

Message from the Director of Finance



Accelerating efforts
to increase corporate
value and striving to
achieve a 10% ROE.

Takeo Uchibori
Senior Managing Director,
The Gunma Bank

Preface

In the fiscal year ended March 31, 2025, the Bank of Japan implemented an increase on its interest rate policy, resulting in an end to zero interest rates, as well as substantial changes to the financial and economic landscape.

Under the mid-term business plan titled "Innovation for 'Purpose'" (plan period: from April 2022 to March 2025, hereinafter referred to as the Mid-Term Plan), the Gunma Bank Group has been establishing a lean management system by significantly reforming our profit structure, including enhancing non-interest income and improving our Overhead Ratio (OHR). In the fiscal year ended March 31, 2025, the final year of the Mid-Term Plan, we marked the

highest profit level ever, which was further boosted by the rise in interest rates, thereby achieving the key objectives of our Mid-Term Plan.

Since April 2025, we have started implementing the new mid-term business plan titled "Growth with 'Purpose'" (plan period: from April 2025 to March 2028, hereinafter referred to as the New Mid-Term Plan). While aiming to promote sustainable growth of the region, the Gunma Bank Group, and our officers and employees, we will strive to deepen our previous initiatives further, ensuring that this three-year period becomes a pivotal time for achieving growth.

Business Performance

Core Business Net Profit

In the fiscal year ended March 31, 2025, **core business net profit**, which represents the profits of our main businesses, exhibited a positive trend, increasing 10.0 billion yen year-on-year to 55.5 billion yen.

This strong performance can be attributed to two primary factors: (1) net interest income increased 11.2 billion yen year-on-year to 84.7 billion yen, mainly due to a steady rise in loan balance and an increase in loan interest rates, and (2) **non-interest business profit** increased 1.3

billion yen year-on-year to 25.6 billion yen, driven by the success of our needs- and goal-oriented consulting based on our Purpose. Notably, non-interest business profit marked a new all-time high for the sixth consecutive year.

Regarding expenses, we have been diligent in managing our base expenses while advancing investments in human capital as well as digital and IT initiatives. As a result, **OHR** has fallen below 50%, achieving 49.6%, which represents the lowest level recorded to date.

Profit Attributable to Owners of Parent, ROE, and RORA

Profit attributable to owners of parent (hereinafter referred to as consolidated net income) increased 12.7 billion yen year-on-year to 43.9 billion yen. This figure represents the highest profits for the second consecutive year, primarily due to low credit costs and an increase in interest and dividends on securities, in addition to robust core business net profit.

