September 17, 2025

Mitsubishi HC Capital

ESG Data Book

2025

Minagiru (Being filled with power) by Tomonori Yoshino, the recipient of the Mitsubishi HC Capital Special Award at the 37th Artbility Awards
About Artbility:
A library of artworks created by artists with disabilities, operated by the social welfare corporation Tokyo Colony Association as an activity to support the social participation of artists with disabilities.

MITSUBISHI HC CAPITAL

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■ Legends

Code

-	Not applicable

Codes representing scopes of aggregation

a	Mitsubishi HC Capital and its major consolidated subsidiaries (Japan and overseas)
a-	Mitsubishi HC Capital and its major consolidated subsidiaries (Japan and overseas) excluding some offices or subsidiaries
b	Mitsubishi HC Capital and its major consolidated subsidiaries (Japan)
b-	Mitsubishi HC Capital and its major consolidated subsidiaries (Japan) excluding some offices or subsidiaries
c	Mitsubishi HC Capital
c-	Mitsubishi HC Capital excluding some offices
d	Other

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Corporate website	https://www.mitsubishi-hc-capital.com/english/

Basic information

Corporate information

Corporate profile

Company name	Mitsubishi HC Capital Inc. (hereinafter “MHC” or “Company”)
Head office	5-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo, 100-6525, Japan 03-6865-3000 (representative number)
Paid-in capital	¥33,196,047,500
Date of incorporation	April 12, 1971
Fiscal year-end	March 31

Number of employees

Number of employees	Consolidated: 8,380, non-consolidated: 2,102 (as of March 31, 2025)

Group companies (as of August 31, 2025)

Domestic Group companies

Company name	
MITSUBISHI HC CAPITAL IT PARTNERS Inc.	U-MACHINE Inc.
MHC Business Company Limited	Mitsubishi HC Capital Estate Plus Inc.
MHC Eco Solutions Co., Ltd.	Mitsubishi HC Business Lease Corporation
MHC Insurance Company Limited	Mitsubishi HC Capital Energy Inc.
MHC Triple Win Corporation	HSE Ltd.
Mitsubishi HC Capital Trust Corporation	HWP Ltd.
Capital Insurance Corporation	Mitsubishi HC Capital Realty Inc.
Mitsubishi HC Capital Servicer Corporation	Mitsubishi HC Capital Realty Advisers Inc.
Healthcare Management Partners, Inc.	Center Point Development Inc.
JAPAN MEDICAL LEASE CORPORATION	

(Note) In addition to the companies above, M-cast, Inc., which was dissolved on March 31, 2025, is included in the scope of reporting in the ESG Databook.

Overseas Group companies

Europe

Country/Area	Company name	
UK	Mitsubishi HC Capital UK PLC	
Poland	MHC Mobility Sp. z o.o.	
Hungary	MHC Mobility Zrt.	
Ireland	Jackson Square Aviation Ireland Limited	Engine Lease Finance Corporation
Netherlands	MHC Mobility B.V.	
Germany	MHC Mobility GmbH	
Austria	MHC Mobility GmbH	

The Americas

Country/Area	Company name	
US	Mitsubishi HC Capital America, Inc.	PNW Railcars, Inc.
	Jackson Square Aviation, LLC	Mitsubishi HC Capital Realty (U.S.A.) Inc.
	CAI International, Inc.	
Canada	Mitsubishi HC Capital Canada, Inc.	

China region

Country/Area	Company name	
China	Mitsubishi HC Capital (Shanghai) Co., Ltd.	MHC Management (Shanghai) Co., Ltd.
	Mitsubishi HC Capital Leasing (Beijing) Co., Ltd.	
Hong Kong	Mitsubishi HC Capital Management (China) Limited	Mitsubishi HC Capital (Hong Kong) Limited

Asia & Oceania

Country/Area	Company name	
Singapore	Mitsubishi HC Capital (Singapore) Pte. Ltd.	Mitsubishi HC Capital Asia Pacific Pte. Ltd.
Thailand	Bangkok Mitsubishi HC Capital Co., Ltd.	U-MACHINE (THAILAND) CO., LTD.
	Thai MHC Co., Ltd.	Mitsubishi HC Capital (Thailand) Co., Ltd.
Indonesia	PT. Mitsubishi HC Capital and Finance Indonesia	PT. Takari Kokoh Sejahtera
	PT. Manajemen Unggul Lestari	PT. Arthaasia Finance
Vietnam	Ho Chi Minh City Representative Office	
Malaysia	Mitsubishi HC Capital Malaysia Sdn. Bhd.	

Efforts on sustainability

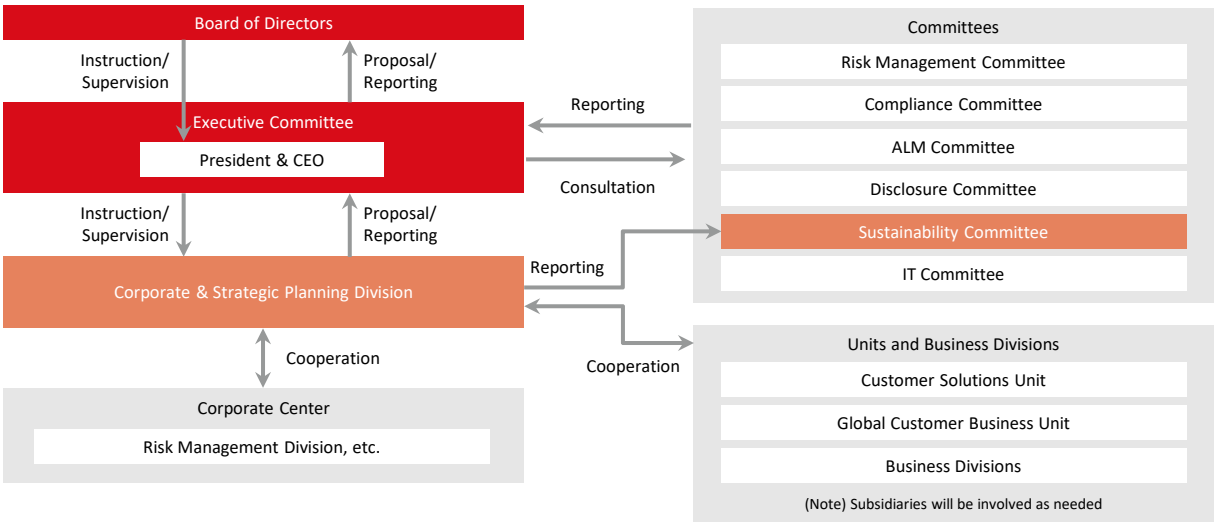
Basic views on sustainability

The Mitsubishi HC Capital Group (hereinafter "Group") understands that efforts toward sustainability—among them, protecting the global environment, respecting human rights, and embracing diversity—are an essential responsibility to society that corporations should fulfill. To continue to survive, corporations must pursue long-term growth while gaining the trust of their stakeholders by engaging in business activities that seek to resolve environmental, social, and economic issues.

