Leveraging the power of human capital to pave the way to the future of our group and our region

Under its Medium-Term Management Plan, "creating regional vitality with the power of human capital," the Nanto Bank Group has positioned its personnel as the source of value creation and made human capital management a core theme of its business strategy. To ensure that human capital management is more than just a concept, but rather a positive force leading to behavioral changes in our executives and employees and to cultivation of the organization's culture, we examined the perspectives from which the Board of Directors is conducting discussions and working to enhance the effectiveness of these efforts. Outside Directors Kozue Nakayama, Takashi Nishimura, and Yuuko Tahara exchanged views on these concerns with President Satoshi Ishida.



Outside Director Takashi Nishimura | Outside Director Yuuko Tahara | Outside Director Kozue Nakayama | President (Representative Director) Satoshi Ishida

It is precisely because we live in an era of rapid change that the strengths of our human capital are determining the success of our business.

Ishida: The theme of our Medium-Term Management Plan, "creating regional vitality with the power of human capital," is intended to clarify the means by which our Group will enhance its competitiveness and deliver value to the community moving forward. The environment is undergoing significant changes, including a decline in the population, contraction of our regional economies, and accelerating progress in digitalization. It is ultimately our personnel who engage directly with our customers, identify their challenges, and devise solutions. This is precisely why we regard our people as our most important management asset.

Nakayama: Even from our perspective as outside directors, we recognize that positioning human capital strategy at the core of management is of utmost importance. At regional banks, the attitudes and actions of every executive and employee translate directly into trust in the bank. Customers choose a bank based not only on its products, but also on the trust it has established—the feeling that "We want to consult with this institution" or "We feel at ease with these people." This is why we consider investment in human capital as more than just a human resource initiative. It is a full-fledged management strategy that builds the foundation for future profitability and trust.

Nishimura: While our current business performance remains solid, the Board of Directors is actively discussing key measures to ensure that these results are not fleeting phenomena. The environment surrounding financial institutions will continue to evolve. This is why it is crucial to look ahead, strengthen our investment in human capital, and enhance our future

competitiveness. Our Group has built a relationship of trust with the local community over many years, but we must clearly articulate and define the strengths of our human resources—the foundation of that trust—rather than letting them remain vague principles.

Tahara: Human capital management is meaningless if the efforts are superficial. While many companies mouth the phrase, "Our human capital are our most important asset," the words are meaningless without a clear definition of exactly what kind of organization it is. In our case, our Group is an organization that delivers value through its human capital. One important challenge for the Group is to find ways of developing talented personnel capable of walking alongside our communities and customers toward their future, while continuously tackling challenges for which there are no clear-cut answers. We require employees who do more than simply propose financial products; they must work closely with customers to identify challenges of which the customers themselves may not be aware, and to deploy not only internal resources, but also the Group's extensive internal and external networks, to find solutions.

Defining the capabilities required of officers and employees

Ishida: To ensure effective human capital management requires that we define our ideal employee profile in terms of specific behaviors and share it throughout the organization. Our Group has identified four core capabilities that are capabilities required of officers and employees: "being honest and sincere," "continuously seeking ways to improve one's productivity," "not taking information at face value and having one's own opinions," and "always act with an eye on the future." We are determined not to let these competencies remain mere slogans; rather, we intend to establish them as shared vocabulary that every executive and employee keeps in mind during their daily work and translates into action.

Nakayama: Of the four core competencies, I place particular importance on "being honest and sincere," which serves as the foundation for all of them. For a regional bank, the trust of its local community and customers is of utmost importance. Trust is not something that comes into play only in special circumstances; it is built through the accumulation of daily efforts—by engaging sincerely with customers and tackling challenges head-on without shying away from difficulties. At the same time, being honest and sincere is not just a matter of diligence. It requires that we consider customers' true needs and communicate information with care and respect—even when it involves things that are painful for customers to hear. I believe that this approach embodies the kind of integrity we require for the years ahead.

