

Outside Director Roundtable Discussion on January 9, 2026

Principal Questions and Answers, etc.

Presenters: Jun Kondo, Outside Director

Kuniko Nishikawa, Outside Director

(Takeo Uchibori, Senior Managing Director)

Greetings (Self-introduction, Focus as Outside Director, etc.)

[Mr. Kondo]

- I spent my entire career, over four decades, with SUBARU after joining Fuji Heavy Industries Ltd. as an engineer in 1976. Initially, I was assigned to the Gunma Plant, where I engaged in production technology. While I have experience in various fields, such as HR, I see myself as a manufacturing professional.
- In 2003, I became Chief General Manager of the Gunma Plant as an Executive Officer, before becoming the first Chief General Manager of SUBARU's Cost Planning and Management Division, which handles cost management. After becoming a director in 2008, I was transferred to the Head Office as the Chief General Manager of the Strategy Development Division. In 2011, I was appointed as Representative Director and Executive Vice President. Mr. Yoshinaga, the (former) President and CEO who came from a planning and sales background, and I, someone from the manufacturing and development side, engaged in corporate management together. I became Chair of the Board in 2017, before serving as a Special Advisor and eventually stepping down from all my roles at SUBARU.
- I became an outside director at Gunma Bank, accepting the invitation to the post by then-president Mr. Saito. I recall that in those days, banks' outside directors usually came from the financial industry, and it was a challenging period for banks in the ultra-low interest rate environment. Having spent most of my career on the manufacturing floor, I had no experience in the financial industry, which made me hesitant to become an outside director. However, Mr. Saito encouraged me, saying, "No one gets to know local companies better than through hands-on experience. I'd like you to share your



Mr. Kondo

experience and perspective as the voice of the private sector with the Board of Directors. It would also be great if you could draw on your experience as a C-level executive," so I decided to accept his offer.

- Although I have left SUBARU, I continue to work actively by currently serving as a director of Gunma University, and I have been appointed as Chief of the Regional Co-Creation Planning Office at Gunma University.
- Since 2019, I have been serving as the manager of the Gunma Prefecture Professional Human Resources Strategy Center, which was established as part of the Cabinet Office's regional revitalization project. I visit about 200 SMEs and meet with their presidents each year, constantly observing the real struggles they face in management and monitoring their efforts to find a breakthrough. They often speak to me about things they are hesitant to discuss with banks. I believe that it is my responsibility to convey the voices from local business operators to Gunma Bank's Board of Directors and give suggestions and advice as an outside director.

[Ms. Nishikawa]

- After graduating from university, I joined Citibank, N.A. In my days at Citibank, I studied at Stanford University's Graduate School of Business, where I got to know President Fukai as a classmate. After graduating from business school, I stayed with Citibank, engaging in securitization and derivatives at its New York branch. In the early days of my career, I was able to gain experience in banking and finance.
- After returning to Japan, I joined A.T. Kearney, a management consulting firm. From my experience in system projects for urban financial institutions, I gained familiarity with systems in the banking industry.
- Through caring for my own parents, I came to recognize the important role that nurses play, and around that time, an acquaintance invited me to assume the position of President of Supernurse Co., Ltd., a nurse staffing agency. The company was later acquired by a foreign company, which provided me with an opportunity to learn about global governance.
- In 2010, I founded FIRSTSTAR Healthcare Inc., where I currently serve as President. Alongside my entrepreneurial ventures, I led successful turnarounds at two companies where I was recruited to serve as President. One of the companies was FRONTEO Healthcare, Inc., which handled natural language processing AI technology. My experience there allowed me to gain broad knowledge and experience in IT.

- Drawing on these experiences, I have been serving in roles such as outside director at various companies, including Gunma Bank, where I have been an outside director since 2020. Regional banks hold a dominant position within their local regions, making them prone to status quo and normalcy biases, although the environment continues to evolve. Based on my management experience, I believe that disruptive innovations will certainly continue to occur. I recognize that my role is to raise issues and offer suggestions to Gunma Bank based on the experience and insights I have gained from various fields, including from failures. Enhancing corporate value is an essential theme. As the leadership continues to address this challenge while managing risk and making bold management decisions, I hope to provide them with suggestions and advice as a supporter or watchdog at Board meetings.



