

## Dialogue with Independent Outside Directors



**Yuri Sasaki**

Director  
(Independent Outside Director)

**Kayoko Kawamura**

Director  
(Independent Outside Director)

**Hiroyasu Nakata**

Director, Audit & Supervisory  
Committee Member  
(Independent Outside Director)

**Hiroko Kaneko**

Director, Audit & Supervisory  
Committee Member  
(Independent Outside Director)

**Masayuki Saito**

Director, Audit & Supervisory  
Committee Member  
(Independent Outside Director)

## Toward Sustainable Growth of Mitsubishi HC Capital Group

### What is your assessment of the first year of the 2025 Medium-term Management Plan (2025 MTMP)?

**Sasaki** When I saw the initial draft of the 2025 MTMP, it seemed a bit abstract in some respects, but I felt that it was fleshed out and communicated to employees through detailed discussions at the Board of Directors meetings.

I expect that the further integration of the two former companies will accelerate the progress of the 2025 MTMP.

**Nakata** Many discussions were held at the board meeting about the 2025 MTMP, which deepened our understanding of it. Naturally, there were times when the plan did not go as expected or unexpected losses were incurred, but these were also

promptly reported to the board and discussed in depth. I hope that this will continue to be the case in the future.

**Kaneko** Our business is diverse, and the business conditions and challenges vary considerably by segment and region. Furthermore, I strongly feel that our business is becoming more complex these days, not only in terms of financial targets, but also in terms of non-financial targets, such as human resources and sustainability. Under such circumstances, I highly appreciate the fact that we have been proactive in identifying business fields and withdrawing from them as well as investing in them. The

external environment has shifted more dramatically than anticipated, making it extremely difficult to steer the Company's course, but I feel that the Board of Directors has been able to hold discussions while maintaining a common understanding of the issues.

**Saito** We have been thinking of fiscal 2023 as a period for maturing our organization, and we recognize that we are making steady progress in this regard step by step. I would like us to continue to make steady progress in maturing this year, including our overseas operations, and firmly establish our corporate culture during the period of this 2025 MTMP.

### Please tell us about the Group's efforts to enhance corporate value.

**Saito** Risk management is becoming increasingly important as the external environment undergoes major changes, such as global economic trends, climate change, and cyber security issues. Fostering a sense of unity in our overseas operations, which account for more than 60% of

our total consolidated assets, and human resource development are also challenges. With more than 400,000 individual shareholders and many individual investors interested in our Company, it is important to explain our business and policies on issues in a more straightforward manner.

**Kaneko** Strategies for improving PBR and achieving ROE that exceeds the cost of shareholder equity were carefully discussed by the Board of Directors, and the direction of the corresponding measures was clarified. Although the Company by itself cannot control the share price in

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some respects, it is important to clearly set forth a strategy for improving profitability.

In terms of information disclosure, the Corporate Governance Report has been revised to be more easily understood, and the President and other members of our top

management are actively engaged in dialogue with investors.

**Sasaki** The Board of Directors has analyzed and discussed ways to improve our corporate value and confirmed initiatives aiming to ensure the understanding of the strategy by each employee, but it is important to



see how far we can penetrate this understanding in the future.

### How would you assess the current governance?

**Kaneko** I believe that the Company has a very high awareness of governance. As a Part-time Audit & Supervisory Committee member, I am very encouraged by the fact that the Internal Audit Department has created a global internal audit system in cooperation with the Internal Audit Department of each group company, including those overseas, and I believe this is a good model for effective internal auditing.

**Saito** We have been involved in major acquisitions overseas, and I think it is not an easy task to bring

each company together under a single set of governance rules called MHC. In such a situation, it is very reasonable to create a global team to share the governance rules, have them understand the corporate culture of MHC, and seek their agreement. And we need to be thorough in this step.

**Nakata** We evaluate the effectiveness of the Board of Directors at the end of each fiscal year, and I think it was worthwhile that the Company's response to this evaluation has been extremely proactive, and it verifies

the extent to which the recommendations made in the previous year's effectiveness evaluation have been implemented this year. I believe that a virtuous cycle has been created in which directors point out issues, the Company responds to them, and everyone tries to improve the situation. I also feel that the level of response to the recommendations made by the Directors is very high.

**Kaneko** I agree, and I believe that the ability to listen to the recommendations of Directors is a sign that a good governance structure is in place.