Sustainability promotion framework

The Group established the Sustainability Committee in April 2021 to promote sustainability-based management. The committee is positioned as an advisory body to the Executive Committee and aims to lead and promote sustainability efforts in a way that is unified with management strategies.
The Sustainability Committee formulates plans related to the Group's sustainability promotion such as its materiality and environmental issues, formulates goals and plans related to non-financial indicators, and monitors the progress of indicators among other activities, and reports important matters to the Executive Committee and the Board of Directors. The committee is chaired by the Head of the Corporate & Strategic Planning Division and its members consist of the President & CEO, Deputy Presidents, CFO (Chief Financial Officer), Head of the Human Resources & General Affairs Division, Head of the Risk Management Division, Head of the Credit Division, and Head of the IT & Operations Division.

The Mitsubishi HC Capital Group's sustainability promotion framework



Overview of sustainability-based management

Based on the three pillars of environment, society, and governance (ESG), the Group is promoting sustainability-based management, which aims to realize a sustainable society and enhance corporate value, as shown in the table below. We are stepping up our environment-related initiatives, such as reducing greenhouse gas emissions and promoting a circular economy, and also focusing on society-related initiatives, such as conducting human rights due diligence and carrying out employee engagement surveys and disclosing their results. At the same time, we are striving to enhance our transparency by disclosing various policies, while working to strengthen governance. Furthermore, we are reinforcing the foundations of a trusted company by continuing to disclose sustainability-related information and respond to external rating agencies and by using the PDCA cycle and making continuous improvements.

ESG category	Theme	Typical item	Status	Disclosure		External assessment
Environment	Climate change	Reduction of Scope 1 and 2 emissions, third-party certification	Completed/ Continued	TCFD (climate change) TNFD (biodiversity)	CSRD (Corporate Sustainability Reporting Directive) SSBJ (Sustainability Standards Board of Japan)	FTSE MSCI DJSI CDP Sustainalytics Other organizations
		Transition Plan toward the Realization of Carbon-neutral Society (Scope 3 GHG emissions accounting, third-party certification KPIs, investment plans)	Completed/ Continued			
		Scenario analysis (quantitative)	Completed			
	Circular economy	Response to the Act on Promotion of Resource Circulation for Plastics and specific strategies	In progress			
	Biodiversity	Impact assessment and policy formulation	Under consideration			
	Water security	Impact assessment and policy formulation	Under consideration			
Society	Human rights / Community	Human rights policy	Completed/ Continued	TSFD (social)		
		Human rights due diligence	Partially completed / In progress			
		Complaint handling mechanism	Completed/ Continued			
	Occupational health and safety	Disclosure of the occupational health and safety policy	In progress			
	Human capital	Disclosure of employee engagement survey results	Completed			
Governance	Corporate governance	Enhancement of disclosure of the governance structure based on ESG	Completed			
		Reflecting achievements in ESG-related initiatives on remuneration of officers	Under consideration			
	Risk management	Enhancement of disclosure of the risk management structure	Partially completed / In progress			
	Anti-corruption	Disclosure of the policy on the prevention of bribery and corruption	Completed			
	Tax transparency	Disclosure of the tax policy and tax governance	Partially completed / In progress			

Enhancement of corporate value

Participation in initiatives

The United Nations Global Compact	The United Nations Global Compact (UNGC) is the world's largest voluntary corporate sustainability initiative, bringing together the United Nations and private sector (companies and organizations) to build a healthy global society. Companies and organizations who sign the UNGC are required to support the Ten Principles in four areas of human rights, labor, environment and anticorruption, and to commit to make efforts to realize these principles. The Company will comply with UNGC's Ten Principles in four areas and contribute to the realization of a sustainable society by promoting sustainability initiatives.	WE SUPPORT UN GLOBAL COMPACT
Task Force on Climate-related Financial Disclosures (TCFD)	In November 2021, the Company announced its support for recommendations by the Task Force on Climate-related Financial Disclosures (TCFD) established by the Financial Stability Board (FSB). By announcing its support for the TCFD recommendations, the Company is further promoting business activities contributing to decarbonization, as well as enhancing the disclosure regarding climate change-related risk and opportunities.	TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

The Principles for Financial Action for the 21st Century	The Company has been a signatory to the Principles for Financial Action towards a Sustainable Society (Principles for Financial Action for the 21st Century), a proactive initiative by financial institutions, since it was formulated in November 2011. The Principles for Financial Action for the 21st Century consist of seven principles for financial institutions that want to take an active role and responsibility in the creation of a sustainable society and guidelines tailored to each sector to implement the principles. The Company will continue to make active efforts for the environment and society based on these principles.	PFA21 Principles for Financial Action for the 21st Century
The GX League	The Company participates in the GX League, established by Japan's Ministry of Economy, Trade and Industry, which aims at transforming economic and social systems towards the realization of carbon neutrality. The Company will be actively involved in the development of future ecosystems by participating in discussions aimed at generating and sharing diverse business opportunities toward carbon neutrality. Furthermore, it will lead this initiative by providing solutions contributing to decarbonization and address GX, aiming to realize carbon neutrality by 2050 as well as social transformation. In this way, it will contribute to a sustainable and prosperous future. GX League official website (https://gx-league.go.jp/en/)	GX League
Circular Partners	The Company participates in Circular Partners, a circular economy-related partnership between government, industries, and academia on a circular economy. Circular Partners website (https://www.cps.go.jp/home-english)	Circular Partners
Japan Robot System Integrator Association	The Company participates in the Japan Robot System Integrator Association for the purpose of building a network with external system integrators and accumulating knowledge about industrial robots. The Company will contribute to the development of an environment which facilitates the introduction of robots and the realization of a sustainable society through initiatives to resolve issues by using robots.	SIer Japan Robot System Integrator Association

Selection as an index stock for SRI (socially responsible investment) and social evaluation