Q&A

[Business integration]

Q Please share the Board's discussions and the outside directors' opinions regarding the Memorandum of Understanding for the business integration with Daishi Hokutsu Financial Group.

A (Ms. Nishikawa)

- The President and Mr. Uchibori explained the background and other details of the business integration. Every outside director welcomed and praised the decision to integrate with the group.
- Initially, I suggested extensively exploring options beyond the existing vendors for the next-generation core banking system. In the process, I believe they gave ample consideration to the TSUBASA Alliance system and, beyond that, the benefits of business integration with Daishi Hokutsu Financial Group. I highly appreciate that the leadership logically considered an outside director's suggestions and incorporated them into strategies while resolving the issue of system integration, which is pivotal to restructuring.

- In my days at the consulting firm, I researched and analyzed the strategies of US regional financial institutions. Through this experience, I learned the importance of not only deepening ties with local communities but also expanding across such communities through restructuring and acquisition, which was often successful. From this perspective, this initiative integrates leading regional banks, and I expect this will result in a next-level financial institution. Moreover, the combination of Gunma and Niigata Prefectures is very meaningful to me, as my parents are from Niigata Prefecture.

(Mr. Kondo)

- Gunma Bank has been making solid progress towards growth on its own, including achieving the targets of its Medium-Term Business Plan ahead of schedule. However, we are being ushered into an era where continuing to grow at this rate will be extremely difficult. Therefore, I sincerely believe that it is a very good decision to integrate with Daishi Hokuetsu Financial Group, with which the bank has maintained a good relationship as alliance members. To advance measures for the region promptly and efficiently, the bank needs to further expand its asset size. By expanding its asset size through the integration, the bank will be able to do things it could not do on its own. Immediately following the integration, it may take some time before each party can mitigate the other's weaknesses. However, in the near future, I expect that this initiative will result in a leading financial institution with substantial assets.

Q **Tell us how local SMEs are reacting to your integration with Daishi Hokuetsu Financial Group.**

A **(Mr. Kondo)**

- Stakeholders from local automotive-related companies have not brought it up in our conversations to much of an extent. I believe that, rather than indicating a lack of optimism about the initiative, this shows that they have no concerns about the integration changing the bank's business policies. In the past, when news broke of an automobile manufacturer electing to restructure, the suppliers became very nervous, but I have not heard any such concerns about this integration.

[Local voices, regional development, and relationship with the market]

Q Tell us about cases where the Board of Directors incorporated local voices, if any.

Also, do companies have any particular expectations regarding Gunma Bank?

A (Mr. Kondo)

- Since I live in Gunma Prefecture and frequently use Gunma Bank, I experience some inconveniences as a customer, such as the parking lot always being full and long lines at the ATMs. When I bring up such issues at Board meetings, the leadership quickly acknowledges them and reports on how they are being addressed in arenas such as the following month's Board meeting. I see them actively responding to even small observations from locals and find this company to be diligent in doing so.
- Gunma Bank accounts for over 40% of the primary bank market share, mainly from leading companies in the prefecture. From what I see, a distinctive feature of Gunma Prefecture is that financial institutions and their client companies are segmented based on their size. Therefore, most of the struggling SMEs I work with through the Professional Human Resources Strategy Center have credit unions or cooperatives as their main banks. In this respect, Gunma Bank is considered to be in an extremely advantageous position. However, leading companies in the prefecture demand high-quality services, so Gunma Bank needs to lead the region while meeting customer needs.
- As a major bank, Gunma Bank should lead the region, but it does not have to upset the regional balance to increase its market share in the prefecture. I believe a reasonable strategy would be to aim to expand its market share outside the prefecture, including the Keihin Region, while maintaining its presence within the prefecture.

Q Since you became an outside director, how have local voices changed, and how has Gunma Bank responded to such changes?

