

The Gunma Bank, Ltd.

## Financial Results Briefing Session for the Year Ended March 31, 2026

May 21, 2026

*By connecting the strands of resources, people, and generations,  
we weave better futures for our communities.*



The Gunma Bank, Ltd.

(Tokyo Stock Exchange Prime Market : 8334)



GUNMA BANK REPORT 2025

**[Speakers]**

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Takeo Uchibori  
Shizuo Otani

President  
Senior Managing Director  
Executive Officer, General Manager,  
Corporate Planning Department

**Fukai:** Thank you for joining us today for the financial results briefing for the fiscal year ended March 2026. First of all, let me apologize for the late timing of this session. I would also like to thank you for joining us despite the poor weather. I understand that some of you are joining online as well, and I appreciate your participation.



## Profit and Loss Conditions

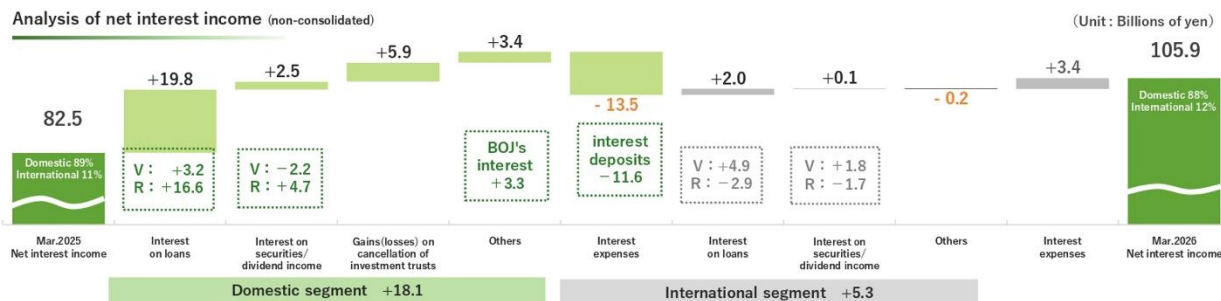
Consolidated core business net profit (excluding gains (losses) on cancellation of investment trusts) amounted to 71.1 billion yen, up 15.6 billion yen year-on-year, due to an increase in net interest income. Profit attributable to owners of parent amounted to 58.8 billion yen, up 14.9 billion yen year-on-year, a record high for the third consecutive period. ROE increased by 2.3 percentage points to 10.0%.

Financial Summary				(Unit: Billions of yen)	
<Consolidated>	Mar.2026	YoY	compared to announced plan	Announced plan (Sep. 2025)	
Core business gross profit	134.6	+26.8	+5.6	129.0	
Net interest income	105.2	+23.1	+5.2	100.0	
Gains (losses) on cancellation of investment trusts	3.3	+5.9	+0.6	2.7	
Excluding gains (losses) on cancellation of investment trusts	101.8	+17.1	+4.5	97.3	
Non-interest business profit	29.3	+3.7	+0.3	29.0	
Expenses	60.0	+5.2	-0.2	60.3	
Core business net profit	74.5	+21.6	+5.8	68.7	
Excluding gains (losses) on cancellation of investment trusts	71.1	+15.6	+5.1	66.0	
Net Credit Costs	3.4	+0.3	+0.1	3.3	
Ordinary profit	84.8	+22.8	+6.8	78.0	
Profit attributable to owners of parent	58.8	+14.9	+3.8	55.0	
OHR (excluding gains (losses) on cancellation of investment trusts)	45.7%	-3.9%	-2.0%	47.7%	
ROE (annualized rate)	10.0%	+2.3%	+0.5%	9.5%	

<Non-consolidated>	Mar.2026	YoY
Core business gross profit	126.1	+25.4
Net interest income	105.9	+23.4
Gains (losses) on cancellation of investment trusts	3.3	+5.9
Excluding gains (losses) on cancellation of investment trusts	102.6	+17.4
Non-interest business profit	20.1	+2.0
Expenses	57.6	+4.8
Core business net profit	68.5	+20.5
Excluding gains (losses) on cancellation of investment trusts	65.1	+14.6
Gains or losses on investment securities	11.3	+2.8
Net credit costs	3.2	+0.8
Others	2.0	-1.4
Ordinary profit	78.7	+21.1
Net profit	54.7	+14.3

### Analysis of net interest income (non-consolidated)



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Let me start with the earnings for the fiscal year ended March 2026. In short, we delivered a very strong set of results.

First, consolidated core business net profit, excluding gains and losses on cancellation of investment trusts, came in at JPY71.1 billion, up JPY15.6 billion YoY. As you can see, interest on loans increased, while interest expenses on deposits also rose. However, the biggest driver was the significant increase in net interest income.

At the same time, non-interest business profit continued to grow steadily, increasing by JPY3.7 billion to JPY29.3 billion. We are now very close to our near-term target of JPY30 billion. Overall, our core business performed extremely well.

Next, consolidated profit attributable to owners of parent came to JPY58.8 billion, up JPY14.9 billion YoY. As you can see, net credit costs remained relatively stable. Last fiscal year, we revised our business forecast upward twice. We initially forecast JPY49 billion, then raised it to JPY55 billion at the interim stage. The final result was JPY58.8 billion. Under our current medium-term management plan, which runs through the fiscal year ending March 2028, our initial target for consolidated net profit is JPY60 billion. We are now approaching that level.

We also achieved our ROE target. Our plan calls for ROE of 10% by the fiscal year ending March 2028, and we have already reached that level.

Our OHR was 45.7%, placing us in the mid-40% range. This demonstrates that we are maintaining strong cost discipline.

Although our capital ratios are not shown on this page, our core CET1 ratio was 13.5%, and our total capital ratio was 15.13%. These levels were slightly above the range assumed in our capital allocation plan. Over the next three years, we intend to utilize our capital more effectively and move in the right direction.

## Status of Deposits and Loans

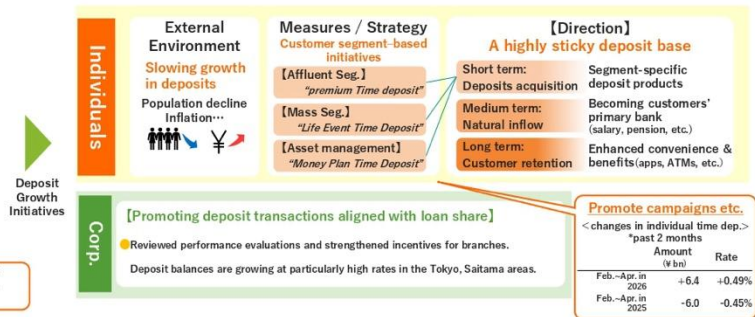
Deposits are **steadily increasing** through various initiatives. Loans **increased steadily** by 5.5% year-on-year, and **yields** are also on an **upward trend**.

### Breakdown of deposit balance

(Unit : Billions of yen)

	Mar. 2026	Compared to Mar.2025	
		Increase/decrease amount	Rate of change
Deposits, etc.	8,789.1	+116.7	(+1.3%)
Deposits	8,571.0	+108.1	(+1.2%)
(Individuals)	5,759.6	+24.7	(+0.4%)
(Corporations)	2,164.1	+88.4	(+4.2%)
(Public money)	414.4	+9.4	(+2.3%)
Negotiable Certificate Deposits	218.0	+8.6	(+4.1%)

Mar. 2025 (Compared to Mar. 2024) : Individual+0.0% · Corporations+2.3% Up from previous period

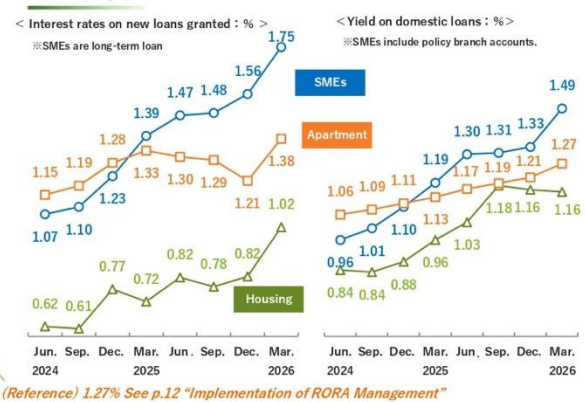


### Breakdown of loan balance

(Unit : Billions of yen)