Selection as an index stock for SRI

FTSE Russel	The Company has been selected as a constituent of the FTSE4Good Index Series, FTSE Blossom Japan Index, FTSE Blossom Japan Sector Relative Index, which are performance indexes of Japanese companies that excel in addressing ESG issues, developed by global index broker FTSE Russell.	FTSE4Good FTSE Blossom Japan FTSE Blossom Japan Sector Relative Index
MSCI Japan ESG Select Leaders Index	The Company has been selected as a constituent of the MSCI Japan ESG Select Leaders Index, an index comprised of companies selected for demonstrating outstanding ESG performance, targeting 50% coverage of issues in each Global Industry Classification Standard (GICS®) sector of the parent index (MSCI Japan IMI Index).	2024 CONSTITUENT MSCI NIHONKABU ESG SELECT LEADERS INDEX
MSCI Japan Empowering Women Index (WIN)	The Company has been selected as a constituent of the MSCI Japan Empowering Women Index (WIN), an index comprising selected Japanese companies that demonstrate outstanding performance in promoting gender diversity in each GICS® sector of the parent index (MSCI Japan IMI Top 700 Index).	2024 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)
S&P/JPX Carbon Efficient Index	The Company's stock has been included in an ESG index (stock price index) since 2018, the year it was launched jointly by S&P Dow Jones Indices (S&P), a global index provider, and the Tokyo Stock Exchange, a member of the Japan Exchange Group (JPX).	S&P/JPX Carbon Efficient Index
Morningstar Japan ex-REIT Gender Diversity Tilt Index	The Company has been selected as a constituent of the Morningstar Japan ex-REIT Gender Diversity Tilt Index. This index is one of the gender diversity indexes provided by Morningstar (US), which offers investment research and management services. It uses data and scoring methodology provided by Equileap (Netherlands) and is designed to emphasize the stocks of companies that have strong gender diversity policies embedded in their corporate culture and that ensure equal opportunities to employees, irrespective of their gender. Equileap is an organization that collects and assesses gender-related data of companies.	MORNINGSTAR GenDi J Japan ex-REIT Gender Diversity Tilt Index TOP CONSTITUENT 2025
SOMPO Sustainability Index	The Company has been selected for the Sompo Sustainability Index established by Sompo Asset Management, a composite of about 300 companies that are making remarkable efforts in ESG.	2025 Sompo Sustainability Index

Social evaluation

CDP	CDP is a not-for-profit organization that seeks disclosure of information on environmental issues such as climate change initiatives and conducts research and analysis. The Company received B a C scores in the areas of “Climate Change” and “Water Security,” respectively, in 2024.	
BCM rating received from the Development Bank of Japan	In February 2024, under the BCM Rated Loan Program of the Development Bank of Japan (DBJ), through which companies are rated on their disaster preparedness and business continuity management (BCM), the Company was rated highly for making particularly outstanding efforts on business continuity, earning us the highest rating.	
Platinum Kurumin certification	The Company was awarded Platinum Kurumin certification by the Minister of Health, Labor and Welfare in recognition of having fulfilled the required standards under the Act on Advancement of Measures to Support Raising Next-Generation Children.	
Eruboshi certification	The Company received Eruboshi two-start certification from the Minister of Health, Labor and Welfare in recognition of its excellence in the implementation of initiatives to promote women's active participation and advancement in the workplace, which fulfilled the certification standards established under the Act on Promotion of Women's Active Engagement in Professional Life.	
Health & Productivity Management Outstanding Organization (large enterprise category)	The Company was certified as a 2025 Health & Productivity Management Outstanding Organization in the large enterprise category for the seventh year in a row. The Certified Health & Productivity Management Organization Recognition Program recognizes outstanding large enterprises, SMEs, and other organizations engaging in efforts for health and productivity management based on evaluation of enterprises' initiatives for overcoming health-related challenges in communities and for promoting health-conscious activities led by the Nippon Kenko Kaigi.	
Certified operator making excellent efforts in promoting ESG-linked leasing business	The Company has been certified as an operator making excellent efforts under the subsidy program for measures to reduce CO_2 emissions (efforts promoting ESG-linked leasing business for building a decarbonized society) by the Ministry of Environment for the last three years.	
DX-certified operator	In May 2023. the Company was recognized as a DX-certified operator, under the DX Certification Program established by the Ministry of Economy, Trade and Industry. The DX Certification Program is based on the Act on Facilitation of Information Processing. The government certifies companies that are prepared for DX promotion, meeting the basic requirements of the Digital Governance Code, which outlines the actions required by future business managers in light of social transformation through digital technologies. The Company will continue to evolve its business model by promoting DX through the utilization of digital technology and data.	

Materiality

Mitsubishi HC Capital has identified the following six material issues as priority key challenges that must be addressed. Against a backdrop of megatrends on a global scale such as climate change driven by global warming, population growth, urbanization, and a scarcity of resources in recent years, not only our personal lives but also social environments have been drastically changing worldwide. Under such circumstances, companies are expected to make efforts to solve numerous issues, such as promoting a decarbonized society and building a circular economy.
In our Group, we are committed to effective management and business activities to resolve issues based on an appropriate understanding of the material issues.

Materiality of the Group

Materiality	Why the Group treats as highly material challenges	Related SDGs
1 Promote a decarbonized society	Efforts to realize a decarbonized society have been globally recognized as an urgent issue and the Group can significantly contribute to solving this challenge through its services and solutions, such as renewable energy investment and EV promotion. It is quite a few impact on but is significant for the Group to distinct its business from the business not solving social issues.	7, 13
2 Realize the circular economy	The Group aims to contribute to creating a circular economy by reducing waste, not only in the Group but also within society through maximizing the potential of assets as a leading leader in the leasing industry. The Group treats this challenge as material. The Group can also contribute to realizing a sustainable and prosperous society through strengthening the collaboration between partners.	6, 12, 14, 15
3 Establish resilient social infrastructure	Large parts of the infrastructure within Japan needs to be repaired. The Group also recognizes the business has huge potential opportunities to support the development of infrastructure in overseas countries with active collaboration between various partners and create a smart city. The Group will contribute to the business being diversified, enhanced and efficient through establishing the system and providing services for supporting the collaboration of various companies.	9, 11
4 Realize healthy lifestyles that promote positive wellbeing	It is vital for its stakeholders that the Group recognizes the importance of health, safety, mental and physical wellbeing for realizing the prosperous future. Valuable human resources are key. Personal development and attraction and retention of talent is significant for the Group members.	3, 5, 8
5 Create businesses utilizing the latest technologies	Both financing for the purpose of digital transformation of customers and providing solution by internal and external digital technologies urge to develop new business models. Including establishing supply chain with utilizing with new alternative energies, the Group identifies material one as the opportunity.	8, 9
6 Collaborate with partners locally and globally	Social issues differ by countries and regions. It is significant that the Group aims to solve these issues by collaborating with local partners to ensure the Group is meeting individual needs through local community-based communication. The Group can realize mutual benefits in developing society by utilizing the integrated capability in the Group.	8, 17

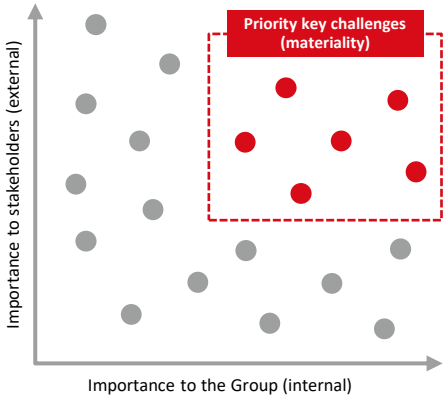
How materiality relates to Our Mission and Our Vision

Material issues identification process

1. Examination of important ESG issues from the Company's perspective

We made an exhaustive list of ESG issues based on ISO 26000, the Sustainable Development Goals (SDGs), and other relevant international guidelines and principles.
Subsequently, we conducted a survey of employees and internal interviews to identify candidates based on their importance in terms of both opportunities and risks related to our business.

