

## Roundtable Discussion among Independent Outside Directors

### The evolution of the Board of Directors that supports the enhancement of corporate value



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Director, Audit & Supervisory  
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Director, Audit & Supervisory  
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### Please share your candid opinions on the discussions held at the Board of Directors and other committee meetings as well as your activities in FY2024.

**Saito** In FY2024, we had more active discussions thanks to improvements in how the Board of Directors and other committee meetings are run. There were also opportunities outside the meetings to talk openly with the President & CEO and other management members, which allowed us to get a more concrete understanding of the executive team's thoughts and concerns and enabled us to have more in-depth discussions than in the previous fiscal year.

**Kaneko** I think it was very good that the agenda was narrowed down in FY2023 by reviewing the criteria for matters to be submitted to the Board of Directors, which

allowed more time to be devoted to substantive discussions.

The executive team provided us with all the necessary information and responded sincerely to our requests. Thanks to their attitude, I feel that communication has been smooth, not only in formal settings but also in informal settings.

**Nakata** I think the executive team's willingness to respond directly to our proposals and comments was excellent. On the one hand, I was a little concerned that narrowing down the matters to be submitted to the Board of Directors would weaken its monitoring functions by increasing the scope of matters delegated to the executive team. However, I highly commend the executive team for providing specific data on the outcomes of delegated matters, allowing us to thoroughly verify their results. Additionally, deliberating on future governance

issues provided a valuable opportunity to consider the direction the Company should take, which I found very meaningful.

**Sasaki** It has become easier to ask questions thanks to increased discussion time. I also proposed a discussion on the composition of the Board of Directors, and I was very pleased that this was accepted and thoroughly deliberated on by the Governance Committee.

**Kaneko** Regarding the Board of Directors' composition, we reaffirmed that the current structure is diverse and that the lineup of Directors allows each to leverage their strengths. We feel their knowledge and experience are being put to good use and contributing to the enhancement of the Company's corporate value.

**Saito** Shareholders and investors are watching to see if the Board of Directors is functioning actively as one cohesive team. As the internal and external environments

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continue to significantly change, it is crucial to deliberate on whether the composition and skill matrix of the Board of Directors are adequately adapting to these changes. We had thorough discussions in FY2024 and confirmed that the current composition of the Board of Directors is appropriate, and I believe that this process will continue to be important.

**Kawamura** One of our roles as Outside Directors is to provide advice from an external perspective, and in order to do so more effectively, it is important that we understand the Company's business priorities. I believe that the Company has extensive support and information sharing systems in place, enabling the efficient operation of the Board of Directors.

**Kaneko** We also discussed revising the skill matrix, and I think it was very beneficial to organize it into categories. In addition, by stating the reason for selecting each skill and thereby making the Company's thought process clear, it is now easier to see the reasoning behind our candidate selections. I believe the selection criteria for Director candidates have been improved to be more understandable.



**Sasaki** This may be an issue for Japanese companies in general, but with regard to the skills required of Directors, we need to continue considering how

to best evaluate their balance of overall competence, taking into account their expertise and experience. However, I think the recent revision of the skill matrix was a good opportunity to reconsider what is required of our Directors. I also found it meaningful to confirm and discuss the details of each skill.

**Nakata** I believe that the skills required of a Director include hard skills based on specialized knowledge and experience, and soft skills such as holistic communication and comprehension skills, empathy, and a broad perspective. The skill matrix mainly identifies hard skills, but the soft skills of each Director, which are difficult to put into words, are also essential. I feel our Directors possess both of these qualities.

**Saito** Another outcome of our FY2024 discussions was the appointment of independent Outside Directors as chairpersons of the Nomination Committee and the Compensation Committee. This is highly significant in light of the demand for transparency of the Board of Directors, and I believe the validity of their decision-making can now be more objectively presented.

**Nakata** We did not have any particular issues with the previous system, but the new system will increase transparency and provide a sense of security that it will not only function under normal conditions but also in the event of an emergency.

**Kawamura** I think this is an appropriate step demonstrating how governance is being strengthened. Overall operations will not significantly change, but I believe this will provide greater assurance regarding the validity and legitimacy of governance and will more clearly express our intent to strengthen governance than by simply using words.

### How do you evaluate the efforts to realize Our 10-year Vision and enhance corporate value over the medium to long term?

