

Roundtable Discussion Among Independent Outside Directors

The role of the Board in supporting the Group's challenges toward realizing Our FY2031 Vision



How do you evaluate the process and discussions involved in formulating the 2028 MTMP?

Kawamura I realized that formulating the 2028 MTMP, which marks the transition from *hop* to *step* toward realizing Our FY2031 Vision, was a highly challenging initiative that required a

transformation in employees' mindsets. The Board held numerous rounds of discussion, and through that process, I believe the Company as a whole was able to establish a shared understanding across the Company—not only of the direction in which we should transform the Company going forward, including revisions to our numerical targets and executive compensation, but also of the concrete measures to realize that transformation.

Saito I believe the most important message of the 2028 MTMP is that we have shifted our management focus from

asset-driven growth to capital efficiency and profitability. It is highly significant that ROE has been positioned as the top priority KPI and that profit, capital efficiency, shareholder returns, and even the executive compensation system have been organized into an integrated framework.

Since we fell short of the 10% ROE target under the 2025 MTMP, I believe quite a few shareholders and investors may be skeptical about whether we can achieve it. That is precisely why, under the 2028 MTMP, it is important to clearly present our business portfolio

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transformation—what we will grow and what we will reassess—and to set out effective actions to deliver on our ROE target.

Nakata The 2028 MTMP is a coherent plan in which the top priority KPI—a 10% ROE—is aligned with other numerical targets and measures. The key point is that it combines a top-down ROE target with a bottom-up approach built on improvements and initiatives across each business. I see this dual approach to enhancing corporate value as both a defining feature and a strength of the 2028 MTMP. During the formulation process, repeated careful discussions with the executive team helped deepen my understanding of the overall picture, including the thinking behind how the plan was structured. Looking ahead, however, I feel there is still room to present the relationship between the 2028 MTMP and Our FY2031 Vision more clearly.



Kaneko I find the 2028 MTMP highly convincing overall. We receive detailed updates on the status of businesses and front-line operations on a regular basis, and from that perspective, I feel the plan appropriately reflects our current challenges. At Board meetings, we were able to spend adequate time on careful discussion. In particular, the *evolution and layering of business models* is an ongoing initiative carried over from the 2025 MTMP. Its significance lies in adding the perspectives of *create*

and *close the loop* to the existing perspective of *use*. It is also important that business portfolio restructuring has been presented clearly in numerical terms. The next challenge is how to instill an understanding of the 2028 MTMP in each employee and how to communicate them to stakeholders. Employees need to take ownership of it. It will also be necessary to monitor progress and make adjustments in response to changes in the environment and other factors.

Kawamura For the 2028 MTMP, the key challenge ultimately comes down to our ability to execute it as intended. The pace of change in the external environment is faster than expected, and there will inevitably be times when things do not exactly proceed as planned. When that happens, the ability to make necessary course corrections quickly will be extremely important. Therefore, at Board meetings, we will appropriately monitor the progress of the 2028 MTMP and changes in the external environment and support the Company in ensuring the steady achievement of the 2028 MTMP targets.

Please share your views on discussions surrounding management with a focus on the cost of capital, stock price, and P/B ratio.

Kawamura With regard to our stock price and P/B ratio, I believe it is important to focus not on short-term increases through measures such as share buybacks, but on fundamentally enhancing our corporate value through the initiatives under the 2028 MTMP, including business portfolio restructuring, and thereby improving how the market values the Company as a result.

Kaneko We always discuss matters with the cost of capital, stock price, and corporate value enhancement in mind. This applies not only to discussions on the medium-term management plan but also on other issues. For companies with very high equity ratios, share buybacks may be a rational option in some cases. In our case, however, I believe it is appropriate to enhance corporate value through business portfolio restructuring while maintaining financial soundness, and I do not believe this is the right time for share buybacks. As an outside director, I would like to continue these discussions with a strong focus on maximizing value for all shareholders, including minority shareholders.



Saito It is important to clearly show investors our thoughts on the balance between growth potential, return on capital, and financial soundness, as well as capital allocation. On that basis, continuing to present our strategy for what we will strengthen and reassess, along with KPIs, will help build trust. We also need to instill this thinking in employees and use it to enhance their motivation.

Nakata Each employee plays a key role in achieving our numerical targets. Therefore, I believe it is extremely important to raise employee engagement in order to enhance corporate value. I also feel that the Company approaches various initiatives with diligence and care. I think it would be even better if that attitude could be communicated more effectively externally.

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The Company revised its executive compensation system as part of the evaluation framework supporting the strategies of the 2028 MTMP.

Saito The executive compensation system should not be set on an ad hoc basis; it should be strategically designed as a mechanism to support improved profitability. It should also be linked to employee compensation and motivation and help create a sense of unity across the Company toward value creation. Going forward, I believe the level of compensation, taking global standards into account, will be an important theme for discussion.

Nakata When considering executive compensation, it is necessary to take into account both the theoretical aspect of alignment with strategies and compensation levels in external markets. From that perspective, this revision is consistent with Our Mission and targets, and I believe it was an appropriate revision. However, this is not the goal, so I believe ongoing monitoring and review will remain important.

Kaneko I also believe it is important for the executive compensation system to be aligned with Our Mission and the 2028 MTMP, and to contribute to securing high-caliber talent and enhancing medium- to long-term motivation. I view this revision as appropriate because it is designed to align with the 2028 MTMP and management strategies, including raising the variable compensation ratio, emphasizing efficiency indicators, and introducing non-financial targets. Going forward, optimizing compensation and talent allocation across Group companies, including those overseas, will be a key challenge.