How materiality was identified



2. Consideration of important ESG issues from the perspective of external stakeholders

We confirmed the expectations and requests for the Group based on expertise and opinions obtained from interviews with external stakeholders, such as major customers and shareholders, and narrowed down the list of candidates.

3. Discussion and deliberation by management

Identified through discussions at the Sustainability Committee, Executive Committee, and Board of Directors meetings, based on the relationship between Our Mission, Our Vision, and the SDGs, as well as their relevance to each business.

Governance

Corporate governance

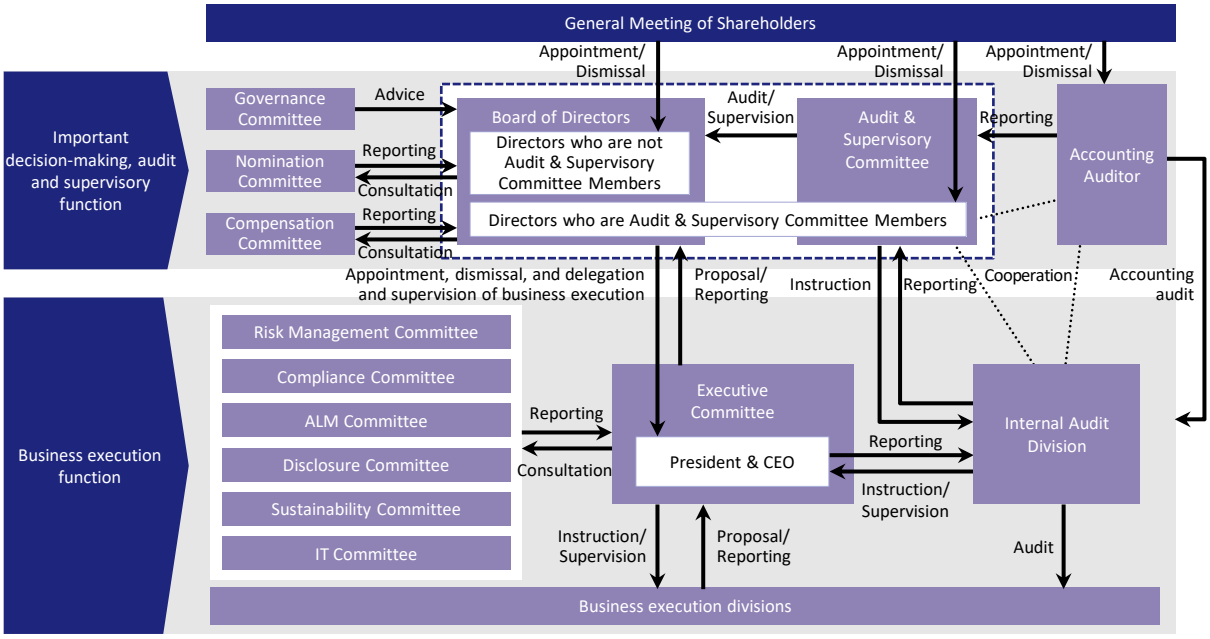
Basic views on corporate governance

While emphasizing initiatives to achieve sustainable corporate growth and improvement in corporate value over the medium- to long term, MHC aspires to contribute to a more prosperous society by respecting the rights and interests of all of its stakeholders—shareholders, customers, local communities, and employees—and fulfilling their trust in the Company. With the recognition that it is one of its social responsibilities to ensure transparent and sound management, MHC continues to work on initiatives to enhance corporate governance by boosting the activity of the Board of Directors, reinforcing the Audit & Supervisory Committee and the internal audit system, ensuring timely and appropriate disclosures of information, and actively engaging in investor relations (IR) and other activities.

Corporate governance systems

MHC is a company with an Audit & Supervisory Committee, and has established a Board of Directors to be responsible for important decision-making and supervisory functions, and an Audit & Supervisory Committee to be responsible for audit and supervisory functions.
In order to further enhance its corporate governance, MHC has also established a Nomination Committee and a Compensation Committee to serve as advisory bodies to designate the President & CEO and determine the remuneration, etc. of Directors. Further, MHC has established a Governance Committee to serve as an advisory body to the Board of Directors.
Alongside adopting an executive officer system, MHC has established an Executive Committee to serve as a body for deliberation and decision-making on important management matters.

Corporate governance structure (as of June 26, 2025)



Appointment and dismissal of Directors

The Board of Directors resolves to appoint candidates to serve as Directors based on the selection criteria described below, after the Nomination Committee, of which independent Outside Directors comprise the majority, holds discussions in advance. (It is stipulated in internal regulations that the Board of Directors shall resolve with the utmost respect to the decisions made by the committee.) The Board of Directors also resolves to appoint candidates to serve as Directors who are also Audit & Supervisory Committee Members after the Nomination Committee discusses it and the Audit & Supervisory Committee agrees to it.
MHC also recognizes that diversity at the Board of Directors in terms of gender, nationality, race, etc. is important, and proactively works on strengthening the function of the Board of Directors by enhancing diversity.
In determining an appropriate composition of the Board of Directors, MHC believes, as a desirable way of achieving diversity within MHC, that it is necessary to elect desirable persons in consideration of gender, nationality, race, etc., making it a top priority that Directors can demonstrate the necessary skills and abilities in light of the respective management environment.
In addition, if Directors are found to meet the dismissal criteria described below, their dismissal is deliberated by the Nomination Committee in a timely manner and decided by the Board of Directors.

[Selection criteria]

1. Directors and Audit & Supervisory Committee Members should have the mental and physical soundness sufficient to execute business.
2. Directors and Audit & Supervisory Committee Members should be persons who are well respected, possess excellent integrity, and hold themselves to high ethical standards.
3. Directors and Audit & Supervisory Committee Members should have a law-abiding mentality.
4. Directors and Audit & Supervisory Committee Members should be expected to make objective judgments regarding management and have excellent insight and perspicacity.
5. It is reasonable to consider that the candidates will help strengthen the functions of the Board of Directors in view of their knowledge, experience, capabilities, and similar factors.
6. In addition to 1. to 5. above, candidates for Outside Directors should (i) have experience, achievements, and knowledge in their fields of specialization, (ii) be able to contribute to the implementation of appropriate decision-making and management supervision of the Board of Directors, and (iii) be expected to secure the time necessary to fulfill their duties.
7. Candidates for reappointment should have performed roles expected of them during each of their previous assignments.

[Dismissal criteria]

1. Director significantly damaged the value of MHC by neglecting their duties.
2. Director violated laws, Articles of Incorporation, or other regulations/rules of MHC, or conducted an act against public order and/or morals, which caused serious damage to MHC or hindrance to the business of MHC as a result.
3. Director is deemed to not meet the selection criteria for Directors.

