

# Dialogue with Independent Outside Directors

## Toward further raising the effectiveness of the Board of Directors and advancing governance

We held a roundtable discussion with five independent Outside Directors, who exchanged wide-ranging opinions on various topics. These ranged from their assessment of the process for formulating the Medium-term Management Plan for FY2023 - FY2025 ("2025 MTMP") to the key points of governance, the future expectations of Mitsubishi HC Capital, and the ideal business model that transcends the framework of the leasing business.



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Director  
(Independent Outside Director)

**Yuri Sasaki**  
Director  
(Independent Outside Director)

**Koichiro Hiraiwa**  
Director, Audit & Supervisory  
Committee Member  
(Independent Outside Director)

**Hiroko Kaneko**  
Director, Audit & Supervisory  
Committee Member  
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**Masayuki Saito**  
Director, Audit & Supervisory  
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(Independent Outside Director)

## Post Merger Integration ("PMI") is a cornerstone of growth

**Q :** During these past two years following the merger, you have successfully completed the PMI as originally planned. What are your thoughts about the issues that lie ahead?

**Saito** Under the new system created through the merger of the former Mitsubishi UFJ Lease & Finance and the former Hitachi Capital, our pro-forma rule-making has nearly been completed, and we are about to enter a maturation process. As we do so, first of all, everybody must thoroughly acquaint themselves with each other in Japan and at the overseas companies we have acquired. We also need to respect each company's corporate culture while management must clearly present and implement shared values. This process should enable optimal integration and result in the creation of "one team." The management team has a solid understanding of our current position, and in the future, it will likely advance steadily in the present direction. I will continue to fully contribute to this process by providing my advice and support.

**Hiraiwa** Generally speaking, it is said that it takes 30 years to truly unify a company through integration after a merger. To put this into better perspective, this is the same amount of time for a new employee to eventually become an executive. While this might very well be true, I also feel that we cannot spend such a long time on our integration process. 2025 MTMP has been formulated based on the solid foundation of Our Mission. I am sure all employees agree with this thinking. This is precisely why I believe 2025 MTMP has great significance and originality. To realize Mitsubishi HC Capital's Our Mission, it is important to embed the respective corporate cultures and traditions cultivated by each company into the new management structure.

**Saito** Mitsubishi HC Capital now has great potential because it laid the cornerstone for significant growth during the past two years of PMI. Mitsubishi HC Capital will firmly "sowing seeds" and "gaining a solid foothold" as set forth in 2025 MTMP over the next three years, which is designated as the plan's "Hop" phase, so that it can transition smoothly to the successive "Step" and "Jump" phases.

# Frank discussions in formulating 2025 MTMP that strongly promotes Our Mission

**Q : How do you assess the details and formulation process for 2025 MTMP?**

**Saito** In discussing 2025 MTMP, we first drew an image of our 10-Year Vision and then backcasted from there to identify what we need to do now. I learned about this concept of backcasting from then-President & CEO Yanai. I think this plan serves as a suitable management strategy that is aligned with the times. Within the plan, I am focusing particularly on synergies generated through the integration of the two predecessor companies. I think the most important point will be to leverage the strengths of both companies and deploy synergies, especially in overseas operations.

**Kaneko** The plan was repeatedly discussed at meetings of the Board of Directors and careful considerations were made internally in advance. We held various discussions from the dual perspectives of fostering a sense of solidarity and solidifying our foothold through the integration of the two companies.

**Hiraiwa** Medium-term management plans generally tend to be associated with setting and attaining numerical targets. Certainly, Mitsubishi HC Capital has also set several numerical targets, such as net income. However, when I look at 2025 MTMP, I am focusing on a more abstract aspect in that Our Mission is being firmly positioned at the forefront of the plan. The 10-Year Vision, “Together we innovate, challenge and explore the frontiers of the future,” emphasizes fortifying the corporate structure. This will enable Mitsubishi HC Capital to withstand shifts in the environment and continuously move forward regardless of how dramatically the times change.

I was also deeply impressed when I listened to executives tell me they seek to create a corporate culture where there is no fear of failure. Of course, this is easier said than done. Nonetheless, setting a goal of not fearing failure is a tremendous objective considering that the Company is still feeling its way around in the short time since the integration. This reaffirmed our strong sense



that we too must help create such a corporate culture. **Sasaki** In formulating 2025 MTMP, all Outside Directors openly made comments such as, “I don’t understand the explanation using this terminology” and “I need clearer explanations.” I, of course, expressed my opinions too and through various exchanges, our understanding deepened significantly.

The plan formulation proceeded under an excellent format as the executive team created content that could withstand exhaustive discussion while the Outside Directors also voiced their opinions from an objective standpoint.

