



Aiming to realize our Purpose  
for a sustainable future  
for the region

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President

**Akihiko Fukai**

## Preface

### All employees working as self-starters to respond to the changing times

The mid-term business plan, Innovation for “Purpose,” got underway in fiscal 2022. Despite the impact of interest rate hikes in Europe and the United States, we were able to make steady progress in terms of our financial results and various measures, and so I would like to thank you all for your support.

At present, consumption is expected to rise against the backdrop of wage hikes and the status of COVID-19 having been downgraded to Category 5 under the infectious disease prevention law. Meanwhile, the environment surrounding us remains uncertain due to a number of factors including global price rises, the economic impact of monetary policy in Europe and the United States, and geopolitical risks such as those resulting from the war in Ukraine. We also recognize that the evolution of technologies, especially digital technologies, is bringing about a time of great change in which things that until

recently were the norm have now quickly become unreal.

Looking at the region, rising raw material costs and securing human resources are high on the list of management issues for companies. From a medium- to long-term perspective, we cannot shy away from dealing with the declining population and environmental issues.

In the face of such environmental uncertainty and various regional issues, it is vital that each of our executives and employees think about the value of the community and our customers on a daily basis and act as self-starters. As the cycle of change is fast and customer needs become more diversified, it is important for each and every one of us to fully understand and respond to those needs. However, acting as a self-starter is not the same as acting independently without a purpose. The kind of goals we are aiming for as an organization are based on the Purpose we established in November 2021, to “use our strengths in connections to spin the threads of the future for local communities.”

## Changes Born within the Bank One and a Half Years on from Establishing Our Purpose

### Bringing our Purpose into everyday sales activities

Since it was first established in November 2021, we have been communicating the Purpose throughout the Group and trying to get all executives and employees to internalize and personalize it, but to make this happen, two approaches are needed.

The first is for senior management to continue to communicate the significance of the Purpose. I appear in a video called Investor Relations for Bank Employees where I regularly explain the business situation and the significance of the main measures to all executives and employees. In the video, I am conscious of clearly communicating to our younger employees in particular, that the measures of the Bank are being implemented in line with our Purpose. Similarly, it is also important to convey information to manager-level employees, which is why I reiterated at a meeting held in April for branch managers that, in terms of our Purpose, social value and economic value are inseparable. It is not sustainable if we focus on product sales solely for the Bank’s bottom line, but even if the products we sell are deemed good for society, we can’t say that they will be sustainable if we cannot generate the right kind of profit. The basic idea of earning acceptable profits as a result of contributing to society and customers is extremely important from the perspective of sales activities based on our Purpose.

The second approach is to link the various systems and measures within the Bank with our Purpose to incorporate it into our daily routine. The essence of our Purpose is to make the future of the region sustainable

through the “connections” we make, such as through our loans and consulting work. To achieve this, it is important to understand what is really necessary for our customers so that we can provide the many different “connections” they need. In October of last year, we introduced a system called the Connecting Process in order to spread these kinds of sales activities. Over the course of six months, we engaged in in-depth dialogue with 2,548 corporate customers using newly created interview sheets, and as a result we were able to identify more than 7,000 needs. The Connecting Process is characterized by understanding not only the customer’s immediate needs, but also through dialogue that looks back to the customer’s future goals and values to ascertain their needs from a long-term perspective. And the Group works together to find out what kind of solutions we can provide to meet those needs for our customers.

Our mid-term business plan is also based on our Purpose. In the plan we have set figures that contribute to both resolving social issues and generating profits for the Bank as KPIs in Connections. We are also linking the achievement of these figures and outstanding examples of Purpose initiatives to an award system.