	Mar. 2026	Compared to Mar.2025		Loan's RORA ( ) is compared to Mar.2025	
		Increase/decrease amount	Rate of change		
Loans	7,226.1	+381.0	(+5.5%)	1.32%	(+0.38pt)
Large enterprises	1,095.4	+85.5	(+8.4%)	1.73%	(+0.51pt)
Second-tier enterprises/SMEs	2,754.3	+62.6	(+2.3%)	1.21%	(+0.29pt)
Individuals	2,585.7	+92.3	(+3.7%)	1.21%	(+0.37pt)
(Housing)	1,535.3	+73.0	(+4.9%)	1.82%	(+0.61pt)
(Apartment)	706.5	+11.2	(+1.6%)	0.95%	(+0.27pt)
(Unsecured consumer)	87.0	+7.6	(+9.6%)	2.19%	(+0.36pt)
Cross-border loans	269.1	+47.7	(+21.5%)	3.05%	(+1.26pt)
Structured finance	241.1	+68.9	(+40.0%)	1.37%	(+0.47pt)
Overseas branch	180.6	+27.6	(+18.1%)	1.66%	(+0.33pt)
Others (Public, etc.)	99.6	-3.8	(-3.6%)	—	—

### Status of yields



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Let me move on to deposits and loans.

As I mentioned earlier, net interest income was very strong. One of the major drivers was loan growth. As you can see, most categories posted increases, and total loans grew by 5.5%.

The areas highlighted in red are segments where we see relatively high RORA. These segments recorded particularly strong growth. At the same time, our core volume segments also performed well. Loans to SMEs increased by 2.3%, while loans to individuals increased by 3.7%. Overall, loan growth was solid.

The high-RORA segments grew at a faster pace because the base is still relatively small. Even so, total loan growth reached 5.5%. RORA also improved compared with the fiscal year ended March 2025, as shown in the figures in parentheses.

Turning to interest rates, these are execution rates, meaning flow rates rather than stock rates. The blue line represents SME loans, and you can see that rates have been rising steadily. Rate sensitivity has become quite high.

As I have explained previously, we have shifted the majority of SME loans from a prime-rate basis to a market-rate basis. When policy rates rise, market rates tend to increase even more. As a result, the pass-through rate for SME loans linked to market rates is approximately 140%. This is why rates have been increasing smoothly.

For apartment loans and housing loans, competition limits the extent to which new execution rates can rise. However, when rates reset or when the prime rate rises for housing loans, stock rates also increase. As you can see, stock rates for apartment and housing loans are rising gradually, while stock rates for SME loans are increasing more clearly.

The slower increase in stock rates reflects the presence of fixed-rate loans. Those loans are repriced only when they reach their reset timing, so the impact takes time to appear. However, once they are reset, the higher rates remain in place for a long period.

Long-term interest rates have also risen significantly. The benchmark rates used when repricing long-term fixed-rate loans have increased as well. As those loans reach maturity and are reset, their rates are expected to rise accordingly.

Let me turn to deposits. This remains somewhat of a challenge for us. Corporate deposits, however, performed well. Total deposits increased by 1.3%, while corporate deposits grew by 4.2%. To some extent, this reflects the strength of our relationships with customers. Put simply, when we ask customers to place deposits with us in line with our share of their borrowings, many of them say, "That makes sense," and do so. In some cases, customers realize, "Oh, I had actually placed those funds elsewhere," and then move their deposits to us.

Going forward, we also need to strengthen settlement transactions and increase our share in that area so that deposits naturally accumulate with us. In any case, corporate deposits increased by 4.2% last fiscal year.

The challenge is that individual deposits remained flat. As shown in the orange section, we are implementing various initiatives to attract more individual deposits. For customers able to place relatively large amounts, we offer premium time deposits. We also hold live events, as shown in the middle of the page. The text may be difficult to read on the screen, but the details are included in your handouts.

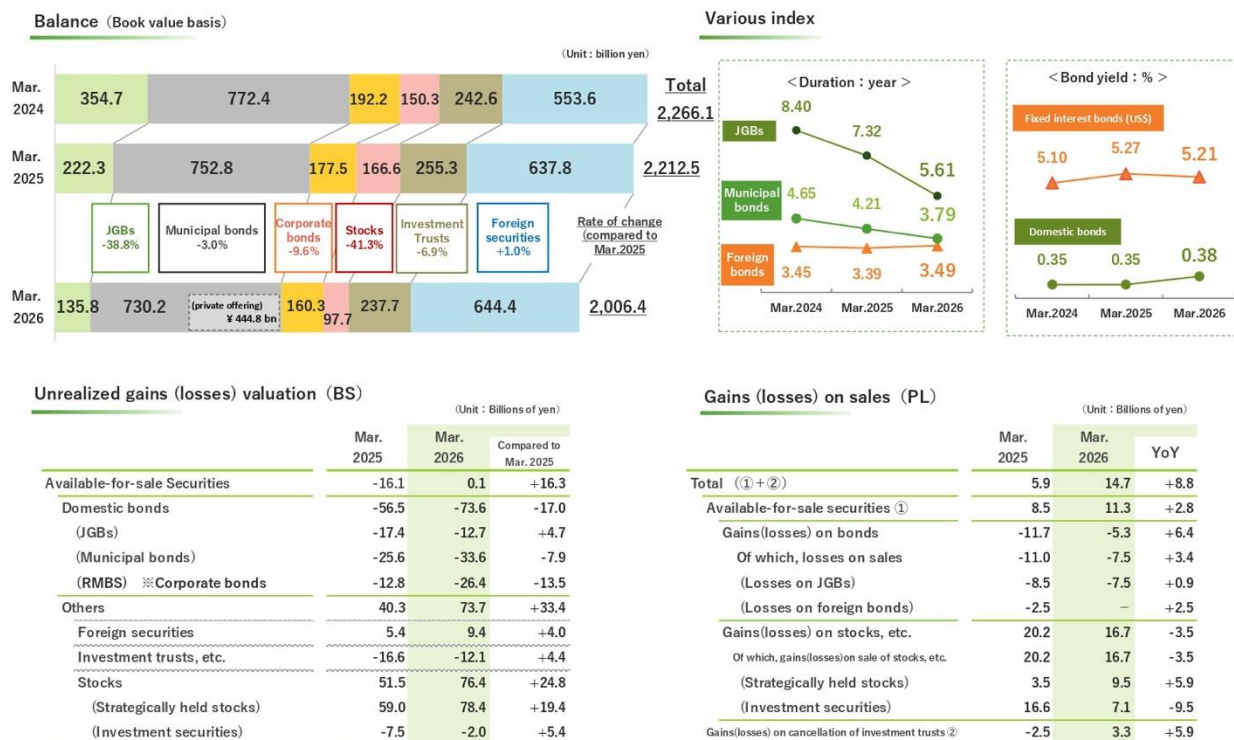
For example, when customers receive retirement benefits or other lump-sum funds, we first offer attractive deposit rates. Loan rates have been rising steadily, so even if deposit rates rise with a relatively high follow-through rate, our margins still expand. That allows us to offer competitive deposit rates. At the same time, we do not want those funds to leave once the promotional rates expire. After customers place their deposits with us, we provide consulting services covering their entire asset portfolio, including inheritance-related matters, to help build long-term relationships. Not all of the funds will remain as deposits, of course. Some will move into investment products, while some will remain on deposit. We would like to establish that kind of stable relationship.

Our deposit share within Gunma Prefecture is currently in the 30% range, slightly below 40%. This means there are still substantial deposits in the prefecture that we do not yet hold. In addition, other financial institutions in the prefecture generally have relatively low loan-to-deposit ratios. From that perspective, we believe there is still meaningful potential for individual deposits to shift to us.

If deposits, both corporate and individual, and lending to SMEs and individuals continue to grow in a balanced manner, we believe this will lead to a healthy overall structure.

# Status of Securities

To strengthen securities assets that are invested in yen interest rates, the Bank will restructure its government bond portfolio.



## Status of Non-interest Business Profit

Non-interest business profit (YoY +3.7 billion yen), **7th consecutive year of record highs**.  
The goal for the FY2026 (Mar. 2027) is to achieve the final year target of the Mid-term business plan (35 billion yen) one year ahead of schedule.

