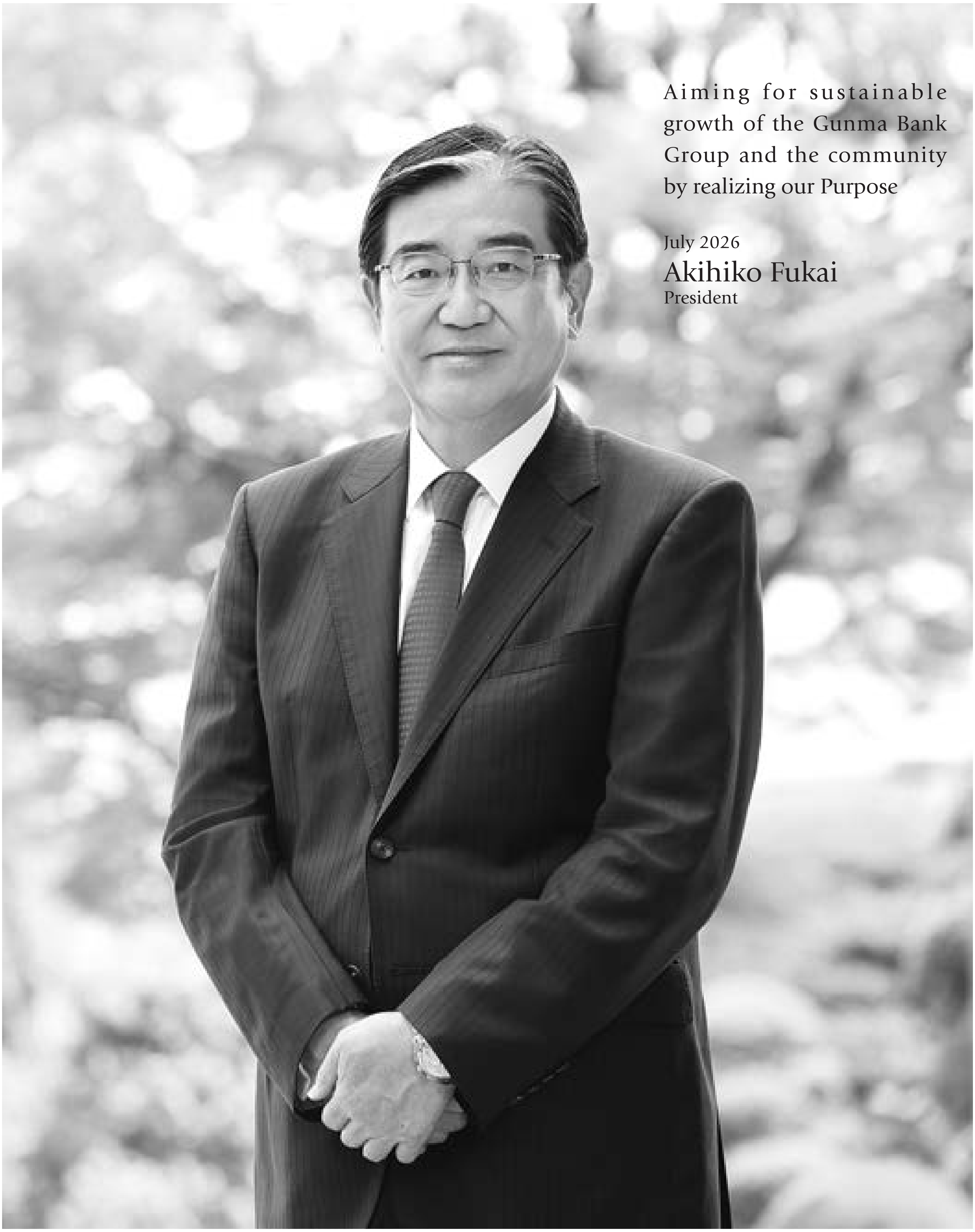
Message from the Management



Aiming for sustainable growth of the Gunma Bank Group and the community by realizing our Purpose