**Saito** I believe that global risk response and management are vital for enhancing corporate value over the medium to long term. In March of this year, I visited our

Americas entity and held discussions with local management. Mitsubishi HC Capital America, our Americas entity, was formed two years ago through the merger of three Group companies. Current performance remains under pressure, and I feel it is still in the maturation process, including the merging process. Moving forward, I believe it is crucial to continue making improvements.

Our overseas business portfolio has grown significantly, and I believe it is essential that our global management functions appropriately in response to geopolitical risks, such as US tariff measures, while also providing explanations to our shareholders and investors.

**Kawamura** I believe the Company is great at responding effectively to resolve any issues that arise. From a risk management perspective, it is important



to deliberate on what to do next. I think the Company has established a good habit of proactive discussions that not only address the issues at hand but also consider future directions and further risks.

**Saito** The main roles of an Outside Director are supervising and advising. To provide helpful advice, it is essential that we receive appropriate information early on. If issues are identified at an early stage, they can be thoroughly discussed at Board of Directors meetings, where we can provide appropriate advice to the executive team. In companies that struggle with governance, reporting tends to be after the fact. But at the Company, information is shared in a timely and appropriate manner, and I feel that the functions of the Board of Directors are being effectively carried out.

**Kaneko** I believe the monitoring system we have in

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place is one whereby each business division reports promptly to the President & CEO and that information is shared appropriately with Outside Directors.



**Nakata** Each division strives to move its business forward, but when viewed with the careful eye of an Outside Director, weaknesses and ambiguities

sometimes crop up. While many of these concerns turn out to be unfounded, I believe it is our role to point them out. Of course, this is not to slow anyone down, but rather to use our observations as a starting point for discussion among everyone, leading to appropriate conclusions.

**Sasaki** Our 10-year Vision represents a milestone toward realizing our medium- to long-term goals, and I believe that it carries our hope for each and every employee to take on the challenge of creating social value. I hope this essence of the vision will be received clearly by all employees.

**Kawamura** I believe Our 10-year Vision is the long-term goal that the Company wants to work toward and achieve. It is not about what will happen to the Company in 10 years, but rather about drawing a path toward the goal that the Company wants to achieve in 10 years. I think it is especially vital for our younger employees to be firmly conscious of this. In that sense, I believe that the frameworks to promote transformation are gradually taking root, and that a mindset for transformation is setting in.

**Saito** In the process of raising the value we provide to our customers, it is important for the President & CEO and management to share their dreams and set goals that can be pursued ceaselessly for 10, 20, even 30 years.

We hope to accelerate the dissemination of frameworks to promote transformation and ensure that they become part of our corporate culture.

**Nakata** By “10 years,” I think there are two outlooks: 10 years after the business integration, which is FY2031, and 10 years from now.

As FY2031 will mark the completion of the “hop,” “step,” and “jump” Medium-term Management Plans, we will continue to strive toward Our 10-year Vision set in the 2025 MTMP. I would like each and every employee to constantly think about who they want to be 10 years from now.

### Finally, please share a message with our stakeholders.

**Kaneko** Although there are various stakeholders, I think everyone shares the hope that the Company will continue to thrive and grow.



As an accounting and auditing professional, I have been observing the governance and management systems of various companies. By leveraging this experience, I would like to continue contributing by offering an objective and independent third-party perspective that is distinct from the executive side, as well as with a warm heart.

I would like all employees to seriously consider the specific implications of our management philosophy, “creating social value through maximizing the potential of assets,” and what they can do using the assets they handle. I also hope that they can transform their own work.

**Nakata** I agree with Ms. Kaneko’s “third-party perspective,” as I would also like to contribute to the Company

from an external perspective. I would also encourage all employees to take pride in our management philosophy. I believe future employees will also feel that they have joined a great company when they start working here.

**Saito** I believe that human resource development is very important as a means of strengthening non-financial capital to realize Our 10-year Vision. I would like all employees to focus on raising their individual abilities and strive to improve themselves.



**Sasaki** As an independent Outside Director, I believe it is extremely important to identify issues—that are difficult to notice from within the Company—from an external perspective. I will continue to comment on matters that are taken for granted within the Company from an external perspective for the benefit of all shareholders and stakeholders.

I find it extremely appealing to create social value. This desire is embodied in Our 10-year Vision, and I would like all employees to understand this desire and put it into action.

**Kawamura** As an independent Outside Director, I would like to provide advice from an external perspective on the issues executives face in strengthening the Company’s management base and transforming it through digital transformation.

The Company owns many assets, each of which are used in outstanding businesses that contribute to society in the form of social infrastructure. We want the management team to create an environment where all employees can be proud of these businesses and actively take on new challenges.