Non-interest business profit	(unit : Billions of yen)		
	Result Mar.2026	YoY	Annual plan Mar.2027
< Consolidated >	29.33	+3.73	35.0
<b>Corporate service revenue</b>	<b>10.74</b>	<b>+1.10</b>	<b>13.9</b>
Syndicate loans	(2.28)	(+0.80)	(2.3)
Business matching	(1.14)	(+0.21)	(1.3)
M&A	(0.73)	(+0.01)	(1.3)
SDGs	(1.36)	(+0.53)	(1.6)
Derivatives	(1.97)	(-1.10)	(3.8)
Real estate for sale	(1.22)	(+0.18)	(1.4)
Gungin Consulting	(0.86)	(+0.29)	(0.8)
Covenant Financing	(0.31)	(-0.03)	(0.2)
Business Insurance for Corporations	(0.25)	(-0.08)	(0.3)
Subsidy support	(0.29)	(+0.20)	(0.2)
Others	(0.28)	(+0.08)	(0.2)
<b>Deposits financial assets, etc. revenue</b>	<b>9.50</b>	<b>+1.29</b>	<b>11.4</b>
Investment trusts commissions	(2.09)	(-0.12)	(2.5)
Insurance sales commissions (for individuals)	(2.64)	(+0.12)	(2.5)
Gungin Securities	(4.19)	(+1.16)	(5.4)
Testamentary trusts, estate management, etc.	(0.58)	(+0.12)	(0.7)
<b>Others</b>	<b>9.08</b>	<b>+1.33</b>	<b>9.7</b>
Dividends of group credit life insurance	(1.86)	(+0.66)	(1.8)
Loan guarantee fee	(-7.40)	(-0.36)	(-7.7)
Basis services	(8.44)	(+0.17)	(8.3)
Housing loans	(2.18)	(+0.84)	(2.0)
Others	(4.00)	(+0.00)	(5.2)

Main initiatives	
<b>Corporate Consulting</b>	
<ul style="list-style-type: none"> <li>● Solutions via "Connecting Process<sup>SM</sup>"               <ul style="list-style-type: none"> <li>• "Delivering value-added proposals across the entire process of identifying needs and solving issues (full-spectrum approach). Solutions proposed based on 29,000 identified management issues and needs (cumulative, +5,000 vs. prior fiscal year-end)."</li> </ul> </li> </ul>	
<b>Strengthening FX derivatives</b> (to be a core corporate sales function) <ul style="list-style-type: none"> <li><b>[Issue]</b> Sales framework centered on Head Office</li> <li><b>[Next steps]</b> Phased expansion (Head Office + branches) Staff increase &amp; stronger management</li> <li><b>[Action]</b> Benchmarking Daishi Hokuetsu FG, a leading implementer of these initiatives</li> </ul>	
<b>Subsidy Support Services</b> (high approval rates) <ul style="list-style-type: none"> <li>Large-scale growth investment subsidy (cap: ¥5.0bn)</li> <li>e.g., a ¥5.0bn subsidy approved for large-scale capex exceeding ¥15bn</li> <li>13 approved projects in the first two years since the program's launch : "2nd among regional banks"</li> <li>Approval rate 75% (FY2025 national avg. : 49%)</li> </ul>	
<b>Labor-saving investment subsidy</b> (automation/robotics) <ul style="list-style-type: none"> <li>Approval rate 100% (FY2025 national avg. : 67%)</li> </ul>	
<small>※Solutions starting from business assessment and client needs</small>	
<b>Personal Consulting</b>	
<ul style="list-style-type: none"> <li>● Implementing asset-based advisory sales               <ul style="list-style-type: none"> <li><b>Comprehensive Asset Approach</b> Capturing client's total assets including other deposits and real estate, etc.</li> <li><b>Goal alignment</b> Sharing goals based on clients' future objectives and life plans</li> <li><b>Asset-based advisory</b> Providing proposals based on a long-term, total portfolio view including deposits</li> </ul> </li> </ul>	
<b>Stable asset growth for clients x sustainable growth for the Gunma Bank</b> From flow income to stock income	

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Fees increased by JPY3.7 billion, reaching a record high for the seventh consecutive year. As I mentioned earlier, non-interest business profit came to JPY29.3 billion, bringing us close to the JPY30 billion level. For this fiscal year, we have set an ambitious target of JPY35 billion.

We have initiatives for both corporate and individual customers. For corporate customers in particular, the green section at the top refers to what we call the connecting process or our full-spectrum approach. This involves listening carefully to customer needs beyond financing and proposing a wide range of solutions.

The blue section represents areas where we will work together with Daishi Hokuetsu Financial Group. They are particularly strong in these areas. Although the integration has not yet taken place, we have already started reviewing each other's sales and promotion frameworks, and we can see there are quite a few differences between us. This year, we want to focus on learning from them and strengthening our own capabilities so that we can begin realizing part of the synergies.

More specifically, our current approach relies heavily on specialized teams at headquarters. As a result, our coverage of customer needs is still somewhat limited. In simple terms, we still do not have enough hands to fully cover the market. Going forward, we plan to gradually expand our sales structure, strengthen staffing both at headquarters and at branches, and learn from Daishi Hokuetsu Financial Group's approach, including how they manage maturities, hedge ratios, and customer negotiations. They are ahead of us in terms of execution in this area, so we see them as an important benchmark. Last year, we generated JPY1.97 billion in this business, and our goal is to increase that to JPY3.8 billion.

As shown here, we have built a fairly strong track record in subsidy-related services. For example, there is a major program called the Large-Scale Growth Investment Subsidy, which has a subsidy cap of up to JPY5 billion. We were able to secure projects close to that upper limit. In this program, we ranked second among regional

banks, and our approval rate was a very high 75%. For the labor-saving investment subsidy program, our approval rate was 100%. These initiatives have been very well received by our customers.

Our approach to individual consulting is essentially the same as I mentioned earlier, namely a full-asset approach. The bank's role is to understand the customer's overall asset situation, support inheritance-related needs, and help customers in the asset-building stage gain initial investment experience through products such as NISA and recurring investment plans. We make proposals tailored to different life events. The bank takes an overall view of the customer's assets, while the securities business focuses on proposals that appeal to affluent customers. So, we differentiate the roles of the Bank and the securities business.

As part of this effort, we are increasingly referring affluent customers to our securities subsidiary, Gungin Securities. We are also increasing staffing there and opening offices outside Gunma Prefecture. Through these efforts, we would like to continue expanding this business. This segment generated JPY9.5 billion previously, and we are aiming to increase that to JPY11.4 billion.

Taking all of these initiatives together, our plan for this fiscal year is to achieve the JPY35 billion target originally set in our medium-term management plan for the fiscal year ending March 2028. In other words, we would like to achieve that target one year ahead of schedule. We have been steadily putting these measures in place, and we believe they provide a solid foundation for achieving the target, and we believe they provide a solid foundation for achieving the target.

## Status of Expenses / Net Credit Costs

**Strengthening strategic investments** in areas such as personnel costs, campaigns, and digital initiatives.  
**Net credit costs** are low and stable. Disclosed Claims under the Financial Reconstruction Law continue to decrease.