**Nakata** The fact that the formulation process proceeded in stages is tremendously beneficial. Immediately after the merger in April 2021, we established our Basic Management Policy, and the following year we crafted the 10-Year Vision. This year, we announced 2025 MTMP. Over this time, the Board of Directors has convened eight times and held ongoing discussions. After consolidating the main points of these internal discussions, the committee submitted the results to the Board of Directors, which engaged in exchanging differing opinions that included the participation of Outside Directors. In response to this, we have continuously repeated the cycle of re-examining issues within the Company. Through this process, each of our Internal Directors and Outside Directors began thinking more deeply about what kind of company we wish to become and the ways we can contribute to realizing such a company.

make my utmost efforts to point out anything I notice that could be problematic for the Company. **Hiraiwa** Visiting business sites and then thinking based on my observations of these sites is important. Some things cannot be explained by numbers alone. For this reason, I hope to visit all actual business sites, including those overseas, and listen carefully to the opinions of

auditing firms and various partners. The most important aspect of monitoring is to consider the situation at business sites or matters close to actual circumstances. **Kaneko** Speaking from my own experience in accounting auditing and observing the internal control and governance of companies for nearly 30 years, I can say

that internal control and governance in overseas divisions is particularly difficult. I get the impression that all companies face difficulties with internal controls overseas owing to differences in business cultures. Additionally, changing our employee engagement is also important for realizing 2025 MTMP.

## Creating a well-balanced Board of Directors and advisory committees where it is easy to express opinions

**Q : What are your thoughts on the composition and operation of the Board of Directors and advisory committees?**

**Nakata** Board members are rich in diversity and possess a variety of specialties and skills. This Board composition was the result of meticulous selection that emphasizes each individual’s characteristics and talents rather than imposing formal criteria such as being male, female, or a foreign national. Although we currently have no foreign nationals serving on the Board of Directors or advisory committees, clarifying the skills required of any such foreign nationals with an eye to the future is important.

Additionally, Mitsubishi HC Capital is a company with an Audit & Supervisory Committee. As such, some Directors are members of the Audit and Supervisory Committee while other Directors are not. This structure can be visualized by imagining two concentric circles centered around the Company. Audit and Supervisory Committee members belong to the inner circle closest to the Company, and these members proactively visit actual business sites from time to time to perform audits. Directors like me who are not Audit and Supervisory Committee members belong to the outer circle and our role is to point out any issues we become aware of from a third-party perspective. I think it is greatly beneficial that Mitsubishi HC Capital has these two types of directors who concurrently look at the same matters while maintaining a healthy distance from each other.

**Sasaki** We asked Mitsubishi HC Capital for slightly



more advanced explanations so that we can be better prepared to undertake more in-depth discussions. The Company responded and now always provides us with prior explanations regarding key matters. This allows us to ask questions and hold discussions before attending the Board of Directors’ meetings. Initially, there were many directors and I worried about whether we could all express our opinions within the allotted time. Fortunately, improvements have been made and the meetings are operated smoothly under current conditions.

**Hiraiwa** Mitsubishi HC Capital’s Board of Directors is balanced and there is an atmosphere in which we can express anything on our minds. Individual directors have a wide variety of opinions and ways of thinking. This is an ideal composition for the Board of Directors and is especially effective because each director has a different background. The Board is well-balanced, and it is easy for us to express our opinions because members make tremendous efforts to listen to and learn from each other.

**Q : What do you notice during your on-site inspections?**

**Kaneko** Recently, the COVID-19 pandemic has subsided, and so there are increased opportunities for on-site inspections, which have opened my understanding of the Company’s business. I hope to continue utilizing my observations at these on-site inspections for discussions with the committee.

**Saito** The Audit and Supervisory Committee had me make inspection visits to domestic business sites, and in



early 2023, I engaged in direct discussions with the top management of a recently acquired U.S. marine container leasing company. These inspections were meaningful because I gained an understanding of the thinking and qualifications of local managers as well as their form of governance and degree of loyalty to their company.

The results of a company naturally reflect whether local management only has a matter-of-fact attitude of give and take or whether they undertake management as a member of the group with a deep sense of affiliation

### Implementing offensive and defensive governance

**Q :** Recently we hear the term “offensive and defensive governance” as a function expected of Outside Directors. What types of matters do you pay close attention to from this perspective?

**Hiraiwa** In my role as an Audit and Supervisory Committee member, I believe my primary responsibility is defensive governance. Information regarding guidance and support from the head office is also important for on-site inspections. I look at whether the Company’s goals are being permeated and promoted in the workplace and whether necessary communications and reports are properly sent to the head office. I believe that checking on these matters is also a key role of the Audit and Supervisory Committee members.

