

Outside Directors Roundtable



Our capital and business alliance with Marubeni and full-scale global expansion are progressing under the Medium-term Management Plan 2025. We asked our six outside directors, including two newly appointed members, to share their views on the previous fiscal year, the challenges they've faced regarding human resource development and management transformation, and their opinions on the supervisory function of outside directors.

Achieved the final-year targets of the medium-term management plan one year ahead of schedule and accelerated global expansion

— Please share your reflections on fiscal 2024. I would particularly like our newly appointed directors Haruyuki Urata and Jiro Itai to also share your impressions of the Company and the proceedings of the Board of Directors.

Mr. Urata: Mr. Urata: I worked at ORIX, a company in the same industry as Mizuho Leasing, for 45 years and had known President Nakamura previously. So, while I was superficially familiar with the Company, factors like the number of directors relative to the company's size, gave me the impression it was a top-heavy organization. However, after having actually participated in the Board of Directors meeting, I found that everyone expresses their opinions quite actively, and the atmosphere is more open than I had imagined. Chairman Tsuhara, who chairs the meetings, is particularly skilled at facilitating discussions. Having participated in board meetings at various companies, I believe few companies have such frank discussions as ours.

Mr. Itai: Marubeni became a shareholder around the time Mizuho Leasing's identity transitioned from IBJ Leasing. I assumed a position at Marubeni overseeing its business with Mizuho Leasing in 2023. In preparation for my appointment as an outside director, I received a total of six briefings from various divisions within the Company. Additionally, during visits to domestic branches, where I was able to speak directly with the staff, I gained a real sense of how solid the domestic customer base is for the leasing arm of the Mizuho Financial Group, a major megabank. To put it plainly, this stable base allows the current medium-term management plan to build upon the momentum of the previous plan. Achieving the current plan's goals a year ahead of schedule was, in my view, inevitable. On the other hand, precisely because the Company has such a solid domestic business platform, it gives a very distinct domestic impression. Of course, it has already expanded abroad, and three out of its four joint ventures with Marubeni are overseas projects, but my current



impression is that there is still clearly significant potential for international development.

Mr. Aonuma: I believe achieving the ultimate targets of our medium-term management plan one year ahead of schedule is a major accomplishment. The primary factors have been the steady growth of domestic leasing and real estate—our core businesses.

Another factor has been the expansion of our global operations. Through a capital injection, we have fully committed to the operations of India's Rent Alpha, and profits are steadily emerging. Regarding the strengthened collaboration with Marubeni in 2024, they increased their stake to 20%. With Deputy President Mutsumi Ishizuki and other trading company veterans among our management, the integration of financial and trading company cultures has also gained full momentum. However, collaboration with a trading company is by no means simple. Questions are being raised at the Board of Directors meeting regarding the plausibility of truly fusing such disparate corporate cultures and when we can expect to see concrete results.

Mr. Sone: From a long-term perspective as an outside director, preparations to transform the company's business model from leasing to a broader spectrum of services began under former President Tsuhara. President Nakamura, who succeeded him, has doggedly pursued the concrete realization of this vision. Fiscal 2024, which progressed according to the medium-term management plan formulated by President Nakamura, was a year where I believe we were able to gain confidence in our new direction and its development. At recent Board meetings, I have observed President Nakamura's effective management of the proceedings, which he has achieved by refraining from speaking on all agenda items himself. Instead, he lets the executive in charge of each proposal explain, thus ensuring that management's perspective is thoroughly communicated.

Amid our transformation, there have been many instances where the role of outside directors involves rigorous monitoring. For example, regarding investment

decisions for new ventures, we repeatedly verified the appropriateness of projected risks and returns and whether a clear exit strategy was established. We have also improved the efficiency and effectiveness of the Board's meetings to facilitate discussion of strategic priorities that do not get bogged down in details.

Ms. Watanabe: I joined the Board of Directors last year and have my own perspective on the reasons behind the Company's steady performance. Before joining, I imagined the meetings might follow a somewhat formal and rigid forum for discussion. In reality, however, they are very lively. Matters are discussed with passion at every session, as individuals with diverse expertise contribute opinions from various perspectives. The Chairman deeply understands the strengths and responsibilities of each outside director and executive skillfully guiding discussions to ensure they proceed smoothly and purposefully.