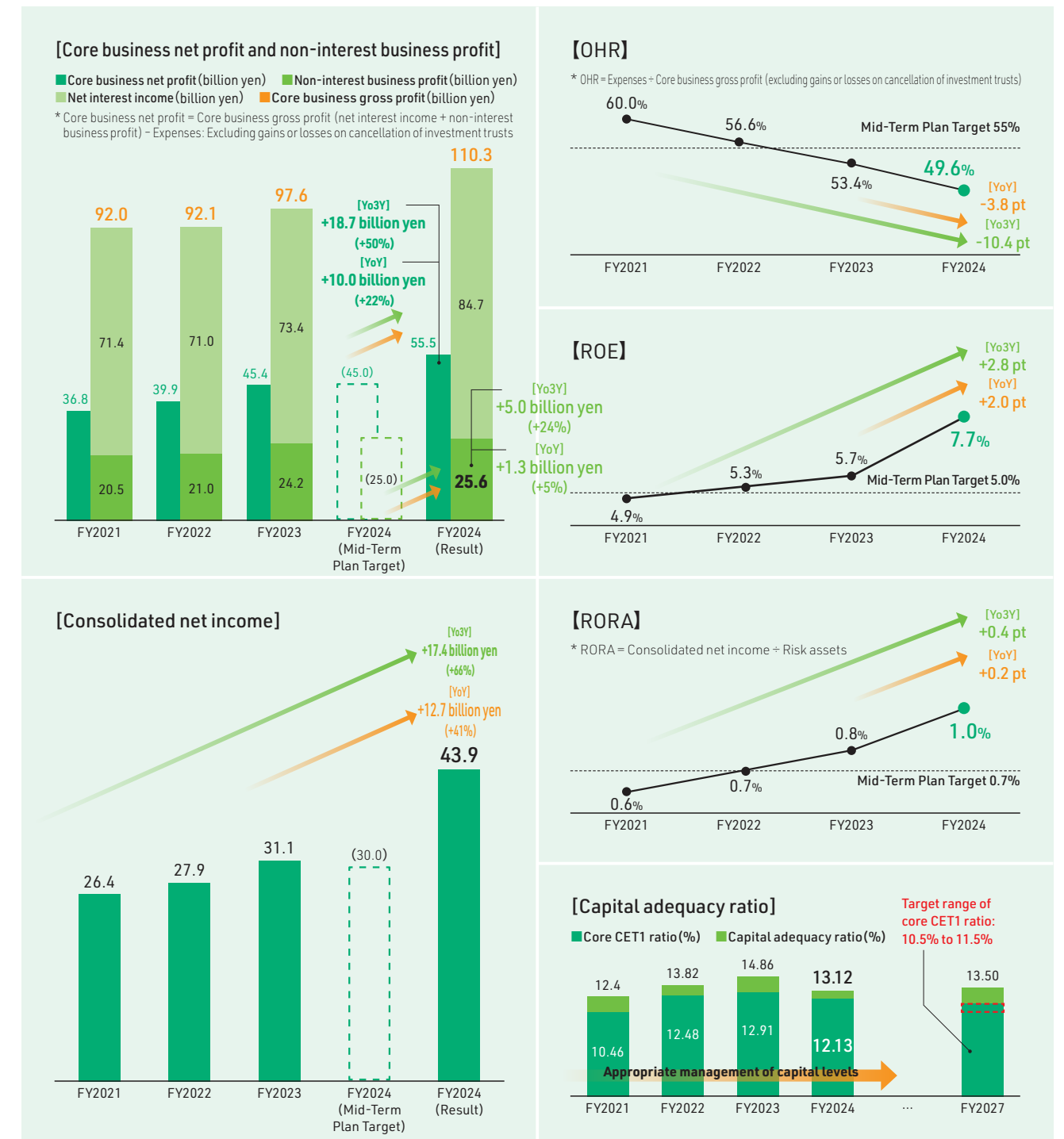
ROE increased 2.0 percentage points year-on-year to 7.7%, which is among the highest within the regional banking sector. RORA also improved by 0.2 percentage points to 1.0%. The consolidated net income, ROE, and RORA all significantly surpassed the targets outlined in the Mid-Term Plan.

Capital adequacy ratio

Capital adequacy ratio decreased 1.74 percentage points year-on-year to 13.12%. Similarly, the core CET1 ratio also declined 0.78 percentage points year-on-year to 12.13%. The Bank aims to maintain its consolidated capital adequacy

ratio around a target of approx. 13.5% and its core CET1 ratio within a range of 10.5% to 11.5%. We are committed to pursuing soundness and capital efficiency while leveraging subordinated bonds (AT1 and B3T2 bonds).

Results and Targets



Numerical targets in the new mid-term business plan

In the New Mid-Term Plan, we are committed to increasing net interest income (see [Topic] below) while deepening the expertise we have developed over time in delivering full-spec solutions for corporations and providing asset management consulting for individuals. Additionally, we will continue to actively invest in the development of human capital, digital transformation, and business reform, all while strengthening control over our base expenses.

To support these objectives, we have established the following targets: non-interest business profit of 35.0 billion yen (an increase of 9.4 billion yen compared to the fiscal year ended March 31, 2025), OHR of approx. 45% (a decrease of 4.6 percentage points from the same fiscal year), and core business net profit of 80.0 billion yen (an increase of 24.5 billion yen from the same fiscal year).

For our group companies, we aim to maximize group profit by further leveraging group functions and

strengthening group governance, including initiatives such as providing asset management proposals through bank-securities coordination, promoting cashless payments in the region, and ensuring the sustainability of regional businesses.

Through these initiatives, we aim to achieve the targets outlined in the New Mid-Term Plan as follows: consolidated net income of 60.0 billion yen (an increase of 16.1 billion yen compared to the fiscal year ended March 31, 2025), and ROE of 10% (an increase of 2.3 percentage points from the same fiscal year) or higher.

See below for details of our previous financial results.



Financial Summary Report

See below for details of the new mid-term business plan.



