

# Challenge to Become a Front Runner in Shaping the Future of Regional Finance and Upcoming Issues



Outside Director  
**Takuji Kanai**

Outside Director  
**Kuniko Nishikawa**

Outside Director  
**Jun Kondo**

Outside Director  
**Kazuhito Osugi**

In April 2025, Gunma Bank began implementing its new Mid-Term Business Plan, "Growth with 'Purpose'" (hereinafter referred to as the New Mid-Term Plan). We asked Outside Directors how the New Mid-Term Plan was formulated and what kinds of discussions the Board of Directors had to enhance corporate value. We also asked them how they evaluate the effectiveness of Gunma Bank's governance, human resource development, and dialogues with shareholders and investors from the perspective of Outside Directors. Lastly, we discussed the basic agreement regarding the business integration with Daishi Hokuetsu Financial Group (hereinafter referred to as Daishi Hokuetsu FG), which we announced in April 2025.

## Participation in discussions to formulate the New Mid-Term Plan, focusing on consistency in Purpose and management



—First, please explain the discussions held by the Board of Directors during the formulation of the New Mid-Term Plan. Could you also share the considerations you took into account while participating in these discussions as an outside director?

**Kondo** In formulating the New Mid-Term Plan, I participated in discussions at the Board of Directors meetings from an early stage, working with all board members to refine the strategy. My involvement in formulating the Bank's Mid-Term Plan spans two terms, totaling six years. I have placed particular emphasis on ensuring that the New Mid-Term Plan aligns with our "Purpose" as we move into the next three years, focusing on achieving "Growth" following our previous emphasis on "Innovation." I view the New Mid-Term Plan as the final step in deepening purpose-driven management, which we have consistently pursued, and promoting widespread awareness of this approach throughout the organization.

**Nishikawa** In formulating the New Mid-Term Plan, I was attentive to ensure continuity and effectiveness. I assessed the progress of the initiatives outlined in the previous Mid-Term Plan, diligently identified key issues, and confirmed how the management incorporated these considerations into the New Mid-Term Plan. Given the importance of understanding among employees, the Mid-Term Plan needs to be structured logically, concretely, and in a manner that is easily comprehensible. Throughout the discussions regarding the Mid-Term Plan, I focused on two main questions: "What are the future goals of regional banks?" and "How can we enhance corporate value?"

**Osugi** In formulating the New Mid-Term Plan, I have consistently emphasized the thorough practice of purpose-driven management, as Mr. Kondo mentioned. The Bank's Purpose was established in 2021 when I assumed the position of outside director. What impressed me at the time was the way the President engaged in conversations with each employee in the workplace, allowing us to create a strong Purpose from the bottom up. This Purpose, rooted in the voices of the workplace, truly embodies the philosophy connecting the workplace with management. In the New Mid-Term Plan, I believe that greater awareness of the Purpose is of utmost importance, and I have consistently emphasized its significance. I am confident that the New Mid-Term Plan aligns closely with this concept.

**Kanai** This was my first time being involved in formulating the Bank's Mid-Term Plan. In developing the New Mid-Term



Plan, I emphasized the importance of storytelling and consistency. My focus was on ensuring a coherent flow, starting from the Purpose to the basic policies, which include creating a virtuous cycle of social and economic values, strengthening the business foundation, and achieving numerical targets. As a regional financial institution, it is also crucial for us to consider our contributions to the community and the satisfaction of our employees. Considering all these factors, I believe the New Mid-Term Plan is well balanced for people in the region, employees, shareholders, and the Bank itself.

## A management pioneer in capital cost efficiency: Ensuring leadership's vision permeates the entire organization.

—What discussions are currently being held to enhance corporate value? Furthermore, how would you assess the current position of Gunma Bank?