Nishimura: Amid all the remarkable advances in AI, I also consider "not taking information at face value and having one's own opinions" as a crucial skill. In our daily work, we are presented with a variety of factors to consider—including customer feedback, instructions from headquarters and supervisors, social trends, and even information generated by AI. Rather than simply accepting all these without question, it is important to cultivate the habit of asking, "Is that really true?" and "Why can we say that?" This does not mean being contrary but rather thinking analytically in order to make better decisions. As the number of human capital who understand the context and objectives of decisions and act based on their personal independent thinking increases, the quality of decision-making across the organization as a whole will improve.



Tahara: As we adapt to changes in the way we work, I believe that "continuously seeking ways to improve one's productivity" and putting this into practice are extremely important. It is essential that each of us thoroughly masters digital tools and generative AI and thinks continually about how to transform our work. The goal of improving productivity is not simply to reduce working hours. It is crucial to use the time freed up by increased efficiency to create value that only human beings can provide—such as engaging in dialogue with customers, solving problems, and making forward-looking proposals—and to use digital tools and generative AI with sound judgment and a strong ethical sense.

Ishida: A mindset to "always act with an eye on the future" is required to set the direction our Group should pursue in the future. Rather than focusing solely on immediate transactions, we expect our Group's executives and staff to take an interest in the future our customers envision, and to envision that future together with them. By leveraging our four core competencies, we aim to further enhance our customers' trust, and to develop into an increasingly profitable Group as a result.

Initiatives aimed at pursuing behavioral change

Ishida: Simply articulating our competencies will not lead automatically to changes in actual behavior. We will also need to create a system in which every employee understands and embraces the competencies and applies them to their daily actions. In our Group, we employ a cycle of "buying into management policies," "acting in accordance with management policies," and "performance evaluations linked to management policies" to ensure that human capital management goes beyond mere conceptualization to motivate actual behavioral change and become deeply ingrained in our organizational culture.
One new initiative we employ specifically to accomplish this is the town hall meeting. The Group recently began a program in which the executives convey our vision and the objectives of our initiatives to employees via video messages. This raised the challenge, however, that it remained one-way communication from executives to employees. We responded by launching town hall meetings as a forum for management to visit various workplaces—including branch offices—and engage in direct dialogue with employees. The meetings have two primary objectives. First, they convey management's vision directly to individual workplaces. Second, they enable management to gain firsthand insights into the actual conditions at branch offices—specifically to understand how the branch employees are interpreting and implementing the Bank's policies.



Nakayama: Simply circulating a management message does not mean it has truly taken root. It is important to understand how staff members understand the message, and what questions or concerns they may have about it. Town hall meetings not only bridge the gap between management and the various work environments, but they also provide opportunities for executives and staff to consider and discuss issues in their own words. When it comes to the "capabilities required of officers and employees," in particular, interpretations of one-way verbal communications may vary from one work site to another. This is why we consider it important to employ a process centered on dialogue that enables all the participants to shares a common understanding of the meaning of a communication, and to consider ways of applying it in their own work.

Nishimura: One of the chief benefits of town hall meetings is that they allow management to gain firsthand knowledge of the actual working conditions at various workplaces. While policies are designed at Headquarters, it is the personnel at individual workplaces who carry them out. It is therefore extremely important for management to recognize that simply issuing instructions is not enough to motivate action or to identify obstacles that may be hindering behavioral change. Awareness of the concerns and challenges faced by individual workplaces is also beneficial when considering future initiatives. Management should employ the ongoing dialogues provided by the town hall meetings to refine its performance evaluation systems, recognition programs, and operating procedures.



Tahara: I think it's important to position town hall meetings as opportunities to transform our organizational culture rather than as mere management briefings. When management speaks directly at work sites and the site personnel share their candid opinions, the insights that emerge can lead to improvements. If we can establish this cycle, employees' sense of participation in management will also increase. Looking to the future, while refining our skills in setting themes and facilitating dialogue, it will be essential for management to gather customer feedback directly from the front lines of sales, and to encourage participants to engage in ways other than simply "listening and moving on" by creating spaces for them to reflect on "how they should change their own behavior."