July 2026

Akihiko Fukai

President

Advancing to a New Phase of Growth, Driven by Our Purpose

Strong Momentum in the First Year of the Mid-Term Business Plan and Building the “Future of Our Communities and Group” through Business Integration

FY2025 Results and Evaluation of the First Year of the Mid-Term Business Plan “Growth with ‘Purpose’”

■ Achieving high capital efficiency and profitability from the first year, establishing a solid foundation for meeting the Mid-Term Business Plan targets

FY2025 was marked by increasingly rapid and significant changes in the business environment. Amid uncertainty in the global economy stemming from the United States’ high tariff policies, the new Takaichi administration took office in Japan in October 2025, while policy interest rate hikes resulted in a full-fledged transition to a positive interest rate environment.

Against this backdrop, we launched our new Mid-Term Business Plan, “Growth with ‘Purpose,’” and delivered a very strong start in its first year. We believe this performance reflects the steady progress we have made in embedding “Purpose-driven, proactive actions.” As a result, each employee is increasingly able to find both “a clear framework to respond to changes” and “a sense of fulfillment in their work.”

These proactive initiatives enabled us to undertake activities that resonated with our customers and local communities, resulting in solid outcomes.

Consolidated net income reached 58.8 billion yen, up 34.1% year-on-year, after two upward revisions of our earnings forecasts during the fiscal year. We believe this represents a significant achievement, bringing us within reach of the Mid-Term Business Plan’s final target of 60.0 billion yen.

In addition, ROE, a capital efficiency indicator, reached our target level of 10%. From an earnings perspective, FY2025 significantly outperformed our initial forecasts.

However, I am not satisfied with all aspects of our progress. Looking at each initiative under the Plan, progress has varied, partly because this was the Plan’s first year. Of the Mid-Term Business Plan’s two strategic themes, the first “Deepening purpose-driven sales” is managed through quantitative progress monitoring using the “KPIs for Connections” as key activity indicators. A closer look at these indicators shows that areas where our strengths and purpose-driven approach are most evident, including “corporate solutions (business succession, staffing services, etc.)” and “sustainable finance,” have grown steadily and are already demonstrating high progress rates. On the other hand, our efforts targeting “retail customer and asset-building customer segments,” which will serve as a medium- to long-term earnings base, still face challenges. Going forward, we will accelerate our strategy in this area, including greater use of digital technologies, and steadily regain momentum.

As for the other strategic theme, “Striving to establish sustainable regional economic zones,” we have only just begun. Establishing a network that enhances the sustainability of local communities cannot be accomplished overnight. That is precisely why we position this as our most important medium- to long-term priority for addressing regional challenges, and we are committed to advancing it steadily.

Unwavering Commitment to Taking on Challenges Since the Previous Mid-Term Plan, “Innovation for ‘Purpose’”

■ Alignment of sales operations and human resources to realize our Purpose

When I assumed the position of President in 2019, Japan was in the midst of the negative interest rate era, making it extremely difficult to grow profit through the traditional banking model centered on deposit and lending alone. Faced with a strong sense of urgency, we recognized the need to look beyond the conventional boundaries of “banking,” reexamine the meaning of our existence, and continue to evolve. Based on this sense of urgency and awareness of the challenges, we established our Purpose, “By connecting the strands of resources, people, and generations, we weave better futures for our communities,” in November 2021 to articulate the meaning of our existence. The following year, we started our previous mid-term business plan, “Innovation for ‘Purpose,’” with this Purpose positioned as the cornerstone of our management.

Our primary focus at that time was to evolve our approach to sales activities in line with our Purpose and firmly establish the approach as "purpose-driven sales." Specifically, this meant a transition to a structure in which, through dialogue with our customers, we accurately identify their diverse goals and needs, including their business vision for the next five to ten years, capital investment, human resource enhancement, business succession, and M&A. By providing the full range of solutions we have and positioning financing at the center of those solutions, we aim to maximize our potential. Building this sales structure, which we call the "full-spec approach," was one of the major achievements under the previous mid-term business plan.

