

Message from an Outside Director

The awareness of each employee and their ability to communicate plays a huge role in the realization of “good management”

Outside Director **Akira Kodera**



Here we asked Outside Director Akira Kodera, who has been observing the Chugoku Bank Group since the formulation of the medium-term management plan “Vision 2027” what his views are on the Group as we enter this new phase and about its governance.

What is the general sentiment at present of the Chugoku Bank Group’s Board of Directors?

I have spent close to 50 years working at a trading company that is vertically segmented by product area. And throughout those 50 years, I have never lost sight of the mantra “All for one and one for all.” If we put that saying in the context of a company, it would be a situation where the company looks out for the wellbeing of each of its employees while simultaneously promoting growth by giving those employees the opportunity to upskill through study. As well as being able to fulfill their work responsibilities, those employees will then also be able to give their opinions and make proposals based on what they think is important for the development of the company. In such a way, I believe that any obstacle can be overcome if the company and its employees work together toward the same goal.

Although the environment surrounding our regional societies and regional banks remains tough, I always try to keep these words at the forefront of my mind when interacting with Group officers and employees, and also when taking part in Board of Directors meetings.

How do you view the progress and changes made to the management structure of the Chugoku Bank Group?

When I was appointed in 2016, the Group was right in the middle of formulating “Vision 2027: Plan for Creating the Future Together.” I feel like I have a personal attachment to this plan as I was given the opportunity to participate in discussions around its formulation and to give my opinions on it.

We have obviously been keeping an eye on its progress since its formulation, and in its first three years, starting in FY 2017, we were steadfastly focused on building a management foundation through the ongoing and steady implementation of the measures set out in the medium-term management plan. In the subsequent three years, from FY 2020 to FY 2022, we made concrete our vision through the formulation of the “5 pillars.” In preparation for the period covering FY 2023 to FY 2026, the final year of the plan, we are currently in the process of refining our ideas for new plans of attack. What I have observed thus far is that the Chugoku Bank Group is making good progress toward its aims.

In terms of income, we have seen an ongoing year-on-year fall once again, and we would like to humbly apologize to all our shareholders for any concern caused by this. However, we are relieved to see that there was an increase in profit in the fiscal year ended March 31, 2021, and that there was an increase in income and profit in the fiscal year ended March 31, 2022.

The primary responsibility of an outside director is to “oversee management”; however, above all, I try to observe matters from the perspective of individual shareholders and corporate shareholders who also happen to be customers of the Bank. And when I do this, I use this 10-year management plan strategy as a compass and as the starting point for all matters.

The key to the Group's growth is to take the concept of "all for one and one for all" beyond the long-term management plan

What are your thoughts on the Chugoku Bank Group's governance and the issues facing the Group?

Governance is a mechanism to enable management to carry out "good management" practices. In my opinion, "good management" means the type of management that recognizes and overcomes risk, rather than the type of management that avoids risk altogether. Furthermore, as financial products often encompass a number of complex risks, I believe it is important that, as a regional bank, we create mechanisms to protect our customers. At the same time, I expect that the awareness of each employee, and their ability to communicate and make proposals will play a huge role in Group's ability to realize "good management."

In 2019, we ran an open-theme in-house essay competition for our employees, and we received over 60 submissions in response. As one of the judges, I read through all of the submissions and found all of them to be passionate and powerful pieces. I was particularly moved by the insightful proposals from those staff who worked directly with, and had an intimate knowledge of, our customers from their time working on the front line of our sales branches.

Some of the proposals have actually been put into practice by the Bank, and are a good example of how a one for all approach can lead to "good management."

One for all thinking in this way is vital in the sense of ensuring revitalization of our organization and for curbing any scandals or violations of the law within the Bank. The Board of Directors regularly receives reports on, and discusses the current state of, affairs regarding customer complaints.

At last year's Board of Directors meeting, we heard opinions such as, seeing as how structured bonds carry with them complex risks and are not easy to comprehend, any sales of such should only be executed in accordance with the customer's level of understanding. Or, whether regional bank credit costs should be used for local customers.

These opinions were put forward by internal directors, and are, I believe, a result of the implementation of "good management."

What are your thoughts on the Chugoku Bank Group becoming a holding company?

When formulating "Vision 2027," the possibility of becoming a holding company was discussed and closely examined. And so, as the transition to a holding company does not go against the overall trajectory of our 10-year strategy toward 2027, it was approved unanimously.

Net income for the fiscal year ended March 31, 2022 was ¥16.9 billion on a non-consolidated basis, and ¥18.3 billion on a consolidated basis. This ratio of non-consolidated to consolidated of 1.08x is too low when compared to other industries. We expect that the transition into a holding company will create synergy between our subsidiary companies and that "good management" will increase overall income. We have also established a recruitment company and a company specializing in investments as a new business axis for the Group, with plans also to establish a consulting company in the future. This really gives me a strong sense of a new dynamism to the overall Group.

What do you believe is the key to the Chugoku Bank Group achieving sustainable growth?

A basic policy for sustainability was resolved at a Board of Directors meeting in April of this year. Although the plan is to use initiatives geared toward the revitalization of regional economies, ESG, SDGs, climate change, and decarbonization as growth drivers toward increasing corporate value, there are some employees who feel there is some disconnect between linking "environmental, social, and regional development" with "improvement in corporate value" and they are pushing back slightly in response. And, it is precisely because employees with such a viewpoint exist that "good management" is necessary.

In June 2021, we established the Regional Headquarter System.

However, the key to fostering a sense of unity in and between these headquarters is to ensure that the heads of these regional headquarters, branch managers, and other senior staff display a sense of "all for one," and that the non-senior employees act in accordance with the spirit of "one for all." In particular, we believe it is important that female employees play an active role based on forming strong relationships with the region and customers. It is our hope that the heads of the various regional headquarters will be able to gain a firm understanding of the characteristics of their particular region and come up with unique ideas based on that, while also working closely together with the heads of other regional headquarters to ensure the implementation of "good management."

What shape do you believe the future of the Chugoku Bank group takes?

After a lost couple of decades, Japanese corporate management has now shifted to one based on the concept of "good management." The Chugoku Bank Group is also undergoing a similarly sometimes painful transition through its 10-year strategy. In and around 2027, when this 10-year strategy comes to an end, we expect to see a Group that has absolutely prioritized the building of relationships with the region and its customers and that has fully embraced the concept of "good management."