

Roundtable Discussion with the Outside Directors

Cultivating “Unconventional” human resources

Three of Nanto Bank’s outside directors, Hidetaka Matsuzaka, Kozue Nakayama, and Shuhei Aoki, joined Executive Vice President and Director Satoshi Ishida and Director and Senior Managing Executive Officer Kazuya Yokoya in an exchange of opinions concerning their impressions and evaluations of the Group’s personnel, with a special focus on the actions the Group is considering taking to cultivate unconventional human resources.



Vice President
Satoshi Ishida

Outside Director
Hidetaka Matsuzaka

Outside Director
Kozue Nakayama

Outside Director
Member, Audit and Supervisory Board
Shuhei Aoki

Director and Senior
Managing Executive Officer
Kazuya Yokotani

Nanto Bank’s human resources development from the outside directors’ perspective

Ishida: Four years have passed since I came to Nanto Bank. During early courtesy visits to local customers, I received a distinct impression that the Bank’s executives and employees had earned these customers’ genuine trust. I soon came to view this trust as the single most important asset differentiating the Group from others, and as convincing proof that its executives and employees have consistently exhibited a sincere commitment to the community and its customers throughout its long history.

When I turned my attention to the Bank’s internal organization, on the other hand, it struck me that the officers and employees had formed a homogeneous group, with a resulting rigidity in their organization. Considering today’s rapidly changing business environment, I was concerned that it would be difficult for a bank with a homogenous staff and a rigid organization of this kind to continue addressing the various issues confronting customers successfully in the future. We have responded by making cultivation of unconventional human resources the core issue of our business strategy and implementing a range of other measures.

Human resources development does not take place overnight. Today, I would like to hear how you, as outside directors, evaluate the Bank’s human resources.



Nakayama: I have been an outside director of Nanto Bank for one year now, and I have found that most of the Board members are serious, sensible people. I honestly find it difficult to say whether creative, innovative personnel are likely to emerge from within the Group immediately. On the other hand, the love the executives and employees so clearly feel for their local region is one of the Bank's most compelling features.

Yokotani: Many of our Group employees were born in this region and grew up with the Bank as part of their environment. This makes them particularly eager to contribute to the community and regional development through their work.

It is clear that employees such as these have created the Bank's image as a safe, secure regional bank through their steady, conscientious work. At the same time, however, they tend to overly value rules and avoid risk, and they exhibit a pronounced hesitancy to take up new challenges.

Aoki: The Bank's officers and employees are typical bankers. They are knowledgeable, rational, and imbued with a strong work ethic. On the otherhand, they lack the requisite assertiveness to take up new challenges proactively. Thanks in large part to the Bank's current management policy of nurturing "unconventional" staff, the younger employees seem to be working with considerable freedom of thought. Since these reforms have only just begun, however, both the new and the more experienced employees are wondering to what extent they can break out of their characteristic banker shells. Or so it seems to me.

Matsuzaka: I should add without reservation, however, that I feel this reformation of human resources is moving too slowly, although I do perceive clear signs of progress in the right direction from the perspectives of cost management and IT introduction. Cultivation of unconventional human resources is the most pressing issue for management, and if we fail to time it right, we stand to lose out in the competition with other banks. At the same time, I do not think that any reform of human character will occur simply because management says it should. I believe that employees will change and grow only when they acquire new awareness through a process in which management strategically allocates people with unique personalities to positions requiring them to respond to various unfamiliar issues. The banner of reform may have been raised, but I am not at all sure that every employee has fully embraced change yet.



What kind of human resources does the Bank require?

Yokotani: We believe that the Group will be further differentiated by cultivating personnel with the ability to realize customers' goals by consulting with them about the real concerns particular to their organization, cooperating with them in making decisions, and working with them toward a final resolution.

We also recognize a limitation in our management stemming from the fact that engaging in rule-based banking alone will not broaden employees' perspectives beyond the banking business. The process of cultivating more



executives and employees with broad perspectives must begin by systematically assigning personnel to branches outside the prefecture, conducting personnel exchanges between branch offices and headquarters, and transferring employees to Group companies.

Some employees may no doubt wonder exactly what they should do to become unconventional, or to acquire the requisite skills for consulting sales.

I would like to ask you all one important question: What specific skills do you think we should expect our human resources to possess?

Cultivating a Healthy Corporate Culture with Participation of Diverse Human Resources

Roundtable Discussion with the Outside Directors



Aoki: Nanto Bank is embarking on a path of diversifying its business beyond traditional core banking operations. Since this will require various unknown and varied services, it might appear at first glance that it would be sufficient to secure a diverse workforce. But this may not be enough. Of course, we will in any case be required by society to diversify our personnel in terms of gender, educational background, and age from the perspectives of fairness and justice. But I believe that the personnel who will be active in the Bank in the future will be those with the courage to tackle unfamiliar tasks and the intelligence to conceptualize solutions for which there is no precedent.

