Laying a sound financial foundation by optimizing our profitability and capital efficiency to secure our position to Remain Our Customers' Banking Group of Choice



Director and Managing Executive Officer
Yoshinori Kurahigashi

Review of Business Performance

Progress in strengthening our revenue base while adapting to changes in our operating environment

Fiscal 2025 was a period of steady progress in strengthening our core business earnings amid a significant shift in the nation's interest rate environment following the Bank of Japan's policy rate hike.

Consolidated net income for the year reached a new record high of 17 billion yen, boosted primarily by an increase in our loan balance and higher net interest income due to rising yields.

While we attribute these results largely to our ongoing efforts to strengthen our operations base and enhance our market management capabilities, we also recognize the contribution of external factors such as the increase in the policy interest rate to this achievement. The results reinforce our belief that there is further room for improvement in the Group's earnings power.

(¥ Billion)

		FY2024 Actual results	FY2025 Actual results	Year-on-year comparison
Consolidated	**Ordinary income**	19.6	**24.8**	+5.1
	Net income	13.5	**17.0**	+3.5
Bank (non-consolidated)	Gross business profit	61.8	**66.0**	+4.1
	Net interest income	56.3	**61.7**	+5.4
	Interest on loans	43.4	**55.1**	+11.6
	Interest on securities	19.7	**19.5**	-0.1
	Of which, gains/losses on redemption of investment trusts	1.5	**-2.7**	-4.3
	Interest on deposits	3.7	**11.8**	+8.0
	Fee and commission income	7.3	**6.7**	-0.6
	Other operating income (excluding gains/losses on government bonds and other bonds)	-1.7	**-2.4**	-0.6
	Gain on foreign exchange transactions	2.9	**2.2**	-0.6
	Operating expenses	41.6	**42.4**	+0.7
	Personnel expenses	22.3	**23.0**	+0.7
	Property expenses	16.0	**16.5**	+0.4
	Core net business income	20.1	**23.5**	+3.4
	Net gains (losses) on bonds	-2.1	**-1.2**	+0.8
	Gains/losses on stocks and other securities	3.9	**3.9**	-0
	Ordinary profit	19.0	**23.7**	+4.6
	Net Income	13.3	**16.5**	+3.2
	Credit-related expenses	2.7	**2.8**	+0.1
	Market Division revenue	12.9	**15.8**	+2.9

Outlook for earnings and the sustainability of our revenue growth

FY2026 earnings outlook and challenges for profitability

In fiscal 2026, we plan to raise our net interest income by securing higher interest income from loans and improving our Market Operations Department's investment performance, while also working to strengthen our fee and commission income. Our projections show net income rising to 22 billion yen as a result.

To begin with, we expect further growth in net interest income, our core earnings category, supported by an improvement in the spread between deposit and loan rates as well as by a planned increase in loans of approximately 100 billion yen, primarily through structured finance and other initiatives.

In light of the changes in the interest rate environment, moreover, we are restructuring our securities portfolio to achieve steadily improving yields by the Market Operations Department through replacement of low-yield assets and optimization of asset allocations. In the current interest rate environment, the fluctuations in valuation gains and losses on bonds tend to be significant, requiring continuous portfolio management focused on balancing profitability and soundness.

Although we anticipate a year-on-year increase of 400 million yen in fees and commissions, we believe significant room for revenue growth remains. We intend to pursue growth in non-interest income by expanding our network of customer touchpoints and proactively addressing customers' challenges.

In addition to strengthening our earnings power, we consider it essential to reinforce the management foundation supporting this growth in order to achieve sustainable enhancement of our corporate value. While working to optimize productivity, we continue to invest in human capital and IT, and we project an improvement in the OHR to 59.1% for fiscal year 2026.