### Breakdown of consolidated expenses

	Mar. 2026	YoY	Main factors
<Consolidated>			
Personnel exp. (non-consolidated)	31.3	+2.3	Based up +0.7, Related to stock-price-linked compensation +0.5, etc.
Non-personnel exp. (non-consolidated)	22.7	+1.9	Outsourcing +0.5, Campaign advertisement +0.2, Machinery rental +0.2, etc.
Taxes (non-consolidated)	3.6	+0.5	Size based business tax +0.3, Consumption tax +0.2
Subsidiaries	4.5	+0.8	Gungin Securities +0.5, etc.
(offset)	-2.1	-0.4	—
Consolidated Exp.	60.0	+5.2	

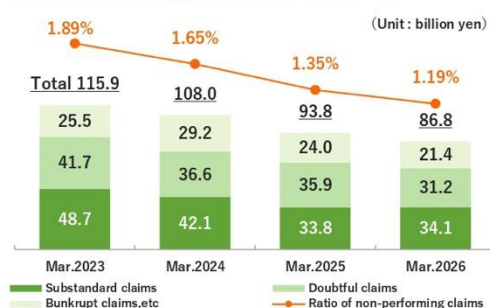
### Breakdown of net credit costs

	Mar. 2024	Mar. 2025	Mar. 2026	Mar.2027 (Plan)
<Consolidated>				
Net credit costs	1.1	3.1	3.4	5.5
Gunma Bank	0.6	2.3	3.2	5.0
Provision of general allowance for loan losses	-1.5	-1.1	0.0	0.1
Change to the actual rate	(-0.1)	(-0.2)	(-0.2)	—
DCF	(-0.9)	(-0.3)	(0.6)	—
Others	(-0.5)	(-0.6)	(-0.4)	(0.1)
Disposal of non-performing loans	2.1	3.7	3.6	4.9
Downgrade	(6.1)	(6.3)	(5.0)	(6.0)
Collection, upgrade, etc.	(-4.2)	(-3.0)	(-2.5)	(-1.5)
Others	(0.2)	(0.4)	(1.1)	(0.4)
Recoveries of written off receivables (-)	0.0	0.2	0.4	—
(consolidation adjustment)	0.1	-0.0	-0.0	-0.0
Consolidated subsidiaries	0.4	0.7	0.2	0.5

### Status of OHR <consolidated>



### Disclosed Claims under the Financial Reconstruction Law and Ratio to the claims <consolidated>



※ The Bank does not apply partial direct written-off.

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Net credit costs remained stable. On the expense side, personnel expenses increased as we implemented fairly significant wage hikes. We also increased investments in areas such as digital and AI, and we made some renewal investments in branches as well.

Even so, growth in gross profit far outweighed the increase in expenses. As a result, our OHR has continued to decline. For the current fiscal year, we expect it to fall below 45% and move into the lower 40% range.

Our disclosed claims ratio remains in the low 1% range.

## Business Forecast (for the FY ending March 2027)

Profit attributable to owners of parent will amount to **65.0 billion yen**.

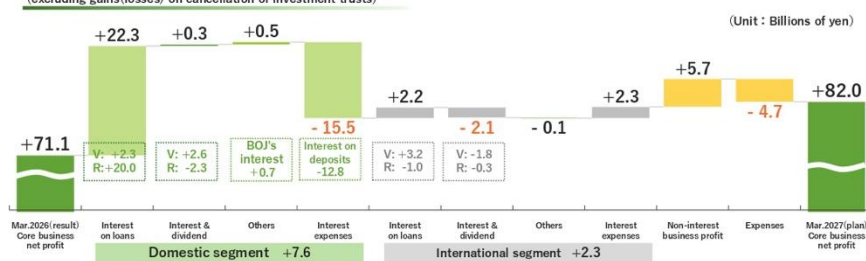
This means achieving the profit target of 60.0 billion yen for the final year of the Mid-term business plan (FY2027) one year ahead of schedule.

### Business Forecast

< Consolidated >	(Unit : Billions of yen)		Mid-term business plan "Growth with Purpose" Final year goal (Mar. 2028)
	Mar.2027	YoY	
Core business gross profit	146.7	+12.1	
Net interest income	111.7	+6.5	
Excluding gains(losses) on cancellation of investment trusts	111.7	+9.9	
Non-interest business profit	35.0	+5.7	35.0 billion yen
Expenses	64.7	+4.7	
Core business net profit	82.0	+7.5	
Excluding gains(losses) on cancellation of investment trusts	82.0	+10.9	80.0 billion yen
Net credit costs	5.5	+2.1	
Ordinary profit	95.0	+10.2	
Profit attributable to owners of parent	65.0	+6.2	60.0 billion yen
OHR(excluding gains(losses) on cancellation of investment trusts)	44.0%	-1.7%	45% degree
ROE	10.5%	+0.5%	10% or more

< Non-consolidated >	(Unit : Billions of yen)	
	Mar.2027	YoY
Core business gross profit	136.2	+10.1
Net interest income	113.0	+7.1
Excluding gains(losses) on cancellation of investment trusts	113.0	+10.4
Non-interest business profit	23.3	+3.2
Expenses	61.7	+4.1
Core business net profit	74.5	+6.0
Excluding gains(losses) on cancellation of investment trusts	74.5	+9.4
Gains or losses on investment securities	13.2	+1.9
Net credit costs	5.0	+1.8
Ordinary profit	88.0	+9.3
Net profit	60.0	+5.3

### Breakdown of changes in consolidated core business profit (excluding gains(losses) on cancellation of investment trusts)



### Average balance and yields (non-consolidated)

(All branches)	Average balance (¥ bn)	Yields
Loans	7,293.3 (+4.2%)	1.75% (+0.29%)
Securities	2,184.7 (+7.7%)	2.33% (-0.44%)
Deposits	8,516.2 (+0.4%)	0.41% (+0.11%)

[Domestic]	Average balance (¥ bn)	Yields
Loans	6,757.1 (+3.4%)	1.54% (+0.29%)
Securities	1,556.4 (+14.1%)	1.17% (-0.40%)
Deposits	8,348.1 (+1.0%)	0.35% (+0.16%)

Let me now turn to our business forecast for this fiscal year.

We announced a forecast for consolidated profit attributable to owners of parent of JPY65 billion. As I mentioned earlier, our medium-term management plan had set a target of JPY60 billion for the fiscal year ending March 2028. We now expect to reach JPY65 billion in the fiscal year ending March 2027, which means achieving that target one year ahead of schedule.

In this forecast, we expect OHR to fall below 45%, to around 44%, while ROE is expected to reach approximately 10.5%.

With this, I think the natural question becomes, what happens to the current medium-term management plan? In any case, from April 2027, the management integration will begin, so we will naturally formulate a new management plan for the new financial group. I will explain more about the integration later, but as part of that process, the numerical targets will probably be revised as well. A new medium-term management plan will start in April 2027, and new targets for Gunma Bank will be established as part of the new group framework.

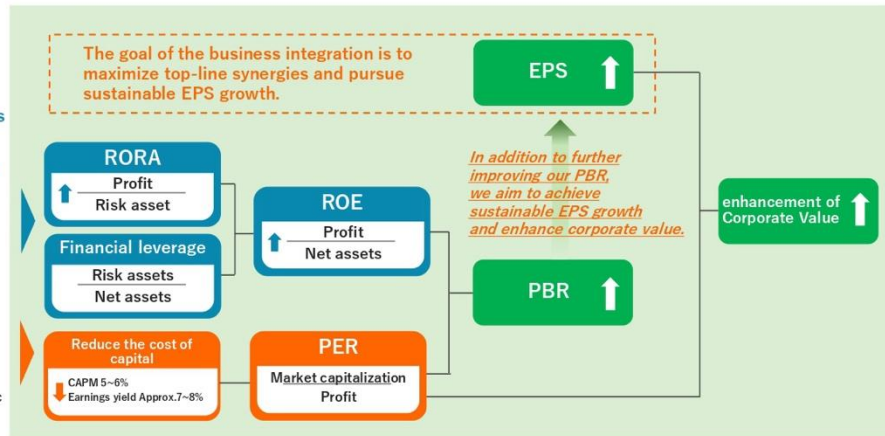
That said, the current medium-term plan is not only about financial targets. It also includes various KPI-based initiatives and action plans, and there is still a lot left to do in those areas. So, we expect to carry those initiatives forward and incorporate them into the new medium-term plan while continuing discussions with Daishi Hokuetsu Financial Group.

# Initiatives to Enhancement of Corporate Value

In addition to further improving our PBR, we aim to achieve sustainable EPS growth and take corporate value to the next stage.

To further enhance corporate value

- Build up highly profitable assets
- Further increase non-interest business  
⇒ income to 35 billion yen in FY2027
- Establish an optimal capital structure  
⇒ The core CET1 ratio to the range of 10.5% to 11.5%
- Improve shareholder returns  
⇒ Progressive dividend system / Flexible share buybacks
- Reduce information asymmetry  
⇒ Improve IR activities and disclosure of non-financial information
- Improve expected growth rate  
⇒ Realize a virtuous cycle of social and economic value



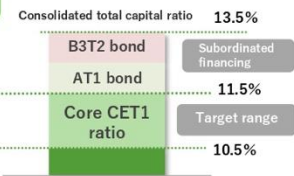
Change in PBR



Capital allocation



Build an optimal capital structure



\*Based on finalizing Basel III reforms

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Let me now discuss our capital policy.

