

**Principal Questions and Answers**  
**Small Meeting on the Business Integration**  
**(April 3, 2026)**

**Presenter: Mr. Uchibori, Senior Managing Director**

Background

Q. Being a member of the alliance, why did you decide to pursue the business integration?

A. - Firstly, a key factor behind the decision was the strong sense that we needed to take on the challenge of Gunma Bank not being properly evaluated in the market due to its small scale. Despite our efforts to ensure RORA management and our ROE having reached a top-tier level among regional banks, we have felt through dialogue with investors that our valuation is constrained partly because the market capitalization of our bank alone remains below 1 trillion yen. Our market capitalization has been approaching 1 trillion yen recently, but we have been viewed as lagging behind the Yokohama Financial Group (FG) and Chiba Bank in terms of scale. On the other hand, we did not originally have a business integration in mind. The background to the decision was our view that Daishi Hokuetsu FG and Gunma Bank were compatible because they share common regional challenges, including a declining population, and are similar in terms of asset size. We also recognized that our non-interest business profits would increase through the alliance and that Daishi Hokuetsu FG is adept at offering solutions and earning commissions.

- In addition, the issue of the core system transition was a major trigger for us to closely consider the business integration. We have used Fujitsu's core system on our own for many years, but Fujitsu's announcement of its policy to exit from the mainframe business forced us to decide whether to transition to its existing open system or another company's system. Our examination revealed that the transition from Fujitsu's mainframe to its open system would be as difficult and costly as the transition to another company's system. Moreover, there were multiple options other than Fujitsu, including the TSUBASA core system. Since we are a member of the TSUBASA Alliance, we were aware that it would be preferable to select the TSUBASA core system if we were to pursue the business integration in the future, since Daishi Hokuetsu FG also uses it. Under these circumstances, we proposed to enter into serious discussions about the integration in light of the deadline for the system transition.

- Please note that the total asset size of 20 trillion yen, which has been getting a lot of attention lately, is not what we intended from the beginning. It is merely an outcome and not a target.

## Financial Plans

- Q. I got the impression that FG's new financial plans were conservative. Is it possible that you will revise the target profit upward for the FY ending March 2030 from 140.0 billion yen when you officially announce the Mid-Term Business Plan?
- A. - While it is somewhat difficult to predict the timeline, we hope at least to clearly disclose expected synergies in numerical terms in the Mid-Term Business Plan for the three years from April 2027. On the other hand, it is not necessarily easy to determine to what extent profit increase is attributable to synergies, partly due to rising interest rates. However, Daishi Hokuetsu FG seems to have boosted its performance more aggressively than ever in the past year, indicating that the effects of the integration have already begun to appear, although that would not be considered a synergy in the strict sense. In any case, we believe that it is important to communicate the targets clearly to investors in the new Mid-Term Business Plan. At the moment, I feel that there is upside potential to exceed the current profit target of 140.0 billion yen and the ROE target of 10.5% for the three years.
- Q. While you plan to boost the bottom line by 50.0 billion yen over the three years from the FY ending March 2027 to the FY ending March 2030, which revenue items do you intend to increase for the planned profit growth? Please give us a specific breakdown.
- A. - With respect to the breakdown of the 50.0 billion yen, it is difficult at present to show how much will be attributable to Gunma Bank and Daishi Hokuetsu FG, respectively. However, I can share with you our focus areas within the plan. Firstly, our bank anticipates strong growth in non-interest business profits. On the other hand, Daishi Hokuetsu FG can expect an increase in net interest income through loans because its loan balance is approximately 1 trillion yen lower than ours, despite its similar deposit size. If interest rates rise further, these effects will be more evident. I assume that the increased net interest income of Daishi Hokuetsu FG and the growth of our bank's non-interest business profits will together boost the bottom line. Moreover, as a factor affecting our bank alone, we plan to invest approximately 1 trillion yen in bonds over the next three years, although we have reduced such investments in recent years. We expect to achieve the target profit set forth in our current Mid-Term Business Plan ahead of schedule in March next year, when we also plan to announce FG's new Mid-Term Business Plan. Although we cannot disclose the specific details of the plan at this time, the plan itself has been drafted after thorough consideration. Please note that the announced target profit of 140.0 billion yen is presented as a range.

Q. Which policy do you intend to adopt following the business integration? Will the holding company lead the drafting of its earnings plan, or will the earnings plan be drafted by adding the respective earnings plans of the banks under the holding company?