IR Briefing Session

[Numerical targets in the new mid-term business plan]

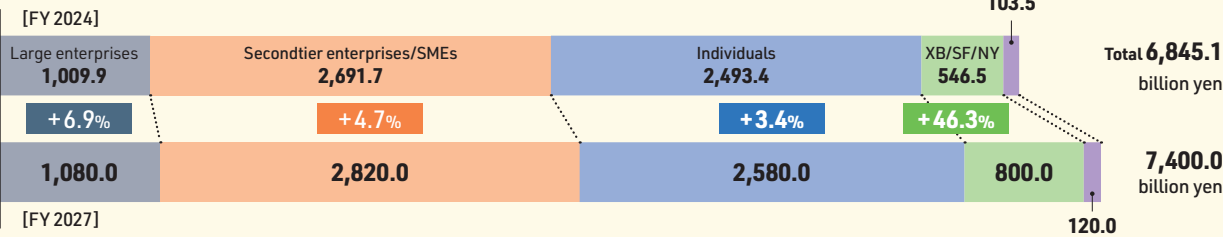
	FY2021 Result	FY2024 Result	FY2027 Target
	Innovation New Dimension	Innovation for "Purpose"	Growth with "Purpose"
Core business net profit (Excluding gains or losses on cancellation of investment trusts)	36.8 billion yen	55.5 billion yen	80.0 billion yen
Non-interest business profit	20.5 billion yen	25.6 billion yen	35.0 billion yen
Consolidated current net income	26.4 billion yen	43.9 billion yen	60.0 billion yen
Group companies' profit	3.0 billion yen	3.4 billion yen	6.0 billion yen
OHR (Excluding gains or losses on cancellation of investment trusts)	60.0%	49.6%	approx. 45%
ROE	4.9%	7.7%	10.0% or more
RORA	0.6%	1.0%	1.2% or more
Capital adequacy ratio	12.4%	13.1%	approx. 13.5%
Core CET1 ratio	10.4%	12.1%	11.5%

[Topic] Loan Balance Targets for the New Mid-Term Plan

With higher interest rates, it has become increasingly critical to focus on accumulating high-quality asset-based lending. Historically, the Bank has advanced high RORA lending activities, such as **large corporate loans**, **cross-border loans (XB)**, **structured finance (SF)**, and loan portfolio increases at the **New York Branch**. Additionally, we have promoted market interest rate-linked loans for our corporate customers and established a portfolio that is highly sensitive to interest rate changes.

For the next three years under the New Mid-Term Plan, we will continue to focus on these initiatives and aim to enhance net interest income through the synergistic effects of both an increase in the outstanding balance and rising interest rates. In the small and medium-sized enterprise sector, we are committed to further enhancing RORA by strengthening non-interest business profit and improving credit quality through our purpose-driven sales.

[Loan Balance Targets]



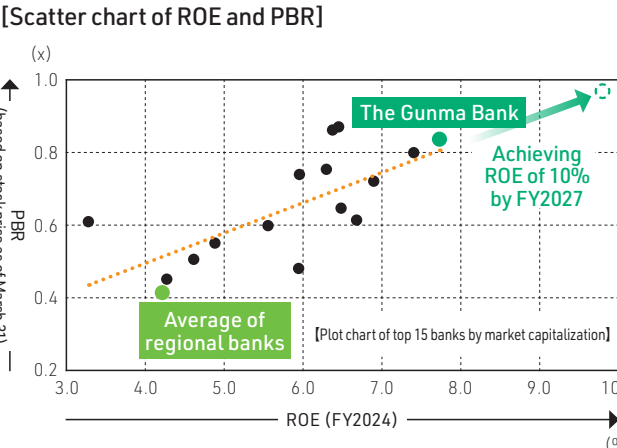
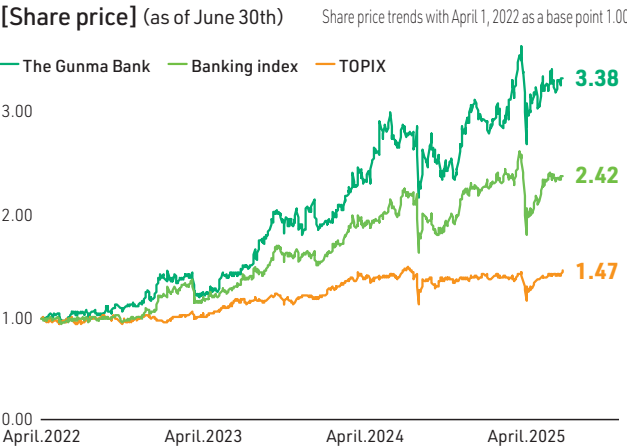
Efforts to Improve Corporate Value

Management with an awareness of capital cost and stock price

The Bank values engaging in dialogue with capital markets. We are focusing on business management to increase corporate value by sharing issues identified through current analysis and opinions from shareholders and investors during Board of Directors meetings.

