Message from the Director of Finance

Driving higher PBR through sustainable EPS growth.



Takeo Uchibori
Deputy President and Representative Director
The Gunma Bank

Steady Progress in the First Year of the Mid-Term Business Plan Striving to Achieve the Mid-Term Business Plan Targets a Year Ahead of Schedule in FY2026

Financial results for FY2025 (fiscal year ended March 31, 2026)

The fiscal year ended March 31, 2026 was a year that underscored Japan's full-fledged transition to a "world with interest rates," as the Bank of Japan's additional rate hikes brought the policy interest rate to around 0.75% (around 1.00% as of July 2026), the highest level in nearly 30 years.

The Gunma Bank Group (hereinafter referred to as the Bank) has delivered solid results by leveraging these changes in the macroeconomic environment as well as the strengths of purpose-driven management, which has been refined over the years. As a result, core business net profit (excluding gains or losses on cancellation of investment trusts) increased by 15.6 billion yen year-on-year to 71.1 billion yen, representing a significant profit increase.

The increase in core business net profit, which reflects the profitability of our main businesses, was driven primarily by an increase in interest on loans and an increase in non-interest business profit. The accumulation of high-quality loan assets under the RORA management, as well as the initiatives to enhance the sensitivity of the loan portfolio to interest rate changes contributed to the increase in interest on loans.

In addition, with respect to non-interest business profit, we provided optimal solutions to our corporate customers by sharing needs and management challenges through our business evaluation, the "Connecting Process." For individual customers, we responded to a wide range of needs, including asset-building needs among the working generation and asset preservation/succession needs among the retired generation, by offering diversified proposals through bank-securities coordination. As a result, non-interest business profit reached a record high for the seventh consecutive fiscal year.

With respect to expenses, we continued initiatives for future growth, including human capital investment and investment for digital transformation. Meanwhile, we maintained control over base expenses and OHR has continued to improve.

As noted above, profit from our main businesses has maintained a stable and sustainable growth trajectory. Supported by this solid profit from the main businesses, profit attributable to owners of parent amounted to 58.8 billion yen, marking a record high for the third consecutive fiscal year.

As the first year of the Mid-Term Business Plan, "Growth with 'Purpose'," which runs through the fiscal year ending March 31, 2028, I, as Director of Finance, assess that we have made a solid start.

Earnings forecast for FY2026 (fiscal year ending March 31, 2027)

Building on the results of the previous fiscal year, we will implement a range of initiatives aimed at further growth and strive to expand our earnings in the fiscal year ending March 31, 2027.

To further enhance net interest income, we will continue to actively respond to our customers' funding needs, while also taking into account the current interest rate environment and initiating the rebalancing of our national government bond portfolio.

We also regard non-interest business profit as an important earnings pillar.

For corporate customers, we will continue to promote a full-spec approach, starting with the "Connecting Process," through which we provide a broad range of solutions tailored to their needs. In particular, in the area of foreign exchange derivatives, one of our corporate service offerings, we will benchmark against Daishi Hokuetsu Financial Group, which is ahead in this area, and promote the sharing of know-how while strengthening proposal capabilities through close collaboration between sales branches and headquarters. For individual customers, we will thoroughly implement asset management-oriented sales, which address customers' entire asset portfolios, thereby supporting customers' steady asset building.

For the fiscal year ending March 31, 2027, we forecast net interest income of 111.7 billion yen (up 9.9 billion yen year-on-year), non-interest business profit of 35.0 billion yen (up 5.7 billion yen year-on-year), and core business net profit (excluding gains or losses on cancellation of investment trusts) of 82.0 billion yen (up 10.9 billion yen year-on-year). As a result, profit attributable to owners of parent is expected to reach 65.0 billion yen. Non-interest business profit, core business net profit, and profit attributable to owners of parent are all expected to reach levels that would achieve the targets set for the final year of the Mid-Term Business Plan one year ahead of schedule. In addition, ROE is expected to increase by 0.5 percentage points year-on-year to 10.5%.

