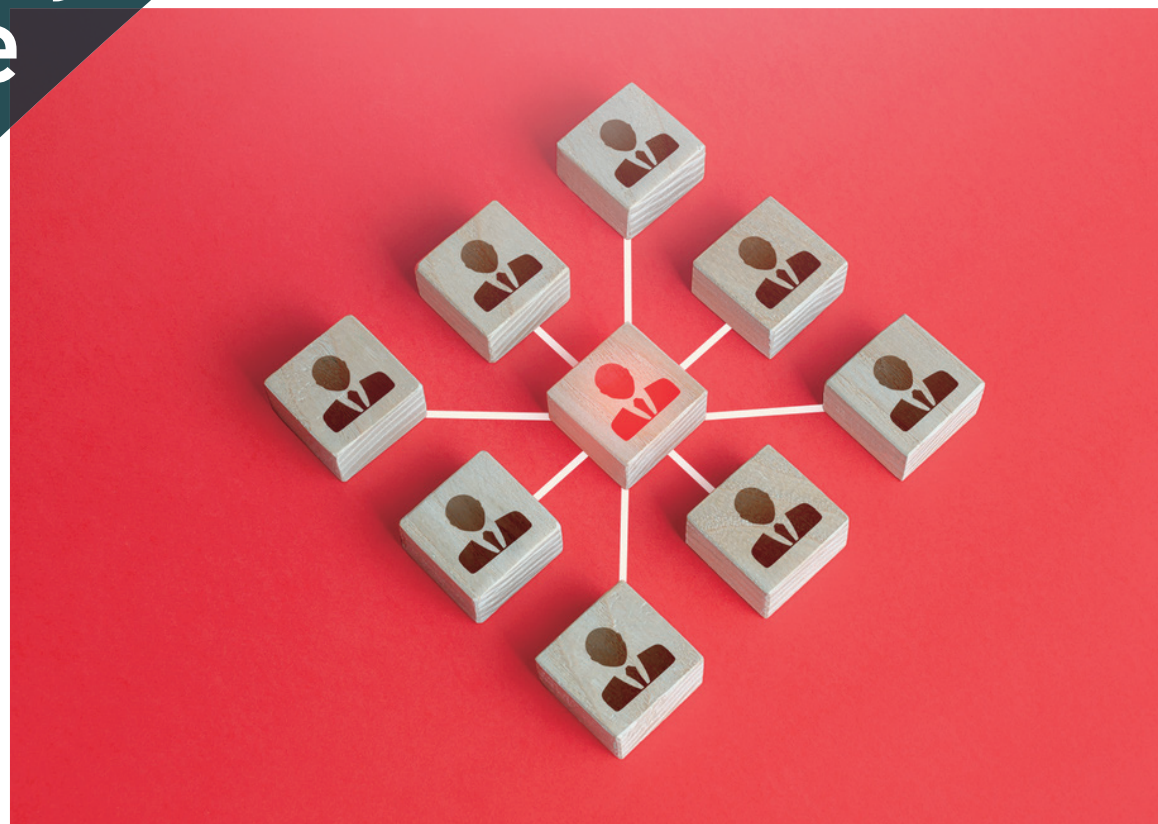


# 07 Sustainability - Governance



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## 7-1 Interview with Outside Director

### Measures to enhance the loyalty of all employees are necessary to strengthen corporate governance.

#### Asahi Intecc Governance Role as Outside Director

Please tell us about the background of your appointment.

**Tomida:** At that time, I think that Asahi Intecc was looking for a specialist with knowledge of legal affairs, with a view to being a candidate to replace the lawyer who had served as corporate auditor. I was approached by the company since I am a lawyer, and I was elected as a substitute Audit and Supervisory Committee member at the Annual General Meeting of Shareholders held in September 2016. This is how I came to have a connection with the company. Subsequently, I was elected as an Audit and Supervisory Committee member at the Annual General Meeting held in September 2018.

From what point of view do you give your comments and advice at the Board of Directors meetings? Please let us know if you have any policies.

**Tomida:** I always strive to reflect the views of minority shareholders and other stakeholders in the Board of Directors so that I can fulfill my fiduciary responsibilities to general shareholders from a position independent from management and controlling shareholders.