This is a chart we show every year, but I think our overall approach in this area has worked relatively well, which is reflected in these results. Our PBR has moved well above 1x and currently stands at 1.3x. ROE also reached 10.0%. It is hard to say whether the market is really assuming a 10% cost of capital. With a 10% ROE and a PBR of 1.3x, the market's perceived cost of capital may actually be somewhat lower than that. But this is something that changes over time, so it is difficult to say with certainty.

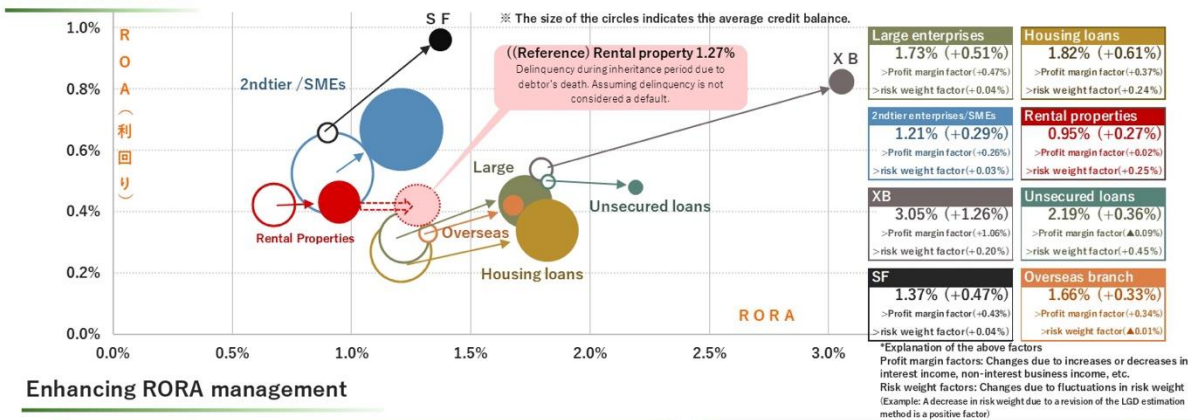
At this point, I think we are gradually moving beyond the stage where the discussion is simply about raising PBR. Instead, we are entering a phase where we enhance corporate value through EPS growth, and I believe the overall environment is moving in that direction as well. To achieve that, of course, we need to continue increasing core business net profit. We also need to manage capital efficiency properly.

Another important part of the story, in my view, is the integration. Until now, we have explained the integration mainly in terms of top-line growth and synergies. But once that element is added, the discussion changes somewhat. We are already above PBR of 1x. So, the conversation is gradually shifting toward what level we can achieve from here. That is the direction we would like to move toward going forward.

# Implementation of RORA Management

In a world where interest rates are becoming entrenched, we are reconsidering the RORA management we have established to date. We intend to further enhance it with the aim of resolving issues.

## RORA of borrowers



## Enhancing RORA management

**Strengthening assessment of profitability in light of rising interest rates (reviewing profitability perspectives, securing appropriate profits)**

**Increasing profitability targets**

- RORA: Highly rated large companies &XB (now 1.65%) SF(now 1.35%)
- Spread: Further raising standard and limiting low-spread transactions – improvement of RORA
- Limiting fixed-interest transactions: Maintaining interest rate risk before bond purchases
- Real estate NRL, etc.: Acquiring mezzanine transactions with high RORA and high yield

**New commendation items related to standard profit margin**

- Assessing proportion of clients for which profitability has improved
- Excluding transactions executed with low profitability from performance commendations

**Strengthening stable deposit base (supporting improved RORA via reduced financing costs)**

**Raising deposit rates, providing incentives to attract deposits**  
 Reducing the high valuation of term deposits, especially those with long terms and high stickiness

**Starting to handle deposits with special interest rate periods**  
 Premium term deposits, term deposits to support life events

**Continued refinement aimed at appropriate risk measurement (aiming for improved RORA by reducing risk weight)**

For rental properties: Revising debtor rating criteria  
 Housing, unsecured, etc.: Revising the LGD (loss given default) estimation method

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Let me now talk about RORA. With interest rates rising, RORA naturally moves higher as well. On this page, we break the factors down into profit-margin factors and risk-weight factors. The details are fairly technical, so I would ask you to refer to the materials for more detail, but naturally, rising interest rates contribute to the profit-margin side.

The risk-weight side is influenced by the composition of borrower ratings. For example, if the proportion of higher-rated borrowers increases, risk weights decline, risk-weighted assets decrease, and RORA improves. For large corporates, those ratings generally do not move that much. But in areas such as rental real estate, RORA improved from the risk-weight side because we revised the rating methodology, because we revised the rating methodology.

For unsecured loans as well, we changed the methodology used to estimate loss-given-default under the internal ratings-based approach. We now use internally estimated parameters, and improvements in those estimates have contributed significantly on the risk-weight side. In fact, for unsecured loans, the profit-margin side has not changed very much, but the risk-weight side improved because revised calculation parameters were approved and implemented. That effectively reduces risk-weighted assets and improves RORA. We will continue these efforts and steadily move the RORA bubble chart further upward and to the right.

As shown here, we have also made a number of changes with a stronger focus on profitability, particularly for large corporates and borrower ratings. From the standpoint of balancing loans and deposits, loan growth has been very strong. At the same time, the possibility of resuming full-scale bond investment is beginning to emerge. Given that, we will probably become more selective in how we allocate assets to large corporates going forward.

The impact of improving parameter estimates and estimation methodologies, which I mentioned earlier, is reflected here. The same applies to deposits.

So overall, we are working to embed RORA-focused management throughout the organization. This framework is led by head office, but much of the actual execution takes place at the branch level. I think the concept has become fairly well embedded across the branches.

## Shareholder Return

The annual cash dividend per share 62 yen (Year-on-year +17 yen) / Dividend payout ratio 40.0% / Total shareholder return ratio 50.1%  
 The annual cash dividends per share for FY2026 (ending Mar. 31 2027) is planned to be 70 yen.

### Shareholder return policy

The Bank's basic policy on dividends is a **progressive dividend system** that aims to maintain or increase dividends.

The Bank strives to achieve a payout ratio of **40%** of profit attributable to owners of parent and will increase dividends through profit growth.

The Bank will **flexibly implement** acquisition of treasury shares based on capital levels, capital efficiency, growth investment opportunities, and market trends

Improving PBR  
 →EPS growth phase

### Achievements of shareholder return



\*The amount of treasury share buybacks (rounded off) is calculated during the one-year period starting from the date of the annual general meeting of shareholders.

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Let me now discuss shareholder returns.

For the fiscal year ended March 2026, we paid an annual dividend of JPY62 per share and also conducted a JPY6 billion share buyback during the summer. Combined, the dividend payout ratio came to 40%, exactly in line with our commitment. Total shareholder return came to 50.1%, meaning shareholder returns were fully aligned with the framework we had previously outlined. For the current fiscal year, we have announced a dividend forecast of JPY70 per share. This will mark the sixth consecutive year of dividend increases. We increased the dividend by JPY17 per share for the fiscal year ended March 2026, and we are planning a further increase of JPY8 per share for this fiscal year. So, shareholder returns continue to expand steadily.

## Reduction Target of Shares for Policy Purposes

The Bank plans to reduce listed shares with a book value by 50% ( - 20 billion yen) over 5 years during FY2022 ~ FY2026.  
**Progress rate as of Mar. 2026 : 84% (-16.8 billion yen).**

### Shares for policy purposes policy and verification

Achieved over 100% of the target on an agreed basis

- The Bank's **policy** is to hold shares for policy purposes when the significance of such holdings is recognized, such as to maintain and strengthen business relationships with customers and to revitalize the local economy, and to **basically reduce** the number of such holdings.
- With regard to each equity security held for policy purposes, the Bank examines the appropriateness of holding such shares comprehensively after examining economic rationality, using medium-long-term business relationships, RORA\*

(※) RORA = (Profit after deducting expenses and credit costs + dividends received) × (1-30.5%) / Risk assets of loans and shares

### Changes in book value of shares for policy purposes and market value ratio to consolidated net assets



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Next, let me touch on shares for policy purposes.