Ishida: The town hall meetings represent an unprecedented initiative, and a sense that "things are different now" is beginning to take hold in various workplaces. It will be most important, however, to ensure that these dialogues do not end up as one-off exercises. We must not only communicate management's vision to various workplaces, but we must also identify the specific challenges facing them individually, review any necessary measures to respond to them, and incorporate the results into our evaluation and developmental systems. By continuing this process of trial and error, we will promote behavioral change in every executive and employee. To make these efforts even more effective, we will launch a new "Department and Office Manager Meeting" within fiscal 2026. The purpose of this meeting will be to enable department and office managers—who play a central role in organizational operations—to serve proactively as bridges between management and the front lines. Employing these efforts in combination with the town hall meetings, we will empower two new forward-looking activities: two-way dialogue and front-line-originated practices.

Employee acceptance of the evaluation leads to behavioral change

Nishimura: In human capital management, it is also extremely important for executives and employees to feel that the evaluation process is fair and reasonable. If the "capabilities required of officers and employees" are to be reflected in the evaluation criteria, they must be translated into specific job duties. The behaviors expected at each level and for each job type must be clearly outlined so that the personnel undergoing evaluation can recognize their personal relevance. There are elements that are crucial to the organization but difficult to define clearly as evaluation metrics. These include qualities that bring out the best in a team, such as the ability to engage others, thoughtfulness, and the role of a team morale booster. We believe it is important to have a perspective that appropriately recognizes and evaluates these elements as well.

Nakayama: It is also incumbent on evaluators to explain their evaluations clearly to employees based on objective facts. If the evaluation criteria are unclear, the employees under evaluation will not be convinced. The language used as the basis for performance evaluations should be easy to understand so that employees can relate it to their own work. At the same time, the words and actions of supervisors, with whom employees interact on a daily basis, will determine how well these principles take root in each workplace. It is essential that the entire organization share the understanding that developing human capital is a key role of management.

Tahara: Employees should take the lead moreover, in developing draft evaluation criteria based on guidelines provided by management. If employees articulate their own vision for tests based on their daily work experiences the resulting evaluation criteria will be grounded in real-world experience. A culture that encourages taking on challenges is essential for a diverse workforce to thrive. Only when there is a culture in which employees can voice their opinions regardless of age or position, in which taking on challenges is valued in itself, and in which people can learn from their failures, will a workforce's potential be maximized.

Ishida: Performance evaluations are not intended to rank people in minute detail but to foster growth. We will not only refine our evaluation system but will also enhance understanding through dialogue to realize behavioral changes in every employee. People do not develop through training alone. They grow by addressing customers' challenges, thinking for themselves, failing periodically, and improving with the guidance of those around them. It is the accumulation of these daily experiences that is nurturing our human capital.

The growth of our human capital supports the future of the community and our Group.

Tahara: As an outside director, my priority is to assess whether human capital management is truly functioning in individual workplaces, and to ask continually how it should evolve. It is not enough simply to establish systems and communicate messages. We must continuously verify the changing behavior in each workplace and make sure our employees are on board.

Nakayama: Human capital management cannot be evaluated solely on the basis of short-term results. I believe it will manifest itself only in a few years' time as differences in the organizational culture and decision-making quality. Precisely because short-term results are difficult to discern, engaging in candid discussions at Board of Directors' meetings and continuously reviewing and improving our approach will lead to more sophisticated decision-making and clearer accountability, thereby laying the foundation for enhanced management transparency and effectiveness.

Nishimura: I believe that one of the key roles played by outside directors in advancing human capital management is verification of whether management's philosophy is being communicated effectively to individual workplaces and whether the mechanisms for implementing it are feasible. Are the messages expressed in clear, easy-to-understand language? Are they linked to performance evaluations? Do they place an excessive burden on the various workplaces? I intend to continue maintaining these perspectives.

Ishida: The role of a regional bank extends beyond simply providing financial services; it lies in supporting the local community. Each employee takes the future of our customers and our region to heart and works to create value. The accumulation of these efforts generates vitality in the region and leads to sustainable growth of our Group. Human capital management cannot be achieved through management statements alone. It becomes meaningful only when it is communicated to every workplace, leads to behavioral changes, includes linkage to performance evaluations, and results in tangible growth. As the future unfolds, we will continue to refine our human capital strategy, building on discussions by the Board of Directors, and seek to develop the human capital required to support the future of both the region and our Group.