Outside Directors' independence judgment criteria

MHC shall judge the independence of Outside Directors by confirming if they fall under any of the following items (1) through (6) at any time in the past three fiscal years, and considering if the individual is independent objectively and substantially from multiple perspectives, assuming that they are meeting the requirements of independent Directors/Auditors specified by financial instruments exchanges in Japan, such as the Tokyo Stock Exchange.

(1) A major shareholder (i.e., a shareholder holding 10% or more of the total voting rights) of MHC or an executive thereof[*1]
(2) An executive of a lender of MHC that exceeds MHC's standard[*2]
(3) An executive of a business partner of MHC that exceeds MHC's standard[*3]
(4) A consultant, attorney-at-law, certified public accountant, or other person who provides professional services and who receives more than ¥10 million per fiscal year in monetary or other assets from MHC, excluding officers' remuneration
(5) A representative partner or partner of MHC's Accounting Auditor
(6) A person who belongs to an association which receives donations from MHC exceeding a certain amount[*4]

*1. An executive refers to an executive Director, Executive Officer, or other employee
*2. A lender that exceeds MHC's standard refers to a lender from whom the amount MHC has borrowed exceeds 2% of the consolidated total assets of MHC
*3. A business partner that exceeds MHC's standard refers to a business partner whose dealings with MHC have a value equal to more than 2% of the consolidated net sales of MHC or of the relevant business partner
*4. Donations exceeding a certain amount refers to donations exceeding ¥10 million per fiscal year

Even if a candidate qualifies under any of items (1) through (6) above, if there are special circumstances to designate the relevant candidate as an independent Director/Auditor and he/she is judged to be substantially independent, and is to be registered as an independent Director/Auditor with a financial instruments exchange in Japan, such as the Tokyo Stock Exchange, the reason for the candidate's eligibility shall be explained and disclosed at the time of registration and in the reference documents for a general shareholders meeting concerning the agenda of the election of the candidate as an Outside Director or Audit & Supervisory Committee Member.

Views on the appropriate balance of knowledge, experience and skills, diversity, and size of the Board of Directors

MHC has selected nine skills that the Board of Directors should possess: "corporate management," "finance," "global," "sustainability," "sales/marketing," "IT/DX," "finance/accounting," "risk management/legal affairs," and "human resource management." It recognizes that the skills the Board of Directors shall possess must be reviewed regularly based on its management strategies and environment, and thus it will continue to consider this issue at Governance Committee and Nomination Committee meetings.
MHC also recognizes that diversity at the Board of Directors in terms of gender, nationality, race, etc. is important, and proactively works on strengthening the function of the Board of Directors by enhancing diversity.
In determining an appropriate composition of the Board of Directors, MHC believes, as a desirable way of achieving diversity within MHC, that it is necessary to elect desirable persons in consideration of gender, nationality, race, etc., making it a top priority that Directors can demonstrate the necessary skills and abilities in light of the respective management environment.

Currently, it is assumed that MHC's Board of Directors consists of Directors from a variety of business categories and industries, and has an appropriate number of members to ensure a balanced composition of appropriate skills and diversity.
Although no foreign Director has currently been elected, MHC acknowledges that the Board of Directors has been performing a supervisory function, as it has elected several Directors who possess a wealth of international business experience, and has received valuable opinions on global business development.

Reasons for selection of the skills

Category	Skill	Reason for selection
Matters related to overall management	Corporate management	➢ Achieving Our 10-Year Vision, which serves as a milestone toward realizing the Company's management philosophy, requires accurately identifying materiality (material issues) and addressing them through management initiatives. To that end, we believe it is essential to have the ability to boldly drive company-wide transformation, including SX[*1], DX[*2], and business portfolio transformation, as well as the ability to oversee these initiatives. We also believe it is essential to have the ability to build and promote systems that support sound corporate management rooted in compliance, as well as the ability to oversee these activities. *1.Sustainability transformation *2.Digital transformation
	Finance	➢ We believe it is essential to have a deep understanding of the Company's business as a financial services provider, as well as deep insight into domestic and international finance, and the ability to apply that expertise to the promotion and oversight of the Company's management and business strategies.
	Global	➢ The Company operates a wide range of businesses globally, and we believe it is essential to have deep insight into global business, including cross-cultural and geopolitical considerations, as well as the ability to apply that insight to the promotion and oversight of management.
	Sustainability	➢ We believe it is essential to have the ability to promote and oversee sustainability management that balances the resolution of social issues with the sustainable enhancement of corporate value.
Matters related to revenue growth	Sales/ Marketing	➢ To strengthen earning power through a shift to high value-added businesses and the development of new businesses, we believe it is essential to have the ability to leverage sales and marketing capabilities to build and promote business strategies such as the evolution and layering of business models, as well as the ability to oversee these activities.
Matters related to strengthening corporate functions	IT/DX	➢ To realize the creation and enhancement of customer value through the use of data and digital technologies, we believe it is essential to have the ability to apply advanced knowledge of IT and digital transformation (DX) to management and its oversight.
	Finance/ Accounting	➢ We believe that advanced expertise in accounting is essential to support the Company's globally developed business through effective management and oversight. Furthermore, to achieve sustainable growth, we believe it is essential to have the ability to promote and oversee a financial strategy that balances the three key elements of "financial soundness," "return on capital," and "growth potential."
	Risk management / Legal affairs	➢ We believe it is essential to have the ability to build and promote a risk management framework that supports growth strategies through enhanced risk control, as well as the ability to oversee these activities. Furthermore, we believe that advanced expertise in legal affairs is essential to identify key risks in business activities from a legal perspective and to apply that insight to management and its oversight.
	Human resource management	➢ We believe it is essential to have the ability to build and promote a human resources strategy that secures, develops, and utilizes talent in order to fulfill a "talent portfolio" that supports management strategy and to create a workplace that is both comfortable and motivating. This includes the ability to oversee such activities.