Kawamura I believe it was appropriate to revise the compensation system in conjunction with the formulation of the 2028

MTMP. In particular, incorporating employee engagement metrics made the design better balanced. What is important is to continue monitoring how these changes to the compensation system affect executives' and directors' behavior and organizational performance. Also, while there are differences in the compensation approach at overseas subsidiaries, finding a way to better align compensation systems across the Group will be a key challenge going forward as we move toward implementation.

Please share your views on how the Board should function and on its effectiveness evaluation.

Kaneko Regarding the Board's effectiveness evaluation, I feel that responses to identified challenges are steadily progressing and that the PDCA cycle is functioning well. In that sense, I consider the current internal evaluation process appropriate. Because business characteristics and the way boards should operate differ from company to company, evaluations should be conducted with an understanding of those differences. From that perspective, I do not currently see much need to engage an external evaluator.

Nakata As an independent outside director, I am provided with ample opportunities to express my views, and the Company takes those views seriously and translates them into concrete improvements. Taking these points into account, I feel that the current effectiveness evaluation is functioning appropriately.

In my own role as chairperson of the Compensation Committee, I also felt that the discussions were not conducted

with predetermined conclusions; rather, the discussions themselves were clearly linked to decision-making. I also felt that the executive team responded very thoughtfully to each of our views as directors. I believe the steady accumulation of these efforts is helping enhance the effectiveness of the Board.

Saito I share the same view on the methods and processes for effectiveness evaluation. I believe that the atmosphere for discussion is important for making a board highly effective, and the Board is able to hold very open and candid discussions. For that same reason, I believe its effectiveness is sufficiently ensured. Accordingly, I also do not feel the need to engage an external evaluator at present.



Kawamura I recognized that the PDCA cycle is functioning appropriately and that autonomous improvement is being achieved. At present, I believe there is limited need to engage an external evaluator, and the additional benefits of doing so would also be limited. Regarding discussions at Board meetings, I also recognize that, with each member bringing different skills and expertise, diverse perspectives are appropriately reflected, and constructive discussions take place in a way that draws on each member's strengths. Appointing outside directors as committee chairpersons can provide an opportunity to add new perspectives to conventional assumptions in both the way

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discussions are conducted and the preparation stage. I believe the continued accumulation of these perspectives will further enhance the quality of discussions at Board meetings.

Nakata Based on the skill matrix, the Board comprises members with diverse expertise, and I feel that we are able to communicate with one another while taking each other's backgrounds into account. As a result, my impression is that discussions are substantive rather than formal.

Kaneko I feel that the current Board has a well-balanced composition in terms of expertise and other qualities. Non-independent outside director also possesses strong qualifications, as well as extensive experience and expertise in investment, management, and overseas business, and I believe his comments contribute to enhancing the Company's corporate value. In addition, the network and insights of the Mitsubishi Group are useful for the Company's growth and also serve the interests of minority shareholders. This has never happened, but if any recommendation were ever made that prioritized the interests of major shareholders due to a conflict of interest, all independent outside directors would oppose it, so I hope stakeholders feel assured on that point. Of course, I also believe that the composition of the Board needs to be reviewed continuously in light of changes in the environment and other factors.

Saito Rather than focusing on whether there is a non-independent outside director, what truly matters is that the Board is fundamentally a strong team, and I believe that it is. Each member fulfills their respective role, so I do not see any issue with the presence of a non-independent outside director.

Kawamura Regarding the composition of the Board, I believe what matters is not formality, but substance—whether members have the skills and experience the Company needs. In fact, the Company's non-independent outside director provides appropriate advice based on his own experience, and I believe that he

makes valuable contributions to discussions at Board meetings.

I also believe the current composition of directors is ideal. At the same time, I recognize that the absence of women and non-Japanese nationals among executive officers remains an area that needs to be addressed. I believe organizations with diverse leaders are stronger, so I hope the executive team will foster such a culture.



Finally, please share a message with our stakeholders.

Kawamura FY2026 is a pivotal year as the 2028 MTMP begins in earnest. While further refining the Company's strengths, realizing Our FY2031 Vision will not only require executing strategies but also developing an organization and talent capable of flexibly responding to a rapidly changing environment. As an independent outside director, I will leverage my expertise in IT, DX, and AI to support the enhancement of the Company's corporate value over the medium to long term from the perspectives of both governance that supports transformation and talent development.

Saito Technological innovation, including AI, has reached an important stage that will determine productivity and competitiveness. I believe that competitive advantage in the future will come not from following change but from creating it ourselves. Based on this understanding, I would like to appropriately demonstrate to investors and other stakeholders, through both strategy and execution, that the Company is one that continues to take on challenges.

Nakata The Company's strength lies in its willingness to face external opinions and feedback head-on and in its steady commitment to improvement through careful processes. I believe this attitude is not merely a characteristic but an important strength that supports corporate value over the long term. The Company operates at a high level not only in terms of its performance and output but also in terms of the reliability of the processes that lead to them. I would like employees to take pride in the Company's attitude, and I believe that, on this foundation, continuing to think for themselves and take on challenges will lead to the next stage of growth.

Kaneko As an independent outside director, I place importance on deeply understanding the Company while monitoring business development and risk management from an independent standpoint and a long-term perspective. Leveraging my expertise in accounting and auditing and the perspectives I have gained through comparisons with many companies, I will continue to provide constructive advice. In an era of rapid change, it is important to learn, think, and take action, without being bound by past successes. I would like to support employees who embrace change, take initiative, and continue to take on challenges.