Matsuzaka: I consider it important for both executives and employees to possess what I call a variety of “drawers.” These can be constructed through such experiences as building a network of contacts with many people and participating in a variety of projects. Specifically, the quality of the solutions we propose to customers can be substantially improved by knowledge of such things as “another banker who succeeded in organizing his staff in a certain way for a specific project,” “a person or company with particular strengths in one field or another,” or “a system that might be appropriate for a purpose under consideration.” In addition to interactions among personnel at the Bank’s branch offices and headquarters, secondments to regional companies and local governments and traineeships at other companies would have a decidedly positive effect on building an internal and external network of this kind.

Nakayama: I agree. My perspective may be a little different, but I believe, first of all, that the Bank’s departments and branches should not have to suffer from the “not invented here syndrome” (self-sufficiency syndrome).

Only a few companies are equipped to solve today’s increasingly complex customer, community, and social issues by depending on their own resources. Similarly, I consider it difficult for the individual departments and branches of the Bank to find solutions on their own.

Although the roles of each department and branch may be considered necessary to conform to the Bank’s rules, I feel that breaking down barriers between organizations, thus freeing employees to ask each other for advice and listen to each other’s opinions, is among possible changes that can help to diversify executives’ and employees’ values. This will, in turn, strengthen the organization. This is why I believe the Bank’s new main building, which is currently under construction, will play a symbolic role, not only in DX and work-style reform, but also in eliminating the physical and psychological barriers separating the Bank’s internal organizations.

Ishida: We need to recognize that the way we interact with customers is changing dramatically, and to rethink the kinds of added value we provide them.

People who can think through the processes required to solve customers’ problems and conduct regional development are the ones who will shape the future of the Group. Determining optimal solutions will require every individual employee to improve their own professional skills and accumulate a diverse fund of personal experience, accompanied by cooperation and collaboration among employees throughout the organization.

As one means of cultivating these human resources, for example, we will relocate and consolidate our Headquarters Sales Department, various headquarters functions, and Group companies in the new main building to the extent possible, to create an environment that encourages free, lively discussion, thus deepening cooperation among our organizations.





Governance



Business model



Strategies and resources allocation



Outlook

Cultivating “unconventional” human resources

Yokotani: In our efforts to foster unconventional human resources, we have been working to diversify our employment rolls by expanding our career recruitment program and introducing a side job system as well as offering such employee growth opportunities as secondment to outside companies and dispatch of trainees.

We also believe that proper management leadership will be essential to creating unconventional human resources naturally.

I am convinced that particular attention should be given to engaging the young employees who will be responsible for the future of the Group. Communication from management will naturally be important here, but it is these young people's direct supervisors who will exert the greatest influence on their motivation. The degree to which supervisors can engage their subordinates will make all the difference.

Aoki: It is management's responsibility to nurture unconventional human resources. Personnel gain character when they are given the challenge of exciting work. To clarify, this means providing jobs that enable employees to respond accurately to customers' emerging needs by mobilizing all their strengths and knowledge, which leads in turn to gratifying experiences. I believe that the number of unconventional human resources will increase if management and workplace supervisors create more engaging jobs and make it easier for employees to obtain suitable assignments through the Bank's hiring, transfer, and performance evaluation practices.

Nakayama: Looking back on my own life, I believe that I became the person I am today because someone always forgave me when I went astray. I believe it is important for management to encourage relationships of trust between supervisors and subordinates in which the objectives are stated but the process is determined by the subordinates. This will promote dialogue between supervisors and subordinates and facilitate a sharing of diverse ideas and values transcending age, experience, and gender.

Matsuzaka: I think the solution is simple: Executives and employees should approach each project with the attitude that “this initiative will produce this benefit when viewed from the perspective of the Bank as a whole.” In other words, simply changing the beneficiary of the action from an organization or department to Nanto Bank can alter employees' awareness. I should also note that not every staff member needs to possess fully balanced capabilities. It is important for supervisors to identify each individual employee's particular strengths. No one needs to be capable of handling everything, as long as we can solve customers' issues with the combined efforts of all our staff members.

As we continue to foster unconventional human resources, it is essential for every manager and employee to pay greater attention to their surroundings, and for superiors and subordinates to continuously discuss such questions as these: “What is going on in this organization?” “What is the structure of this business?” “Why is this customer telling us these things?” and “What is the situation behind this news?”

Ishida: As I listened to everyone's opinions, I realized once again that cultivation of unconventional human resources begins with allowing others to think differently from us.

When explaining the objectives of a project, moreover, it is advisable to give personnel free rein to consider the optimal approach and then discuss it with them. I believe that repeating these procedures will provide the key to inspiring innovation. Human resources are our Group's most valuable management capital. With everything you have said today in mind, I want to ensure that the Group remains an organization in which every employee can find fulfillment in their work. Thank you all for sharing your time with us today.