A. - Our basic policy is that the holding company will lead the drafting of its earnings plan. However, as each of the banks has its own roles and strengths, one of the key points is how we define the roles of each bank in the plan, which we will need to discuss in detail. For example, with respect to the disposal of securities, while bonds held by Daishi Hokuetsu Bank will be marked to market at the time of the integration and unrealized gains/losses will be reset, unrealized losses on bonds held by our bank will remain. Therefore, we could consider disposing of those bonds before the integration. That said, we are beginning to think that we do not necessarily have to dispose of all of those bonds before the integration since we project that the earnings of the two banks combined after the integration will reach a certain level, our bank's unrealized losses are not at a significant level at present, and we assume that the risk of a rapid increase in unrealized losses would be limited even if the 10-year bond yield rises to around 2.5%. As for earnings on a non-consolidated basis, we think that it would be sufficient if each bank could properly demonstrate its core profitability. What is important is how much profit the FG as a whole can ultimately generate on a consolidated basis. Both banks plan to have discussions with each other to determine how the holding company and the respective banks thereunder should generate earnings and the division of roles among them.

Q. At present, how do you position your target profit for FY 2029, and how do you imagine profit growth thereafter?

A. - We do not have a clear vision beyond FY 2029 at the moment. We would need to consider whether we can pursue growth within the existing framework, and whether we should regard the target profit for FY 2029 as only an intermediate step or a turning point for further growth. We will examine whether we should pursue organic growth while maintaining the current two-bank structure, or explore possible cross-industry collaboration and entry into other industry sectors, depending on the situation. While we assume that our capital strength will be enhanced to a certain level by the business integration, it is unclear at the moment whether we can take sufficient risks by merely operating within the conventional framework of the banking business. If not, we could consider utilizing capital for inorganic growth and investments. In addition, I believe that capital expansion will lay the groundwork for seriously considering these options. That said, we need to explore a suitable form of inorganic growth in light of our size and characteristics as a regional bank, rather than taking the same approach as megabanks. We will take time to consider this issue as one of our future management challenges.

- Q. As an investor, I would like to see synergies realized quickly. How do you see the timeline progressing?
- A. - While it is somewhat difficult to predict the timeline, we hope at least to disclose expected synergies in numerical terms in the Mid-Term Business Plan for the three years from April 2027. On the other hand, it is not easy to determine clearly to what extent profit increase is attributable to synergies due to the significant impact of rising interest rates. However, Daishi Hokuetsu FG seems to have boosted its performance more aggressively than ever in the past year, indicating that its initiatives in preparation for the integration are beginning to show some results, although that would not be considered a synergy in the strict sense. In any case, we believe that it is important to communicate the targets clearly to investors in the new Mid-Term Business Plan. At the moment, I feel that there is upside potential to exceed the current profit target of 140.0 billion yen and the ROE target of 10.5% for the three years.

#### Organizational Structure

- Q. Could you tell us about the background to appointing President Ueguri and President Fukai as Chairperson and President of the new FG, respectively, rather than as President and Vice President?
- A. - After reviewing other options, including a structure consisting of a President and Vice President, we have determined and clarified that Mr. Fukai should play a central role in management as CEO. Under our holding company structure, the President is positioned under the general meeting of shareholders and the Board of Directors, and the Executive Management Committee, which is positioned under the President, is merely an advisory body to the President. Accordingly, Mr. Fukai, as CEO, holds ultimate authority over decision-making in the organization. We have adopted a structure consisting of a Chairperson and President because we place importance on how our structure will be perceived by our customers in Gunma and Niigata Prefectures and on the balanced treatment and equality of the two banks.
- Q. Could you tell us the aims and challenges of the holding company function and the operational areas the holding company will focus on in particular?
- A. - We are currently engaging in repeated trial-and-error discussions. Going forward, we plan to implement several initiatives ahead of others. For example, in the corporate planning area, the execution of ALM and the formation of plans on a trial basis will gradually reveal practical challenges. In this process of discussions and reviews, a key issue is how we will invest in securities. The size of the portfolios of the two banks combined will amount to approximately 5 trillion yen, ranking among the top tier even among leading regional banks. In light of this size, it is not practical for each bank to invest in securities independently, and integrated operation, including risk management, is essential. Although we have not yet made a clear

decision regarding a specific operation method, I believe that we need to ensure that the holding company will be heavily involved in and exercise strict control over securities investments from the first year of the integration. We have to avoid situations where each bank's independent decisions or actions cause risks to materialize. In that sense as well, it is important to establish the structure swiftly. Moreover, we also need to work steadily on the development of the foundation of the risk management area, including the unification of internal rating systems. We need to establish a structure to implement and manage these policies across the group in a uniform way once the holding company has clearly defined them.

- In addition, we are hiring highly skilled talent from outside our bank. More specifically, we successfully recruited a person with comparable experience in similar roles at a megabank, to whom we intend to assign duties that mainly involve ALM.