As a lawyer and an Audit and Supervisory Committee



**Ryuji Tomida**

Outside Director (Audit and  
Supervisory Committee Member)  
Asahi Intecc Co., Ltd.

## 7-1 Interview with Outside Director

member in our company, I try to express my opinions from a legal perspective and in accordance with the perspective of auditing Directors' execution of duties on whether the Board of Directors is making appropriate decisions with the principles of management judgment.

Moreover, I would like to pay attention to employees who are also stakeholders, and play a role of conveying to the Board of Directors their opinions I have heard during my visiting audits as an Audit and Supervisory Committee member. After all, people are the source of the company's growth and vitality, so I strive to contribute to improving employee engagement.

*How do you feel about the changes made at Asahi Intecc since you were appointed as an Audit and Supervisory Committee member?*



**Tomida:** The first time I was elected as a substitute Audit and Supervisory Committee member was when the founder retired from the position of Chairman and Representative Director and a system of two Representative Directors, consisting of Chairman (then President) and President (then Vice President), started. I have witnessed the continuous steady growth of the company under the new management structure.

Although the momentum of growth has not changed since I was elected as an Audit and Supervisory Committee member in September 2018, I feel that the phase has changed a little now. While maintaining an aggressive growth strategy, I feel that the company has come to recognize the importance of and implement securing human resources in a timely manner and changing and strengthening the organizational structure in order to avoid the risk

that the organization may not be able to keep up with growth, which is typical of a rapidly growing company. If an organization fails to keep pace with growth, it may begin to collapse internally even if it appears to be continuing to grow. Therefore, I believe that strengthening the organizational structure is essential for sustainable growth. In a society where the labor force will fluidize more in the

future, how to secure human resources and maintain the organizational structure will be a challenge.

## Functions and Effectiveness of Directors

*How do you feel about the effectiveness of the Board of Directors?*

**Tomida:** There have been frank discussions to improve effectiveness, and as a result, changes to the organizational design of the Management Committee were considered, and as a specific change, the Management Executive Committee has recently been established. I believe we are now in a major transitional period as we aim to further separate management and execution in the future.

*In terms of effectiveness, do you feel that it has been achieved anyway, and what are the issues for further improvement?*

**Tomida:** After I assumed the position of an Audit and Supervisory Committee member, we expanded the functions of the past Remuneration Advisory Committee and established the Nomination and Compensation Advisory Committee in June 2020. I believe that this can be evaluated as an initiative for improving the effectiveness of the Board of Directors. With the involvement of Outside Directors, discussions became possible on the abilities and qualities required for Directors. In addition, in preparation for the Annual General Meeting of Shareholders in September 2021, the Board of Directors discussed the skills matrix of the Board of Directors, which, I believe, also contributed to improving the effectiveness. I think it was of great significance for the Direc-



## 7-1 Interview with Outside Director

tors themselves to have discussions and create a matrix on what skills the Board of Directors needs for the company's growth.

And I believe the establishment of the Management Executive Committee is the most important achievement. In the course of the realization, there were opportunities for internal and Outside Directors to exchange opinions, and as a preliminary step, there were ongoing meetings for the exchange of opinions among Outside Directors only. In the exchange of opinions, all Directors actively expressed their opinions, and there was ample discussion about the roles and responsibilities of the Board of Directors as well as the direction the company should take.

It can be said that our company's Board of Directors originally engaged in more productive discussions than those of other companies because the Board of Directors had been designed under a management structure in which the Board of Directors discusses thoroughly and clarifies the roles of each committee. Therefore, each Director is now more able to appropriately demonstrate his/her expected abilities than ever before and actively express his/her opinions for discussion. I am confident that this will greatly contribute to the company.

In the future, I believe that the effectiveness of the Board of Directors will be further enhanced if the division of roles between the Board of Directors and the Management Executive Committee is further deepened and if the Board of Directors becomes a venue where substantive and productive discussions can be held in order to formulate management principles and strategies and to realize the medium-term management plan. To this end, when formulating a medi-

um-term management plan, for example, it is necessary to have discussions while involving Outside Directors. I also believe it is important to constantly review the division of roles between the Board of Directors and management.

