

Principal Questions and Answers
Small Meeting for the Year Ended March 2025
(June 12, 2025)

- Q. A substantial amount of negative goodwill is anticipated to be recorded. One possible option is to utilize this negative goodwill to sell low-yielding yen-denominated bonds, which is expected to improve your bank's balance sheet. I hope your bank will become one of the top regional banks not only in asset size, but also in quality. Is my understanding correct?
- A. - Your understanding is correct. Currently, both banks hold low-yielding bonds, but we believe that we will be able to proceed with the sale of low-yielding yen-denominated bonds by utilizing the negative goodwill, thereby developing a structure to achieve ROE of 10% after the integration.
- When comparing PBR and ROE among major higher-ranking regional banks, our bank has the highest ROE, while its PBR is lower than that of some banks. We believe that to raise our PBR to the same level as the higher-ranking banks, we need not only to improve profitability but also to expand the size of our bank. According to the results of the year ended March 2025, on a simple sum basis, the ROE of our bank and the Daishi Hokuetsu Financial Group is approximately 7%, and the PBR of the two banks is approximately 0.7. In our opinion, it is highly likely that our share price will rise and our PBR will grow significantly if our market capitalization increases, we make efforts to achieve the profit targets of both banks, and synergistic effects are generated.
- Q. Are you considering any M&As in which you will pay premiums (goodwill will be recorded) as a way to utilize the negative goodwill?
- A. - While we may possibly pursue M&As in which we will pay premiums, we have no plans to do so at present, partly due to the issue of timing. However, we are willing to consider any beneficial proposal as an option.
- From a long-term perspective, in the future after the integration, we will consider possible acquisitions of overseas banks and nonbank financial institutions, including leasing companies. In the case of an acquisition of an overseas bank, it would take time to satisfy the requirements of the regulations of the relevant jurisdiction. On the other hand, in the case of an acquisition of an overseas nonbank financial institution, we could consider speedier acquisitions as long as we ensure that the local management of the acquired company is appropriate. In the future, it may not be surprising at all for top regional banks or regional banks with ample capital that will appear after the restructuring to make acquisitions worth several tens of billions of yen, just like megabanks. If that is the case, even regional banks may find growth opportunities not only in Japan but also overseas.

- Q. You mentioned the possible loss-cutting of yen-denominated bonds as a way to utilize the negative goodwill. Are there any other possible options?
- A. - While we are investigating the impacts of the accounting standard for the impairment of financial assets on our financial statements, our trial calculation suggests that the impacted amount will not be substantial. Therefore, we suppose that the primary way to utilize the negative goodwill would be the loss-cutting of yen-denominated bonds, as I mentioned earlier.
- In addition, as our core banking system will transition to the TSUBASA core banking system in the course of the integration, there is room for considering the utilization of the negative goodwill for the system-related assets, fixed assets and other items.
- Q. What improvements do you expect from the Daishi Hokuetsu Financial Group? And what improvements do you think the Daishi Hokuetsu Financial Group would expect from Gunma Bank?
- A. - We believe that the Daishi Hokuetsu Financial Group can increase loans by utilizing our bank's network in the Kanto region, one of our strengths, to maximize top-line synergy. The integration will enable us as a group to make united efforts toward that goal. In addition, with the increased capital, the Daishi Hokuetsu Financial Group will be able to extend additional loans to the borrowers who have received loans up to the limit.
- Moreover, from the viewpoint of utilizing human resources, we suppose that the Daishi Hokuetsu Financial Group could supplement its fee-based business through reinforced sales activities in the Kanto region and the temporary transfer of its employees there. Regarding the number of offices, although this is partly a result of the merger between Daishi Bank and Hokuetsu Bank, we believe that the Daishi Hokuetsu Financial Group could reduce costs by examining RORA.
- On the other hand, we recognize that one of the challenges our bank needs to address is strengthening the sale of consulting services targeting our major clients. It is essential to further increase non-interest business profit. We will renew our efforts to strengthen the sale of consulting services throughout the broader Kanto region.

- Q. In my opinion, you should promptly integrate leasing, securities and other subsidiaries by sector in order to generate synergistic effects and speed up the business integration. Could you tell us your thoughts on this?
- A. - Ideally, banks and leasing, securities and other subsidiaries should be placed in parallel under a holding company. In particular, we believe that companies performing sales activities should be integrated whenever possible to generate synergies. Currently, within our group, subsidiaries are placed under our bank. On the other hand, within the Daishi Hokuetsu Financial Group, while some companies are placed in parallel with the bank, others are placed under the bank. Although it would be appropriate to position certain companies under the bank as subordinate companies, it would be more effective to merge leasing and securities companies as they perform sales activities. I feel that, while it is not very difficult to merge leasing companies, it would be more difficult to merge securities companies due to the different cultures resulting from their respective histories. We will examine the format and timeline of the integration.
- Q. Looking at past cases of business integration, synergistic effects, the utilization of negative goodwill and other anticipated effects were often not as expected. I also feel that the market has not fully evaluated the integration at present, as the anticipated synergistic effects have not yet been publicly announced. Please tell us when the anticipated synergistic effects and other information will be disclosed.
- A. - We expect to publicly announce our vision after the integration, numerical figures and other information in March 2026, when we will announce the conclusion of the definitive memorandum of understanding. As you have pointed out, we cannot make public announcements of many items at the memorandum of understanding phase due to applicable regulations and rules. It is understandable that investors feel uncomfortable with such uncertainties. We believe that our in-depth explanations and information offered at individual meetings and IR briefing sessions will help investors understand the intent and true meaning of the integration. We will continue to perform IR activities in a proactive manner.
- With respect to the effects of the integration, a significant difference from past cases is the improved business environment due to the presence of interest rates. In the current environment, expansion of scale is more likely to generate profit opportunities and cost benefits. We will strive to bring together the strengths of both companies and complement each other in order to maximize top-line synergy.

- Q. Please tell us when the integration ratio will be announced publicly.
- A. - We expect to announce it at the same time as the definitive memorandum of understanding in March 2026.
- Q. Are there any past cases of business integration that you view as a reference, or any management executives or presidents with experience in business integration whom you would like to consult?
- A. - Business integration is an act of uniting two or more different cultures. I am interested in how to proceed with the integration and the background behind it, among other aspects. For example, each of the banks under the different groups has substantially different systems and management levels for rating. Therefore, I imagine that business integration would take a lot of effort. We frequently contact some neighboring banks in connection with the alliance, so I would like to speak with them. In addition, when I had a conversation with the president of a certain banking group, I received comments on our business integration. I would also like to seek comments from those who I interact with on a regular basis, as well as from the management of banks that have recently transitioned to a holding company structure.
- Q. Do you plan to continue the adoption of the uniform international standard for the new company after the business integration?
- A. - Our bank has adopted the uniform international standard, as it has a New York branch. We expect to adopt the uniform international standard for the new company as well. I hope we will be able to consider a possible expansion of our overseas offices if we have more ample capital after the integration.