

Interview with Outside Director



In this current age, the world is changing at a very rapid pace.

The message from our President in the new Mid-term Business Plan says, “Working on discontinuous change is an urgent task.”

We need to pursue constant challenges under a healthy sense of crisis while promoting diversity.

Eiji Muto

Director

Director Eiji Muto worked as General Manager of the Examination Division as well as Executive Director at the Bank of Japan, and then held many important positions at other companies, including that of Chairman at NTT Data Management Laboratories. (See his biography on page 51)

Q1. What do you think is your role as an Outside Director?

My basic role is to help expand and deepen the content of discussions of the Board of Directors from the perspective of an outsider or third-party. In this way, the supervisory function of the Board of Directors is enhanced, which contributes to increasing the corporate value of the Bank. This sounds somewhat vague and stereotype so I will break it down to make this a little clearer based on my impression of the board meetings.

Something that Mr. Kondo, another outside director of the Bank, said describes the “outsider or third-party perspective.” He is from the manufacturing industry and has a deep knowledge of how to carry out production management and plan-do-check-act (PDCA) cycles, and I am impressed with his point of view and comments backed by his knowledge; it feels like a breath of fresh air. I myself speak mainly from the financial perspective, but I hope that the experience I gained at the Bank of Japan and investigative and consultation firms will help heighten the effectiveness of the Board of Directors.

The outside executives with various backgrounds complement each other and revitalize the Board of Directors and promote appropriate risk-taking that will be a source of increased corporate value — I feel that the Bank is making steady progress on this path.

Q2. What are your thoughts on Gunma Bank's strengths and weaknesses?

Many of the Bank's employees are from within the prefecture, and the bank is full of "Love for Gunma." I think the biggest advantage is that we can work together under the theme of "For Gunma." The image song "In This Hometown" that is played in the lobby of the branch offices is a symbol of this. Another key factor supporting the Bank's performance is that we are blessed with an industrial base, especially in the automobile industry, as well as its proximity to the Tokyo metropolitan area which is a fertile financial market.

However, strengths can also be weaknesses. The homogeneity and unity of the Bank can be a hindrance to ensuring diversity. Also, the stable foundation on which the bank stands can dilute a sense of crisis and can lead to a "boiling frog" phenomenon.

The pace at which changes occur is extremely fast including the progress of digitalization. This is why the President said that "Working on discontinuous changes is an urgent task" in the message of the new Mid-term Business Plan. It is desirable that under a healthy sense of crisis, we will pursue diversity and address discontinuous challenges.

Q3. Looking ahead, what do you think the Gunma Bank should focus on most?

Nowadays, companies are required to strive for a sustainable society through business activities. Investors are also seeing a growing trend in environmental, social, and governance (ESG) investment, which prioritizes investments in companies that consider environmental and social issues and that have an appropriate governance structure. In response to this trend, the Bank formulated the Sustainable Development Goals (SDGs) Declaration and, to enhance this effort, a Mid-term Business Plan entitled "Innovation New Dimension" was formulated.

The new Plan was deliberated three times by the Board of Directors, and I myself actively participated in the discussions. The course of action and challenges that we need to take are fully incorporated into the Mid-term Business Plan. The most important thing is that each executive and employee reflects on the contents of the Mid-term Business Plan and put them into action.

For this purpose, building a rewarding workplace environment is essential. This is an important management responsibility, and as a member of the Board of Directors, I will spare no effort.



Q4. What are your thoughts on Gunma Bank's efforts to strengthen governance?

To sum it up, I would say that we are making steady progress.

Since I was appointed as the first independent director in June 2015, the Bank's start in strengthening governance was not too early. However, after that the number of independent directors was increased and inside directors were gradually decreased from 11 to nine and then to seven. Accordingly, since 2017, the Board of Directors has been composed of 14 members in total with seven inside directors, two outside directors, and five auditors. It is a balanced structure that has facilitated discussions. In 2018, the voluntary Nomination and Compensation Advisory Committees were established.

In addition to these institutional improvements, it is noteworthy that actual measures have been taken to allow outside directors to grasp conditions within the Bank. We have had opportunities to visit major branch offices and interview executives. It can be said that governance is more focused on substance than just form. Of course, there are issues such as further improvement in diversity, but I think that evolution with a focus on substance will continue in the future.