(¥ Billion)

		FY2026 Plan	Year-on-year comparison
Consolidated	**Ordinary income**	**32.5**	+7.6
Consolidated	**Net income**	**22.0**	+4.9
Bank (non-consolidated)	Gross business profit	**77.3**	+11.3
Bank (non-consolidated)	Net interest income	**71.9**	+10.1
Bank (non-consolidated)	Interest on loans	**68.6**	+13.5
Bank (non-consolidated)	Interest on securities	**24.6**	+5.1
Bank (non-consolidated)	Of which, gains/losses on redemption of investment trusts	**1.5**	+4.2
Bank (non-consolidated)	Interest on deposits	**21.0**	+9.2
Bank (non-consolidated)	Fee and commission income	**7.2**	+0.4
Bank (non-consolidated)	Other operating income (excluding gains/losses on government bonds and other bonds)	**-1.8**	+0.6
Bank (non-consolidated)	Gain on foreign exchange transactions	**1.6**	-0.6
Bank (non-consolidated)	Operating expenses	**45.1**	+2.7
Bank (non-consolidated)	Personnel expenses	**23.8**	+0.8
Bank (non-consolidated)	Property expenses	**18.6**	+2.1
Bank (non-consolidated)	Core net business income	**32.0**	+8.4
Bank (non-consolidated)	Net gains (losses) on bonds	**-3.5**	-2.2
Bank (non-consolidated)	Gains/losses on stocks and other securities	**4.5**	+0.5
Bank (non-consolidated)	Ordinary profit	**31.5**	+7.7
Bank (non-consolidated)	Net Income	**21.5**	+4.9
Bank (non-consolidated)	Credit-related expenses	**2.5**	-0.3
Bank (non-consolidated)	Market Division revenue	**18.0**	+2.1

Progress report and review of our Medium-Term Management Plan

Raising numerical targets in the Medium-Term Management Plan

In light of the steady performance of our core business revenues, and with such factors as the effects of policy interest rate hikes taken into account, we have revised the numerical targets set in our Medium-Term Management Plan upward.

The revisions are not simply about raising profit targets. They are also intended to embed a management discipline focused on the cost of capital and the share price, and thereby to enhance corporate value.

Of particular note, since our current PBR remains below a satisfactory level, we have revised our ROE target for fiscal year 2027 upward to 8.5% or higher. This reflects our long-term aim of achieving an ROE that exceeds our cost of capital and improving our PBR further through strategic asset allocation.

In this context, the target of 8.5% or higher is strictly a goal for the period of the Medium-Term Management Plan, and no more than a milestone on the path toward the Group's ultimate vision. In the medium-to-long term, we will achieve an ROE of 10% or higher by simultaneously enhancing our profitability and our capital efficiency.

■Quantitative targets

		FY2025 (actual)	FY2026 plan	FY2027 plan	(Initial target)	Target level for the future
Sound management	**ROE** (Consolidated)	5.9%	7.0% or more	8.5% or more	5.5% or more	10% or more
Sound management	**Capital adequacy ratio** (Consolidated)	12.8%	11-12%	11-12%	Target range 11-12%	—
Sound management	**Net Income** (Consolidated)	17 billion yen	22 billion yen	30 billion yen or more	18 billion yen or more	—
Sound management	**OHR** (Consolidated)	64.2%	Less than 60%	Less than 55%	Less than 65%	—
Development of human capital	**Engagement score**	73 points	—	75 points or more	72 points or more	—
Development of human capital	**Percentage of female managers**	16.4%	—	20% or more	20% or more	—

Enhancing the revenue base

Far from relying on revenue growth driven by improvements in the interest rate environment, we are aware that ongoing achievement of sustainable growth will require construction of a revenue base that is less susceptible to changes in the business environment.

Although our current revenue structure is dominated by net interest income—primarily from interest on loans—we cannot assume that this growth will continue indefinitely, especially in light of such factors as the continued declines in population and the number of business establishments in our region. We also recognize the challenges raised by our current revenue structure, in which revenues are vulnerable to changes in interest rates and market conditions.

Guided by this understanding, our Group plans to diversify its revenue sources and spread risk by strengthening our efforts in areas such as structured finance and investments—led by the Investment Business Department established in April 2026—in addition to our traditional loan-centric model. Going forward, we will enhance the quality of our earnings and build a revenue base that is less susceptible to changes in the business environment by achieving balanced growth in interest income from loans, fees, and investments.

Message from the Executive Officer in Charge of Finance

The concepts of capital efficiency and capital allocation

We are convinced that achievement of sustainable growth in corporate value will require a balance of financial soundness and improved capital efficiency.