Q. Do you anticipate any changes in risk management as a result of the business integration?

A. - The organizational structure of the new FG assumes that our bank will lead the risk management department, in which we will prioritize the unification of internal rating systems. As it is undesirable to use different rating systems within the same management structure, we are conducting a gap analysis regarding risk management in general. Based on the results thereof, we are considering using our bank's approach as the basic framework to develop the system, and we intend to develop the system quickly, including by implementing necessary system modifications. Our bank has a long track record dating back to the introduction of our internal rating system, and we can share that know-how to operate the system with Daishi Hokuetsu FG. We expect the system to be available at a relatively early stage, although such processes usually take a certain amount of time. I believe that these initiatives will enable us to make better use of capital earlier than usual, which would be one of the important synergies created by the business integration.

Q. How do you assess the assignment of responsibilities to the six departments and one office under the new FG structure relative to Gunma Bank and Daishi Hokuetsu Bank (decisions about which bank will lead a certain department or office)?

A. - Firstly, I would like to make it clear that the decisions about which bank will lead a certain department or office are not questions of which is better, nor about which bank won or lost a department; rather, such decisions are made from the viewpoint of which bank is the best to lead a certain department in light of the strengths and suitability of each bank.

- Q. What is your plan for electing the seven outside directors? Will the directors of the subsidiary banks be nominated?
- A. - Based on the principle of equality, three inside directors will be elected from Gunma Bank and three from Daishi Hokuetsu FG. As for the seven outside directors, the initial structure provides that Gunma Bank will nominate four directors and Daishi Hokuetsu will nominate three. This reflects our focus on the establishment of a governance structure where outside directors make up the majority of the Board of Directors. We intend to consider the optimal Board structure for each bank, including the treatment of its current outside directors, since its ideal governance structure will change as a result of becoming an FG subsidiary.

#### Future Vision

- Q. What kind of regional bank group will the new FG aim to become?
- A. - We are strongly aware of the fact that we are mainly based in a region which, despite its location in the Kanto region, is facing various unique challenges, including a declining population and questionable industry sustainability, that differ from those of Saitama, Kanagawa, and Chiba Prefectures. Although we are based in a region with such challenges, Gunma Niigata FG will aim to become one of the top regional banks in terms of both scale and quality, as well as in terms of ROE, profit level, and other indicators. By realizing this vision, we hope to demonstrate to the market and to communities that a management style that achieves both high profitability and efficiency is entirely possible in Gunma and Niigata Prefectures, our home markets.
- Q. At present, does the holding company have any plans to launch any new businesses other than banking?
- A. - Although we have not made any specific decisions yet, we have a clear vision of establishing a regional design company. The main purpose of this company is not to expand earnings on its own, but rather to function as a hub to create various businesses and initiatives. Based on this assumption, we will consider whether to establish a new company or utilize inorganic methods, such as mergers, from the viewpoint of the use of capital following the integration.

## Systems

- Q. Could you tell us the projected timeline and approximate cost of the system integration?
- A. - The core system integration will be the central project of the system integration at the initial stage and is scheduled for January 2030, with an expected preparation period of just under four years from now. The cost is estimated to reach tens of billions of yen, but this does not mean that the integration will incur additional costs because core system modernization would be unavoidable even if we were to continue to operate alone without entering into this business integration. System-related costs are expected to increase temporarily before and after the core system transition, but such increase is not projected to deteriorate OHR significantly because the topline is expected to expand. We plan to apply for and utilize a national government subsidy, which is expected to be a maximum of 5.0 billion yen. The unification of the core systems will enable the unification of administrative works and operations as well as of devices used at the counters of sales branches, which will reduce operational costs. We currently estimate that while costs will increase in the short term, we will enter a cost-reduction phase in the late 2030s. Furthermore, we also intend to unify major subsystems, such as lending support systems and CRM. These initiatives are scheduled for 2030 or after because they are premised on the core system transition.

## Group Companies

- Q. How do you plan to restructure and consolidate your group companies?
- A. - While Daishi Hokuetsu FG has already adopted a holding company structure where the bank and many subsidiaries are positioned in parallel, Gunma Bank's group companies are positioned as the bank's subsidiaries. As the two banks have different group structures, they need to be reorganized.
- I believe that securities firms are one of the promising options to start the restructuring and consolidation of group companies. The two banks' securities firms have different histories: while Daishi Hokuetsu FG acquired a local securities firm, our bank established our securities firm as a wholly owned subsidiary. Therefore, there are differences in their sales approaches and regional characteristics. However, we recognize that the integration of these firms is highly meaningful because system costs will be reduced significantly by the integration. Moreover, we should also consider the integration of the two banks' leasing companies at a relatively early stage. On the other hand, we need to take some time to carefully consider the restructuring and consolidation of credit card companies because administrative infrastructure and systems vary significantly from brand to brand, and multiple credit card companies still remain within Daishi Hokuetsu FG. In light of these facts, we intend to implement the restructuring and consolidation of the group

companies according to priorities based on synergies and feasibility while we consider the restructuring and consolidation of securities firms and leasing companies ahead of others for the time being. In order to generate synergies, it is essential to enhance the value of not only the banks but also the group as a whole. This is another reason why we intend to implement these initiatives gradually.