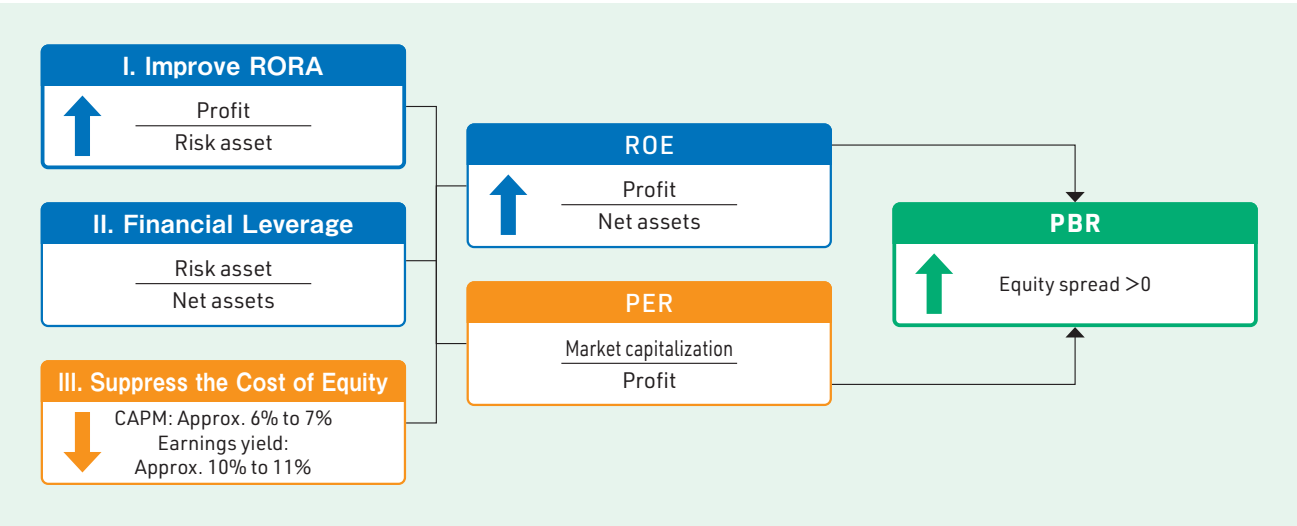
As shown in the chart below, over the past three years of the Mid-Term Plan, the Bank's share price has significantly exceeded both the banking index and TOPIX. For the fiscal

year ended March 31, 2025, ROE was 7.7%, which is among the highest within the regional banking sector. However, it remains below the capital cost implied by the share price (approx. 10% to 11% on an earning yield basis), and there is still some progress to be made to reach a PBR of 1.0x. Our objective is to eliminate negative equity spreads by achieving ROE of 10% or higher, in line with the targets of the New Mid-Term Plan.



Strategies for improving corporate value

Enhancing ROE and PER is critical to the improvement of PBR. To elevate corporate value, the Gunma Bank Group is dedicated to advancing three key strategies: "I. Improve RORA," "II. Control Financial Leverage," and "III. Suppress the Cost of Equity" to enhance PER.



I. Improve RORA

The Bank has long recognized RORA as a vital management indicator. Currently, initiatives to improve RORA are effectively integrated at all operational levels, from management to employees in the workplace, and the entire organization is engaged in sales and business

activities with a focus on RORA and ROE considerations. For a detailed overview of our RORA initiatives, see "RORA Management to Improve Corporate Value" on page 50. It outlines our previous efforts as well as the strategic direction moving forward.

II. Control Financial Leverage

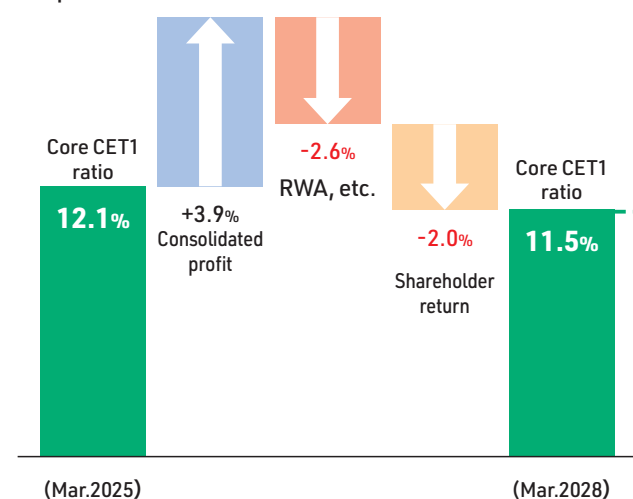
Efforts to build an optimal capital structure

As previously mentioned, we focus on the core CET1 ratio as our capital management perspective, setting a target range of 10.5% to 11.5%.