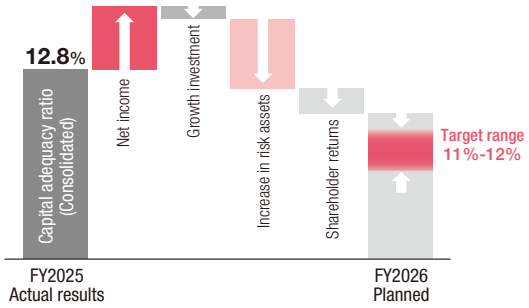
As of end March 2026, our consolidated capital adequacy ratio stood at 12.8%, exceeding our target range of 11% to 12%. This was made possible not only by our accumulation of profits, but also by a reduction in risk-weighted assets resulting from a temporary decrease in our securities holdings.

At the same time, it is essential that we not only maintain an adequate level of equity capital but also allocate it appropriately in areas that contribute to enhancing corporate value. Given the Bank's current PBR, we recognize the need to allocate ample capital to growth areas while maintaining financial soundness, and to achieve an ROE that exceeds our cost of capital.

In fiscal 2026 we consequently plan to expand the allocation of capital not only to lending, but also to areas such as structured finance and investments, where higher returns can be expected. Due to factors such as increases in risk-weighted assets associated with these initiatives, the capital adequacy ratio as of end March 2027 is projected to register approximately 11.9%, a level we believe will continue to ensure sufficient financial soundness.

By refining the sophistication of our risk and asset management, moreover, we will construct a framework that facilitates more efficient use of our limited capital.

In coming months, we will continue to conduct capital allocation that balances profitability and soundness, while striving to improve our earning power and capital efficiency, with the aim of achieving a sustainable increase in ROE and enhancing corporate value.

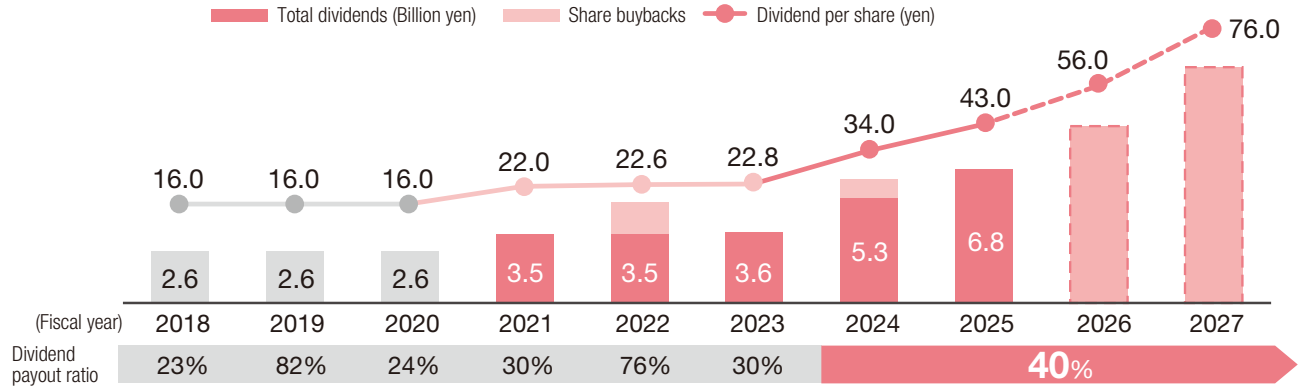


Shareholder returns

We regard returning profits to shareholders as a key management priority. We recognize that sustainable growth in corporate value is possible only through balanced efforts to strengthen earnings power through growth investments and optimize shareholder returns.

Guided by this philosophy, we raised our targeted dividend payout ratio from 30% to 40% as of fiscal year 2024. We plan to pay an annual dividend of 56 yen for fiscal year 2026.

Going forward, we will continue to execute growth investments steadily while maintaining a sound financial foundation, and to continue to provide stable, sustainable returns to shareholders, thus creating a virtuous cycle of enhancing corporate value and enriching shareholder returns.



*1 *As of April 1, 2026, the Bank conducted a 5-for-1 stock split. The dividend per share is shown after adjusting for the effects of this split.
*2 The dividend payout ratio is rounded to the nearest whole number.

Policy-held shares

We are reviewing our policy-held share structure with a view to improving capital efficiency and enhancing our corporate value. As of fiscal 2025, the ratio of policy-held shares (market value) to consolidated net assets had decreased to 17.2%.

Going forward, we will continue to periodically evaluate the rationale for holding each stock and the profitability of our transactions. Selling shares for which we find no apparent rationale for holding enables us to use capital more effectively and improve capital efficiency.