**Please tell us about any of the discussions that you had at the Board of Directors meetings last year that left an impression on you.**

**Tomida:** It may be a discussion about KPIs. Although I myself recognized the importance of setting KPIs and monitoring the management situation, I did not think it was appropriate to place too much emphasis on it. However, through discussions at the Board of Directors on the assumption of setting KPIs, and through listening to explanations and asking questions about the concept of KPIs and the reasons for setting them, I think my understanding of the Managing Directors' thinking about our company and our company's business as a whole has deepened. I hope that the Board of Directors will continue to have constructive discussions based on KPIs.

**What role do you think Outside Directors should play for Asahi Intecc to realize sustainable growth?**

**Tomida:** I believe that the most important thing is to reflect the opinions of stakeholders, including minority shareholders, on the Board of Directors, based on the common sense of society and the common sense of corporate management, on the back of career and expertise of each Outside Director and independent from management and controlling shareholders. In addition, Outside Directors need to deepen their understanding of the com-

pany's various business areas, organizations, and people, and accurately understand and analyze the company's current stage in the process of growth, its position in the global market, and the role that society expects of the company. I think we need to constantly review the roles of Directors and the Board of Directors required for the company and continue to show the ideal form to management.

**Please tell us about your evaluation of Outside Directors, including other Outside Directors, and their issues.**

**Tomida:** Overall, I think our company's Outside Directors have a very well-balanced composition, with members who sufficiently satisfy the skills required for the current Board of Directors in our company. I have felt that Outside Directors of our company have been, not limited to the present, well balanced in terms of the necessary human resources in place.



## 7-1 Interview with Outside Director



Going forward, however, we need to discuss and clarify the capabilities and roles that our company expects of Outside Directors at the Board of Directors and the Nomination and Compensation Advisory Committee, and all Directors should address the measures of securing human resources consciously.

As an evaluation of individual Outside Directors, I think they contribute greatly to the effectiveness of the Board of Directors because they express their opinions very actively based on their extensive experience in their respective positions. As far as future issues are concerned, I would like to ask the company to prepare and devise ways for each Outside Director to be able to understand more and discuss the proposals submitted to the Board of Directors, although it may be difficult to do so because each Outside Director has different knowledge about the company and

differs in the range of accumulation of such knowledge. I would also like to receive more information on the status of discussions and the judgment criteria employed up to the point of submission of the proposal, such as opinions at the Management Executive Committee. In addition, it would be good to create an environment in which Internal Directors who are not in charge of the agenda proposed at the Board of Directors can express their opinions more actively from a semi-external standpoint. In this way, Outside Directors would deepen their understanding.

### Succession Plan and Authority Transfer Expectations for the New Management System

*As an urgent matter, the management system was revised with the change of president on September 1, 2024. What kind of discussions were made at the Nomination and Compensation Advisory Committee? Also, as the chairperson of the Nomination and Compensation Advisory Committee, what is your view on this matter? Do you have any expectations for the new management system?*

**Tomida:** It was a sudden change, but the committee did not feel rushed because the change was made after the succession plan had been thoroughly discussed and prepared. The committee confirmed the division of roles between Chairman and President and the future management system, and discussed governance under the new system. In addition, we discussed a new succession plan and formulated a plan that is sustainable in the medium to long term.

As chairperson of the Nomination and Compensation Advisory Committee, I renewed my recognition for the importance of formulating a succession plan. However, I believe that the change this time had little impact on the management system because the Executive Vice President, who had been serving as Representative Director, succeeded as President. The future succession plan will enter a new phase that is different from this time, and we are bracing ourselves that further preparation is necessary.

Over the 15 years since the current Chairman assumed the post of President in 2009, the company has grown from about 12 billion yen in sales to over 100 billion yen under his strong leadership. I hope that the Chairman will continue to play an active role in the Board of Directors, and that the new President will provide strong leadership as well. I also hope that he will mobilize the capabilities of all Directors, enhance their comprehensive strengths, and lead the company to achieve stable and sustainable growth. I also hope that Internal Directors, who are Managing Directors, will make full use of their capabilities and strive for further growth and development of the company under the new management system.