**Osugi** I believe that the Bank stands as a front-runner among regional financial institutions in terms of management with a clear understanding of capital costs. We disclose our capital cost levels and have set a clear objective for ROE, targeting 10% or more for FY2027. As I regularly state at the Board of Directors meetings, the foundation of the financial industry lies in the asset business. To enhance corporate value, assessing the return generated from the amount of risk assets is definitely essential. In this context, the Bank has placed the concept of RORA at the core of its sales promotion strategy, and the understanding of earning returns that match the level of risk has been effectively spread throughout the organization. Moreover, strategic consideration of equity capital levels is crucial to increase ROE. I highly commend the Bank's strong commitment to managing two objectives simultaneously, pursuing ROE to the maximum while ensuring soundness, as a significant strength. Furthermore, the concepts of ROE, RORA, and capital costs must not only be acknowledged by the management team but also understood by our employees in the sales field to achieve effective management with an awareness of capital costs. To facilitate this understanding, we have

made investor relations videos in which the President himself explains what management with an awareness of capital cost means in a clear and approachable way to our employees. Through these initiatives, I have observed that the perspective of senior management has been steadily instilled throughout the entire workforce. Additionally, in February 2025, we decided to implement a progressive dividend system as part of our shareholder return policy, marking a significant advancement in our approach to management with an awareness of capital costs. I expect that our investors have received this decision favorably.

**Nishikawa** I was engaged in risk management at a foreign-owned financial institution, where the primary focus was on how the banking industry identifies and quantifies risks. From this perspective, I observe that the Bank has thoroughly demonstrated management practices that consider profitability in alignment with risk. As Mr. Osugi mentioned, the Bank's management approach in recent years has a narrative, and I am confident that this diligent management has contributed to an enhancement in ROE and has been positively received by our shareholders.

**Kanai** What strikes me is that the Bank confidently states its commitment to target values. We clearly and precisely present our targets, such as ROE and profit. The President is ready to take responsibility by saying, "If we fail to achieve these targets, it falls on me." This serious stance



is observable at board meetings. This commitment itself is a defining characteristic of the Bank.

**Kondo** Senior management not only presents the direction, perspective, and process, but also conveys these in

### Incorporating feedback from outside directors into policies with advanced governance and a sincere approach.

— It has been ten years since the Corporate Governance Code was established. How would you evaluate the effectiveness of Gunma Bank's governance?

**Kondo** I believe that the Bank has an effective governance system. The Board of Directors comprises members from diverse backgrounds. In addition, the Nomination Advisory Committee and the Compensation Advisory Committee consist of one internal member and four external members, respectively, which means there are significantly more outside directors than inside ones.

**Kanai** One standout aspect of the Bank is its serious approach to governance. For instance, whenever I express an opinion during the Board of Directors meetings, I often receive a thoughtful response at the next meeting.

their own words to ensure that their vision reaches all employees in the workplace. I believe this shows the accumulated outcome over the past six years.

They say, "We have considered your previous comment, and here is what we have done about it." This sincere and prompt approach to addressing issues raised by outside directors has become a strong part of our culture.

**Nishikawa** Since joining the Board, I've also observed the Bank's sincere commitment to governance. In the past, there seemed to be little reaction to suggestions concerning mid- to long-term issues, but this has noticeably changed recently. The Bank is currently reviewing measures, such as its personnel system, and many of these initiatives incorporate points raised by outside directors during Board of Directors meetings, after thoroughly discussing them as an organization. This change shows that the Bank is growing, and I genuinely appreciate its progress.

### Recognized for excellence in human resource development. Gunma Bank should articulate and share its unique approach to sustainability.

— How would you evaluate Gunma Bank's sustainability efforts, particularly its initiatives to enhance human capital? What challenges do you think the Bank might face in the future?

**Nishikawa** Regarding sustainability management, I appreciate the Bank's efforts in addressing key initiatives of the Mid-Term Plan, particularly its focus on enhancing human capital and prioritizing employee well-being. However, there is still room for improvement in terms of diversity. While promoting the advancement of women is crucial, it is also essential to

expand the range of perspectives, such as utilizing external talent and young employees. In this regard, this business integration presents a valuable opportunity to enhance diversity. Additionally, ongoing developments in international regulations concerning sustainability mean that the Bank needs to establish its sustainability framework that aligns with global trends.

