

Principal Questions and Answers
Financial Results Briefing Session for Fiscal Year Ended March 2026
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Speakers: Akihiko Fukai, President
Takeo Uchibori, Senior Managing Director

Business Integration

Q Even after the integration ratio is announced, individual banks' initiatives will not immediately be reflected in their stock prices, so I believe steadily raising the stock price of the group as a whole is necessary. What measures do you plan to implement?

A - Since the integration ratio has already been determined, if one company implements certain measures, the impact will ripple through to the other company as well, and it is unlikely that only one company would see a significant rise in its stock price. In fact, both companies' stock prices trended upward after the financial results announcements, despite some time lag. Furthermore, while measures such as share buybacks may be implemented after the integration, it is currently difficult for either company to pursue its own capital policy, as the integration ratio has already been finalized. Therefore, we believe that steadily growing income in both companies' core businesses is ultimately the most effective way to boost their stock prices.

Q Regarding Daishi Hokuetsu FG, its PBR is currently around 1x due to the rise in its stock price. How will this situation affect Gunma Bank's financial management?

A - Given that both banks currently have PBRs exceeding 1x, the post-merger PBR could start at around 1.2x. This would represent a shift from the previous phase aimed at a PBR of 1x to a new phase focused on enhancing corporate value through EPS growth. Furthermore, we initially anticipated that the integration might result in a gain from a bargain purchase due to the low PBRs of both banks, and planned to utilize this for the disposition of bond losses. However, the rise in their stock prices has significantly changed this premise, and the likelihood of a gain from a bargain purchase has decreased. In any case, the rising stock prices of both banks are a positive development, and we aim to further strengthen this momentum. Currently our PBR has already reached around 1.3x, and our strategy going forward will focus primarily on enhancing corporate value through EPS growth. Specifically, we believe it is crucial to pursue three key priorities: strengthening core business profit, rigorously managing capital, and steadily capturing the synergies generated by the integration as income.

Q In regard to market capitalization, we understand that, based on simple aggregation with Daishi Hokuetsu FG's figure, Gunma Bank currently ranks tenth in Japan and fourth among regional banks. Do you have any ambitions to target a higher ranking in the future?

- A - As for market capitalization, we currently have no particular focus on ranking, nor did we originally aim for a market capitalization of 20 trillion yen. We were fortunate to have the opportunity to integrate our business with an excellent neighboring bank. Through this integration, our combined market capitalization exceeded 20 trillion yen, resulting in what is known as the "20 Trillion Yen Club." However, this was not necessarily something we had intended. While we don't place much significance on rankings such as second or third place, we do believe that in the longer term, these positions could lead to even greater opportunities. Still, we do not feel compelled to aim for first place. What is more important is not the scale itself, but rather how we are evaluated based on metrics such as ROE and PBR; that is, across multiple dimensions of our performance, and the extent to which we can enhance our profitability. In that sense, we should aim to be among the top tier. We were traditionally considered a mid-ranking bank, but have been working with the approach of aiming for the top across multiple dimensions of our performance, and we have achieved some results. In light of this background, if we can further leverage our advantages in these metrics through the expansion in scale that this integration has delivered, our ranking has the potential to rise further.
- (Uchibori) While the business integration will expand our scale, we are equally committed to improving quality. We are particularly mindful of the high expectations from investors and other stakeholders. Therefore, rather than targeting a specific ranking, we believe that consistently doing what we need to do will ultimately put us in a position that reflects our capabilities.
 - (Fukai) While aiming for first place is not an easy task, the top-ranked banks stand out in various aspects. Many of them are convincing not only in terms of their visible metrics but also in their actual initiatives, and their strength lies in executing these initiatives consistently. Therefore, thoroughly implementing initiatives at such a high level will take us closer to the top level in terms of quality. While implementing these measures is challenging, I believe it is achievable. Securing and effectively utilizing skilled personnel is essential for making progress in these initiatives. This will not be achievable under the current system, where operations are split between Gunma and Niigata Prefectures. On the other hand, we believe that if we can consolidate our workforce, establish best practices under the leadership of the holding company, and implement them across both banks, we will be able to steadily strengthen our overall capabilities even doing so takes some time. It is important to enhance our execution capabilities, including system integration. Many of the top-tier banks originally developed as single organizations and are characterized by operating under a unified culture. While our case involves integrating two distinct banks, we

believe it is quite possible to achieve comparable competitiveness if we can bring our basic operations closer to a unified structure. We also believe that these cumulative efforts will eventually position us among the top-tier banks.