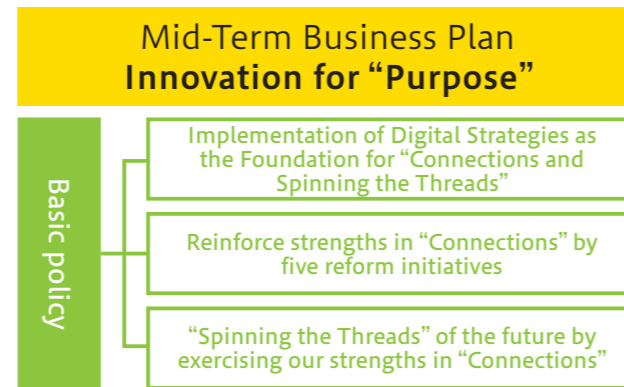
One and a half years have passed since we first established our Purpose, but now, from my constant communicating and associating our sales activities with the Purpose, I feel that it has changed from something employees just look at, like a picture on the wall, to something more concrete and embedded in our daily sales activities.

## Progress and Future Challenges for the Mid-Term Business Plan Innovation for Purpose

The Innovation for Purpose mid-term business plan, which started in April 2022, sets out three basic policies for realizing our Purpose. It attempts to reinforce our strength in our ability to “connect,” and it attempts to demonstrate our ability to “connect.” One year has passed, and the key measures outlined in the plan have been implemented or started, and we can see that progress is on track. I want to now talk about the status of our efforts regarding our digital strategy, the Group’s comprehensive strengths, alliances, sustainability, and human capital, which are all key points in the plan.

Although we recognize that the KPIs in Connections that I mentioned earlier have on the main part progressed as planned, there is still a lot of room for growth in the balance of sustainable finance for small and medium-sized enterprises in the corporate sector and in the balance of funds and investment trusts in the personal sector. We will strengthen our efforts by utilizing the SDGs Initiative Support Service that started in September last year and by responding to the new NISA system.

▶ See P.24 for the Mid-Term Business Plan



President Fukai talking with branch employees on the mid-term business plan and Purpose (June 2022)

## Digital Strategy

As a digital strategy, the mid-term business plan calls for digitalization in three areas. The first is digitalization of the community, the second is digitalization of customer contact points, and the third is digitalization of internal bank operations.

### 1 Digitalization of the community

As regional populations decline and labor shortages become major issues, we, as regional financial institutions, recognize that our major role is to actively bring digitalization to the region to improve regional productivity. Currently, we are introducing services aimed at supporting digital transformation at small and medium-sized enterprises, and we are also working to develop more cashless merchants. We also plan to introduce debit cards in January 2024, encouraging the move toward a digital, cashless society.

### 2 Digitalization of customer contact points

The needs of our customers in terms of the channels required are changing, so it is essential that we effectively combine digital with face-to-face business to provide a customer experience unique to the Gunma Bank Group. The core of our digital channel is the Gungin app, which was launched in April 2022. It has been well received for its ease of use, and the number of users has

already surpassed 150,000 in one year. For our corporate customers, we launched the Gungin Business Portal service in July 2023. We will continue to add functionality to these services while also integrating digital and face-to-face channels.

### 3 Digitalization of internal bank operations

One of the Bank’s themes is to promote the digitalization of internal operations to improve productivity. As a specific initiative, we plan to use tablet devices in our branches from January 2024 for procedures that often require some time, with for example, opening a new account. Shorter processing times are a win-win for both the customer and for us. At the same time, we are also promoting changes to the way we work, such as through the use of Office 365.

In tandem with digitalization in these three areas, we are also developing a data use platform. Various data collected from inside and outside the Bank will be stored together to be used for marketing and other purposes. The future we envision is to build an ecosystem for the region through digitalization, going cashless, and data use.

▶ See P.50 Digital strategies as the foundation for “Connections and Spinning the Threads”

## Exerting the Collective Strengths of the Group

Our mid-term business plan has been formulated along two approaches: working forward from the current issues (forecasting), and working backward from an ideal future state (backcasting). From a backcasting perspective, the key point is to explore new businesses for commercialization under our strategic theme of “Exploring new businesses and deepening existing businesses by leveraging the Group’s collective strength.”

### Gungin Consulting’s new business

In terms of new business, we are currently putting particular effort into the human resources solutions business and the regional trading company, marketing and advertising business for which we established a new dedicated organization in Gungin Consulting, beginning operations in April 2023.