Skills that should be possessed by the Board of Directors (skill matrix)

(as of June 26, 2025)

Name	Position	Matters related to overall management				Matters related to revenue growth	Matters related to strengthening corporate functions			
		Corporate manage-ment	Finance	Global	Sustain-ability	Sales/ Marketing	IT/DX	Finance/ Accoun-ting	Risk manage-ment / Legal affairs	Human resource manage-ment
Takahiro Yanai	Director, Chairman	●	●	●	●	●		●	●	●
Taiju Hisai	Representative Director, President & CEO	●	●	●	●	●		●	●	●
Aiichiro Matsunaga	Representative Director, Deputy President	●	●	●	●	●			●	●
Kazumi Anei	Director, Deputy President	●	●	●	●	●				
Haruhiko Sato	Director, Managing Executive Officer	●	●	●	●			●		
Yuri Sasaki	Director (Outside Director) (Independent Director)		●							
Kayoko Kawamura	Director (Outside Director) (Independent Director)					●	●			
Shota Kondo	Director (Outside Director)	●		●	●	●				
Yoshitaka Shiba	Director, Audit & Supervisory Committee Member	●	●			●		●	●	
Hiroyasu Nakata	Director, Audit & Supervisory Committee Member (Outside Director) (Independent Director)								●	
Hiroko Kaneko	Director, Audit & Supervisory Committee Member (Outside Director) (Independent Director)							●	●	
Masayuki Saito	Director, Audit & Supervisory Committee Member (Outside Director) (Independent Director)	●		●	●			●	●	●

Change in the ratios of the Board of Directors

	Number of Directors	Non-executive Directors	Independent Outside Directors
April 2021	15	53%	33%
June 30, 2021	15	60%	33%
June 30, 2022	14	57%	36%
June 30, 2023 and beyond	12	67%	42%

Number of officers and breakdown of compensation

(As of June 26, 2025)

Directors (total number of Directors)	12
Outside Directors	6
Female Directors	3
Executive Officers (total number of Executive Officers) (Note) Including Executive Officers concurrently serving as Directors	26
Female Executive Officers	0

(Results for FY2024)

Directors' compensation (Directors)	¥552 million
Outside Directors	¥88 million

Evaluation of the effectiveness of the Board of Directors

MHC has continued efforts to further improve the effectiveness of the activities of the Board of Directors based on annual reviews and assessments by all of the Directors on their activities throughout the year for the purpose of maintaining and improving the function of the Board of Directors.

Major initiatives and an overview of the assessment of the effectiveness of the Board of Directors for FY2024 are as follows:

Major initiatives in FY2024

Issues in FY2023	Response to Issues
Improving agenda items and the content of deliberations	■ Strengthened timely and appropriate monitoring after important decisions were made (on investment projects, business development). ■ Improved the quality of deliberations on risks related to both Company-wide and segment-specific businesses. ■ Revitalized deliberations on important agenda items by flexibly allocating time for deliberations. ■ Revitalized discussions by further utilizing the Governance Committee, etc. Based on various governance guideline, etc., issues at MHC were identified and discussed, such as the appointment of external chairpersons for the Nomination Committee and the Compensation Committee and the revision of the skills that the Board of Directors should possess.
Enhancing communication	■ Outside Directors visited domestic and overseas business sites. ■ Held roundtable discussions and opinion exchange meetings attended only by independent Outside Directors. ■ Held opinion exchange meetings between the Chairman and the President & CEO and independent Outside Directors. ■ Implemented an initiative to facilitate communication between management including Executive Officers and Outside Directors.
Improving information provision system	■ Continued the reporting of the current status of each unit and each business division. ■ Continued the provision of business details explanations from the Head of each Corporate Center division to Outside Directors.

Evaluation of the effectiveness of the Board of Directors in FY2024

Assessment method

■ At the Governance Committee meeting held in October 2024, the method of assessing the effectiveness of the Board of Directors for FY2024 was discussed. For FY2025 as well, it was decided to conduct a questionnaire among all Directors regarding the effectiveness of the Board of Directors, Governance Committee, Nomination Committee, and Compensation Committee.

■ The Governance Committee discussed the necessity of using a third-party organization, but it was reconfirmed that the questionnaire among all Directors would continue to be the most effective way to identify issues in consideration of MHC's actual situation. MHC's questionnaire items have been decided by the Governance Committee attended by independent Outside Directors, which we believe to be effective for conducting objective and appropriate reviews.

Governance Committee			March 2025 Carried out the questionnaire among all Directors	Governance Committee	Board of Directors
October 2024	February 2025	March 2025		April and May 2025	May 2025
• Deliberated on the method of assessing effectiveness	• Decided the method of assessing effectiveness • Deliberated on questionnaire items	• Decided questionnaire items		• Deliberated on issues and response measures based on analysis results of the questionnaire	• Summarized the results of assessing the effectiveness in FY2024

Results

The major results of the assessment above are shown below:

① It was determined that MHC's Board of Directors is sufficiently performing its role.

- The criteria for items to be submitted to the Board of Directors were revised and the frequency of committee reporting was optimized in October 2023. As a result, it became possible to allocate more time on deliberating important agenda items in FY2024, enabling deeper discussions contributing to improving corporate value and exercising sound supervisory functions.
- Directors submitted various opinions and recommendations based on their specialized skills and expertise, which enabled organic discussions.
- Effective improvement measures have been implemented to address the issues identified in the previous effectiveness assessment, such as the progress management after important decision-making, revitalizing deliberations on reports from the Audit & Supervisory Committee, and the improvement of information provision systems including the access of Outside Directors to MHC's internal system environments.

② It was determined that MHC's Governance Committee, Nomination Committee, and Compensation Committee are sufficiently performing their roles.

- The Governance Committee comprehensively reviewed various governance guidelines and identified issues at MHC. Multifaceted discussions were held about the composition of the Board of Directors members, the expansion of the roles of Outside Directors, the improvement of the effectiveness of the Board of Directors, and other matters.
- Multifaceted discussions were held by the Nomination Committee about the revision of skills that the Board of Directors should possess, and by the Compensation Committee about the policy, the system, the level, etc. of officers' remuneration.

③ The themes that each of the Board of Directors' committees should discuss were specified as the issues to address in FY2025, such as the verification of the effect of revising the criteria for items to be submitted to the Board of Directors and goals of officers' remuneration based on discussion of the next Medium-term Management Plan. In addition, it has been recognized that there is room for improvement in materials and the operation of meetings in order to further improve the effectiveness of the Board of Directors, etc. We will work to further enhance governance by steadily implementing measures to address these issues.

[List of each committee's members]

(As of June 26, 2025)

Name	Title	Board of Directors	Audit & Supervisory Committee	Governance Committee	Nomination Committee	Compensation Committee
Takahiro Yanai	Director, Chairman	◎		◎	○	
Taiju Hisai	Representative Director, President & CEO	○		○		○
Aiichiro Matsunaga	Representative Director, Deputy President	○		○		
Kazumi Anei	Director, Deputy President	○				
Haruhiko Sato	Director, Managing Executive Officer	○				
Yuri Sasaki	Director (Outside Director) (Independent Director)	○		○	○	○
Kayoko Kawamura	Director (Outside Director) (Independent Director)	○		○	○	○
Shota Kondo	Director (Outside Director)	○		○	○	○
Yoshitaka Shiba	Director, Audit & Supervisory Committee Member	○	◎	○		
Hiroyasu Nakata	Director, Audit & Supervisory Committee Member (Outside Director) (Independent Director)	○	○	○	○	◎
Hiroko Kaneko	Director, Audit & Supervisory Committee Member (Outside Director) (Independent Director)	○	○	○	○	○
Masayuki Saito	Director, Audit & Supervisory Committee Member (Outside Director) (Independent Director)	○	○	○	◎	○

