

Roundtable between Chairperson of the Board of Directors and Audit & Supervisory Committee Members

～ Governance with Effectiveness and Transparency: Insights from the Diverse Perspectives of Audit & Supervisory Committee Members ～



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Enhancing Board Effectiveness and Deepening Dialogue

—On the progression of discussions and the
deepening of topics at the Board of Directors

Yamashita: FY2024 was my first year serving as an Audit & Supervisory Committee Member. At Board meetings, I found that both internal and external members openly and constructively exchanged views on fundamental management issues, leading to highly substantive and in-depth discussions. In

particular, the discussions around “16FG Office & Park” were a key topic directly tied to the Group’s future direction. I felt that the inclusion of diverse perspectives from outside directors further elevated the quality of our dialogue.

Ishihara: What stood out to me this past year was how clearly the discussion topics were set and how effectively the chairperson facilitated the meetings. I feel that the discussion points are now well-structured, making it easier for people without a financial background, like myself, to fully understand the topics and share our opinions with confidence.

Yamashita: At Juroku Financial Group, all Directors complete self-assessments using a questionnaire for evaluation of the effectiveness of the Board of Directors. The results are first reviewed by the Management Advisory Board, which serves as an advisory body to the Board, and then discussed by the Board of Directors. The self-assessment results for FY2024 showed high ratings for the selection of appropriate discussion topics and the clarity of discussions, confirming that the quality of the Board of Directors is steadily improving year by year.

Tsuge: I also share the positive view reflected in the results of the evaluation of the effectiveness of the Board of Directors. The sense of openness that allows for frank exchanges of views and the deepening of constructive dialogue are things I have personally experienced as I attended the meetings. Rather than serving merely as a venue for reporting, the Board now engages in discussions that naturally address the essence of our strategy. I can see this proactive approach gradually becoming embedded in the Board’s culture.

Ishihara: We now have an environment where people are at ease speaking up, which I feel is a big change. That said, I believe that further refinements to the structure of the materials could help us focus even more on the discussions and make the Board an even more effective forum.

Murase: Listening to everyone’s comments has once again made me realize just how much more active and engaged the Board of Directors has become. I feel that the Board has made steady progress by moving beyond formal deliberations and engaging in meaningful, in-depth dialogue. By clarifying the topics for discussion and creating an environment where outside directors can naturally share their diverse perspectives, we are clearly moving closer to the kind of governance we aspire to achieve. It was very encouraging to see that the evaluation of the effectiveness of the Board gave high marks to the depth of our discussions and the openness of our exchanges. At the same time, the feedback on how we organize and share materials in advance gave us an important perspective for deepening our future discussions. I believe that by continuing to work closely with our outside directors to build a highly effective Board, one that values both

diversity and transparency, we will create a strong foundation for further enhancing the quality of our decision-making.

Tsuge: I feel that the very nature of our discussions has gradually changed. Instead of conversations ending with one-way remarks, we’ve naturally fostered an environment where people listen to each other and build on one another’s ideas through ongoing dialogue. I believe these qualitative changes are helping drive the ongoing growth of our corporate value. Even medium- to long-term topics like sustainability and human capital are now being discussed naturally, without reservation or formality.

Yamashita: As an internal director, I feel strongly that sharing on-the-ground realities and firsthand experience I have had can intersect the perspectives of outside directors and those of the company, adding real depth to our discussions.

Ishihara: That’s right. By bringing together diverse perspectives from both inside and outside the company, we gain new insights that directly drive improvements and reforms during the implementation phase. I strongly feel that the Board of Directors is evolving beyond its traditional oversight role, becoming a place where its members work together with management to envision and build the future.

Murase: Listening to everyone’s comments, I sense there are high expectations for further strengthening the functions of the Board. We will continue to prioritize open dialogue as we work to further improve how the Board operates.

—Challenges to further strengthen governance in light of the current situation

Ishihara: As we have discussed, while we are seeing overall improvements, I believe it is becoming even more important to prioritize and focus our discussions on the most critical issues within the limited time we have. This will be key to further enhancing the quality of our discussions.

Tsuge: I agree completely. In particular, if we organize materials and set topics so that the overall picture and key points are immediately clear, it becomes easier to guide discussions in a more meaningful direction. It is also important to strike the right balance between providing enough information and ensuring clarity, and to avoid focusing solely on formal reporting by allowing room for flexible, open dialogue.

Murase: As both of you mentioned, the quality of the Board of Directors has already been steadily improving. However, to make the Board even more effective, it will become increasingly important to determine where to focus within the limited time and how to structure our discussions going forward. With this in mind, we intend to keep improving by being mindful of how we proceed and where to place emphasis.



Enhancing Audit and Supervisory Functions as a Company with an Audit & Supervisory Committee

—Status of Audit & Supervisory Committee activities (such as contributions to governance)

Yamashita: One clear reason for transitioning to a company with an Audit & Supervisory Committee was to strengthen our audit and supervisory functions and to improve the speed of business operations and execution. As Audit & Supervisory Committee Members, we are fully aware of this purpose and approach our daily activities with the aim of contributing to the Group's sustainable growth and enhancing corporate value over the medium- to long-term. Director Mr. Ishihara, how do you view this point?

Ishihara: I share the same view. The Audit & Supervisory Committee is expected to not only provide oversight of management, but also to act as a partner for constructive dialogue. At Juroku Financial Group, internal and external committee members bring diverse perspectives and engage in straightforward dialogue with management grounded in an understanding of on-the-ground realities, this approach has become firmly rooted within the company. I feel that these ongoing dialogues have helped to deepen our discussions on risk response and group management. Isn't this a strong example of effective audit and supervision working in practice, beyond just the formal requirements of the system?