See below for details.
Financial Summary Report
IR Briefing Session

Growth with "Purpose"

Current Mid-Term Business Plan (April 2025 - March 2028)

<Numerical results and targets> (Unit: Billions of yen)	(FY before the previous FY) FY2024	Changes	First year (Previous FY) FY2025	Changes	Second year (Forecast for Current term) FY2026	Final year FY2027
Core business gross profit	107.7	+26.8	134.6	+12.1	146.7	Aiming to achieve the targets one year ahead of schedule
Net interest income	82.1	+23.1	105.2	+6.5	111.7	
Excluding gains or losses on cancellation of investment trusts	84.7	+17.1	101.8	+9.9	111.7	
Non-interest business profit	25.6	+3.7	29.3	+5.7	35.0	35.0 billion yen
Expenses	54.8	+5.2	60.0	+4.7	64.7	
Core business net profit	52.9	+21.6	74.5	+7.5	82.0	
Excluding gains or losses on cancellation of investment trusts	55.5	+15.6	71.1	+10.9	82.0	80.0 billion yen
Credit costs	3.1	+0.3	3.4	+2.1	5.5	
Ordinary profit	62.0	+22.8	84.8	+10.2	95.0	
Profit attributable to owners of parent	43.9	+14.9	58.8	+6.2	65.0	60.0 billion yen
<Ratio results and targets>						
OHR (Excluding gains or losses on cancellation of investment trusts)	49.6%	-3.9%	45.7%	-1.7%	44.0%	approx. 45%
ROE	7.7%	+ 2.3%	10.0%	+ 0.5%	10.5%	10% or more
RORA	1.0%	+ 0.4%	1.4%		—	1.2% or more
Capital adequacy ratio	13.12%	+ 2.01%	15.13%		—	approx. 13.5%
Core CET1 ratio	12.13%	+ 1.37%	13.50%		—	11.5%

* The red squares indicate the targets the Company plans to achieve the FY2027 targets one year ahead of schedule.

PBR of 1x is Only a Milestone: Advancing to the Next Phase of Sustainable EPS Growth for Further Corporate Value Improvement

Initiatives to improve corporate value

The Bank has consistently pursued management that emphasizes capital efficiency, with "Improve RORA" and "Control Financial Leverage" as the two pillars of our initiatives to improve ROE.

Since we first set RORA as a target in the mid-term business plan in 2019, headquarters and sales branches have shared "RORA" as a common language and have advanced initiatives such as improving customer profitability and strengthening consulting sales. Through steady progress in these initiatives, RORA management has become deeply embedded in the Bank as part of the corporate culture. For a detailed overview of our RORA initiatives, see "RORA Management to Improve Corporate Value" on page 56.

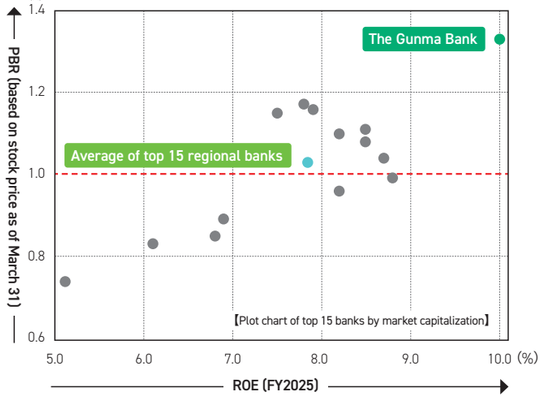
In addition, to build an optimal capital structure, we manage a core CET1 ratio within a target range of 10.5% to 11.5%, and are promoting the diversification of our capital structure through the issuance of AT1 bonds, the only such issuance by a regional bank, and the utilization of B3T2 bonds.

PBR above 1x through management with an awareness of capital cost and stock price

These initiatives aimed at improving corporate value have been built on our understanding of the issues identified through current analysis, as well as through ongoing dialogue with capital markets. We have advanced the initiatives with the belief that corporate value is improved by consistently committing to each of the targets and measures we set, and by steadily building a track record of execution that earns the trust and confidence of the markets.