As we have explained before, our initial target was to reduce the book value of policy shareholdings by JPY20 billion. Progress currently stands at 84%, although including agreed transactions, we have already exceeded 100%. Our next target is to reduce the ratio to below 10% by the fiscal year ending March 2028. However, because share prices of policy shareholdings themselves have risen, book value has also increased, which means we need to make additional efforts. So, we are preparing a new plan.

Ultimately, this target will need to be achieved on an integrated group basis. Accordingly, we will continue discussions with Daishi Hokuetsu Financial Group on how to incorporate this into the new group medium-term management plan. We will also need to clearly communicate our policy to proxy advisory firms. That said, discussions with our counterparties have been progressing quite smoothly. Compared with when we first began these efforts, I feel acceptance has improved significantly.

# Overview and philosophy of the New Financial Group

## Overview of the Business Integration

**Trade Name** Gunma Niigata Financial Group, Inc.  
Abbreviation : GNFG

**Representative: (planned)** **Michiro Ueguri**  
(currently President and Representative Director of Daishi Hokuetsu Financial Group)  
**Chairman and Representative Director**

**Akihiko Fukai**  
(currently President and Representative Director of Gunma Bank)  
**President and Representative Director (Group CEO)**

**Head Office** Tekko Building, 1-8-2 Marunouchi, Chiyoda-ku, Tokyo

**Corporate Mark**



*The logo design depicts the two symbols of the regions—the crane, evoked by the shape of Gunma prefecture, and the crested ibis that flies across the skies of Niigata—meeting in the open sky and setting out together on a new journey. It expresses our commitment to crossing prefectural boundaries, connecting our regions to the future, and delivering value that goes beyond the traditional scope of finance.*



*"Based on over 3,400 questionnaires from employees of both companies regarding the "goals" and "values that the new financial group should cherish", the decision was made after thorough discussions between both companies.*

## Philosophy of the New Financial Group

**MISSION**  
Creating the Future of Our Communities with Two Wings

**VISION**  
Becoming a Regional Solutions Group that, grounded in trust, goes beyond the scope of finance to connect and deliver value.

**VALUES**

**(1) Four-way satisfaction**  
We act to enhance the well-being and prosperity of our customers and communities, our company, our colleagues and business partners, and our shareholders.

**(2) Integrity**  
We work with integrity as professionals, steadily building unwavering trust.

**(3) Challenge**  
We continue to take on challenges without fear of failure, creating a new wind for the future of our communities.

**(4) Co-creation**  
We connect people, goods, and services across regions, creating new value through the power of solutions.

Let me now explain the management integration.

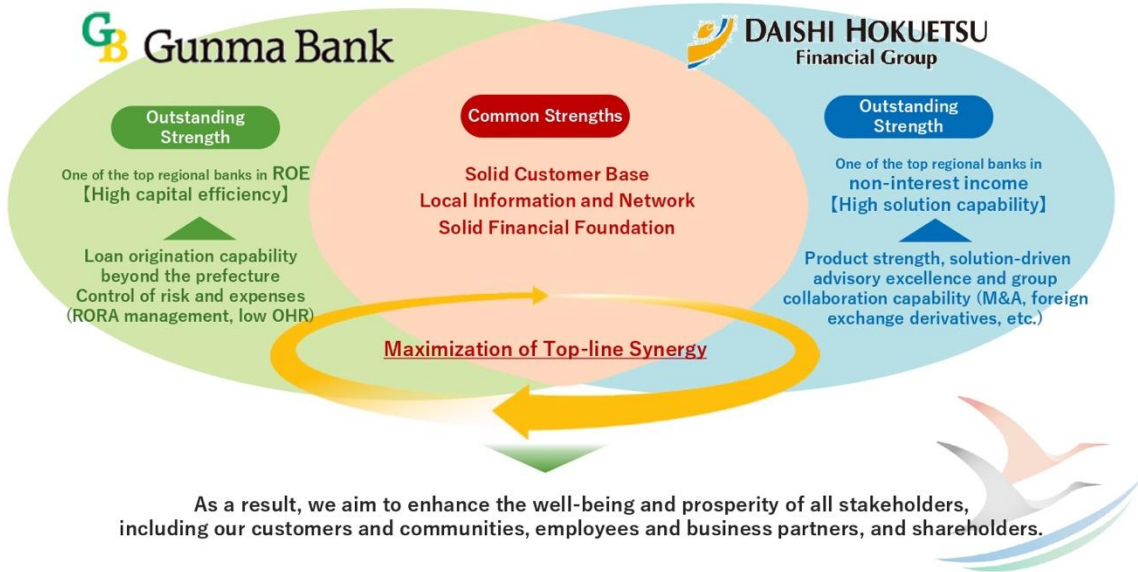
I believe many of you have already reviewed the details. The new holding company will be called Gunma Niigata Financial Group, Inc. or GNFG. I personally think it is a pretty good name.

The headquarters will be located in Tokyo. Mr. Ueguri, President of Daishi Hokuetsu Financial Group, will serve as Chairman, while I will serve as President and Group CEO. Please also refer to the mission, values, and vision shown here.

## Purpose of the Business Integration

### Maximization of Top-line Synergy

Stepping up to become a financial group that constitutes one of the top regional banks in terms of both scale and quality of management by building on the common strengths of both companies and complementing them with each party's outstanding strengths to realize top-line synergies and further sophisticate management and governance



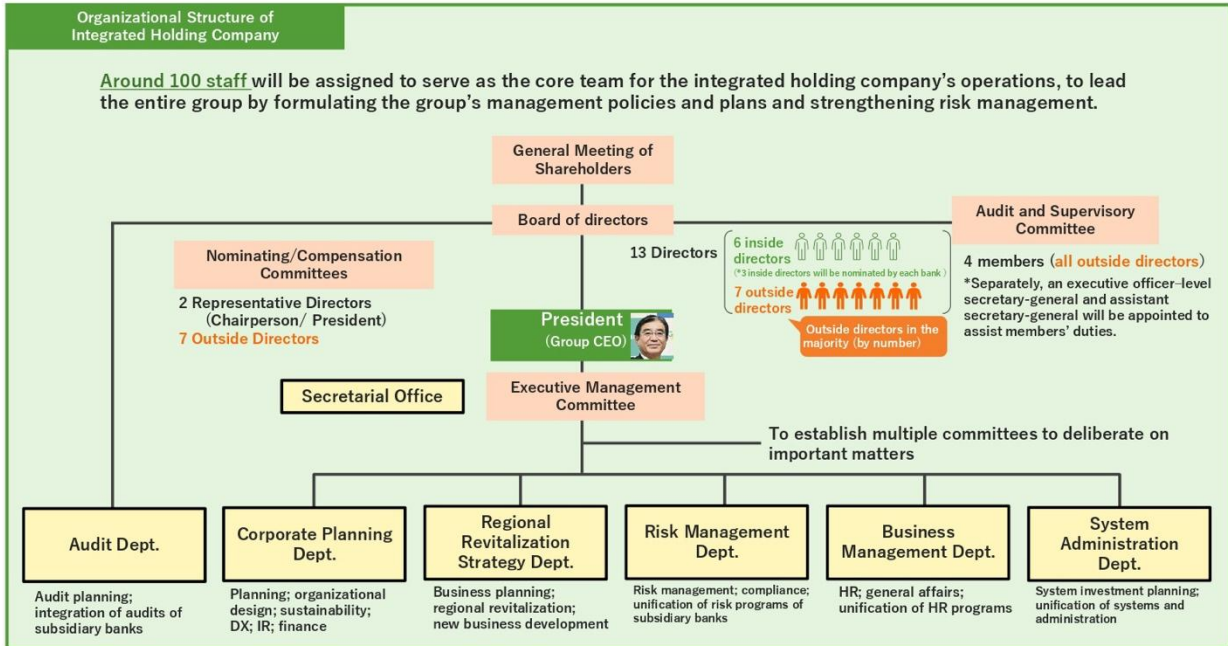
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As we have explained many times before, both banks have strong capabilities and are leading banks in their respective regions. Gunma Bank has strengths in lending, RORA, management efficiency, and capital management. Meanwhile, Daishi Hokuetsu Financial Group is one of the leading regional banking groups in non-interest income, with strong consulting capabilities, product capabilities, and advisory capabilities. In that sense, the relationship is highly complementary, and by combining these strengths, we believe both sides can further enhance earnings growth.