Tsuge: I believe the Audit & Supervisory Committee is expected not just to look good on paper, but to actually function effectively in practice. When I review risk identification and the operation of internal controls, I make it a point to focus not just on whether systems are in place, but on whether they are actually working in practice. I believe it is important to determine where our limited management resources will have the greatest impact and to apply them in ways that lead to more effective and accurate audits. It is precisely this steady accumulation that we believe forms the foundation supporting genuine governance.

Murase: Taking everyone's input into account, I am once again reminded of how the role of the Audit & Supervisory Committee is becoming even more important for our company.

In addition to the structural separation of execution and supervision, one of the Company's key strengths in governance is that information and issues from the field is accurately conveyed to management through the committee members and reflected in decision-making. The key going forward is not just to focus on formality, but on how we can further improve effectiveness. We aim to further enhance the functions of the Audit & Supervisory Committee and establish a supervisory system with real substance.

—Activities of the Compensation Committee

Ishihara: One of the Compensation Committee's major initiatives in FY2024 was developing a system to incorporate ESG elements into restricted stock-type remuneration. The remuneration system is a key mechanism that shapes Directors' mindset and behavior. We held discussions focused on building a structure that would be truly effective. From FY2025 onward, we are designing a system that will link part of the restricted stock-type remuneration to sustainability KPIs. This system is deliberately designed to clearly signal our management direction and to secure understanding and acceptance both inside and outside the Company.

Murase: Integrating ESG perspectives into the remuneration system is truly an initiative aligned with global governance trends. We believe that this system enables us to clearly communicate our management philosophy and our commitment to sustainable growth. Remuneration goes beyond simply providing rewards; it plays a major role in shaping Directors' decision-making.

Ishihara: The remuneration system also acts as a point of connection between management and supervision. To ensure a balanced system, we prioritized independence by excluding outside directors and Audit & Supervisory Committee members from the scheme, while structuring it so that executives are rewarded based on their performance.

Murase: Going forward, it will be important to closely observe how the system functions in practice and whether it is actually driving changes in behavior. We will continue to improve our remuneration system so that it serves as a mechanism for enhancing corporate value.



Message on Expectations Into the Future

—Toward the future evolution of governance in our Group

Ishihara: For our Group, governance is not just a set of systems; it is essential that it takes root as part of our culture. While putting regulations and systems in place is certainly important, in the end, it is the mindset and actions of the people who operate them that determine the quality of the organization.

Tsuge: Yes, I completely agree. Establishing systems is only the starting point; what truly matters is how they are put into practice afterward.

Ishihara: I feel that it is becoming increasingly important for each individual to think about their role and take action, including efforts to promote diversity. Personally, I am aware that discussions in the Board of Directors and the Audit & Supervisory Committee are influencing the formation of our corporate culture, and I intend to continue posing questions from an independent perspective.

Tsuge: In recent years, there has been a growing emphasis not only on "defensive" but also on "offensive" governance. As an outside director and Audit & Supervisory Committee Member, I am increasingly strengthening my awareness of the need to be constructively involved in management decision-making. I feel there is great potential in our company's stance of enhancing corporate value by addressing regional challenges within the context of the SDGs and GX. I have a strong sense that taking on various challenges can also lead to regional contributions, and I hope to gradually spread that awareness among employees on-the-ground.

Yamashita: Yes, I strongly share that view as well. I believe that the evolution of governance depends on developing human capital and ensuring that our management philosophy is deeply rooted throughout the organization. Our company will celebrate its 150th anniversary in FY2027.

As we approach this milestone, I believe it will be essential for each employee to take initiative and for us to further strengthen our organizational unity; these will be key to reaching our next stage of growth.

Recently, we have begun to hear more frontline employees

express interest in the reasoning behind management decisions and how those decisions are made. I sense that this marks the beginning of a shift in mindset. Looking ahead, I hope to develop the next generation of governance talent by learning from frontline practice and providing relatable role models within the organization.

Tsuge: I believe that passing the torch to the next generation will be a central topic in governance going forward. A key consideration is how we can share the experience and insights we have accumulated with the rest of the organization. I feel it's important to consider how we can provide young and mid-level employees with real opportunities to experience governance in practice.

Ishihara: That's what helps embed the culture within the organization, isn't it? Going forward, organizations must root governance not merely in formal systems, but as a living culture embedded in the mindset of every employee.

Murase: I feel that everyone's opinions here truly capture the future direction of governance. I believe that trust and transparency are the cornerstones of governance. That trust is built when systems are implemented with sincerity and when a foundation for enhancing corporate value becomes firmly established within the Company.

Ishihara: As you said, I believe it is essential to translate these systems into everyday awareness and behavior in order to make them truly effective.

Murase: At our company, we have continued our efforts not only to develop formal systems, but also to root governance as a foundation of sound management through repeated dialogue and practice. Corporate culture varies depending on the climate and values each company aims for, and we are being called upon to determine how best to embody our own unique identity. Looking ahead, as diversity increases, we can expect both our organizational structure and value to evolve. That is why it is important to firmly embed a governance style that reflects our unique identity and can function consistently in any environment.

Governance is not something temporary; it must be continuously maintained and evolved. As the Chairperson of the Board of Directors, I will fulfill my responsibilities and respectfully incorporate your feedback into our future initiatives.