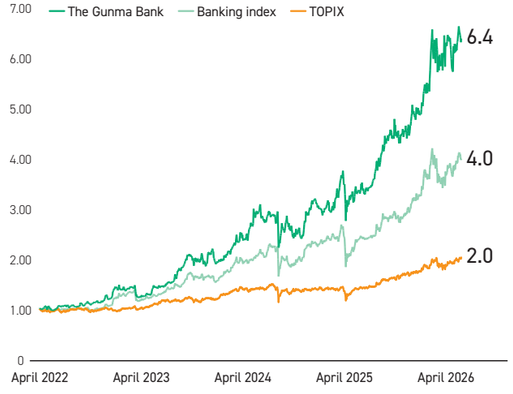
As a result, we became the first regional bank to exceed a PBR of 1x in August 2025. We continue to maintain a high level of 1.26x relative to our peers as of March 31, 2026. We understand this as reflecting a certain level of recognition from the capital markets of our management stance and future growth potential.

Scatter chart of ROE and PBR



Share price (as of May 29)

* Share price trends with April 1, 2022 as a base point 1.00



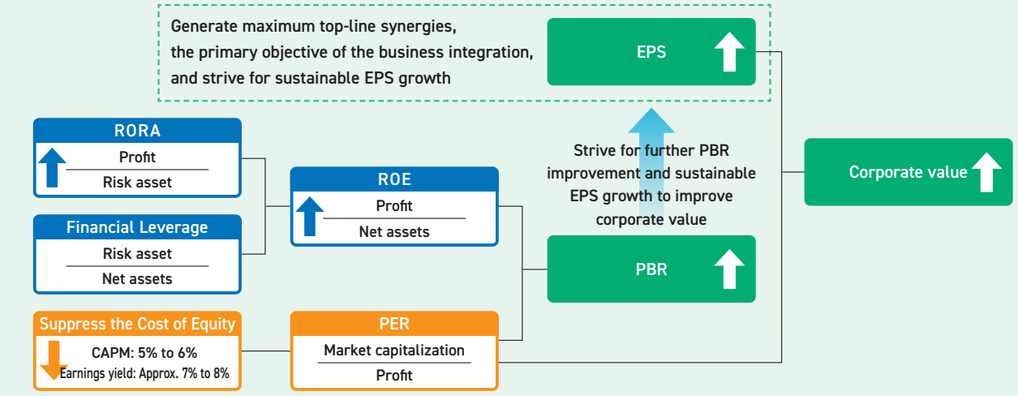
Advancing to the next phase of corporate value improvement

We consider a PBR of 1x not a goal but a milestone. For us, it represents a starting point for further improvement of corporate value, and we recognize that we are now entering a phase of EPS growth.

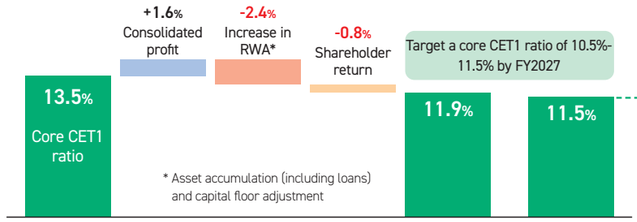
In order to achieve steady and sustainable EPS growth, we will further strengthen profitability through our main businesses, while also enhancing the quality of EPS through capital management, balancing growth investments, retained earnings, and shareholder returns. The primary driver of EPS growth will be the business integration with Daishi Hokuetsu Financial Group, scheduled for April 2027.

In this integration, we are positioning our objective not on cost reduction, which has been the main focus of past regional bank reorganizations, but on top-line growth. The post-integration "Gunma Niigata Financial Group" will leverage an expanded customer base and a broad business area spanning from Niigata Prefecture to the Kanto region to create new earnings opportunities and drive sustainable EPS growth, thereby achieving further improvement of corporate value.

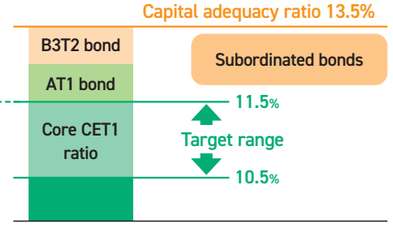
Initiatives to improve corporate value



Capital allocation



Building an optimal capital structure



Striving for Enhanced Shareholder Returns through Sustainable Profit Growth

Shareholder returns

In the fiscal year ended March 31, 2026, the total amount of dividends amounted to 23.4 billion yen (annual dividend per share of 62 yen) and acquisition of treasury stock amounted to 6.0 billion yen. This resulted in a dividend payout ratio of 40.0% and a rate of return to shareholders of 50.1%. Notably, the rate of return to shareholders has exceeded 50% for four consecutive fiscal years.