However, for this new sales approach to take root in the workplace and become sustainable, it was essential to reform the performance evaluation and compensation systems that underpin our employees' mindset and behavior. Accordingly, alongside the reform of our sales structure, we also undertook a comprehensive overhaul of our human resource system. Under the traditional seniority-based human resource system, it was difficult to fully unlock the expertise and potential of each employee. To address this, we introduced a job-based human resource system based on the principle of placing the right person in the right position, rather than fitting people into positions. By clearly defining the skills and requirements for each position, we established a system that enables the appointment of the most suitable person to each position, regardless of age or gender.

In implementing the new system, we recruited an external human resources specialist as an Executive Officer. This enabled us to establish a system better suited to attracting and rewarding highly specialized talent, thereby strengthening our recruitment of mid-career professionals who can make an immediate contribution. At the same time, we introduced a job posting system that allows employees to apply for positions of their own choosing, which has helped foster a culture of proactive initiative and boost employee motivation. The tangible results we are delivering under "Growth with 'Purpose'" today, have been made possible by the two foundations we built under the previous mid-term business plan: the reform of our sales structure and the overhaul of our human resource system.

■ Seizing the shift to a positive interest rate environment and quickly moving onto a growth trajectory

By the time initiatives centered on these sales structures and human resource system were firmly in place, and our vision was beginning to take shape, signs of a major shift were emerging in the business environment. This was the shift to a positive interest rate environment, driven by policy interest rate hikes. To translate this change in the business environment into steady growth, we launched our current Mid-Term Business Plan, "Growth with 'Purpose'," building on and further advancing the achievements of the previous mid-term business plan.

We fully recognize the skepticism among market participants as to whether banks that have operated in an ultra-low-interest rate environment for more than 30 years can successfully adapt to the shift to a positive interest rate environment. However, we have been proactively developing systems to stay ahead of the curve in this area.

Since 2018, we have focused on building a pricing structure more closely linked to market interest rates. In addition to large corporate loans and cross-border loans, we have shifted the vast majority of our lending to small and medium-sized enterprises to market rate-linked pricing. As a result of these strategic initiatives, our lending yields have become highly sensitive to interest rate changes. During the Bank of Japan's interest rate hikes, the improvement in the interest rate environment translated quickly into stronger financial performance. This was a direct result of these measures and is one of the defining strengths of our solid profit structure.

■ Focusing on deposit growth as a responsibility of a regional financial institution

On the other hand, we believe there is still room for improvement in strengthening the deposit base that supports our sustainable growth.

The Bank's loan-to-deposit ratio is approximately 80%, representing a highly efficient level of deposit utilization. However, it also means that further expansion of our lending will require us to grow the deposit base that provides the funding for those loans.

Looking at deposit market share within Gunma Prefecture, however, the Bank's share stands at only around 40%, meaning that a substantial portion of the region's deposits continues to be held by other banks. At the same time, the overall loan-to-deposit ratio of local financial institutions remains at a relatively low level, indicating that a significant amount of deposits within the region are still not being effectively channeled into lending. As the leading regional bank, we believe it is our responsibility to ensure that the deposits entrusted to us are circulated within the local economy. To fulfill that responsibility, we will continue to actively pursue initiatives to expand our deposit base.

Specifically, we will accelerate our efforts for both corporate and individual customers. For corporate deposits, we will further deepen our relationships with customers and respond closely to their financing needs, thereby increasing deposit balances. In addition, building on the solid progress we have already made, we will further strengthen these initiatives. For individual deposits, we are now in a position to offer attractive deposit rates, supported by the expansion of our loan income. We will deploy strategic interest rate initiatives in a flexible manner to meet the needs of each customer segment, from those building their assets to high-net-worth individuals, with the aim of steadily increasing deposit balances.