Capital policy

Q While capital accumulation is increasing due to profits that were higher than expected, I would like to hear your thoughts on whether to further raise the target capital ratio or to regard this capital accumulation as the result of environmental factors and implement shareholder returns.

A - First, regarding what drove the rise in profits, this is largely due to environmental factors rather than higher returns resulting from taking on significant risk. Of course, while we do have a policy of allocating capital to profitable sectors, the primary driver contributing to the rise in income is the fundamental improvement in the underlying earnings environment. In terms of the capital ratio, our current CET1 ratio has not yet fallen to the target range of 11.5%, so we intend to maintain our current target level for the time being. Regarding the CET1 ratio, we have set it at a level that is readily acceptable to investors and contributes to improving ROE, while also preparing for potential shocks to the regional economy, such as those experienced in the past, by diversifying our capital structure. Specifically, in addition to issuing AT1 bonds, making us the only regional bank to do so, we have issued 30 billion yen in B3T2 bonds. Going forward, we will need to re-examine our capital structure in light of the expansion of scale resulting from the business integration. As for shareholder returns, while there is an expectation of a total payout ratio of around 50%, our actual commitment is to deliver progressive dividends and maintain a dividend payout ratio of 40%. Gunma Bank's PBR is already well above 1x, and we intend to maintain this level even after the integration. Looking ahead, assuming profit growth, we anticipate an increase in risk assets as we pursue new initiatives. In this context, we consider share buybacks to be one way of sending a message to the market when our value is not being appropriately recognized. We are also considering shifting our shareholder return policy to place greater emphasis on dividends, as we recognize that the market is more open to accepting this approach. Currently, we maintain a dividend payout ratio of 40% as a baseline, resulting in a total return ratio of approximately 50%, but are considering a shareholder return policy that prioritizes dividends even more going forward.

Deposits

Q It seems that the bank is struggling to increase deposits. Do you think it will recover once terminal rates come into view, or do you believe the slump will persist due to structural factors?

A - Regarding deposit trends, the inflationary environment has spurred an increase in the volume of funds, resulting in a 4.2% year-on-year increase in corporate deposits. We believe this is due not only to our proactive measures but also to increased demand for working capital on the lending side and to growing corporate needs to secure liquidity on the deposit side. On the other hand, our challenge lies in deposits from individuals. Unlike with corporate clients, we have limited direct relationships with individuals, particularly the mass segment, making it difficult to reach them. As an immediate measure, we are currently strengthening our premium term deposits targeted at wealthy individuals. The aim of this initiative is to encourage them to shift their deposits from other banks and to attract funds by offering competitive interest rates, but the key lies in retaining them afterward. After implementing this, we will adopt a comprehensive asset management approach to meet a wide range of needs, including investment, insurance, real estate, and inheritance planning, thereby deepening relationships with them and expanding our total assets under custody. Furthermore, we can expect that some of the funds previously allocated to investments will now remain in deposits due to changes in the interest rate environment. If we can ensure a certain interest rate on deposits, our function as a pool of liquid funds will be enhanced. On the other hand, given frequent deposit outflows to online banks, reaching the mass segment is the most challenging task, and improving our channels will be a key factor. Regarding digital channels, we will improve convenience by upgrading app functionality. As for physical channels, we will transform our branches from mere transaction venues into locations that customers want to visit when necessary by strengthening our advisory services. In addition, we will encourage customers to designate our bank as their account for salary and pension deposits, and aim to foster long-term relationships by pairing these services with related benefits such as reduced ATM fees, debit cards, and app integration. We are pursuing a policy of steadily increasing retail deposits by implementing these measures. On the whole, we believe that if we can strengthen our initiatives to acquire core corporate and retail deposits and achieve 2% growth in retail deposits, there will be no concerns about excessive strain on our balance sheet. However, as our bond investments continue to grow, maintaining sound management of our fund operations will remain crucial. As for cross-border investments, since they are managed on the basis of currency swaps and have only a limited direct link to deposit constraints, we will continue to focus on maintaining spreads.