For the fiscal year ending March 31, 2027, we plan to pay an annual dividend per share of 70 yen (an increase of 8 yen year-on-year), with a dividend payout ratio expected to be 40.8%.

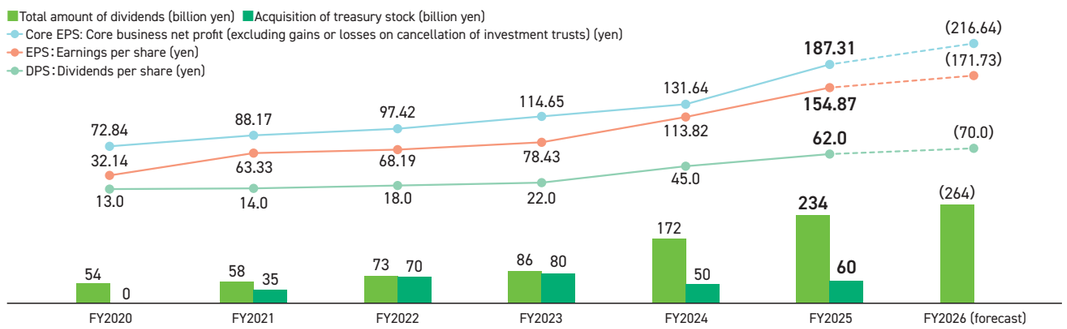
We adopt a progressive dividend policy with a target dividend payout ratio of 40%, and intend to achieve increases in dividends through profit growth. In addition, we will consider the flexible acquisition of treasury stock, taking into account capital levels, market trends and other factors.

We remain committed to enhancing shareholder returns through sustainable profit growth.

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

Regarding dividends, the Bank adopts a progressive dividend policy to maintain or increase dividends. Our target dividend payout ratio is 40% of the profit attributable to shareholders of the parent company, and we intend to achieve increases in dividends through profit growth. In addition, we will consider the flexible acquisition of treasury stock, taking into account capital levels, capital efficiency, growth investment opportunities, and market trends.

Results of shareholder returns



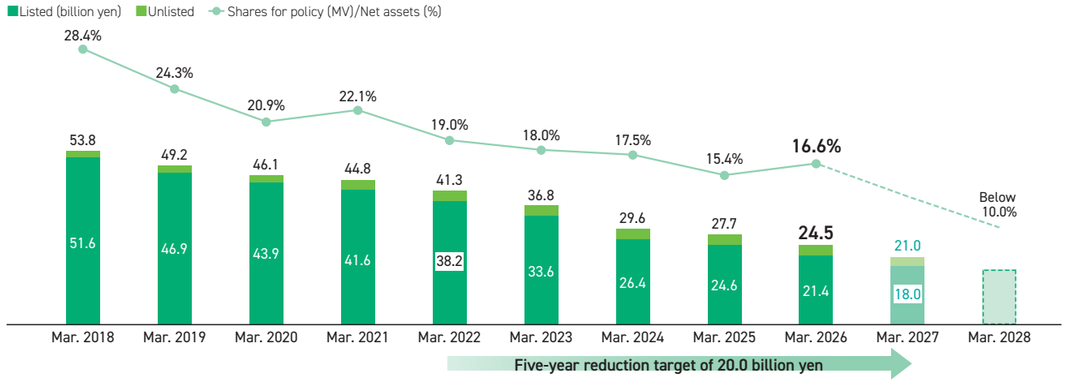
Reduction of shares for policy purposes

The Bank set its objective to reduce the book value balance of listed shares for policy purposes by 20.0 billion yen (a 50% reduction on a book value basis) over five years from the end of March 2022. As of the end of March 2026, we achieved a progress rate of 84%. When considering all shares with agreed termination, the progress rate exceeds 100%, achieving the target level.

The market value ratio of shares for policy purposes to consolidated net assets stood at 16.6%. Under the Mid-Term Business 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 is an important initiative that enables more effective use of capital and promotes risk-taking in growth areas. At the same time, we believe that maintaining a certain level of shareholdings in local companies can also contribute to regional economies through shareholder engagement. Taking these perspectives into account, we will continue to pursue a balanced approach.