A (Mr. Kondo)

- As I mentioned at the beginning, it is my responsibility to convey local voices to the bank, and from what I hear, a recent major challenge that they face is securing human resources. At Gunma Bank, Gungin Consulting provides staffing services, and the service fee is significantly high. Initially, at Board meetings, I pointed out that such fees would be burdensome for SMEs and should be set as low as possible, since if the staffing services helped improve performance, their business with the bank would expand and benefit both parties. However, Gungin Consulting's staffing service has actually been very well received, with clients finding the fees reasonable and frequently returning. They also like the company's approach of seeing the contract signing as the beginning, unlike major agencies that end their involvement after placement. Indeed, the pioneering HR business is showing one of the strongest results among all financial institutions. This is an example of a customer-centered business that understands the challenges customers face and offers fee structures that are appropriate for satisfying their needs.
- While Gunma Bank has the strong driving force to ensure the achievement of targets and KPIs such as those set out in its Medium-Term Business Plan, this driving force may not always align with customer needs. To prevent such misalignment, I believe that the Purpose is very effective. Through its Purpose, "By connecting the strands of resources, people, and generations, we weave better futures for our communities," this bank pledges to be community-first. Gunma Bank grows for local communities, and thereby drives their growth. This Purpose logically expresses how the bank balances economic and social values to create a virtuous cycle. To keep its Purpose effective and meaningful, the president personally explains and facilitates understanding through employee engagement sessions, while also ensuring that each employee truly internalizes it as their "Personal Purpose." Previously, we heard locals saying, "Gunma Bank only proposes services to earn fees," but we no longer hear such feedback.
- In this way, the Purpose is contributing significantly to regional development. However, we need to watch out for pitfalls, especially when things are going well, so I make sure to check with the Board of Directors that the voices of frontline personnel are being thoroughly conveyed to the leadership.

Q Some believe that excess capital should be returned to shareholders to improve ROE and capital efficiency, while others think that some of it should be retained in reserve to support the regional economy. What are your thoughts on excess capital?

A **(Ms. Nishikawa)**

- What we genuinely do for customers helps both enhance corporate value and improve the regional economy, which are compatible. In my career, I was once shocked by the gap between Japanese companies seeking short-term benefits and American companies seeking to build long-term relationships. As a regional bank, it is clearly important for Gunma Bank to aim to grow alongside local communities and customers in the long term, so it needs to think about maintaining some capital reserves. The target capital level should be discussed by the leadership in line with the strategy. We, as outside directors, would like to logically validate the numbers and make sure to raise any concerns at Board meetings.

Q There are two aspects to operating regional banks: as listed companies, they think about their shareholders, while as regional financial institutions, they think about regional development. If you were in a situation where you would have to choose one of these, as an outside director, which would you prioritize?

A **(Mr. Kondo)**

- I would definitely prioritize regional development. The Purpose reads “we weave better futures for our communities.” I believe if Gunma Bank stops thinking about local communities, there will be no reason for it to exist.

[ESG matters]

Q Since becoming an outside director at Gunma Bank, what changes have you noticed in areas such as empowering young talent and female employees?

A (Ms. Nishikawa)

- In my early days as an outside director, Gunma Bank was so homogeneous that I was met with surprise simply for asking questions at Board meetings. The bank itself was also male-dominated. In that environment, what I am most focused on as an outside director is how the bank can embrace diversity.
- As an example of embracing diversity, I highly appreciate the implementation of the job-based personnel system, which allows the bank to accurately assess specialists. Meanwhile, regarding women's empowerment, I have been stressing the importance of building a track record in departments where women can thrive, such as HR and DEI, rather than simply advancing their careers. In April 2025, the bank appointed its first female Executive Officer to the HR Management Department. I appreciate this achievement as it demonstrates that my suggestion was accepted and implemented in a logical, step-by-step manner. Based on my personal experience, I fully recognize how hard it is to handle both work and parenting. The bank is still in the process of building a support system and fostering a culture where women can work comfortably, so I hope that the bank will continue its initiative going forward.

Q Tell us about the current status and approach to Gunma Bank's succession plan.