I am personally expected to contribute mainly in the area of human resources. I help review personnel systems and propose strategies that align with our goals. Management enthusiastically seeks my input on a regular basis into how we can achieve even better results or further accelerate the pace of talent development.

For areas needing further improvement, outside directors provide candid feedback to the Board of Directors. I feel this feedback, while sometimes rather blunt, is constructive and makes discussions more fruitful.

Ms. Sagiya: After the second year of our mid-term management plan, we are seeing tangible results. I particularly feel our company has begun focusing seriously on global business. As Mr. Aonuma mentioned earlier, our full engagement with Mizuho RA Leasing's operations and our success in managing it appropriately represent significant progress and have produced visible results.

Initially, our management capability with respect to overseas companies was unknown. Indeed, there were tough discussions among the Board concerning the viability of our staff as managers of overseas



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subsidiaries. We have since confirmed that we are able to execute this effectively, and I feel our confidence has grown.

As evidenced by the recent participation of members from Marubeni, including their involvement with the Board of Directors, we are more committed to global business than ever before. I look forward to future developments as we refine our organizational structure.

Mr. Urata: I understand that investing in India was a major management decision for our company and we can use this to create a new economic sphere from our base there. In overseas management, developing local talent and cultivating local customers is crucial. Integrating corporate cultures and sharing management philosophies with companies acquired through M&A is not easy.

I believe I can leverage my experience to benefit our business portfolio transformation. However, unexpected risks inevitably arise during periods of transition. Drawing on my experience in crisis management during the Lehman Shock, as an outside director I intend to review and support management decision-making under such conditions.

Mr. Aonuma: Speaking from my experience in talent development, the most challenging aspect of transformation is changing the mindset of existing employees. Financial industry professionals tend to be conservative and prudent, taking a cautious approach akin to testing every step before crossing a concrete bridge.

Moreover, acquiring risk management talent is an urgent matter when entering new business domains. When it convenes, the Board of Directors regularly debates whether our current risk management framework is sufficient and whether we should make more extensive use of external talent. This question, together with the challenge of integrating the distinct cultures of finance and trading companies to drive results, will be central to the next medium-term management plan.

Ms. Watanabe: Looking ahead to future international expansion, one of our most critical challenges is the speed at which we can develop talent. President

Nakamura also has a strong interest in this area and is actively focusing resources on it. Management leadership of this sort raises organizational awareness of and accelerates the pace of transformation. Initiatives to achieve this are already underway. Furthermore, we recognize that greater ingenuity is expected in recruitment. While compared to other companies, we tend to be cautious about our information disclosure, we recognize that it is crucial to further refine our branding and proactively communicate positive, compelling messages to attract top talent. These points are also themes discussed with the HR department.

Ms. Sagiya: Achieving the medium-term plan's goals required enhancing employees' skills at providing solutions. To this end, President Nakamura has been visiting each department directly to engage with everyone. To further strengthen this effort, we are taking additional HR policy measures. Developing leadership among middle management is particularly urgent. The Board of Directors has raised critical questions about whether current initiatives are truly sufficient or whether a more concrete action plan necessary.

As we aim to provide multifaceted solutions, our company offers an environment where employees can gain broad experience that, despite our being a leasing company, encompasses everything from operations typical of trading companies to overseas activities. I believe we must now actively share the achievements and growth stories of employees who have amassed such diverse experience, particularly targeting the younger staff.



Developing talent capable of taking on new business challenges is crucial to transcending the boundaries of leasing.

— Please share your thoughts on the progress of the medium-term management plan, your future expectations, and the Company's move beyond the leasing business model.



Mr. Itai: Having just assumed this role and not having come from a finance or leasing background, my understanding of leasing itself may be somewhat limited. Traditional leasing has primarily focused on solving customers' problems or pain points, giving it a feel of a somewhat reactive business. In contrast, to transcend the boundaries of leasing implies a proactive approach—namely the pursuit business opportunities through business investments and other ventures. This, I perceive as a significant difference.

Mr. Urata: As for transcending the boundaries of leasing, I believe there are two directions for deepening the leasing business itself. One is diversifying assets to include ships, aircraft, and real estate, while the other is the expansion of financial techniques. What we aim for through our collaboration with Marubeni is a shift from debt-driven financing to equity-based business with more of a focus on the investment itself.