(Note) ◎: Chairperson, ○: Member

Board/Committee	Details
Board of Directors	Unless otherwise provided by law or the Articles of Incorporation, the matters below shall be resolved: ・ Matters regarding the General Meeting of Shareholders ・ Matters regarding the Company-wide management policy and important organizations, structures, and management ・ Matters regarding financial results ・ Matters regarding officers ・ Matters regarding important business transactions, investments, etc.
Audit & Supervisory Committee	Unless otherwise provided by law or the Articles of Incorporation, the matters below shall be resolved: ・ Matters regarding the appointment and dismissal of the chairman of the Audit & Supervisory Committee and full-time Audit & Supervisory Committee Members ・ Matters regarding the appointment of Audit & Supervisory Committee Members ・ Matters regarding the establishment of standards for auditing, etc. of the Audit & Supervisory Committee ・ Matters regarding the creation of an audit policy, plans, and reports ・ Matters regarding the dismissal and non-reappointment of accounting auditors ・ Matters regarding the approval by Directors of transactions that constitute conflicts of interest ・ Matters regarding opinions of the Audit & Supervisory Committee on the appointment and dismissal of Directors
Governance Committee	The committee extensively exchanges opinions on the improvement of effectiveness of the Board of Directors and other matters related to the Board of Directors as an advisory body for the Board of Directors.
Nomination Committee	The committee discusses the appointment (including reappointment) and dismissal of the President & CEO, nomination of Representative Director candidates, succession plans, etc., as an advisory body for the Board of Directors.
Compensation Committee	The committee discusses policies and other matters concerning officers' remuneration and other matters concerning officers' remuneration, as an advisory body for the Board of Directors.

[Members and details of advisory committees of the Executive Committee]

Name	Title	Business execution function					
		Risk Management Committee	Compliance Committee	ALM Committee	Disclosure Committee	Sustainability Committee	IT Committee
Taiju Hisai	Representative Director, President & CEO	○	○	○	○	○	○
Aiichiro Matsunaga	Representative Director, Deputy President	○	○	○	○	○	○
Kazumi Anei	Director, Deputy President	○	○	○	○	○	○
Haruhiko Sato	Director, Managing Executive Officer	○		◎	◎	○	
Kazuhiko Takeuchi	Managing Executive Officer	○		○	○	◎	○
Shinji Tanaka	Managing Executive Officer	○	○			○	◎
Kazunori Hamazaki	Managing Executive Officer	○	○		○		○
Hiroshi Ikebe	Managing Executive Officer	◎	◎	○	○	○	○
Takashi Yamaguchi	Managing Executive Officer		○		○	○	

(Note) ◎: Chairperson, ○: Member

The objective of each committee is to contribute to MHC's sound management as below:

Committee	Details
Risk Management Committee	This committee manages risks concerning overall management in a comprehensive and systematic manner. It specifically identifies the current situation and issues of credit risks, asset risks, investment risks, market risks, liquidity risks, country risks, and operational risks, and discusses or reports measures for those risks.
Compliance Committee	This committee takes appropriate measures to address compliance risks faced by the Group.
ALM Committee	This committee manages liquidity risks, interest rate risks, etc. in a comprehensive and systematic manner. It identifies the current situation and issues of those risks and discusses policies to address them.
Disclosure Committee	Regarding reports that require a declaration from a Representative Director on the appropriateness of disclosed information, this committee discusses the appropriateness of information disclosures and the effectiveness of internal controls and procedures related to information disclosures to contribute to a declaration by a Representative Director. It also discusses important matters related to disclosure policy as well as the development and strengthening of frameworks in order to enhance the effectiveness of internal controls and procedures.
Sustainability Committee	This committee formulates the Group's long-term plans related to sustainability promotion, including materiality and environmental issues as well as non-financial KPI targets, and monitors the progress of each business division's efforts.
IT Committee	This committee discusses and reports policies for medium- to long-term IT strategies and initiatives as well as policies for information systems development.

Status of activities of the Board of Directors and each committee

Board of Directors

The meetings were held 14 times in FY2024, where important management matters such as the Medium-term Management Plan, major investment projects, business strategies of each business division, and IR activities were deliberated and decided. In addition, the rationality of cross-shareholdings was verified. Furthermore, the status of audit is reported from the Audit & Supervisory Committee in a timely manner.

Important policies and other matters are deliberated at the Board of Directors meetings. The content of matters deliberated by the Executive Committee and its advisory committees regarding risk management, compliance, sustainability, etc. is regularly reported to the Board of Directors.

Attendance at the Board of Directors meetings by Directors in FY2024 was as follows:

14/14 times (100%)	Takahiro Yanai, Taiju Hisai, Kazumi Anei, Haruhiko Sato, Yuri Sasaki, Hiroyasu Nakata, Hiroko Kaneko, Masayuki Saito
11/11 times (100%)	Aiichiro Matsunaga, Kayoko Kawamura, Yoshitaka Shiba*1
10/11 times (91%)	Shota Kondo*1

*1. Four Directors—Mr. Aiichiro Matsunaga, Ms. Kayoko Kawamura, Mr. Shota Kondo, and Mr. Yoshitaka Shiba—were appointed Directors at the Annual General Meeting of Shareholders held on June 25, 2024; therefore, the above shows their attendance after that date.

Audit & Supervisory Committee

Audit & Supervisory Committee meetings are held every month, in principle. Meetings were held 15 times in FY2024, where the committee received reports on business execution mainly by business execution divisions, formulated annual audit policies, audit plans, and priority audit items, and deliberated and decided matters related to business reporting, financial results documents, etc.

Attendance by Directors in FY2024 was as follows:

15/15 times (100%)	Hiroko Kaneko, Masayuki Saito
11/11 times (100%)	Yoshitaka Shiba, Hiroyasu Nakata*2

*2. Two Directors—Mr. Yoshitaka Shiba and Mr. Hiroyasu Nakata—were appointed Directors (Audit & Supervisory Committee Members) at the Annual General Meeting of Shareholders held on June 25, 2024; therefore, the above shows their attendance after that date.

Governance Committee

Committee meetings were held nine times in FY2024, and conducted PDCA for effectiveness assessment by deliberating the manner of effectiveness assessment for the Board of Directors and the analysis of the assessment results.

Also, various governance guidelines were comprehensively reviewed, issues at MHC were identified, and multifaceted discussions were held about the composition of the Board of Directors members, the expansion of the roles of Outside Directors, the improvement of the effectiveness of the Board of Directors, and other matters.

Attendance by Directors in FY2024 was as follows:

9/9 times (100%)	Takahiro Yanai, Taiju Hisai, Yuri Sasaki, Hiroyasu Nakata, Hiroko Kaneko, Masayuki Saito
7/7 times (100%)	Aiichiro Matsunaga, Kayoko Kawamura, Shota Kondo, Yoshitaka Shiba*3

*3. Four Directors—Mr. Aiichiro Matsunaga, Ms. Kayoko Kawamura, Mr. Shota Kondo, and Mr. Yoshitaka Shiba—joined the Governance Committee on June 25, 2024; therefore, the above shows their attendance after that date.