**Osugi** In response to Ms. Nishikawa's observation, I acknowledge that the Bank has initiated various measures based on our feedback, including the introduction of a job-based personnel system. However, we need to take further steps by clearly defining and sharing the ideal state for the Bank's sustainability, ensuring it is rooted in our corporate culture and mission as a regional financial institution.

**Kondo** To further increase corporate value, developing human resources is critical. Recently, we have made significant changes by actively sending young employees to external organizations and group companies. They need to gain real-world business experience early in their careers, which the Bank actively encourages.

**Kanai** Providing employees with the opportunity to work outside the Bank and take on challenges in different environments is an excellent strategy for developing their management skills. We hope that young employees will step up and embrace these challenges.

### New initiatives have been launched domestically and globally. Proactive investor relations efforts are highly commended.

— As an outside director, how would you evaluate Gunma Bank's engagement with shareholders and investors?

**Osugi** When it comes to engagement with shareholders and investors, the Bank is working to enhance both the quality and quantity of its engagement efforts by actively incorporating new initiatives. A significant step in this direction has been the distribution of the "CEO Message," delivered in English by the Bank's President to overseas investors, which started in February 2024. This message outlines the Bank's business conditions and highlights the unique characteristics of Gunma Prefecture. As the first regional bank to implement such a practice, the video distribution of the President's message has received considerable praise from investors. In addition, we are diligently working to expand our connections with international

investors through investor relations activities held in Europe, the United States, and Asia. Domestically, we conduct investor relations briefings with local listed companies and develop strategies to expand the base of individual investors. These efforts, both in Japan and overseas, have been well received. In January 2025, the Bank was officially recognized as an eligible participant in the Award for Excellence in Corporate Disclosure. I firmly believe that the Bank holds a distinguished position within the regional banking sector.

**Kondo** In our engagement with shareholders and investors, we strive to set ourselves apart from other banks by implementing innovative initiatives both domestically and internationally. By providing clear explanations to our stakeholders, they will recognize the steady growth of Gunma Bank, ultimately enhancing our corporate value.

### Business integration as a model for envisioning the future of regional financial institutions

— Lastly, please share your views and expectations regarding the basic agreement regarding the business integration with Daishi Hokuetsu FG, announced in April 2025.

**Kondo** Daishi Hokuetsu FG and the Bank possess significant potential as partners. By combining our respective strengths, we can work together to achieve even greater growth. An auspicious aspect of this partnership is the complementary nature of our market positions. For instance, although Gunma Prefecture lacks direct access to the ocean, expanding our business base to Niigata Prefecture will enable us to access a new logistics hub, specifically a port. This strategic expansion will open up new business opportunities for our customers from perspectives we have never explored before.

**Nishikawa** I believe this agreement will enhance the corporate value of both parties. During my time as a consultant, I researched trends in regional banks and investment banks in the United States. At that time, the prevailing trend was for regional financial institutions to expand their scale through mergers and acquisitions (M&A) while remaining rooted in their respective regions. This agreement aligns with that trend and is a key part of our growth strategy. The integration offers more than just scale advantages. It is appealing because the two companies possess distinct strengths that complement each other. For example, Daishi Hokuetsu FG excels in non-interest businesses, whereas we have a high loan-to-deposit ratio and strong capital efficiency. By merging our strengths, we can build a stronger regional financial group.

**Osugi** If this business integration is successful, I believe it can serve as a role model for regional financial institutions as they envision their future management strategies. This initiative may inspire other regional financial institutions



across Japan to consider crossing prefectural borders and pursuing business integration. Therefore, I believe this agreement carries substantial significance.

**Kanai** Generally, businesses across all industries seek to expand their organizations. When I first encountered the concept of business integration with Daishi Hokuetsu FG, I straightforwardly questioned its purpose and potential benefits to the Bank. I expressed opinions from various angles during the Board of Directors meetings and engaged in in-depth conversations with the President and other directors. I sensed the President's strong determination to ensure the success of this integration and to lead the future of regional finance. His rationale behind this decision and his vision for local communities were clear and convincing. I look forward to working together to support the success of this integration and maximize its benefits.