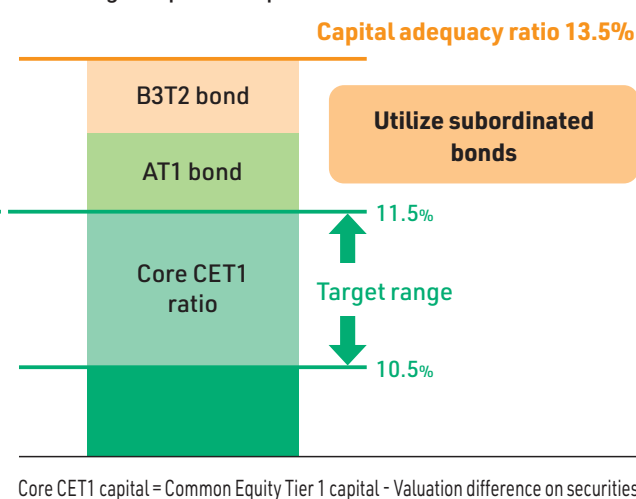
Leveraging the Bank's status as a bank adhering to the uniform international standard, we are working to utilize AT1 bonds (with an outstanding balance of 20.0 billion

yen as of the end of March 2025) and B3T2 bonds (also totaling 20.0 billion yen at the same date) to enhance the diversification of our capital structure. Furthermore, we are committed to establishing an optimal capital structure that emphasizes soundness and a reduction to the cost of equity.

[Capital allocation]



[Building an optimal capital structure]



III. Suppress the Cost of Equity

Enhancing IR activities and reducing information asymmetry

The Gunma Bank Group is committed to reducing information asymmetry through proactive efforts to engage in open and transparent dialogue with market participants, as well as IR activities aimed at suppressing the cost of equity.

Our IR initiatives include a range of activities, such as regular meetings with institutional investors of all sizes and IR briefings for local individual investors. Notably, our February briefing session marked our first collaboration with local listed companies. Additionally, we participated in seminars organized by rating agencies to deliver presentations.

Furthermore, we place significant emphasis on IR for overseas institutional investors. In addition to regular non-deal roadshows conducted abroad, we are expanding our content offerings to include English-language CEO messages available on the Bank's website and on YouTube, along with a comprehensive array of disclosure documents in English. These measures aim to strengthen our connections with international investors.

Our efforts have been well received; in January 2025, the Bank was recognized as an eligible participant in the Award for Excellence in Corporate Disclosure by the Securities Analysts Association of Japan.

IR serves as a vital platform for actively communicating our business results and management strategies while also facilitating the collection of market opinions and feedback. We remain committed to the continuous enhancement of our IR activities as we engage with the evolving market landscape.

Shareholder relations (SR) activities

In addition to our IR efforts, we actively participate in SR activities. These initiatives involve regular communications with institutional investors (specifically those responsible for exercising voting rights) and with voting advisory companies. Our objective is to share our business conditions and any relevant challenges, thereby fostering a deeper mutual understanding. By continuously enhancing our communication strategies, we aim to improve our corporate value.



IR briefing session in action

Results of IR Activities (FY2024)

For domestic institutional investors Large IR (May, Nov.)/Mid-Term Plan IR (Mar.) Small MTG (Jun., Aug., Dec., Feb.)	For overseas institutional investors IR in U.S. (Jul.) Asia (Mar.) Securities firm conference (Mar.)
For individual investors (Sep., Feb.)	Other various activities (1on1 MTG, SR MTG, etc.)

Details for IR activity list



CEO Messages



Shareholder Returns

The Gunma Bank Group has previously implemented a shareholder return policy that focuses on a shareholder return ratio (targeting 40% of the consolidated net income), which combines stable cash dividend payments and the acquisition cost of treasury shares. However, we have revised our policy to focus on the dividend payout ratio (targeting 40% of the consolidated net income), effective from the fiscal year ended March 31, 2025. Furthermore, we have introduced a progressive dividend system.

