

Company Name: The Gunma Bank, Ltd.
Representative: Akihiko Fukai, President
Stock Exchange Listing: Tokyo (code: 8334)
For Inquiry: Takeo Uchibori, Managing Executive Officer and General Manager,
Corporate Planning Department

Announcement regarding the issuance of Basel III-compliant Subordinated Bonds (Green Bond)

The Gunma Bank, Ltd. hereby announces that it has filed an amended shelf registration statement for the issuance of Basel III-compliant Subordinated Bonds (Green Bond) (hereinafter referred to as “this bond”) with the Director-General of the Kanto Local Finance Bureau on October 24, 2019. This is the first issuance of Green bond among regional banks in Japan.

1. Purpose of the Issuance of This Bond

As various environmental and social issues become more critical, we formulated the “Gunma Bank Group SDGs Declaration” in February 2019 in an aim to promote efforts as a group toward achievement of “the Sustainable Development Goals (SDGs)”^{*1} adopted by the United Nations. The SDGs Declaration places the preservation and creation of global environment as the one of the priority issues for the realization of a sustainable society and the creation of economic value.

While various company’s efforts related to ESG is drawing a lot of interests in the society as a whole, we decided to issue this bond ahead of other regional banks for the purpose of announcing our proactive approach to SDGs to each stakeholder and assisting customers working to preserve the environment and create a beautiful environment.

The Mid-Term Business Plan, “Innovation New Dimension — Toward delivering value”, launched in April 2019 and ending in March 2022, is based on the concept of the SDGs Declaration. We aim for contribution to the development of regional communities through engagement with the achievement of the Business Plan.

2. Outline of This Bond

Bond name	The Gunma Bank, Ltd. 5th Issuance of Basel III-compliant Subordinated Bonds (Green Bond)
Issuance amount	10 billion yen

Maturity	10 years (with Early Redemption Clause)
Issuance time	November 2019
Use of proceeds	Funds raised from the issuing of this bond shall be appropriated to new or existing loan that meet following eligibility criteria ^{*2} <ul style="list-style-type: none"> a. Renewable energy b. Green private placement bonds c. Energy efficiency d. Clean transportation e. Green buildings
Lead manager	Nomura Securities Co.,Ltd., SMBC Nikko Securities Inc.
Green Bond Structuring Agent ^{*3}	SMBC Nikko Securities Inc.

The Gunma Bank, Ltd has obtained a second-party opinion^{*4} regarding the compliance of this bond from the independent rating firm Sustainalytics (“Sustainalytics”), which confirmed that this issuance meets the criteria set out in the “Green Bond Principles 2018”^{*5} of the International Capital Market Association (ICMA) and the Green Bond Guidelines 2017^{*6} of the Ministry of the Environment of Japan.

In preparation for the issuance of this bond, Sustainalytics had received from Green Finance Organisation a notice of decision on the subsidy to be granted by Financial Support Programme for Green Bond Issuance 2019 of the Ministry of the Environment of Japan^{*7}.

^{*1} A set of international development goals which was adopted by the UN Sustainable Development Summit held in September 2015 consisting of 17 goals and 169 targets in order to realize a sustainable world

^{*2} The details of eligibility criteria are as below

a. Renewable energy

Loans for the following power generation businesses, including the leasing, purchase, construction, operation and expansion of power generation facility assets

i. Solar power generation business (including expenses related to leasing business conducted by Gungin Leasing Co., Ltd., a subsidiary of The Gunma Bank, Ltd)

ii. Biomass power generation business

* Limited to businesses using waste-derived biomass

iii. Hydropower generation business

* Limited to businesses with capacity is less than 25MW

b. Green private placement bonds

Underwriting of bank-guaranteed private placement bonds for solar power companies that meet either of the following criteria:

- i. Companies that have obtained ISO 14001 certification
- ii. Companies that have obtained the Ministry of the Environment's Eco-Action 21 certification
- iii. Companies that have obtained Gunma Prefecture's Environment GS certification

c. Energy efficiency

Loans for installation and renovation of equipment that contributes to improving energy efficiency, including LED lighting, upgrade of air conditioning equipment and refurbishment of buildings. The loans applicable to the category (e) are exempted from the category (c).

d. Clean transportation

Loans and expenses for the purchase or maintenance of electric vehicles (EVs), fuel-cell vehicles (FCVs), and supporting infrastructure, including the following businesses or initiatives:

- i. Loans offered by The Gunma Bank, Ltd.
- ii. Car leasing business by Gungin Leasing Co., Ltd., a subsidiary of The Gunma Bank, Ltd.
- iii. Promotion of the introduction of eco-cars as companies' cars, in the Gunma Bank Group companies

e. Green buildings

Loans for the construction, purchase or repair of buildings that have obtained or meet the following standards for green building certification recognized nationally.

- i. CASBEE: S, A, or B+
- ii. DBJ Green Building Certification: five stars, four stars, or three stars
- iii. BELS: five stars, four stars, or three stars

f. The target will be loans that have been agreed and projects that have been decided to be launched, or expenses (a) within five years prior to the date of the issuance of the relevant green bond or (b) after the issuance of the green bond and before the date of the redemption of the relevant green bond.

*3 The agent which provides support for the issuance of green bonds, primarily by providing advice on setting the green bond framework and obtaining a second-party opinion

*4 For the details of the opinion, see Sustainalytics website as below:

<https://www.sustainalytics.com/sustainable-finance/wp-content/uploads/2019/10/Gunma-Bank-Green-Bond-Second-Party-Opinion-24102019-ENGLISH.pdf>

*5 "Green Bond Principles 2018" is voluntary process guidelines regarding green bond issuance established by the Green Bond Principles Executive Committee, which is a membership association

facilitated by the International Capital Market Association (ICMA).

*6 To increase green bond issuance in Japan, “the Green Bond Guidelines 2017” is formulated and announced by the Ministry of the Environment of Japan in March 2017 with due consideration to consistency with the Green Bonds Principles, that provide issuers, investors, and other market participants with illustrative examples of specific approaches and interpretations tailored to the characteristics of Japan's bond market.

*7 A program providing subsidies for any organizations that provide companies and local governments seeking to issue green bonds with external review and consultation services regarding establishment of the Green Bond Framework. The green bonds eligible for subsidies must use all proceeds on green projects, and satisfy all of the conditions below at the date of issue.

(1) A Green Project must meet one of the following criteria at the date of issue.

① Contributes mainly to domestic decarbonization (renewable energy, energy efficiency, etc.)

- Projects for which equal to or more than half of the procured amount, or equal to or more than half of the number of projects is domestic decarbonization-related project.

② Has high decarbonization and effects on vitalization of local economy

- Decarbonization effects

Those whose subsidy amount per ton of domestic CO₂ reduction is less than the specified amount.

- Effects on vitalization of local economy

Projects that are expected to contribute to effects on vitalization of local economy as part of the ordinance and plan, etc. decided by the municipality, projects for which investment by municipalities can be anticipated, etc.

(2) The issuer's green bond framework must be reviewed by an external organization to confirm compliance with the Green Bond Guidelines prior to the issue.

(3) The bonds are not so-called green-wash bonds.