### Please share your thoughts on the addition of IT/DX to the expertise of the Board of Directors this fiscal year.

**Saito** It is important to have highly skilled outsiders join in the discussions among our top management. I believe that the addition of the IT/DX category is very appropriate from the viewpoint that it is important for sustainable growth to create a global IT information sharing platform and information system, and to transform the business model by incorporating DX into existing businesses.

**Kawamura** Since IT is at the core of

company management nowadays, DX must be considered both from the conservative perspective of system integration and from the aggressive perspective of business expansion. If both are not done with flexibility, IT will become a major risk factor for management.

I hope that my experience will be useful in the IT world, where anything can happen, and that I can help inspire people to think about new

things. Although I have only participated in two board meetings at this time, I feel that communication with executives at board meetings has been smooth and successful.



### What are your expectations for the Company's sustainable growth?

**Sasaki** I have high expectations for the synergies that will emerge from the integration as we leverage each company's unique characteristics with each other. As a leasing company, we have grown both in size and in what

we can do, so I have high expectations for us to tackle new challenges without much fear of failure, as the President has said.

**Kawamura** We have a lot of business opportunities, and although

overseas business accounts for the majority of our business, making it a challenging situation, I believe that we are in an environment that allows us to take on a variety of challenges. In cases where a business is not well

established in one division but has a track record in other divisions or overseas, promoting cross-divisional efforts across multiple divisions, including overseas, may be a shortcut to encouraging new challenges.



**Nakata** I believe our strength is the stability we have achieved by building a very broad and diverse business portfolio, and the fact that we continue to take on new challenges based on this portfolio. However, that stability can change due to a variety of factors, so we

need to consider business development with flexibility.

**Kaneko** While leasing has been our foundational business, we have changed the nature of our business in response to changing times. I believe that we must continue to change constantly in response to the changing times and environment. In this sense, we are not a finished project. The breadth of our business domain offsets the volatility of our business and provides a sense of stability and the seeds for growth. We expect to make good use of this to create the next business pillar, a profitable business. To this end, I would like to emphasize the importance of active dialogue between top management and employees, as well as among

employees, to create a work environment in which employees can work with enthusiasm and vigor.

**Saito** In order for the organization to grow and mature, it is necessary for employees to be energized as the organization grows in effectiveness. I believe that the driving force for achieving results beyond our expectations is to create a corporate culture and atmosphere in which each and every officer and employee, both in Japan and overseas, is strongly aware that they are a member of the MHC Group and can work energetically. Creating a situation where employees are happy to be with the Company and, as a result, lead to sustainable growth -- I believe this is one of the main missions of all Directors.

### In closing, what is your message to stakeholders?

**Sasaki** First, we must contribute with our own expertise. On top of that, I believe that there are some things that are hard to see from within the Company, so as an Independent Outside Director, I believe it is most important to communicate how I see and feel looking in from the outside.

**Kawamura** In addition to contributing from an IT/DX perspective, it is important for us as Independent Outside Directors to provide our opinions from a neutral standpoint, free of any unconscious bias toward the business. Moreover, in order to achieve sustainable growth, it is important to have the human resources to support it. We would like to contribute to the motivation of our employees and the development of the next generation of leaders.

**Nakata** I have taught at universities as a professor of law and have done a lot of work for government agencies in this connection. Based on the impressions I have gained through these experiences, I think it is worthwhile to communicate whenever I feel something is not quite right.

In addition, when I visited the Osaka office last year on an Outside Director observation tour, I was greatly impressed by the enthusiasm of the employees. As an Independent Outside Director, I would like to maintain a certain distance from the Company, but also fulfill my duties by getting involved in the business.

**Kaneko** As an Independent Outside Director, I always keep the protection of minority shareholders in mind. Holding shares through the Directors' Shareholding Association is an expression of our intention to be in the same position as minority shareholders.

I have been involved in accounting audits for nearly 30 years and have seen internal controls and governance in various companies. I would like to use this knowledge to fulfill my role. Although the position of each stakeholder may differ, I believe that there



is no major difference in the direction we are aiming for in terms of increasing corporate value as a sustainable company. As a Director, I would like to explore what we need to do to achieve sustainable growth, and as a member of the Audit & Supervisory Committee, I would like to monitor the governance system closely from an independent, third-party perspective.



**Saito** I believe that the composition of our Independent Outside Directors is ideal, with little overlap in skills, as shown in the skills matrix. My strengths are in management, international business, and finance, and I would like to provide oversight and advice, especially in our international operations. One of the most important points is to contribute to the development of global human resources and organizational strengthening.