

Talks about Human Resources Strategy between President and Chief of Human Resources and General Affairs Group

Creating a Corporate Culture that Encourages to Repeat Spontaneous Trial and Error Efforts with a Sense of Speed



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Takezawa: In the inaugural address after being appointed president, you have advocated the “‘san’ movement”, in which everyone is to be addressed by ‘san’, adding ‘san’ to the end of their names, rather than addressing them as department manager or branch manager, using their job titles. I think the purpose of this movement is to encourage a frank exchange of views and direct communication. I usually call the company president Nakamura san (Mr. Nakamura) rather than President Nakamura. I would like to start by talking about our corporate culture and employee temperament. Nakamura-san, what is your impression here?

Nakamura: I think the “‘san’ movement” is the first step towards facilitating the free expression of opinions, irrespective of your position or age. It softens the atmosphere in the workplace and makes it easier for people to feel comfortable expressing fresh opinions. My aim is to create an even more open corporate culture in which people in the field can talk directly to senior management. Our current deep-rooted corporate culture exhibits feature that Japanese people are good at, such as “adapting to others” or “being obedient and attentive to superiors”. There may be less surface tension in the organization as a result and everyone is able to steadily get their work done in peace. However, it can take time to change things in such an environment. Sometimes, it is important

to take an aggressive, even rough, view and swift action. I strongly believe that we need to place “culture” at the heart of our corporate management and strive to create a “healthy, quality corporate culture”. How do you feel about our corporate culture, Takezawa san?

Takezawa: As a member of a major banking group, Mizuho Leasing is extremely good at the leasing, installation, and structured finance of factory equipment, information and communication equipment, construction machinery, ships, aircraft, and the like. Basically, we have been able to steadily develop a stable business as a bank-affiliated leasing company. At the same time, however, I feel that we don’t have as strong an attitude as other more independent leasing companies when it comes to tackling new challenges without fear of failure.

Nakamura: Our current business environment is changing extremely rapidly, creating greater uncertainty. We need to develop into an organization that can adapt to changing circumstances and encourage new ways of working. I think we will see a widening gap in human resources growth between companies that encourage that stance and those that don’t. You have worked at other companies. How does their corporate culture differ from ours?

Takezawa: I was once seconded as a corporate officer to Mizuho Marubeni Leasing Corporation, which is equally

owned by Mizuho Leasing and Marubeni. That company had inherited the culture of a major general trading company, so they adopted an aggressive approach to business. They would just give something a try if they felt it could be profitable. Naturally, they didn't always get it right and sometimes they would have to gracefully withdraw. I think we need to adopt a similar attitude at our company as well as we enter an era of rapid change.

Nakamura: Some failures are inevitable when you aggressively try out new methods. However, some of them are "failures that lead to the next ideas", which can lead to the discovery of new aspect of things and the creation of fresh innovation. I believe we need to strategically build, nurture, and transform our underlying corporate culture in order to encourage people to face challenges and take bold action without fearing possible failure.



We need to strategically transform our corporate culture to encourage bold challenges.

Takezawa: The leasing industry is actually at a major crossroads. The value of lease contracts in Japan had been capped for a long time and we have only seen a slight recovery in demand from the dip caused by COVID-19. Accounting rules have caused headwinds for leasing, with IFRS (International Financial Reporting Standards) requiring on-balance sheet treatment (the recording of leases as expenses on the balance sheet) in principle. Mizuho Leasing has always excelled in the Japanese leasing and installment business and it is important to continue to generate steady profits in those areas. However, I believe challenging and actively cultivating new fields is the key to future growth.

Nakamura: The macroeconomic environment is undergoing major change and customer needs are changing in the face of growing uncertainty. To secure growth for our company in such circumstances, we need to provide solutions that accurately capture increasingly diverse and complex customer needs. It will also become increasingly important to secure human resources that can imagine the future and boldly come up with "I want to do something like this!" and swiftly put those ideas into practice when actively cultivating new business fields.

Takezawa: The new medium-term management plan seeks to expand business domains in the growth areas, while steadily

growing our core areas. It also commits to investing managerial resources in frontier areas to develop new profit sources from a long-term perspective. In other words, our aim is to solidify our future foundations of growth over the next three years based on the three keywords of "Challenge", "Change", and "Grow". How do you view these three keywords?

Nakamura: It is important to challenge change and promote growth if we are going to make great strides in the future. That means we have to embrace the "Challenge" of creating future growth areas and driving that growth. With that aim in mind, we must "Change" the way we manage our business portfolios and our management base to facilitate a challenging spirit. I really want to "Grow" with unprecedented speed and on an unprecedented scale.

Takezawa: To further expand our business domains, I feel we need to further strengthen mid-career recruitment in order to secure specialized personnel, while also expanding our alliances and utilizing external resources. We need to adopt different approaches and methods for hiring young employees. I also believe that diversity is truly important. We need to be ready to accept these resources when we hire them, and that means cultivating a corporate culture that encourages each and every employee to embrace the "new winds". I believe that diversity and inclusion is essential for innovation and business growth.

Nakamura: Not only do we need to accelerate digital formation, review our governance systems, and enhance our risk management, but we also need to constantly work on reforming our human resources strategy as an important management base for supporting future growth, so I want to actively invest in human resources going forward.