# Governance and Organizational Structure of the New Financial Group

## Governance · organizational structure

The fundamental principles of the business integration is mutual trust and equal integration. We will optimize governance and our organizational structure and work to enhance corporate value.



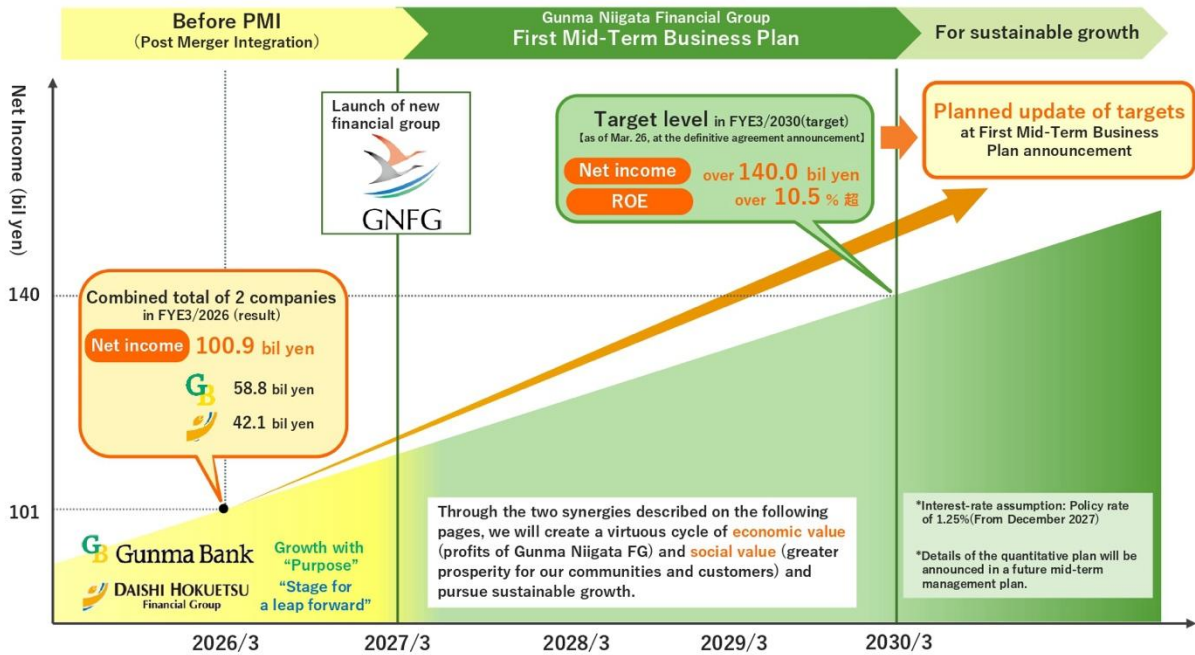
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Both banks are highly capable institutions with long histories, so how we integrate them will be extremely important. That is why the holding company will be located in Tokyo, rather than in either Niigata or Gunma. The key point is here. We intend to establish a substantial headquarters function with an appropriate organization and staffing level, which we currently expect to be around 100 people. The office will be located in the Tekko Building, close to Tokyo Station. From there, we will establish the Group's overall strategy and communicate those policies to the Group companies, particularly the two banks. Based on those plans, both banks will conduct their operations and business activities.

The Board will consist of three directors from each bank, reflecting the spirit of equal partnership. In addition, outside directors will form the majority, with seven outside directors in total. Four will be nominated by Gunma Bank and three by Daishi Hokuetsu Financial Group. Because these are outside directors, we wanted to avoid having an even number, which is why the total is seven. The thirteen-member board will make decisions for the Group going forward.

## Quantitative Plan of the New Financial Group

To achieve “maximization of top-line synergies,” which is one of the key objectives of the business integration, we will aim to deliver **net income of over 140 billion yen and ROE of over 10.5%** in the fiscal year ending March 2030 (three years after the business integration)



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This page shows the quantitative targets for the new financial group.

The figures shown here are the numbers we announced in March as part of the final integration agreement for 2026. At that time, the figure here was JPY91 billion in net profit. After closing the books, however, the actual result came in at JPY100.9 billion. So, I imagine the natural question going forward will be how we intend to handle these targets.

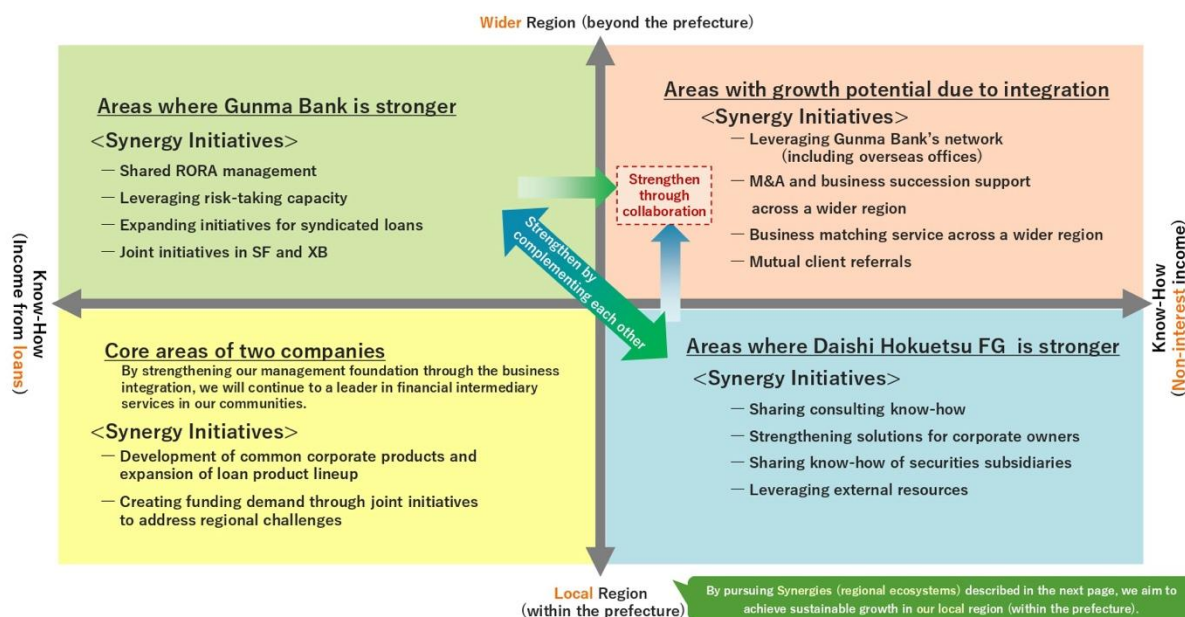
These figures are based on certain assumptions regarding balances and interest-rate scenarios, so it is not simply the case that the targets automatically increase because the latest results came in higher. That said, the interest-rate environment has changed somewhat, and balance growth has also remained quite strong recently. Taking those factors properly into account, we would like to formulate a medium-term management plan that meets your expectations while also exploring the synergy potential in greater depth and reflecting that in the plan.

At this stage, we have indicated targets of JPY140 billion and ROE of above 10.5%. We would like to take a careful look at these targets and present a plan that we believe will meet your expectations.

## (Reference) Synergies | Scale x Know-How

Scale x Know-How = Synergies

We will seek to increase net interest income and non-interest business profits (to realize **top-line synergies**) by **expanding our scale** (including our service area, total assets, risk-taking capacity, and human capital) through the business integration and combining each other's strengths (**know-how**).