#### Other

Q. If you use deposit interest rates and not market interest rates as the internal transfer rate in the calculation of RORA in line with policy interest rate hikes, how do you position income from the difference between lending rates and the internal transfer rate in the bank's overall RORA?

A. - RORA calculations are premised on deposit procurement. We recognize that RORA has some issues as the management method, in that an increase in deposit profits serves as one of the major factors that has improved RORA in each field. On the other hand, we also utilize spread banking in managing the profitability of sales branches. We are aware that this method also has some issues in that the profitability of transactions is calculated too highly due to expanding deposit spread earnings. Accordingly, we adjust the internal transfer rate to reduce the impact to a certain extent. In light of the fact that these are designed for internal management, we accept that some gaps between the calculation result for the bank as a whole and the sum of the results of individual departments will inevitably arise.

- Moreover, while housing loans are assigned a low risk weight and have high RORA due to the characteristics of RORA management, their interest rates are by no means high. Therefore, we are considering whether it is appropriate to maintain our policy of increasing housing loans. We need to make decisions after considering not only the RORA of housing loans alone but also comprehensive profitability, including associated transactions.

- At the moment, we are sharing our RORA management approach and the calculation method of standard profit margins as is and holding study meetings with Daishi Hokuetsu FG, which is preparing for the trial introduction of RORA management during this fiscal year.

Q. Could you tell us how new costs arising from the transition to a holding company structure will affect your main business?

A. - We do not expect any new costs to arise that would place significant downward pressure on earnings. When a bank merges with another bank, considerable costs are incurred. However, in our case, each bank will survive after the integration. Accordingly, we do not expect such significant costs to arise. According to our estimate, the office rent of the holding company, one of the new expenses associated with the transition to the holding company structure, will not actually be as high as initially expected.

- There are two main reasons for having the office in Tokyo. Firstly, we cannot concentrate the headquarters functions in either Gunma or Niigata Prefecture alone. With both banks surviving, it is also unrealistic to select a midway point between the banks as the location of the holding company's office. Therefore, Tokyo is a natural choice. Secondly, from the viewpoint of accumulation of information, Tokyo has been virtually the only option from the beginning. In addition, Tokyo also has a great advantage in recruiting. When hiring talent, we see many people find it attractive to work for a newly established FG of a certain size if it is located in Tokyo, a fact which also demonstrates the reasonableness of our decision to have an office in Tokyo.
- Q. In many cases, banks use the stock price on the day before the definitive agreement or the 6-month moving average stock price when calculating the share exchange ratio. Could you tell us why you did not choose either of these methods?
- A. - As described in our press release dated March 26, we disclose the calculation ranges of the share exchange ratio using multiple reference dates. Nomura Securities, our financial advisor (FA), calculated the ratio using March 14, 2025, when the news was leaked, and March 25, 2026, the day before the definitive agreement, as reference dates. Mitsubishi UFJ Morgan Stanley Securities, Daishi Hokuetsu FG's FA, calculated the ratio using April 23, 2025, the day before the memorandum of understanding was executed, as a reference date in addition to the above-mentioned dates. The background to selecting such a calculation method was that there would be a significant lead time from the execution of the memorandum of understanding to the actual implementation of the share exchange in April 2027. We also need to follow the F-4 procedures under the U.S. Securities Act. Therefore, there were risks in relying on a stock price tied to a specific point in time. On the other hand, we concluded that it was also inappropriate to use an excessively outdated stock price as a benchmark. Therefore, we adopted an approach to refer to stock prices at multiple points in time. Stock prices fluctuate depending on market conditions and expectations. We have shared this fact with our FA from the beginning, and it is reflected in the calculation method. The share exchange ratio, as finally announced at 1:1.125, was determined in this context and based on the above-mentioned approach.

Forward-looking statements included in this material represent the Bank's judgements based on information available as of the date of disclosure hereof and certain assumptions. The actual results and other outcomes may differ materially from the forward-looking statements set forth herein due to a variety of factors arising in the future.