Takezawa: I think recruitment, training, allocation, and evaluation will be the four important elements of our human resources strategy. Recruitment is as described above, but we should also promote items such as supporting the acquisition of skills, training managers, allocating human resources based on the strategy of each department, reviewing evaluation and compensation systems and operations, and actively promoting the recruitment of mid-career and young employees. What are your thoughts regarding specific measures here?

Nakamura: From recruitment, which is the gateway to the company, and through training and realization of right person in the right job, I want to see every single employee demonstrate their full potential. If people are satisfied with their achievements and evaluations, they will be more inclined to stick at it and play an active role over a long period. To achieve this, it is essential to have a human resources strategy that stems from a vision of "what kind of company you want to become". We can only really decide the human resources strategy of "what kind of human resources we want to hire, how we train them, and where we want to place them" after

having decided which business areas we want to challenge and what the core competencies of the company are going to be. In that sense, human resources and management strategies are inextricably linked.

Takezawa: I would now like to talk about corporate culture. Most leasing companies are consolidated subsidiaries of banks and so are bound by various regulations and business restrictions. By contrast, we are an equity method affiliate of the Mizuho Financial Group, so we have a comparatively high degree of freedom. Since it is possible to develop business that can satisfy diverse global needs with wisdom and ingenuity, it is therefore necessary to foster a corporate culture that spontaneously inspires swift and repeated trial and error. What are your thoughts on this point?

Nakamura: Repeated trial and error enables people to gradually sound out the right direction, clues, and locations, and fuel innovation. We are taking on a challenge, so there will be errors (failures). I believe determining a specific level of risk tolerance is very important for companies. Ultimately, management makes the decisions on risk-taking, but I would like to strike a good balance between considering risks and encouraging employees to autonomously tackle challenges with a sense of speed and freedom to pursue their ideas.

Takezawa: I understand that changing corporate culture means changing the behavior of each and every executive and employee. I think the major challenge in terms of human resources strategy is to shift from a top-down passive approach (where people wait for instructions) to encouraging people to think spontaneously and act in an autonomous, self-directed, and proactive manner. Our engagement survey showed that creating a challenging corporate culture, providing career-building opportunities, and ensuring people feel satisfied with and proud of their work are issues that need addressing in terms of organizational management. In other words, doing rewarding work creates a feeling of excitement. If you are doing work that lifts your spirit, you will naturally feel proud of that job.

Nakamura: Before we can increase engagement, management needs to "picture what kind of company we want to create". We have determined our management philosophy and mission, so we now have to communicate the kind of workplace we want to create and the type of behavior we expect from our employees. It is important to encourage the exchange of opinions and experiment with other forms of interactive communication, increase actual points of contact with employees, and "heed unvoiced opinion". It is also important to build an environment that inspires a deep understanding of autonomous human resource development across the company.

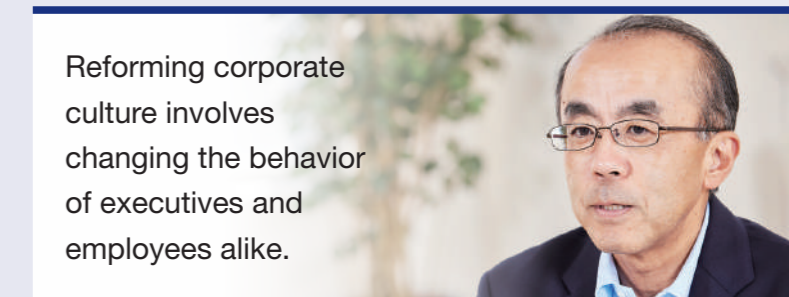
Takezawa: From a corporate governance perspective, it is a natural understanding that a company belongs to its

shareholders. However, if you look at it from a different angle, I think a company belongs to the employees who work within the organization. If you feel strongly that your company is partly yours, you will really want to promote corporate growth and feel you must take on new challenges.

Nakamura: Tackling challenges is important, but it is also important to tackle them with speed. While you cannot ignore the need to prepare materials and conduct risk analysis, you can fall behind if you spend too much time on that. Employees need to be more agile, and management must learn to tolerate this kind of behavior. If we experience any failures, we should identify the cause to prevent a recurrence. However, it is important to develop a degree of tolerance that avoids preemptively condemning autonomous action and increases expectations for success the next time around.

Takezawa: In short, we must create a company where everyone feels rewarded if we want people to approach their work with enthusiasm. Engagement will increase as a matter of course if many employees feel satisfied in their job and take pride in their company's business and services. Is fulfillment a keyword then in terms of engagement impact?

Reforming corporate culture involves changing the behavior of executives and employees alike.



Nakamura: To create a sense of "fulfillment", it is vital to align the values of the company and all its employees and ensure everyone is aiming in the same direction. It is the job of management to present a consistent vision of what lies beyond its realization. Maintaining good internal communication is important here. I want to listen to the opinions of employees and strive to create an environment where they feel comfortable and secure in their workplace. It is also important to create an environment that supports employees' desire of "I want to do it!". That helps create a virtuous cycle that inspires greater trust in the workplace, encourages people to feel pride in their work, fuels a sense of unity among colleagues, and recognizes the importance of each person's contribution. I think that is what "fulfillment" is all about. I am also confident that the employees' sense of "fulfillment" will also ultimately generate benefits for all our stakeholders.

Takezawa: I want to work on these challenges, fueled by the recognition that "our employees are our most important asset". Thank you very much for this discussion.