

Interview with an Outside Director

As the business environment for regional banks changes dramatically, we need to be bold and take on challenges based on appropriate risk management. We will improve the quality of management through deeper discussion that incorporates diverse perspectives.

Kuniko Nishikawa
Director



Please see the list of executives (page 49) for Kuniko Nishikawa's career history.

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

Encourage entry into new business areas based on appropriate risk management

I think that the role of an Outside Director is to supervise management through the Board of Directors, but there are two main points regarding this. The first is that we advocate risk avoidance and control to prevent management from getting out of control, while the second is that we encourage the management to take risks in an appropriate manner. I think that this kind of governance has both a defensive and an offensive aspect and personally, I am trying to be conscious of the offensive aspect. This is because I think that to raise corporate value in the medium- to long-term, a company has to be bold in taking on challenges, provided that management has a full understanding of the risks and is practicing appropriate risk management. The business environment for regional banks in particular is changing dramatically and the speed of this change is accelerating. Therefore, I think it is important that we attempt to enter into new business areas while properly understanding the risk.

I also participate in the management of an IT company, so I am very interested in Gunma Bank's initiatives for IT systems that incorporate AI. IT has been positioned as an important management issue and it is discussed at meetings of the Board of Directors, and I think steady progress is being made on IT governance, such as establishing a framework for assessing and making decisions on IT investment. During the process of formulating the new medium-term management plan that starts next year, there was an exchange of opinions on the advancement of IT systems that considered points such as what can be realized using these systems and how management will use them specifically. There was lively discussion that took into account various angles,

including risk, and I would like to see even deeper discussion regarding IT systems going forward.

I am currently the only woman on the Board of Directors, but I do not feel that I have to be the "representative of women." The goal of ensuring diversity is to make the functions of the Board more effective and efficient and in my case, I think I can help to improve effectiveness by leveraging the experience and knowledge I have acquired participating in the management of a non-Japanese financial institution, as well as consulting and IT companies. As banking regulations continue to loosen and the scope of the business expands, I think matters such as the cultivation of specialist personnel within the company and the use of external human resources will become issues, so I expect that movement to embrace and utilize diversity will become increasingly important.

Q2. What are your thoughts concerning the effectiveness of the Board of Directors?

Improve the quality of the Bank's management through deeper discussion that incorporates diverse perspectives

Our Outside Directors offer knowledge and experience in their own specialist areas and we each have different strengths, which I think results in a balanced composition. Each member of the Board of Directors, including the Inside Directors, is switched on so we are able to have wide-ranging deep discussions. There have been many times where I have learnt from my colleagues' varied perspectives and observations.

The agenda for Board of Directors meetings includes matters that have been fully discussed and polished up by the executive side. It is inevitable that the Executive Directors have considerably more information, so we strive to share information through means such as exchanges of opinion in advance and if necessary, we receive individual explanations from the executive side. Board meeting materials include what kind of discussions the executive side has been having and this is very useful in giving us an understanding of the Executive Directors' thought processes.

At meetings of the Board of Directors and the Nomination and Compensation Advisory Committees, discussions are very thorough so that Outside Directors can fully understand what is being discussed and the various opinions of us Outside Directors are listened to sincerely with a positive attitude that shows our views are being understood and reflected in management. In regard to the new medium-term management plan that starts next year, I participated in discussions from the formulation stage, including discussions on defining the Bank's purpose and on its medium- to long-term management direction and going forward, I would like to be involved in discussions on topics such as redefining the reason for Gunma Bank's existence within the regional community and what strategies can be used to ensure the Bank fulfills its roles and responsibilities. Also, I think the fact that discussions regarding long-term vision and the direction of management strategy are free and open is very significant in terms of strengthening supervisory functions. I think that if we encourage discussions that incorporate diverse perspectives not only at Board meetings, but also in a wide range of other situations, it will improve the quality of the Bank's management.