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



Striving for Enhanced Shareholder Returns through Sustainable Profit Growth

IR activities and shareholder relations (SR) activities

The Bank is committed to reducing information asymmetry through open and transparent dialogue with market participants, as well as enhanced IR activities.

In addition to regular IR initiatives, including meetings with institutional investors of all sizes and IR briefings for local individual investors, we are broadening the scope of our dialogue, and in January 2026, we held outside directors' first IR meeting for analysts.

We are also actively engaged in IR for overseas institutional investors, and conduct multiple non-deal roadshows across various regions every year.

In addition, we are enhancing our content offerings to strengthen our connections with international investors. By expanding English-language IR materials and disclosure documents, we are advancing disclosure for international investors at a level comparable to that for domestic investors.

Our efforts have been well received: we were ranked 5th in the banking sector and 2nd among regional banks in the Award for Excellence in Corporate Disclosure by the Securities Analysts Association of Japan announced in October 2025.

IR serves as a vital platform for actively communicating our business results and management strategies while also facilitating the collection of market opinions and expectations. We will continue to proactively expand our initiatives as we engage with the market.

In parallel with our IR efforts, we are also actively conducting SR activities. Through regular communications with institutional investors and voting advisory companies, we are promoting a shared understanding of our business condition and relevant challenges.

By continuously enhancing our communication strategies, we aim to improve our corporate value.

Results of IR Activities (FY2025)

For institutional investors	2 large IR meetings / 4 small meetings Facility tour (Fukaya Branch)/Outside Directors' IR Meeting
For overseas institutional investors	3 meetings: Europe (Jun.), U.S. (Aug.), Asia (Apr. 2026)
For individual investors	2 meetings (at Takasaki in Aug. and Feb.)
Others	1on1 MTG, SR MTG, etc.

Visit the websites below for details.

English-language website (CEO Messages, etc.)

IR activity overview

Conclusion

Through fundamental reforms of our profit structure and the establishment of a lean management framework, we have successfully captured the turning point toward a "world with interest rates," achieving milestones such as record-high profits and a PBR above 1.0x. However, we recognize that we have merely reached the starting point for the next phase of growth.

The business integration with Daishi Hokuetsu Financial Group will be the key driver accelerating the next stage of growth. By combining the strengths of two leading regional banking groups, we will strive to maximize top-line synergies and evolve into a financial group that is deeply rooted in local communities while continuing to take on broader and more expansive challenges.

Become a financial group that constitutes one of the top regional banks in terms of both scale and quality of management

Guided by this shared vision, both groups will act as one to continuously pursue transformation. We look forward to your continued interest in our initiatives.

We will strive to fulfill the expectations of our stakeholders. We sincerely appreciate your continued support.



TOPICS Outside Directors' First IR Meeting

In January 2026, we hosted Outside Directors' first IR meeting for analysts. Two directors (Mr. Kondo and Ms. Nishikawa) participated as speakers, and an active Q&A session was conducted with sell-side and buy-side analysts from a variety of perspectives.

Dialogue at the IR Meeting (excerpt)

Q. Please share the Board's discussions and opinions regarding the business integration with Daishi Hokuetsu Financial Group.

A. While the Gunma Bank has achieved growth on its own, there are limits to sustaining growth. The integration with Daishi Hokuetsu Financial Group, with which the Bank has maintained a good relationship, represents a decision to achieve the next stage of growth together with local communities. **(Mr. Kondo)**

A. Outside directors were generally supportive of the integration, recognizing it as a decision to accelerate growth. Outside directors' suggestions were incorporated into the decision-making process, resulting in a well-reasoned strategic decision. **(Ms. Nishikawa)**

Q. How have local voices changed, and how has the Gunma Bank responded to such changes?

A. Local voices point to difficulties in securing human resources. By promoting purpose-driven consulting sales, Gunma Bank is establishing a strong presence in the local community. **(Mr. Kondo)**

Q. Since becoming an outside director, how has empowerment of young talent and female employees changed?

A. When I first joined the Board, it was highly homogeneous and gave the impression of being male-dominated. I have consistently advocated for changes to the personnel system and working styles to help Gunma Bank foster a more diverse and inclusive organization. I believe these recommendations have been well reflected, including the implementation of a job-based personnel system. **(Ms. Nishikawa)**



Mr. Kondo



Ms. Nishikawa

Details of the roundtable discussion