Outside Director Dialogue

What are your thoughts on the feelings within MIRARTH HOLDINGS and its management structure?

Yamagishi: I joined the National Police Agency and served as Chief of the Hokkaido Police Headquarters before retiring and serving as an outside director of MIRARTH HOLDINGS from 2022. Last November, I visited Group company Takara Leben East Japan Branch (Sendai City), where I had our first opportunity to meet with employees on site. It was clear that employees felt a strong sense of responsibility in playing their part in the recovery from the Great East Japan Earthquake. Having transferred to various police headquarters nationwide, I am acutely aware that one needs to live in these places to fully understand just how difficult it is to deal with the damage caused by snow and the heavy burden associated with its removal. In speaking with young employees, I could sense that they found it rewarding to handle condominiums in regions with heavy snowfall because they require less upkeep compared with detached houses. This positive atmosphere has led to solid results, with Takara Leben recognized as the industry leader in the number of condominiums supplied in the Tohoku area for five consecutive years.

Yamahira: I joined a housing manufacturer as its first female career track employee and have also served in the positions of president as well as chairwoman of an affiliate. After retiring, I served as an outside director at several companies and was later appointed an outside director at Takara Leben (currently MIRARTH HOLDINGS) in 2021. With a change in the management team, I believe that the Company has further enhanced its management structure in FY2024. MIRARTH HOLDINGS President Kazuichi Shimada stepped down from his concurrent position as President of Takara Leben, allowing him to focus more on the overall Group. Hailing from the banking sector, Director and Managing Executive Officer Daisuke Nakamura has joined the Board and serves as Group CFO, while Takara Leben President Shoichi Akisawa is also a Board member. As such, MIRARTH HOLDINGS Board of Directors is comprised of members with diverse backgrounds. After the launch of the new structure, in May 2024, all employees gathered at a hotel in Tokyo for a rally called KICK OFF FORUM 2024. In its long-term strategy that extends through to 2030, the Company has set the major goal of securing a 1:1 ratio between the real estate and

energy businesses on an EBITDA basis in FY2029. The rally itself was an energy-filled event, during which employees asked management a series of questions on a variety of issues, including the Group's medium- to long-term management plans.
Yamagishi: Unfortunately, I was unable to attend that event, but reading the minutes of the Q&A session gave me the impression that there was a free and open atmosphere and little distance between employees and management. For example, employees asked frank questions ranging from "how is the Purpose 'To design sustainable environments for a happier future for both people and our planet' connected to the long-term vision of 'Be the Takara (treasure) of the Community'?" and "what needs to be done to equal the 1:1 ratio between the energy and real estate businesses?" to "why did the Company enter the biomass fuel business utilizing cashew nut shells?

Do you believe deliberations by the Board of Directors are sufficient?

Yamahira: Board of Directors meetings provide an atmosphere in which discussions can take place freely without boundaries between outside and internal directors, so I don't hesitate to speak my mind. Under the holding company structure, many of the executive functions have been transferred to operating companies, so the topics for discussion are related to new businesses, major investments, and management policies. I feel that management has moved very fast in such areas as cashew nut-related operations and overseas business development. I am impressed by this but feel that there should be more opportunities for consultation even though some preliminary explanations are provided for projects that significantly impact management.
Yamagishi: Being the first director hailing from the National Police Agency, I was told by President Shimada to just say whatever is on my mind. Echoing Director Yamahira's comments, I feel that more time should be spent on certain agenda items given the constraints on the Board's time. In addition, when I joined two years ago, the Board didn't fully discuss matters particularly involving the Nomination Committee, Compensation Committee, and Risk Management Committee. Since the previous fiscal year, the Company has adopted a system that enables information sharing and facilitates in-depth discussions.

How do you view governance initiatives?