That said, competing solely on deposit interest rates will not enable us to build long-term relationships with our customers. To remain the bank of choice, we must extend to individual customers the same commitment to "providing comprehensive solutions to a broad range of challenges" that has underpinned our corporate banking operations and evolve toward an "all-asset approach," under which we engage with each customer's overall assets. Specifically, we will use attractive deposit rates as a starting point. From there, we will gain a comprehensive understanding of each customer's overall assets, including inheritance planning, business succession, and asset succession, and propose an optimal asset portfolio designed to preserve real value even in an inflationary environment.

■ Move beyond a simple return to traditional deposit and lending operations and deepen our solutions-based business

With the shift to a positive interest rate environment, some may question whether our increased focus on expanding lending and strengthening our deposit base means a return to the traditional deposit and lending operations centered on interest income. However, the Bank's vision goes beyond that. As I have already explained, our "full-spec approach" is built on the idea of placing financing at the center of a broad range of solutions designed to address customers' diverse needs. For example, for a large-scale capital investment project, we leverage the consulting capabilities of our Group to provide comprehensive support, ranging from validating the feasibility of the investment plan to assisting with subsidy applications. Fees and commissions generated through this high-quality consulting offer significantly higher profitability compared to the profit derived from the traditional interest margin business. Moreover, these consulting services naturally lead to financing opportunities, including syndicated loans and bond underwriting, and also create opportunities to maximize non-interest income through a wide range of services, such as business matching and staffing support. There is another reason why we are not dependent on the traditional deposit and lending operations. Our frontline teams have fully embraced RORA as the benchmark for capital efficiency. Since FY2019, we have managed our business with a strong focus on RORA, consistently pursuing the maximization of capital efficiency. In corporate lending, it is not easy to achieve a high RORA through interest income alone. However, we can increase returns (the numerator of RORA) by expanding fees and commissions and combining them with low-cost funding sources such as deposits. At the same time, through appropriate pricing negotiations and by strengthening loan security commensurate with risk exposure, we can effectively control credit risk (the denominator of RORA). This process, in which our employees apply their expertise and creativity to flexibly combine a wide variety of solutions, represents another dimension of our "full-spec approach." Unlike in the past, when sales activities focused solely on the pursuit of numerical targets such as loan and deposit balances, our workplace today is filled with "joy" and "fulfillment" as each employee thinks independently and applies their ingenuity. This culture, one in which motivated employees take the initiative to deliver diverse solutions, is the Bank's greatest strength.

Signed Definitive Agreement for Business Integration with Daishi Hokuetsu Financial Group

■ Achieving sustainable growth by creating top-line synergies

As we have announced, we entered into a definitive agreement with Daishi Hokuetsu Financial Group (hereinafter referred to as Daishi Hokuetsu FG) in March 2026 for business integration. During the year since the April 2025 announcement of the planned business integration, the share prices of both companies have risen significantly, while valuation indicators such as price-to-book ratio (PBR) and price-to-earnings ratio (PER) have also remained strong. We believe these trends reflect a strong recognition by the stock market and investors of the rationale and future potential of business integration. They also reinforce our appreciation of the high expectations placed on us.

As I mentioned last year, our decision to pursue the business integration was driven largely by our participation in the TSUBASA Alliance in 2020. The following year, in 2021, we launched the Gunma and Daishi Hokuetsu Alliance, a bilateral alliance, and nearly five years after its establishment, it continues to deliver strong results. This indicates that the collaboration between the two banks is creating tangible added value through initiatives such as sharing expertise in derivatives, an area in which Daishi Hokuetsu FG has particular strengths, and joint participation in syndicated loans in the Tokyo metropolitan area.

As we took a fresh look at the track record of the alliance, the fact that our relationship is characterized by "different strengths that are highly complementary" has become clear from a numerical perspective as well. Now that the conviction we have cultivated through our day-to-day business dealings has been quantitatively substantiated, we have concluded that business integration is the best path for further developing the alliance between our two companies and achieving sustainable growth going forward. This business integration is therefore a major decision rooted in the conviction held by our front-line employees and in our strong determination for the future.