- Q While you have introduced measures to boost retail deposits, we believe that demand for financial assets under custody will increase if inflation and rising interest rates persist. Have you established a system across the entire group to retain customer assets?
- A - While a deposit shortage could arise if a sudden outflow of funds on the scale of trillions of yen were to occur, we do not currently anticipate such a scenario. Although it is theoretically possible that rising interest rates could significantly alter individuals' investment choices, we do not currently expect such a significant shift. With regard to assets under custody, we are shifting from the previous approach, which treated mutual funds, bonds, and life insurance products as equally recommendable options, to one that focuses on products that can be consistently recommended and generate stable income. Also, the approach of restricting operations due to insufficient deposits is rather limited. Our basic philosophy is to prioritize initiatives to increase deposits. Still, there are some cases, such as the sale of life insurance, where large-scale outflows of funds occur from the perspective of inheritance planning and other factors. Therefore, we need to shift to a strategy of providing services tailored to the specific needs of each customer as part of our comprehensive consulting services, and appropriately balance insurance, investment, and deposit products. Of course, at this point, we do not anticipate that the decline in deposits will constrain our other business operations.

Available-for-sale securities

- Q While interest income from domestic available-for-sale securities is expected to decline due to lower yields, given the current upward trend in government bond yields, should we consider the timing for full-scale investment in government bonds to be when the terminal rate comes into view?
- A - (Uchibori) We have already factored this into our plans for the current fiscal year and actually began purchasing government bonds in April. At the same time, I understand that investors may have concerns about the treatment of bonds that are currently carrying valuation losses, but we have also run simulations on this issue. Specifically, we have simulated a scenario in which the yield on 10-year bonds rises to around 3.5%, and have calculated the impact of such a rise in interest rates in conjunction with the expected yields of the bonds we are currently purchasing. As a result, taking into account factors such as the roll-down effect, we have confirmed that this will not have a significant impact on our business operations. Based on this, we are proceeding with the purchases after having discussed the matter at management meetings and Board of Directors meetings. However, given the current interest rate environment, purchases will be limited to relatively short-term bonds and accumulated cautiously. While valuation losses have expanded to some extent, a breakdown of the figures shows that municipal

bonds have short durations, and that valuation losses on JGBs and mortgage-backed securities amount to approximately 30 to 40 billion yen, which we do not consider to be at a level that would impact our business operations. In addition, we hold bearish positions and are responding by operating flexibly within a range that does not affect our guidance.

- (Fukai) Of the 730.2 billion yen in municipal bonds, 444.8 billion yen consists of bonds issued to affiliated entities, and the newly invested bonds are also held to maturity. Thus, our basic policy is to hold them until maturity rather than sell them. Although there are unrealized losses, their scale is limited, and given the short duration, the valuation losses will shrink over time. On the other hand, potential targets for disposal are government bonds and mortgage-backed securities. Even if these are sold when interest rates rise to 3.3 to 3.5%, valuation losses are expected to be limited to roughly 30 to 40 billion yen. Once these are disposed of, the remaining portfolio will consist primarily of municipal bonds, and the valuation losses on those holdings will decrease year by year. Given the scale of capital and earning ability after the integration, the impact on overall operations will be limited even if we recognize the valuation losses. On the other hand, since holding a large volume of low-yield assets poses an issue from a capital efficiency perspective, we intend to consider disposing of government bonds and mortgage-backed securities in the future. Please note that we will adopt a method that ensures losses on disposal can be offset within income and there is also an option to use gains from the sale of shares for policy purposes. We plan to determine the optimal timing and approach on a post-integration basis.