Yamagishi: Some excellent companies in Japan have recently been hit by scandals that have become social problems. When companies become large with sizeable staff, some inappropriate incidents are bound to occur. The question then is how to respond once such incidents are uncovered. To deal with this, it is important to establish a system in which major issues and also on-site complaints are properly centralized and reported to the Board regularly. Minor incidents can pile up if they are not reported, eventually impeding information gathering. This ultimately means that even reports of major problems do not reach top management. As a holding company, MIRARTH HOLDINGS must be aware of any potential improprieties at each Group company. While there have been no major problems to date, improprieties are reported to the Board. We spend a lot of energy on addressing improprieties and examine ways to prevent them from reoccurring. Based on my experience in the National Police Agency, however, I think more effort could be put into this. It is important to make a habit of centralizing various problems, even minor ones, and the Board needs to have a common understanding of how each of these problems should be handled.
Yamahira: The Company has established a governance system that features a department that monitors Group governance and operating companies that have their own auditors. In addition, all directors participate in the Risk Management Committee and Compliance Committee. I have previous management experience and served as an outside director for other companies. Many corporate scandals that have turned into social issues would not have escalated if they had been handled at the frontline level. However, corporate culture often makes it difficult to report issues to superiors, and by the time they come to the attention of management there is often nothing that can be done. To prevent this, it is important to make workplaces more open, foster a corporate culture that enables employees to speak up to superiors, and ensure that whistle-blower systems are functioning properly. We outside directors participate in Risk

Management Committee and Compliance Committee meetings, where we spend a lot of time seriously debating issues that come up, and these meetings can sometimes last longer than meetings of the Board of Directors. I think there are few companies where outside directors participate to this extent in discussions about individual cases of impropriety at each Group company. Going forward, I believe that the governance system can be further strengthened by pivoting committee discussions back to on-site issues and having the Board keep an eye on whether measures to prevent recurrence of improprieties are effective. We have a risk management system that divides hundreds of front-line risks into major, medium, and minor items and addresses them on site. Looking ahead, I anticipate further improvements in this system.

Yamagishi: There needs to be a system that conveys information from the workplace to management and enables information analysis. The Group conducts a happiness survey among its employees, which indicated a low score at a Group company where improprieties had occurred. A low level of employee happiness does not necessarily lead to scandals, but it warrants caution. In order to cut short any scandals ahead of time, information from these surveys and other sources must be analyzed in a variety of ways.

What skills are Directors required?

Yamagishi: The Company's long-term strategy is to focus on the energy business to the same extent as the real estate business, but it currently has few energy specialists on the Board. Directors with this skillset will of course be necessary. However, I wonder if such energy experts can take on the challenge of running biomass fuel operations utilizing cashew nut shells. I feel that the ability to keep moving forward is important, with skills as a complementary asset.

Yamahira: On an executive officer basis, I believe that skills in the energy sector and overseas need to be strengthened. It would be good to have a system that appoints personnel with such skills as executive officers, who are overseen by President Shimada and Director Akisawa. DX is also needed since it is an important skill for executive officers and directors to have. The Company is a B2C business and thus possesses a vast amount of valuable customer data. DX is the key to effectively using this data to implement one-to-one marketing that meets the needs of individual customers, improve business and management efficiency, maximize Group synergies, and develop new businesses.

What should MIRARTH HOLDINGS do to increase corporate value?

Yamagishi: I sense that the Company is yet to be properly evaluated by shareholders, so it is important to spread the word about individual companies like MIRARTH HOLDINGS and Takara Leben. Of course, the Company is conducting public relations activities, but people need to be made aware of its business strategy and corporate value. During my first year as a director, I noted mainly at Board meetings that the investor relations structure was inadequate and needed to be enhanced. I feel that investor relations have gradually become more proactive since the previous fiscal year but need to be brushed up with the overall Japanese economy picking up.

Yamahira: The Company is determined to make steady progress on the roadmap it has unveiled for its long-term strategy toward FY2029 and to show shareholders what that will look like. First, the Company will generate a solid profit in the core real estate business and then create a stable structure that will enable it to invest in new businesses. On top of that, the Company will show that it can create synergies with the asset management business. The other growth field is the energy business. The Company's initial energy business was based on the Feed-in Tariff (FIT) system, but it has made upfront investments in anticipation of that system coming to an end. Many companies are striving to become carbon neutral by 2050 and halve their greenhouse gas emissions by 2030, requiring them to utilize renewable energy sources, so demand for renewable energy is expected to increase going forward. The Medium-Term Management Plan ends in FY2024, and what kind of figures and plans will emerge in the next plan will likely fuel market expectations. I think the Company will be evaluated fairly if it can clearly convey to investors that it has achieved this Medium-Term Management Plan and is making steady progress toward 2030 targets. There will be times when the Company will take meaningful risks for growth, and as a member of the Board of Directors I would like to encourage risk-taking that promotes growth and, in turn, increases corporate value.