However, a transition like this is not easy. Debt-based businesses based on loans and leases prioritize the safety of principal recovery within three to five years. Equity-based businesses, however, require assessing long-term cash-generation and determining how much additional profit can be expected. Moreover, since the fundamental approach to risk is different, we must be prepared to develop the necessary talent over a timeframe measured in decades.

Mr. Aonuma: Leasing requires assets. It cannot function without something to lend. Yet, during my first three years in office, many of the major cases presented to the Board of Directors were M&A and investments. The world of investment is entirely distinct from traditional leasing. It does not fit into conventional categories of assets, sales channels, or finance, which involves lending capital. Business investment is fundamentally different in that it hinges on capital that must generate profits to be recovered.

Our most representative example is Rent Alpha. It's a business investment worth tens of billions of yen and, on top of that, an overseas operation. The fact that the

previous investors were divesting illustrates the project's inherent risk. Sharp questions swirled around Board meetings asking why the previous investors sold out—something they presumably would not have done had the investee had truly been a good company. The negotiating and closing of such a deal are fundamentally different from the traditional leasing business. Nevertheless, leveraging the Mizuho Financial Group's background, we took the plunge and are now achieving success.

Going forward, I believe some of our current growth businesses will become core businesses. Our present medium-term management plan constituted a three-year foundation-building phase that looked ahead to the 2030s, roughly ten years from now. With that foundation now complete, the next medium-term management plan will enter the concrete growth strategy stage: determining where to allocate resources and talent.

Mr. Sone: The ideal expression of "transcending the boundaries of leasing" is to be able to provide a platform for our customers and stakeholders in any given business domain. By executing projects atop that platform and establishing ourselves as a coordinator with financial expertise, we aim to become our customer's first choice consultation in any given field.

As a financial institution, we've been diligent in risk analysis and management. However, we've historically found it challenging to take a more aggressive stance that embraces new value from multiple angles and is willing to abandon projects if they fail.

Yet, to tackle new domains outside of leasing, we need to be comfortable taking calculated risks. As outside directors, we're expected to fulfill dual roles: monitoring within the confines of robust management systems while also pushing for future growth. "Protect where we must, and attack where we should." This balance is the topic of ongoing discussion among the Board's members.

Ms. Sagiya: Late last year, the outside directors had the opportunity to inspect a real estate project. While



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Leasing real estate is a traditional business, this particular project involved the challenge of developing our own branded properties and developing the business ourselves.

This represents a step beyond the conventional approach: cross-selling tied to lease contracts and the creation of new business opportunities. The circular economy initiatives we promoted in the previous year follow the same logic. We sense a clear aggressive stance, with the Company transitioning to more highly leveraged business models and beyond the simple accumulation of lease contracts.

Regarding corporate value, PBR was intensively discussed at the May Board of Directors meeting. We rigorously examined whether management had put concrete improvement plans in place and if the strategic execution schedule was appropriate. We commend the ongoing efforts to review the business portfolio for profitability improvements and strengthen project screening, and we are closely monitoring medium-to-long-term quantitative changes.

Ms. Watanabe: Regarding the next medium-term management plan, I believe that both challenging new areas and deepening our existing core businesses are equally important. Our traditional core businesses, such as aircraft leasing and real estate, continue to show significant potential for growth. While it is essential to expand into new areas, the Company also possesses numerous subsidiaries, which represent substantial assets and various strengths. The key to growth lies in the way we go about expanding and deepening our current core domains, including these subsidiaries.

At the same time, Marubeni's involvement enables us to pursue a more ambitious risk-taking agenda than before. We must boldly accept this challenge while carefully balancing risk and return. In so doing, it is crucial that we build upon our leasing foundation while incorporating characteristics of trading companies and property developers to broaden the scope of our operations.

Ultimately, the most critical factor in realizing these initiatives is lining up the talent and resolve to decisively execute what we are determined to do. At this stage, we recognize that execution capability is the key to enhancing corporate value.

Mr. Itai: Our asset size and corporate scale are still insufficient to attract significant attention from overseas investors. That said, rather than indulging in M&A solely for the sake of getting bigger, we need to create strategic scale that also produces qualitative growth. There are also ongoing discussions among the Board members regarding talent acquisition and whether our current talent base can handle new business domains and how we can obtain talent through our own sourcing

capabilities.

