, we launched the Gungin SDGs/ESG Management Evaluation and Diagnostic Service, which provides a high-level assessment of our customers' SDGs and ESG initiatives. This service visualizes the status of customers' efforts and compares the results with the performance of others in the same industry by using a scoring model, so that customers can assess their own performance objectively and qualitatively. In addition, to support customers' decarbonization efforts, we offer, free of charge, a simplified version of the Assessment and Scoring of the Status of Efforts to Address Environmental Items tool that enables measuring greenhouse gas emissions.

As a regional financial institution, we will continue to step up support for customers' sustainability management and decarbonization efforts.

Raising understanding of the SDGs/ESG and their necessity

Deciding on priority issues

Proposing solutions that "connect" to solving issues

Financing, subsidies, etc. based on proposed solution

SDGs Initiative Support Service

- Confirm current state of initiatives based on interview sheets
- Ascertain issues, etc. through dialog with customers using feedback sheets
- Support formulation of SDGs declarations tailored to customers' businesses

Gungin SDGs/ESG Management Evaluation and Diagnostic Service

- Enable measuring Scope 1 and Scope 2 greenhouse gas emissions of customer companies
- Confirm current status of SDGs/ESG initiatives based on advanced evaluation using a scoring model
- A detailed assessment report prepared by AI that helps customers understand where their companies stand in the industry and their strengths and weaknesses
- The Gunma Bank supports customers in formulating and implementing SDGs/ESG management, based on the assessment results.

Decarbonization efforts	Human capital initiatives	Productivity improvement
Item	Main services, etc.	Group companies
SDGs-related consulting	SDGs-related KPI setting, training, etc.	Gungin Consulting Co., Ltd.
Carbon-related		
Measuring and visualizing greenhouse gas emissions	Greenhouse gas emission visualization cloud service	
Carbon offsets	Support creating, selling and purchasing J-Credits	
Introduction of renewable energy facilities	Support for installation of solar equipment, etc.	
Support for solving other social issues		
Hiring of high-level human resources	Staffing service	Gungin Consulting Co., Ltd.
Human and labor affairs/training and development	Formulation of human resource and labor regulations, training and development	Gungin Consulting Co., Ltd.
Health-oriented business management	Support for obtaining KENKO Investment for Health Outstanding Organization certification	
Streamlining of operations through digital transformation	Introduction of accounting and labor management systems	
Business succession	Support of business succession plan formulation Provision of capital funds, hands-on support	Gungin Consulting Co., Ltd. Gunma Regional Advanced Solution Partners, Inc.
Sustainable finance	Various sustainable finance products (page 68) Loans for renewable energy projects Loans, etc. for business succession measures	
Subsidies and tax benefit support	Subsidies for large-scale growth investments such as labor-saving measures aimed at raising wages for small and medium companies New business launching subsidies, tax system to encourage future regional investment, etc.	
Interest subsidy	Subsidy for energy efficiency investments	

Sustainable finance

Initiatives for sustainable finance

In the three years of the previous Mid-Term Business Plan, we worked to enhance the range of finance products and launched Positive Impact Finance, Carbon Neutral Loans, and Gungin SDGs Private Placement Bonds (carbon offset type).

Going forward, we will strive to achieve the target of executing sustainable finance worth a cumulative total of 1,200.0 billion yen (including 600.0 billion yen in the environmental field) by utilizing our finance products including Gungin SLL Plus, which we started handling in April 2025.

In addition to sustainable finance, we will also work to achieve the target for the number of decarbonization support cases, a new KPI of ours, of a three-year cumulative total of 1,000, in order to strengthen our support for customers' decarbonization efforts.