### Sustainability Risk Management as a Global Company

*We conduct executive training every year. The other day, we conducted training on risk management as we received advice from Mr. Tomida that we should do so. What do you think are the issues related to risk management? Also, what do you think the risks in our company are?*

## 7-1 Interview with Outside Director

**Tomida:** This is a very difficult question, but a risk management system is very important also in an internal control system that is established based on the basic policies of the internal control system to be decided by the Board of Directors. For a company that has grown significantly on a global scale, the risks are whether the management philosophy and strategies decided by the Board of Directors and the intention of the management have reached every corner of the organization, and whether there is a system in place to ensure that the front-line information necessary for the next management decision is accurately and promptly shared with the Board of Directors.

I believe that it is also necessary to constantly review the system so that risks specific to each region of the world can be collected in a timely and accurate manner, and necessary actions can be taken with sufficient time to make the first move. With regard to BCP, our company has experienced damage to its main plant due to floods in Thailand in 2011, and more recently typhoon damage at its Cebu Plant. We have also experienced and overcome IT incidents, so I think it would be a good idea to record these experiences, share them throughout the company and pass them on.

### Importance of Human Capital

Human capital is becoming increasingly important on a global scale. Mr. Tomida, you are in a position of specializing in labor. We would like to hear your opinion on the company. We would like to hear your views extensively on strengthening our company's corporate governance.

**Tomida:** First of all, I think it is important to actively incorpo-

rate overseas transfers throughout the company as a career path for Japanese employees. Also, objectivity and transparency of evaluation are also important. Especially for those who have experience working in other companies, such as mid-career hires, they strongly demand that their evaluations be conducted appropriately. If an evaluation system is conducted in a way that they feel is arbitrary, their loyalty to the company will be lost, and it will be difficult to secure global human resources. I think the objectivity and transparency of this evaluation system are the same for foreign employees.

I also believe that it is necessary to actively promote foreign employees to senior management and to create a system and corporate culture that make it easy for foreign employees to draw up their career plans. If foreign employees at overseas subsidiaries and branches cannot believe that they can move up if they work hard at this company, I am afraid that they will walk away, and the development of overseas subsidiaries will not be possible. I believe that measures to increase the loyalty of all employees to the company will also strengthen our company's corporate governance.

*What are your expectations of Directors on the execution side?*

**Tomida:** It is to offer opinions in an active way at meetings of the Board of Directors. In particular, I would like Internal Directors who are not in charge of business related to an agenda or proposals to speak more actively in the future. The Board of Directors meetings tend to be question-and-answer sessions by Outside Directors. However, in order to enhance the quality of discussions at the Board of Directors meetings and to conduct deliberations that further contribute to the enhancement of corporate value,

I believe it is important for Internal Directors to participate in discussions based on their knowledge and experience, which differ from those of Outside Directors, even if the agenda or proposals are not those for which they are responsible in their own duties. It is only through such discussions that the opinions of Outside Directors become more accurate and substantive, resulting in constructive discussions as a whole and contributing to the development of our company.

*Please tell us about your future aspirations.*

**Tomida:** This is my seventh year as an Audit and Supervisory Committee member. In the company where there is no Full-Time Audit and Supervisory Committee members, in order for the Audit and Supervisory Committee to collect necessary and sufficient information, I believe my responsibility is grave as someone whose understanding of the company has deepened. Together with the Audit and Supervisory Committee members in their third and first years, I would like to contribute to the sustainable development of the company. I will also actively fulfill my responsibilities as an Outside Director. In order to do so, I myself must grow further, so I would like to study to deepen my general knowledge of society and of corporate management, as well as to gain experience as a lawyer, which is my main job, in order to further enhance my expertise. I would also like to increase communication with other Outside Directors and Internal Directors and exchange more opinions with them about the company. With a new president and a new management system, I truly would like to do my best to help our company develop further in the future.

(Interviewer: Mizuho Ito, Director, CFO, Asahi Intecc Co., Ltd.)