Consequently, the dividend per share for the fiscal year ended March 31, 2025 was 45 yen (an increase of 23 yen from the previous fiscal year), and the dividend payout ratio was

Shareholder return policy

(Starting from the fiscal year ended March 31, 2025)

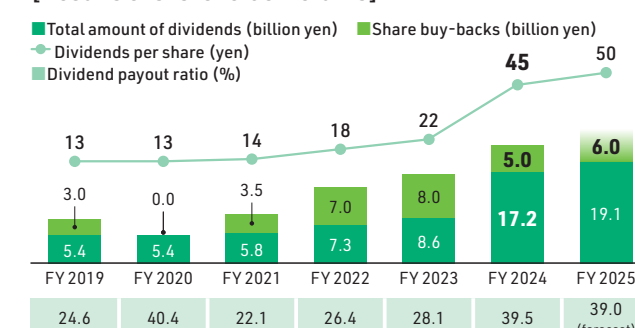
The bank's basic policy on dividends is a progressive dividend system that aims to maintain or increase dividends. The bank strives to achieve a payout ratio of 40% of profit attributable to owners of parent and will increase dividends through profit growth. In addition, the bank will flexibly implement acquisition of treasury shares based on capital levels, capital efficiency, growth investment opportunities, and market trends.

39.5%. When incorporating the acquisition cost of treasury shares, which stood at 5.0 billion yen, the shareholder return ratio reached 50.7%, exceeding 50% for three consecutive fiscal years.

For the current fiscal year (ending March 31, 2026), we plan to increase the dividend per share by 5 yen to distribute the annual dividend of 50 yen, marking the fifth consecutive year of dividend growth. Additionally, in July we resolved to acquire treasury shares (up to 6 billion yen).

We remain committed to enhancing shareholder returns while carefully balancing our profit levels, risk-taking, and capital levels.

[Results of shareholder returns]



Reduction Target of Shares for Policy Purposes

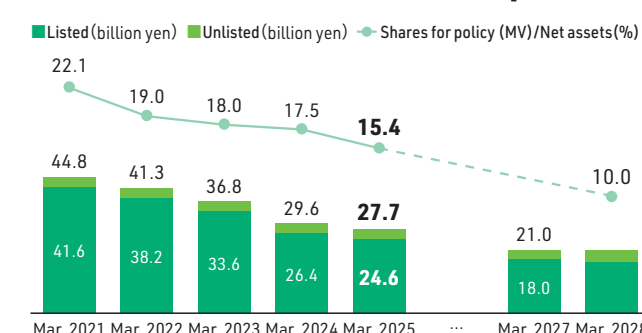
In November 2022, the Gunma Bank Group announced its objective to reduce the book value balance of listed shares by 20.0 billion yen (a 50% reduction on a book value basis) over five years, commencing at the end of March 2022. As of the end of March 2025, we have reduced it by 13.6 billion yen, achieving a progress rate of 68%. When considering all shares with agreed termination, the progress rate exceeds 80%.

Additionally, the market value ratio of shares for policy purposes to consolidated net assets has decreased to 15.4%. Under the New Mid-Term Plan, we are committed to lowering this ratio to less than 10% by the end of March 2028.

The reduction of shares for policy purposes plays a crucial role in releasing capital and is a vital strategy for risk-taking to approach growth areas. Additionally, this initiative has contributed to an enhancement in asset quality, including the restructuring of the securities portfolio, which leverages gains from the sale of shares for policy purposes. Moving

forward, we will continue to negotiate termination agreements with holders to ensure a steady reduction.

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



Conclusion

In light of both domestic and international developments, the environment in which we operate has experienced significant shifts due to abrupt changes and increased uncertainty. The New Mid-Term Plan, "Growth with 'Purpose,'" envisions a future where both the Gunma Bank Group and the communities we serve can achieve sustainable growth by strengthening purpose-driven sales and establishing a sustainable regional ecosystem.

In April 2025, we announced a basic agreement regarding the business integration with Daishi Hokuetsu Financial Group. Based on the fundamental principles of mutual trust and equal integration, we aim to achieve not just an "addition," but a "multiplication" of our efforts to maximize growth synergies.

As we move forward, the Gunma Bank Group will continue to implement strategies aimed at enhancing corporate value and will strive to fulfill the expectations of our stakeholders. We sincerely appreciate your continued support.