Staffing services were handled by the banks from the outset, and we set a goal of closing 200 contracts (introducing human resources to companies) in three years (one of our KPIs in Connections). However, there was more demand than expected, and so we were able to close 82 contracts in the first year alone. Securing human resources is an extremely important management issue for local companies, which is why we have decided to establish a dedicated organization at Gungin Consulting to expand and improve our services. We also plan to

gradually start employment placement dispatching and secondment/dispatching of human resources from the Gunma Bank Group.

As a regional trading company, marketing and advertising business, we will launch a purchasing-type crowdfunding site TSUNAGU+ with the aim of creating new products and services in the region, disseminating them widely both internally and externally. The Bank will also earmark certain work to Gungin Consulting, such as digital marketing and advertising planning related to loan products, etc. Building up expertise in this area will lead to marketing and advertising business aimed at local businesses.

### Gunma Regional Advanced Solution Partners’ initiatives

A typical initiative by Gunma Regional Advanced Solution Partners was the acquisition of all the shares of JOETSU Co., Ltd. through the Gunma Regional Co-Creation Fund, which it manages. The company’s main business is marketing using various types of print media and the internet. The main purpose of the stock acquisition is to support business succession, but we also hope to accelerate digitalization in the region through collaboration with the company and Gungin Consulting.

▶ See P.38 Initiatives of the Gunma Bank Group

## Strengthening Cooperation through Alliances

**Strengthening our ability to “connect” through multiple partnership agreements with regional banks nationwide**  
One of the features of our management strategy is multiple partnership agreements that we have signed with regional banks across the country. I sometimes receive questions about the need for multiple partnership agreements, but a certain amount of time has passed since we first signed these agreements, and I feel that each partnership has fully demonstrated its unique characteristics.

The Gungin app mentioned earlier was developed jointly with banks participating in the TSUBASA Alliance, and we are also enjoying a variety of other benefits that are difficult to quantify, such as the sharing of know-how and exchange of human resources. The Gunma and Daishi Hokuetsu Alliance makes full use of the strengths of collaboration between the two banks in neighboring regions. Indeed, it is producing results off the back of a number of collaborations such as joint product development and the establishment of joint branches. The Ryomo Regional Revitalization Partnership also has many examples of creating new

value by making use of overlapping sales areas to connect customers and information across the whole region. In the Fincross Partnership, participating banks work together to analyze and acquire knowledge, especially regarding the use of data.

These types of collaborative efforts have significantly increased our ability to connect, which is at the very heart of our Purpose. They are a major driving force, spurring us on to achieve our Purpose.

▶ See P.42 Reforms in collaboration with external parties for improving strengths



A joint branch with the Daishi Hokuetsu Bank (March 2023)



## ■ Sustainability Initiatives

### Sustainability Committee

The Sustainability Committee was established in April 2022 to enhance the effectiveness of sustainability measures and to build management strategies from a medium- to long-term perspective on sustainability, such as climate change, the SDGs, and ESG issues. I serve as chairperson of the committee where we discuss important sustainability issues.

### Decarbonization initiatives

In order to contribute to the realization of a decarbonized society and the sustainable development of society by proactively working to solve local environmental issues, the Bank has set a greenhouse gas emissions reduction target of net zero by fiscal 2030.

As a major initiative toward decarbonization, we jointly established with local business operators, Kanto Yawaragi Energy Co., Ltd., a regional power generation company whose core business is in renewable energy generation, through the Gunma Regional Co-creation Fund operated by Gunma Regional Advanced Solution Partners. The Bank has concluded a power purchase agreement with the company and will install solar panels on the roof of a building shared between Gunma Bank's Takasaki-Tamachi Branch and the Daishi Hokuetsu Bank's Takasaki Branch.

And as well as acquiring the naming rights to the Oze Katashina Power Plant operated by The Tokyo Electric Generation Co., Ltd., we will also procure carbon-free renewable energy generated by the power plant. Electricity supply is scheduled to begin in January 2024, and I understand that we are the first domestic financial institution to undertake such a scheme. At the same time, we are promoting the use of eco-friendly electric vehicles at all of our banking outlets.