Japanese companies still probably have some weaknesses in offensive-oriented governance. This is why I was so surprised when our executive team talked about “creating a corporate culture that does not fear failure.” That said, I fully support this idea and will make my utmost efforts to encourage this. Everybody will combine their strengths to protect Our Mission. I believe this will help foster offensive-oriented governance at the Company.

**Nakata** I spend considerable time reading the materials provided by the Company before each board meeting. In examining these materials, I sometimes run into ambiguous areas that I do not understand. This makes me think

with their company. I feel that all the managers I met understood our company and had a mindset of desiring to work together. Furthermore, I also realized that they undertook management with a sense of unity with the locally dispatched Japanese staff.

It is highly commendable that the executive team provides the Audit and Supervisory Committee with such opportunities. This opportunity renewed my strong desire to contribute to the Company.

something might be occurring that the Company is unaware of and it is my job to point this out. I am not sure whether my method is an offensive or defensive approach.

**Sasaki** There are times when matters arise internally that are difficult to speak out about within the Company or to tell the President & CEO. Offensive-oriented governance involves being aware of such matters as much as possible and pointing these out when necessary.

**Kaneko** I think there are two aspects of offensive-oriented governance. The first is to properly confirm a process when managers take an offensive approach. A primary role is to ascertain whether any matter has been overlooked and, ultimately, provide sound support for offensive-oriented management. The second aspect is to closely examine how risk management is undertaken. If the risk management system is properly functioning after assuming a risk, a system is in place for going on to the next offensive. Mitsubishi HC Capital has strong bank-related elements and undertakes extremely sophisticated risk management, so we have created an environment in which we can easily provide support.

**Saito** Our inherent duty is to strengthen our defense against any situations that could damage corporate value. Alternatively, I believe we have a duty to contribute as much as possible to the “offensive” mission of increasing corporate value.

**Q :** What are your thoughts about the role of Outside Directors as representatives of stakeholders and shareholders?

**Nakata** To reiterate, on behalf of shareholders, I point out matters that appear odd from a third party’s perspective and areas that would be considered normal in other organizations.

### Toward being a leasing business that creates new value without fear of failure

**Q :** Lastly, please tell us your expectations about the future of the Company.

**Saito** Mitsubishi HC Capital has formulated 2025 MTMP and has drawn an overall picture toward realizing its 10-Year Vision. However, there are some areas where the head has moved out in front and the body is unable to catch up. This makes it essential to quickly create a management system that firmly manages these aspects.

**Sasaki** There are features of the leasing business that are generally difficult to understand. Nonetheless, the leasing business holds the potential to do various things and can create diverse value while incorporating society’s needs. Generating synergies between the two companies will, of course, not be simple. Even so, I expect that Mitsubishi HC Capital will successively create new value without fear of failure.

**Nakata** I highly acclaim Our Mission, “Contribute to a prosperous and sustainable future by creating social value through maximizing the potential of assets,” which was announced at the time of the merger in April 2021. This is because Our Mission embodies a variety of possibilities.

The word “asset” can conjure images of tangible things as well as intangible concepts such as business and know-how. The term “leasing business” mentioned by Director Sasaki can be applied not only in its classical meaning but also to broader concepts. For example, one future possibility for Mitsubishi HC Capital is to expand its leasing business while concurrently moving beyond the leasing business into different domains.

**Hiraiwa** In particular, although Outside Directors of course make their best efforts for the interests of minority shareholders, we must never lose sight of matters that benefit all stakeholders, including employees and partner companies.

**Saito** Considering ways to maximize a company’s sustainability will ultimately lead to rational discussions for both minority shareholders and employees.



Although the two former companies before the merger differed in terms of culture and tradition, the determination to change while working together toward the future is embedded in Our Mission. This is very appealing.

**Hiraiwa** Looking at the current situation, full integration has been completed, and 2025 MTMP has just gotten underway. Despite many disagreements during the process, we have forged a consensus and are now off and running in the same direction as the new company. In other words, we all share a common awareness and this will serve as a strength for the future. I hope Mitsubishi HC Capital can realize a new business model that will change Japan, where there is a strong sense of stagnation. Furthermore, I would also like to see Mitsubishi HC Capital provide venues where young people can work freely. Mitsubishi HC Capital has the courage and foundation to continuously tackle new challenges even if it occasionally experiences failures. I hope Mitsubishi HC Capital will not overthink small matters in its day-to-day operations and will continue to move towards a big future.

**Kaneko** An extremely large benefit of the integration is that it created a stable base of tangible and intangible assets and diversified our portfolio. I have great expectations for the ways these assets will be deployed to create new value. Mitsubishi HC Capital as a whole is vibrant and young. Mitsubishi HC Capital also has a culture of encouraging young people to take on challenges and providing them with a variety of experiences. I would like to see Mitsubishi HC Capital develop human resources who can globally play active roles.

