

Governance

Message from an outside director of the Board

Focus on “proactive governance” when monitoring the management, to enhance corporate value

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Role of the Board of Directors in achieving APTSIS 25

In my view, the roles of the Board of Directors in light of the new medium-term management plan are to drive forward the portfolio transformation and to create a management system that enables financial stability and improves the profitability of the entire Group. The medium-term management plan includes numerical targets and detailed measures, but it is the responsibility of the executive team (not the Board) to execute such measures and achieve those targets. The Board of Directors (more specifically, the outside directors based on their individual expertise), on the other hand, takes a broader perspective to monitor and supervise the directors and the executive team to see what actions are taken by the management to achieve portfolio transformation and increase profitability and to review whether appropriate decisions are made and efficient operations are employed to implement such objectives.

As a company with a nominating committee, etc., the MCHC Group has made certain progress in its management system from the perspective of “defensive governance” for example, by having outside directors with various skills sit on the committee to exercise monitoring and control functions. Going forward, we will also focus on “proactive governance” for the Group to achieve portfolio transformation and pursue steady growth in profits.

Fostering lively discussions for creative decision-making

To pursue proactive governance, we need to clarify the authority and duties of the Board of Directors (especially of a company with a nominating committee, etc.) and separate the supervisory role from the execution function to allow speedy and efficient decision making by the management team. While the decisions by the Board of Directors (which is the second supreme decision-making body within a company after the Shareholders' Meeting) are limited to the most fundamental policies of the Company, the execution and implementation of such basic policies and the day-to-day business decisions are delegated to the executive team. The Board of Directors monitors the processes of such

decision making.

For this system to work well, the Board needs to function as a forum for discussion in the true sense of the term. It is often the case that the Board meeting becomes a place where the management team reports on what it has already determined and the Board provides approval after the fact. But the Board is supposed to be a more creative organ where appropriate agendas are timely selected, key issues are brought to light through full debate and solutions are sought and developed for those issues. To realize this purpose, ensuring the objectiveness of the source of information and data becomes more and more important so that transparency and efficiency of the discussion at the Board level increases. Having objective information and data helps the Board to spot the nature of the underlying issues and set a direction for the solution. I would like to promote discussions based on objective information and data, and help build a system to ensure such discussions.

Making the most of the new CEO's skillset

We recently welcomed Jean-Marc Gilson as our new CEO. The MCHC Group is a large organization with a long history, and this may mean that the Group is relying on and is still bound by ideas from the old days. I am interested to see how our new CEO will change the mindsets of officers and employees, and together with the team, improve profitability of the Group under his leadership. Meanwhile, we expect to monitor the reasonableness and logicalness of the decisions made by the executive team as well as the processes, and the efficiency and speed with which the team manages the Group.

Strengthening and activating the Board may lead to maximizing the new CEO's skillset. By ensuring transparent processes and having the CEO and the executive team report actively to the Board, issues surrounding the Company will be highlighted, and more essential and effective discussions can take place there. In such an environment, we hope to monitor the direction in which the management is taking the Company, and together with them, make appropriate decisions for the MCHC Group.