■ Maximizing the group synergies through our complementary strengths

As I mentioned earlier, a closer look at the business models of both banks reveals that we are highly complementary in terms of scale and regional characteristics. For example, although the two banks are of a broadly comparable size, the Gunma Bank's lending business has established an extensive network not only in Gunma Prefecture, our solid foundation, but also in the Tokyo metropolitan area, where funding demand is strong. As a result, the Gunma Bank has built a clear advantage in terms of our loan balance. Meanwhile, Daishi Hokuetsu FG has an unparalleled market share in Niigata Prefecture and a robust deposit base. By combining the complementary strengths of our two companies, we will be able to leverage Daishi Hokuetsu FG's abundant funding capacity through the Gunma Bank's extensive network in the Tokyo metropolitan area, significantly enhancing the Group's overall lending capabilities. In addition, we see opportunities to expand into business areas that would have been difficult for either company to pursue independently, including overseas loans and collaboration across our overseas bases.

Furthermore, by sharing our strengths in profitability management using ROE and RORA, as well as our risk management methods such as advanced internal rating systems within the Group, we will further improve the Group's overall capital efficiency.

On the other hand, in the area of non-interest income, including fees and commissions, we will adopt the advanced expertise that Daishi Hokuetsu FG has cultivated to further strengthen our proposal capabilities for customers in our local communities. In the past, we often relied on external partners when handling highly complex projects. By drawing on Daishi Hokuetsu FG's advanced expertise, I am confident that we can steadily expand our non-interest income and deliver higher value-added services to a broader range of customers.

■ Realizing our Purpose is the ultimate objective of the business integration

So far, I have focused primarily on the synergies of business integration from the perspective of the Gunma Bank. Now, I would like to emphasize once again that the true starting point of this integration is "our local communities and customers."

"Will things stay the same?" In fact, this is one of the first questions we are most often asked by our customers. My answer is clear: "Our commitments to you will not change." We chose business integration rather than a merger and decided to maintain two bank brands under a holding company because we place the highest value on the trust we have built with our local customers. It also reflects our firm commitment to becoming even more deeply rooted in the communities we serve. I am confident that this decision provides reassurance for our local customers.

At the same time, what we aspire to achieve lies beyond that. In a positive interest rate environment, the business integration of two leading regional banks will enable us to strengthen our capital base and enhance our capacity for risk-taking, thereby further increasing our ability to support regional industries. Integration will allow us to realize initiatives that would not have been possible on our own, unlock the full potential of Gunma Prefecture, and weave better futures for our communities and customers. In other words, the ultimate objective of this business integration is to realize our Purpose through tangible actions. To achieve this objective, we are committed to channeling the synergies created by business integration back into our communities in the form of tangible results.

A year of advancing toward becoming a Super-Regional Bank and further enhancing our market presence

The current Mid-Term Business Plan has been progressing largely in line with the plan. In FY2026, which will serve as the preparation period ahead of the business integration, achieving the Mid-Term Business Plan's final target of consolidated net income of 60.0 billion yen will be a milestone rather than the finish line. We will be fully committed to reporting consolidated net income of 65.0 billion yen for the fiscal year, the figure we have forecast in our latest earnings forecasts.

Looking ahead, the Gunma Niigata Financial Group, a new financial group with more than 21 trillion yen in total assets, will be established in April 2027. Looking further ahead, we have set a target of achieving consolidated net income of more than 140.0 billion yen for the fiscal year ending March 31, 2030, three years after the business integration.

We believe that this business integration will further raise expectations for, and interest in, the Gunma Bank Group among stakeholders in both domestic and international markets. By maximizing top-line synergies, we will strengthen our presence in the markets and steadily evolve into a "Super-Regional Bank" that goes beyond the traditional boundaries of a regional financial institution. We sincerely appreciate your continued support and look forward to your ongoing cooperation.

July 2026

Akihiko Fukai

President