A (Mr. Kondo)

- Prior to becoming the president, Mr. Fukai already had a positive reputation and strong presence, so there was a general sentiment within the region that he would be the next president. After assuming his current position, I feel that he has won recognition from the market and local communities, as was expected. However, the public attention makes selecting future successors one of the greatest challenges for Gunma Bank, and I have been emphasizing the urgency of this challenge to the bank. In response to this concern, the leadership has established frameworks such as the Corporate Human Resources Development Committee and continues to refine and enhance them through the PDCA cycle. The system for developing leadership talent is functioning well. Specifically, the bank is developing future leaders from a medium-to-long-term and practical perspective. Such examples include utilizing a program for objectively assessing officer candidates through third-party assessment reports and appointing them as presidents of subsidiaries to gain experience.

[Other]

Q Based on your experience in other industries, are there any areas where Gunma Bank could improve or challenges you would like to see it address regarding cost reduction?

A **(Ms. Nishikawa)**

- I believe it is essential to further utilize data, DX, and AI to streamline operations and enhance corporate value. However, AI is a means, not a goal. Simply making ChatGPT available is not a goal; rather, it has to be implemented strategically after measuring how it will help improve efficiency and reduce costs. In other industries, AI is most commonly utilized at pharmaceutical companies and US asset managers. AI excels in predicting and classifying based on quantification. It is essential that humans effectively utilize AI and make sound judgments. I expect Gunma Bank to properly quantify and verify its impacts. If I feel that the bank is not doing enough or lacks knowledge in these areas, I will make sure to point it out at Board meetings.

Q With inflation and interest rate hikes becoming the norm, we now need to take a new approach to services and investment/expense strategies. How do you think spending habits and the approach to impact measurement will change?

A **(Ms. Nishikawa)**

- What interests me is how the bank can strategically gather deposits as interest rates return to positive territory. With the emergence of online banking and other factors, the once-common assumption that Gunma residents would use Gunma Bank is losing ground. As disruptive innovations that have never been seen before occur, the Board of Directors is currently discussing strategies for acquiring and retaining sticky deposits in light of the integration with Daishi Hokuetsu Financial Group, web utilization, interest rate strategies, and system development, among other things.
- I believe RORA (Risk-Adjusted Performance Measurement) is a reasonable management indicator because it measures performance on a risk-adjusted basis. However, system investments are often evaluated only on the basis of reduced annual system operating costs. I believe it will be crucial to measure DX impacts by quantifying their reduction effects in areas such as personnel expenses and customer acquisition costs, and I would like our discussion of that to deepen going forward.

Q Based on your professional experience, how well do you think Gunma Bank is performing cost accounting?

A (Mr. Kondo)

- Banks and automobile manufacturers have different cost structures. For automobile manufacturers, cost accounting is an extremely important element. Approximately 80% of the cost is attributed to supplier procurement, with the rest being internal costs and development expenses. In the banking segment, the majority of costs consist of personnel expenses and system expenses rather than detailed unit costs.
- For automobile manufacturers, the first priority for cost reduction is personnel expenses. However, when Gunma Bank consolidates and closes branches, it assigns personnel to new domains and business units, rather than simply rationalizing the workforce and transferring employees to other branches. For example, the bank has allocated significant resources to the staffing domain by assigning nearly 10 employees to posts where other banks deploy only one or two personnel. The bank is improving ROE by reassigning personnel to expand the topline, while keeping the total headcount and personnel expenses unchanged. Until now, Gunma Bank has been operating this business model on its own, but going forward, it will integrate with Daishi Hokuetsu Financial Group. I look forward to future developments.

(Ms. Nishikawa)

- When I was with the consulting firm, I conducted cost accounting to analyze which is more efficient for banks: increasing transaction volume, such as transfers, or accumulating deposits. By developing a logical allocation model for personnel expenses and various costs, you can identify the unit costs. Gunma Bank may conduct some cost accounting, but we will have to discuss further refinement as we prepare for the integration.

(Mr. Uchibori)

- We apply ABC (Activity-Based Costing) for cost accounting. However, the calculation is based on certain presumptions, so it might not be completely accurate. Nevertheless, we utilize it to identify trends in expenses and calculate RORA.