

Interview with an Outside Director

Participating in discussions with an outsider's eye, a third-party perspective, to fulfill the supervisory function.

Director
Jun Kondo



Please see the list of executives (page 57) for Jun Kondo's career history.

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

I believe that the role of an Outside Director is to participate in discussions at the Board of Directors with an outsider's eye, a third-party perspective, to fulfill the supervisory function over management. The role is to take a neutral and objective standpoint, to stimulate debate from multiple perspectives to improve the quality of discussions without getting dragged into the logical dynamic that pervades in the Bank. I have been working in Gunma Prefecture for many years and have also been involved in management in the manufacturing industry. Even now, as a manager of the Gunma Prefecture Professional Human Resources Strategy Center, I visit many small and medium-sized enterprises in Gunma Prefecture. I think Outside Directors need to be aware

of the viewpoints of all the many different stakeholders, including shareholders, but based on my own experience, I try to be particularly conscious of the customer and local community perspective. As the business environment for SMEs undergoes major changes, such as changes in the fabric of society, rapid advances in IT, and tackling environmental problems, the way of thinking and values of business owners is also changing. This trend will only become more pronounced as new generations of entrepreneurs and business owners emerge. Whether the Gunma Bank is fully aware of changes in the world and whether it is living up to the expectations and is worthy of the community and customers, is something I am keenly conscious of.

What are your thoughts concerning governance at the Gunma Bank?

More than seven years have passed since I became an Outside Director at Gunma Bank, and I feel that its governance is steadily evolving. Assessments on the effectiveness of the Board of Directors are carried out with the support of an external organization, but what is important is that the Board talks about the issues identified in order to make improvements. In that sense, I believe executives at the Gunma Bank are seriously

facing up to the issues and making efforts to improve. There are three Outside Directors here at the Gunma Bank: myself, a former employee at the Bank of Japan well-versed with finance, and a person with experience in management of IT companies. I believe that diversity in the Board of Directors comes not only from different backgrounds, but also from the different viewpoints and ways of thinking.

In what way specifically do you think Gunma Bank's governance is evolving?

For example, in terms of the agenda items at the Board of Directors, we now spend more time discussing the topics that need to be addressed from a medium- to long-term perspective, such as business direction. What is important is setting out what topics to discuss at Board meetings. The Bank's Purpose, mid-term business plan, revisions to the personnel system, all these topics have been under discussion at the Board of Directors. Moreover, the Board of Directors' documents include minutes of the discussions that take place at the Executive Committee, which is the Gunma Bank's management meeting. By understanding the content and process of what was

said at the Executive Committee is also meaningful from the perspective of deepening discussions at Board meetings. In terms of increasing the effectiveness of the Nomination Advisory Committee, we now receive reports on the skills and assessments of director and executive officer candidates while also taking advice from a consulting firm. We also interview the candidates, but there is a limit to how much we can know about their qualities and abilities. Having an objective comparative assessment of the different candidates, can lead to mixed and varied discussions.

More than a year has passed since the Bank established "We use our strengths in connections to spin the threads of the future for local communities" as its Purpose. What are your thoughts concerning the Purpose?

The point of the Purpose is to give employees a benchmark for action. Through "connections", employees can spin the threads, or interweave, the future for local communities. By putting this into practice repeatedly as something specific and concrete, employees can get a greater sense of what they are working for. To drive the whole organization forward, I believe it is more effective to establish specific standards or benchmarks than it is to set out abstract philosophies. Conversely, the Purpose is something that conveys the message that the Bank must

change, and to do that employees should behave in a certain way. For example, we are appointing area general managers to build a regional governance system, and reviewing our personnel system to encourage employees to take on challenges. In this way, we are taking the necessary measures to realize our Purpose, but what is important is whether these measures are working properly. Implementing this PDCA cycle will, I believe, lead to greater corporate value for the Gunma Bank and the realization of its Purpose.

What needs to be done to increase the value of human capital?

It is said that a company is made up of its people, and I agree because human resources are the source of corporate value creation. The Gunma Bank Group's business domain has expanded significantly, with Gungin Consulting Co., Ltd., a Group company, obtaining approval as an advanced banking service company and operating a regional trading company business. As we focus not only on working as a financial intermediary but also on business that does not involve interest rates, we will be required to offer services that call for more specialized skills, and will need to have a deeper understanding of our customers' businesses. In that event, we will need human resources with skills and experience that are different from those of conventional bankers. The personnel system will be reviewed, but we will have no choice but to change how we train and develop our human resources, such as by providing new training opportunities. From now on, employees will be required to continue their self-development regardless of age. It will also be important to have a system in place so the Bank can encourage these employees to take on challenges. How to nurture a new generation of bankers will be the key to realizing our Purpose, so this is something I would like to discuss at the Board of Directors.