While it takes time to develop talent, I believe one approach is to recruit experienced professionals from diverse industries. Naturally, many of our current employees have financial backgrounds. Competition for talent will be fierce, but I consider it crucial to attract individuals from outside Marubeni, including individuals from other industries.

Mr. Aonuma: It's undeniable that the complexity of our business can be hard for the market to understand. Therefore, we need to focus more intently on IR disclosure and clearly communicate our value as a platform company to investors.

Regarding risk management, we maintain the reliability expected of a financial company and have established strict rules for both financial and operational risk. For financial risk, we observe preset limits on the risks that can be taken. We also need to emphasize that our rules for operational risks, such as misconduct, are clearly defined.

Mr. Urata: Actively recruiting experts from the market through midcareer hiring and effectively utilizing the management teams we have welcomed through M&A are also crucial. If we can effectively leverage the talent of these teams, it may be possible in some cases to recruit that talent to our company. Furthermore, there may be individuals in possession of superior skills and insights who could greatly inspire the next generation of talent at Mizuho Leasing.

Communication with the market is also a major challenge. At the Board of Directors meeting, it has been pointed out that our IR activities should be more proactive and that efforts to engage overseas institutional investors need to be strengthened. We must therefore engage in more proactive communication with investors. One challenge is that, when viewed within the framework of the leasing industry, our current scale and profit levels within the industry have resulted in almost no analysts covering us. Alongside efforts to increase awareness among overseas institutional investors, we believe wider information dissemination strategies are extremely important.

Mr. Sone: The catalyst needed for the Company to generate growth is momentum. To achieve this, we must proactively execute our investment strategy, publish information about our transformation, and earn recognition from the markets and other stakeholders. This approach will help us increase corporate value while generating tangible business results, which are essential for our future growth.

We, as members of the Board of Directors, intend to oversee these execution challenges and provide ardent support.

Message from the Chairman of the Board of Directors

Beyond the scope of leasing

As we navigate our ongoing transformation, the Board of Directors is to fulfill its traditional oversight role but also proactively support the Company's executive team as needed. Our strategic direction is shifting dramatically as we enter new areas of investment, and we are pursuing an approach to Board business that precisely aligns with the nature of each initiative.

Fostering a board that drives transformation: cultivating an environment for active discussion

What I prioritize most in the Board of Directors' operations is an atmosphere that invites open discussion. To create conditions where participants feel relaxed and comfortable speaking up, we schedule icebreakers before meetings and carefully consider the order of speakers. For instance, on system-related agenda items, I purposefully avoid having experts like Director Mari Sagiya, who has overseen numerous projects as an executive at IBM Japan, lead off. Instead, I encourage other directors to speak first from the perspective of an interested nonexpert in the field and then conclude the discussion with the expert's insights. This approach ensures we consciously communicate to avoid overlooking risks or pitfalls obscured by the discussion process.

Even during lively discussions, fundamental questions can sometimes be missed. For example, when considering a new business initiative, if there are cases where similar ventures failed at other companies, we work to ensure that the Board of Directors consistently avoids overlooking basic questions. This prevents opinions from being pushed through without discussing fundamental issues, such as factors that precipitated the failure.

Revamping organizational culture through diversified talent

A major change in the Board between last fiscal year and today has been the participation of two new outside directors. We regularly bring in new outside directors to introduce fresh perspectives and maintain a sense of urgency in our deliberations. This time, we welcomed outside directors from ORIX Corporation and Marubeni Corporation.

We have also welcomed executive talent from Marubeni, with whom we have a business alliance. Our corporate culture is verifiably changing. Traditionally, our company has been dominated by people with financial backgrounds, but the participation of new executives from trading companies has significantly broadened the scope of our agenda. For example, when considering real estate investment projects in hot spring areas, the traditional financial perspective focused primarily on analyzing property value and visitor numbers. However, perspectives from trading company professionals, who may pose such questions as over what duration can sufficient hot spring flow be projected, give us a multifaceted view. This has sharpened our assessment of business opportunity and risk.

Enhancing the effectiveness of Board activities through separation of executive and supervisory roles

I previously served concurrently as both President and Chairman of the Board of Directors of our company. I keenly felt the difficulty of distinguishing between these roles. There were times when even I had trouble discerning whether I was speaking as the head of the executive function or as Chairman. I imagine it was even more difficult for other



Chairman of the Board of Directors
Shusaku Tuhara