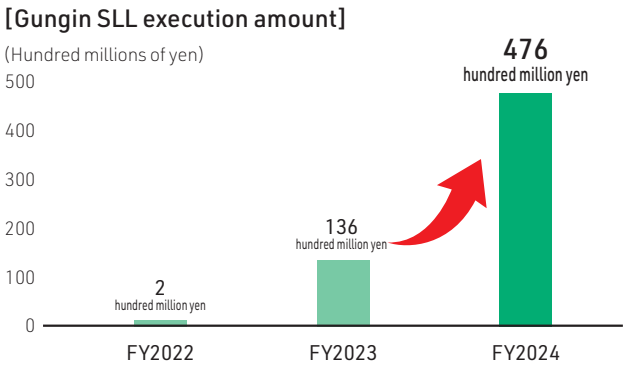
Sustainable finance products

Products compliant with international principles	Other
Gungin SLL Plus <ul style="list-style-type: none">Sustainability performance targets for greenhouse gas emission reduction are set and certified by Gungin ConsultingIncentives available, including interest rates that fluctuate depending on progress toward targets	Carbon Neutral Loans <ul style="list-style-type: none">Financing products for customers who are working, or plan to work, towards carbon neutrality
Positive Impact Finance <ul style="list-style-type: none">The Gunma Bank comprehensively analyzes and evaluates the impact that corporate activities have on ESGKPIs are set and monitored by the Bank regarding increase/mitigation of impact	Gungin SDGs Private Placement Bonds (donation support type) <ul style="list-style-type: none">Private placement bonds for customers looking to make a donation or giftA portion of corporate bond issuance fees is donated to organizations working on SDGs
Sustainability-Linked Loans <ul style="list-style-type: none">Ambitious sustainability performance targets are set and certified by a third-party evaluation organizationIncentives available, including interest rates, etc. that fluctuate depending on progress toward targets	Gungin SDGs Private Placement Bonds (issuer support type) <ul style="list-style-type: none">Private placement bonds for customers working on projects to achieve SDGsHelp improve corporate image and employee motivation
Green Loans/Social Loans <ul style="list-style-type: none">Use of funds is limited to green/social projectsOnce a year, customers report on environmental improvement effects, etc.	Gungin SDGs Private Placement Bonds (carbon offset type) <ul style="list-style-type: none">The Gunma Bank purchases carbon credits and implements carbon offsetting for bond-issuing companies and Gunma Prefecture
Products with the Bank framework	
Gungin SX Support Loans <ul style="list-style-type: none">Ambitious sustainability performance targets are set and verified by Gungin ConsultingIncentives available, including interest rates that fluctuate depending on progress toward targets	Financing with Special Clause for Waiver in Event of Earthquake <ul style="list-style-type: none">If an earthquake with a seismic intensity of 6 or higher occurs at a predetermined place, the loan principal is waived at a predetermined rate
	Financing with Special Clause for Waiver in Event of Torrential Rain <ul style="list-style-type: none">If heavy rain exceeding a certain amount occurs at a predetermined place, the loan principal is waived at a predetermined rate

Gungin SLL Plus and Gungin SX Support Loans

Since June 2022, we have offered Gungin SLL, a loan product where the interest rate fluctuates based on the achievement of specific goals, and the amount of the loan executed has steadily increased as demand for SDGs and ESG initiatives heightens.

With the Green Finance Guideline of the Ministry of the Environment revised, in April 2025 we stopped handling Gungin SLL and started handling Gungin SLL Plus and Gungin SX Support Loans to meet customers' diverse needs.



Product	Product	SSL principles*	Goal of launching the product
Gungin SLL	Gungin SLL Plus	Compliant	To further accelerate customers' decarbonization efforts
	Gungin SX Support Loans	Non-compliant	To meet customers' diverse needs related to SDGs and ESG efforts

*Sustainability-Linked Loan Principles and Green Loan and Sustainability-Linked Loan Principles

Regional sustainability initiatives

Comprehensive partnership agreement for community revitalization

Collaboration with local governments in Gunma Prefecture aimed at regional revitalization

We have concluded comprehensive partnership agreements with Gunma Prefecture and 13 local governments in the prefecture. Centered around the Regional Revitalization Office within the Customer Consulting Department, we collaborate with related departments, branches, and Group companies to enhance the appeal of the region through initiatives such as promoting tourism, revitalization support through the corporate version of the hometown tax, revitalizing agriculture, and attracting businesses.

Initiative in Minakami Town

We engage in an initiative jointly implemented by four parties from the business, academic, public, and financial sectors (the Gunma Bank, Minakami Town, Open House Group, and a graduate school of Tokyo University) to revitalize Minakami Town, which is a pioneering project of Regional Revitalization 2.0. In this initiative, we are currently implementing a project to transform abandoned buildings into lodging facilities and hot bath facilities. The Gunma Bank will continue to work with various businesses to help regional economic zones thrive in a sustainable way.



Facilities being revitalized through public proposals in Minakami Town

Efforts toward achieving carbon neutrality

Collaboration to create J-Credits

On April 25, 2025, the Gunma Bank concluded a tripartite collaboration agreement with Midori City and BYWILL Inc. to work together toward the achievement of carbon neutrality.

The three parties will cooperate to promote the creation and distribution of J-Credits in an effort to help Midori City achieve decarbonization.

Through this project, we will strengthen our financial support for the region's sustainable growth and contribute to reducing environmental impact.



The partners of the collaboration toward achieving carbon neutrality. From left: Mr. Horie, Managing Director of the Gunma Bank; Mr. Sudo, Mayor of Midori City; Mr. Shimomura, President of BYWILL

Gunma Next Generator project

Matching young entrepreneurs with SMEs facing challenges

The Gunma Bank, VENTURE FOR JAPAN, and Gunma Regional Advanced Solution Partners, Inc. have jointly undertaken the Gunma Next Generator project, commissioned by Gunma Prefecture. The Gunma Next Generator project is a program designed to match talented and motivated young people with small and medium-sized enterprises (SMEs) in the prefecture that face challenges, providing support and collaboration.

In the previous fiscal year, five matching cases were concluded, in which 14 students worked to solve issues facing participating companies. In this fiscal year, building on the results from the previous year, we will strive to match more businesses and young people and contribute to the development of the regional economy.



The top page of the dedicated website of the Gunma Next Generator project opened in October 2024