## ■ Broadening our Human Capital

### Formulation of a personnel development policy

Based on our Purpose and mid-term business plan, we have established a personnel development policy. The policy states, "To achieve our Purpose, we will support employees to build their careers independently and take on challenges based on each Personal Purpose to improve the value of our human resources." As I mentioned at the beginning, in the face of environmental uncertainty and various regional issues, it is essential to develop bank employees who can act independently as self-starters based on our Purpose to respond to the true needs of our customers.

### Initiatives for sustainable finance

In order to further promote initiatives to address environmental and social issues toward realizing regional sustainability, the Group has set a cumulative sustainable financing target of 500 billion yen by fiscal 2024, in the middle of the mid-term business plan (of which 300 billion yen for the environmental field), and a target of 1.5 trillion yen by fiscal 2030 (of which 1 trillion yen for the environmental field). However, in fiscal 2022 we provided financing to the tune of 266.2 billion yen (of which 116 billion yen was in the environmental field), confirming that this is an area where customer needs are extremely high.

### Initiatives to improve sustainability for automotive-related supplier customers

In order to improve the sustainability of the automobile-related industry, which is a major industry in the region, the Gunma Bank has been building a database of suppliers in the prefecture and conducting interviews with each company regarding their technology, equipment, and characteristics.

In July 2022, we were selected as a financial institution supported by the Ministry of the Environment's FY2022 ESG Regional Finance Promotion Project, and received support for sharing issues with customers based on the results of interviews.

We will develop these initiatives and work with external organizations to provide medium- to long-term support for each supplier, such as support for electrification and productivity improvement.

▶ See P.27 Sustainability initiatives

### Building careers by realizing one's own Personal Purpose

Within the Gunma Bank Group, all executives and employees have set out their own Personal Purpose. Each Personal Purpose is created based on three perspectives; a social perspective (what we should do for society), a bank perspective (what we can do based on the Bank's Purpose), and an individual perspective (what we want to achieve as individuals). From a human capital perspective, the most important aspect is the individual perspective. This is because each individual's thoughts about what they want to accomplish and how they plan their own career design will be the driving force behind realizing their Personal Purpose. We will provide a variety of growth opportunities to support the creation of those aspirations and help employees to achieve their careers. We are also planning to revise (in fiscal 2024) the job-based personnel system to reward the efforts of executives and employees who take on challenges. One of the concepts

of the new personnel system is to visualize our work and jobs. By clearly specifying the role of the post and the skills required to fill the position in the job description, it becomes easier for each employee to imagine designing their career as self-starters. At the same time, we will strive to visualize our human resources by creating a system in which each executive and employee can show what skills they have and what job they want. By visualizing our work and human resources, we will be able to get the right person for the right job, and so improve employee engagement, thereby helping to revitalize the whole organization. In anticipation of such revisions to the personnel system, I am calling on executives and employees to take actions aimed at realizing their own

Personal Purpose to develop their own careers, and I am calling on managers to deepen their understanding and support their subordinates by communicating with them on the basis of their Personal Purpose, as to what kind of careers they want to pursue.

The Gunma Bank plans to set and disclose multiple non-financial KPIs in line with our human resources strategy, but we also plan to measure and disclose engagement and the degree to which Personal Purpose is put into practice as an indicator purely unique to the Bank.

▶ See P.44 Innovations in human resources aimed at making the best use of creativity

## ■ Conclusion

On November 20th of last year, the Gunma Bank celebrated its 90th anniversary. I would like to give my appreciation for all your support.

I have mentioned Purpose many times, but the word "connect" in our Purpose encompasses the value we provide to local communities and customers. In the early Showa era, when we were established as the Gunma Daido Bank, the "connect" that we could provide centered on connecting customers' money, or in other words, acting as a financial intermediary. Times have changed, and we can now provide not only money, but also a variety of

"connections" such as information, expertise, and human resources. And the possibilities for "connecting" will no doubt further expand in the future. I want to weave a prosperous and sustainable future for the region by bringing together all the possible "connections" we could make with the wisdom and knowledge of every member of the Group to create and build many more connections to come.

Last, I would like to express my sincere gratitude for your continued warm support.