Q Regarding valuation losses on bonds, given hedging through bear funds and their short duration, there is no major concern even if you do not proactively proceed with disposing of them. I understand that when gains from the sale of shares for policy purposes exceed expectations, the bottom line will also improve accordingly. Is that correct?

- A - (Uchibori) While there is no consensus at the company level at this point, my personal view is that we should avoid a situation where unrealized losses on bonds continue to grow. For this reason, I would like to keep an option open to address this situation within our scope of guidance. On the other hand, given the current economic conditions, uncertainty over credit costs remains. Therefore, I recognize that making careful judgments while closely monitoring these changes in the external environment is a realistic approach.
- (Fukai) Assuming we proceed within our scope of guidance, one example is that the bear position we currently hold has generated a considerable unrealized gain. If interest rates continue to rise in the future, we can realize gains by unwinding this bear position. This would enable us to take measures to reduce risk, such as selling a portion of our government bonds at that time.

Other

Q I understand that RORA has improved due to rising interest rates, but I would like to ask about measures to enhance ROA under the constraints on deposits.

A - As an example, from an ROA perspective, mortgage loans and loans to large corporations are not necessarily highly profitable. regarding mortgage loans, in addition to fulfilling our role as a regional financial institution, we can maintain a certain level of RORA, and these loans also help strengthen our deposit base through cross-selling and increased primary-bank usage by customers. Therefore, continuing to provide mortgage loans is meaningful. On the other hand, while loans to large corporations may appear to have a high RORA due to their low risk weights, their profitability is limited when viewed on an ROA basis. Consequently, we are currently adopting a somewhat cautious approach to these loans and are in the process of reviewing our asset allocation. While RORA for small and medium-sized enterprises is not necessarily high, as is the case with mortgage loans, this can lead to an increase in overall transactions and expanded non-interest business profit. Given the current situation where balance sheets are tightening, we are required to adopt a management approach that emphasizes ROA in parallel with RORA, rather than focusing solely on RORA as in the past. We do not plan to significantly increase lending to large corporations this fiscal year and expect it to remain at current levels. On the other hand, cross-border deals are an area we aim to actively pursue, as they are expected to achieve high RORA and ROA levels. Furthermore, regarding structured finance, increased commoditization requires more innovative approaches. Additionally, as bond reinvestment and accumulation are expected to accelerate going forward, balance sheet management will require even greater caution. Under these circumstances, we will strive for optimal asset allocation across the entire Group, while also considering the utilization of excess liquidity resulting from the integration. While the Bank has historically prioritized RORA in its operations, we need to shift toward placing equal emphasis on ROA from now, and are currently proceeding with portfolio restructuring accordingly.

Q I would like to know your current thoughts on the appointment of outside directors for subsidiary banks following the establishment of the new financial group. This includes whether they will hold positions concurrently with the financial group and what kind of candidates you plan to appoint.

A - (Uchibori) Since the subsidiary bank is not a publicly listed company like before, we recognize that we will not be considering outside directors based on the same criteria as in the past. However, this does not mean we will not appoint external personnel at all. Although this is still at the conceptual stage, we are considering mutual secondments between the two banks; an example is a scenario where an executive from our bank serves as an outside director at Daishi Hokuetsu FG, or vice versa. On that basis, while the holding company will generally be responsible

for governance, we believe we will move toward appointing external experts as outside directors to cover areas that the holding company cannot fully manage.

- (Fukai) While we are not currently considering this matter specifically, we recognize that it is not easy to find suitable candidates immediately. For this reason, we believe that specific measures need to be discussed at a later stage. However, if this approach proves effective, it is certainly worth considering. Because the holding company may not be able to cover every area in detail, we could consider utilizing external personnel who can advise on bank management from a perspective different from that of the holding company. Still, at present, we have not engaged in specific discussions on this matter, and recognize that securing the right person at the appropriate time will be quite challenging.