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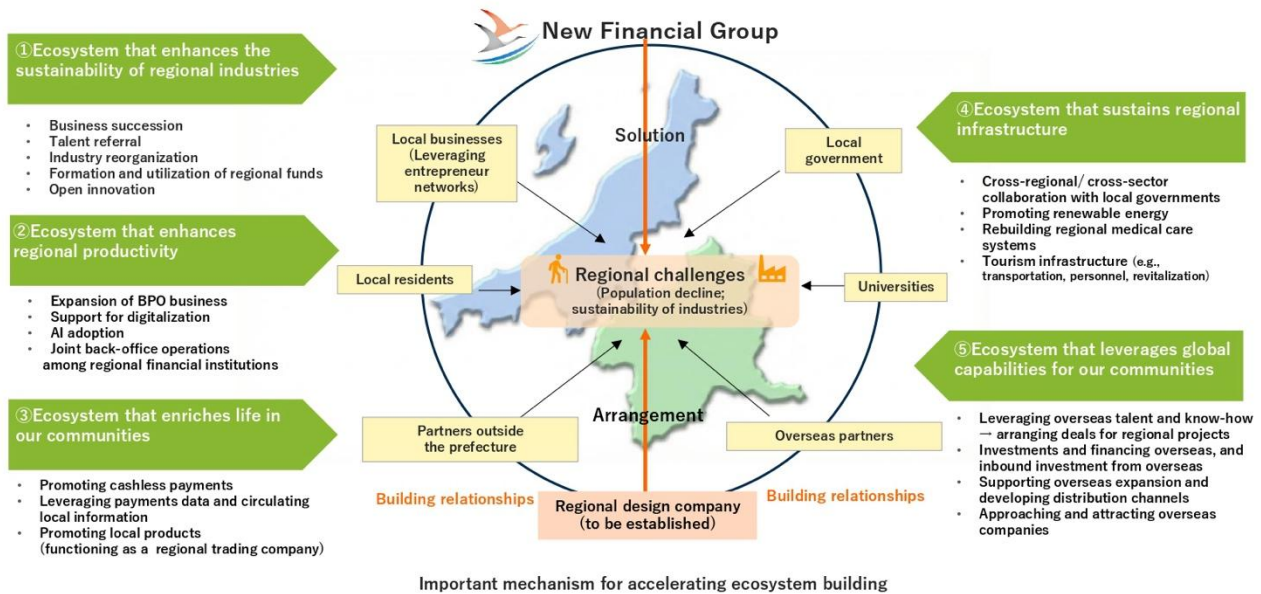
This is another part of the synergy story. As I mentioned earlier, Gunma Bank has its own strengths, while Daishi Hokuetsu has strengths in other areas. Once we integrate, our branch coverage broadens, our customer base expands, and our capital base also becomes larger. With that scale, we believe there will be many things we can do that would have been difficult for either side to achieve independently. For example, we should be able to make better use of our overseas business platform. Daishi Hokuetsu is also particularly strong in M&A advisory services and has built substantial experience within its region. Once integrated, we believe those capabilities can be expanded into the Kanto area, including Gunma Prefecture, and the number of transactions should increase significantly. The same applies to business matching and client referrals.

We believe new opportunities can emerge in these areas as well. Both regions face a number of common structural challenges. By combining a larger capital base with expanded human resources, we believe we will be able to take on initiatives that would have been difficult to fully pursue on a standalone basis.

## (Reference) Synergies II Region x Challenge

Building **regional ecosystems** ...

Building a virtuous cycle in our communities, with the new financial group serving as a hub and collaborating with external partners.



**[Goal]** Collaborate with external partners from the **initial stage** to address regional challenges, which will enhance regional sustainability while creating new needs and revenue opportunities.

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We would also like to pursue new initiatives centered on regional development. These initiatives would help solve local issues, improve regional sustainability, and strengthen the long-term sustainability of local economies. The three themes shown here are already included in Gunma Bank's current medium-term management plan. These include business succession, fostering new industries, open innovation, and improving efficiency. Efficiency improvements are particularly important because labor shortages are becoming increasingly serious.

On the lifestyle side, we also want to promote cashless services and data utilization while leveraging our trading company functions to provide customers with useful information and services.

Another important area is maintaining regional infrastructure.

In addition, we believe there is considerable potential in tourism and related businesses through the use of overseas expertise. Both regions have abundant natural resources, so we would like to develop those areas further by leveraging international knowledge and partnerships.

This represents the second major synergy that has emerged through the integration. Through these initiatives, we aim not only to increase earnings, as shown earlier, but also to help ensure that the regions become more sustainable and continue to develop over the long term. This represents the new mission of our group going forward.

(Reference)  
**Progress of Initiatives Undertaken since April 24, 2025 MOU**

- The two companies have held discussions at various organizational levels with a view to reaching a definitive agreement and pursuing integration synergies. (Number of meetings as of end-April)

**Integration Preparatory Committee** Led by the top management of the two companies, the committee has met **8 times** to date to discuss key matters.

**Specialist Subcommittees** Ten subcommittees (including corporate planning, sales, system administration, and risk management) were set up to conduct Fit & Gap analyses and consider standardizing operations and way to realize synergies. To date, **101** subcommittee meetings have been held.



- To realize synergies at an early stage, the period from October 2025 to March 2026 was designated as “**Pre-Action 180**,” and efforts were made to align employees’ mindsets (“**mindset integration**”) and to launch studies for “**operational integration**” aimed at upgrading our operations.

**Mindset Integration** We held joint training sessions and co-hosted events and carried out an employee survey on the business integration (with responses from more than 3,400 employees).



**Joint training sessions by business level/function**  
 (e.g., branch manager training, women’s management training, overseas training sessions)



**Regular distribution of joint newsletters**



**Viewing regional sports game together**  
 (with more than 1,200 participants)



**Co-hosting the “Gunma–Niigata Marche”**

**Operational Integration** We began examining the standardization of functions such as risk management, revenue management, and auditing, and launched joint research on the use of generative AI.



- After signing of the definitive agreement (after April 2026), we will accelerate discussions on joint initiatives, such as in the area of sales, so that we can deliver **top-line synergies** immediately after the integration.

We are constantly working on a variety of initiatives. As you can see here, under our pre-action initiatives, we have already been doing many things together, including joint training programs, inviting around 1,200 people to Gunma to support our volleyball team, and co-hosting Gunma–Niigata Marche.

Over the next year, the focus will shift more toward integration preparation work. This includes aligning internal rules and policies, as well as establishing more detailed operational procedures for how we will work together going forward. We are currently moving ahead with these kinds of practical preparations.

(Reference)  
Outline of Two Companies

- A financial group that constitutes one of the top regional banks

	 Gunma Bank	 DAISHI HOKUETSU Financial Group
Head Office	Maebashi, Gunma	Niigata, Niigata
Establishment	September 1932	November 1873
Total Assets (Consolidated)	10,855.9 bil yen	10,840.2 bil yen
Deposits	8,789.1 bil yen	8,732.5 bil yen
Loans	7,226.1 bil yen	5,915.0 bil yen
Assets under Custody (Consolidated)	1,487.0 bil yen	1,874.9 bil yen
Net Income (Consolidated)	58.8 bil yen	42.1 bil yen
Market Capitalization	780.6 bil yen	490.5 bil yen
Employees (Consolidated)	2,899	3,456
Banking locations	Japan: 103, Overseas: 4	Japan: 134, Overseas: 1
Group Companies	< Financial sector > Bank, securities, lease, credit card, credit guarantee, fund management  < Non-financial sector > Consulting/regional trading, system development, transportation & maintenance	< Financial sector > Bank, securities, lease, credit card, credit guarantee, fund management  < Non-financial sector > Consulting/research, system development, recruiting agency, regional trading

※As of March 31, 2026

 New Financial Group (Simple sum)	
Total Assets (Consolidated)	21,696.2 bil yen
Deposits	17,521.6 bil yen
Loans	13,141.1 bil yen
Assets under Custody (Consolidated)	3,361.9 bil yen
Net Income (consolidated)	100.9 bil yen
Market Capitalization	1,271.1 bil yen
Employees (Consolidated)	6,355
Banking locations	Japan: 237 Overseas: 5
Group companies (Business domains)	11 businesses
 Gunma Bank	Share of deposits 38%
Market Share within Gunma Prefecture	Share of Loans 34%
 DAISHI HOKUETSU Financial Group	Share of deposits 43%
Market Share within Niigata Prefecture	Share of Loans 50%

Market share in prefecture:  
(Source) Finance Journal "Finance Map 2026" (March 31, 2025)

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By putting the two groups together and using the figures as of the end of March 2026, I think this gives you a rough idea of the overall scale. The market capitalization shown here is around JPY1.2 trillion, although I believe it is probably already in the JPY1.4 trillion range as of today. This will be the scale at which the new group starts. At the same time, we see this as a starting point, and we would like to continue building on this momentum going forward.

That concludes my presentation. I would now be happy to take your questions.