Nomination Committee

Nomination Committee meetings were held six times in FY2024, which deliberated the reappointment of the President & CEO, the revision of skills that the Board of Directors should possess (skill matrix), etc.
Attendance by Directors in FY2024 was as follows:

6/6 times (100%)	Takahiro Yanai, Yuri Sasaki, Hiroyasu Nakata, Hiroko Kaneko, Masayuki Saito
4/4 times (100%)	Kayoko Kawamura, Shota Kondo[*4]

*4. Two Directors—Ms. Kayoko Kawamura and Mr. Shota Kondo—joined the Nomination Committee on June 25, 2024; therefore, the above shows their attendance after that date.

Compensation Committee

Committee meetings were held five times in FY2024, which deliberated the policy, the system, and the level of officers' remuneration, evaluation system for officers' bonuses, and other matters.
Attendance by Directors in FY2024 was as follows:

5/5 times (100%)	Taiju Hisai, Yuri Sasaki, Hiroyasu Nakata, Hiroko Kaneko, Masayuki Saito
4/4 times (100%)	Kayoko Kawamura, Shota Kondo[*5]

*5. Two Directors—Ms. Kayoko Kawamura and Mr. Shota Kondo—joined the Compensation Committee on June 25, 2024; therefore, the above shows their attendance after that date.

Remuneration of officers

[Basic policy]

- MHC officers' remuneration is determined by also taking into account officers' incentives, with a view toward increasing corporate value through the execution of business strategies.
- The level of remuneration is appropriate with respect to the roles and responsibilities of each officer, and is also based on market levels, from the viewpoints of increasing corporate value over the medium to long term and improving short-term business performance.
  According to the basic policy above, MHC's Board of Directors resolves the policies on the remuneration, etc. of individual Directors (excluding persons who are Audit & Supervisory Committee Members). The remuneration, etc. of Executive Officers shall be handled in the same manner as the remuneration, etc. of Executive Directors.

[Remuneration system]

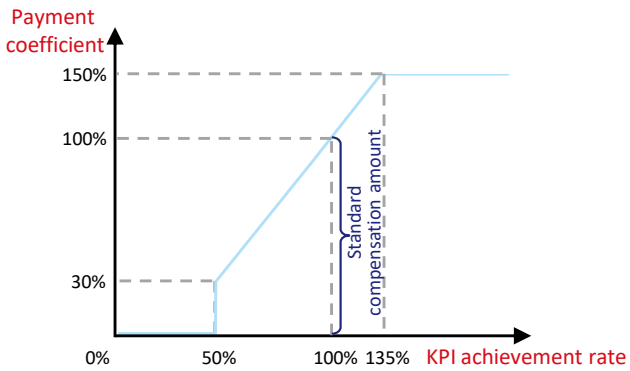
- In principle, Executive Directors' remuneration, etc., consists of base remuneration, short-term incentive compensation (performance-based monetary compensation), and medium-to long-term incentive compensation (performance-based stock compensation). As short-term incentive compensation, cash is paid as a bonus, while medium-to long-term incentive compensation is paid as provision of MHC's shares, etc. in a trust framework.
- With a view toward maintaining a sound performance-based ratio, the ratio of fixed remuneration (base remuneration) to floating compensation (bonus and stock compensation) is generally set at 1:0.6 (the ratio of base remuneration to bonus to stock compensation is generally set at 1:0.3:0.3).
- Bonuses and stock compensation, which represent incentive compensation, are not paid to non-executive Directors (excluding persons who are Audit & Supervisory Committee Members) from the standpoint of ensuring the effectiveness of their supervisory functions.

Remuneration system for Executive Directors

	Type of remuneration	Details of remuneration	Percentage of remuneration	KPIs for evaluation / Evaluation weight			Range of payment coefficient based on KPI achievement
Fixed	Base remuneration	■ Fixed remuneration according to position	62.5% 1	-			-
Variation	Bonus (short-term incentive) Performance-based	■ Amount determined based on the consolidated business performance of the previous fiscal year, etc. 1. KPIs for performance evaluation are set in line with MHC's numerical targets 2. Regarding responsible duties, quantitative and qualitative evaluations are conducted from the perspective of performance and the level of contribution	18.75% 0.3	KPI \ Position	Representative Director	Other	0-150%
				Net income attributable to owners of the parent	70%	49%	
				ROA*1	15%	10.5%	
				ROE*2	15%	10.5%	
				Responsible duties	-	30%	
	Stock (medium- to long-term incentive) Performance-based	■ Amount determined based on the level of achievement during the three-year period of the Medium-term Management Plan	18.75% 0.3	Net income attributable to owners of the parent	60%		0-150%
				ROA*1	10%		
				ROE*2	10%		
				TSR*3 against TOPIX growth rate	20%		

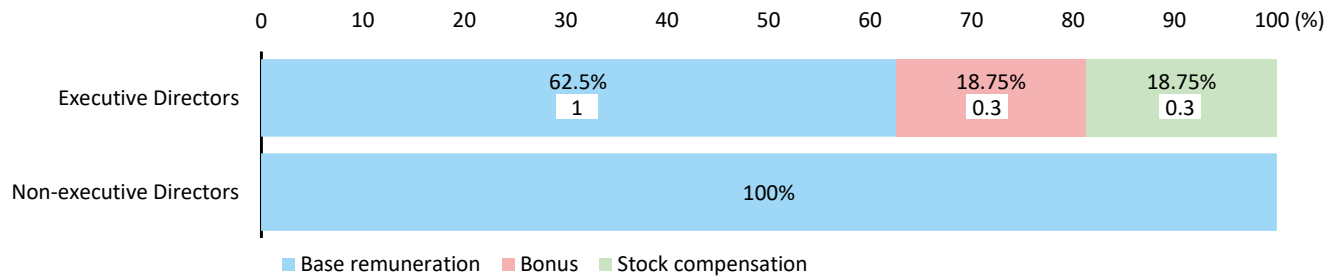
*1. Return on assets
*2. Return on equity
*3. Total shareholder return

Bonus **Stock compensation** **Overview of changes in payment coefficient for performance-based compensation**



KPI achievement rate	Payment amount (standard compensation amount × payment coefficient)
Less than 50%	0
50%	Standard compensation amount × 30%
100%	Standard compensation amount × 100%
135% or more	Standard compensation amount × 150%

Composition of remuneration



Malus and claw-back clause for stock compensation and shareholding policy

- As for stock compensation, the points or share conversion points that have already been granted can be confiscated, and money equivalent to MHC's shares, etc. that have already been delivered reclaimed, in the case of a material violation of the office regulations or internal regulations, resignation for personal reasons during the term of office against the will of MHC, dismissal for justifiable reasons, gaining employment at a competitor without MHC's permission, etc.
- MHC recommends the holding of its shares by its Directors. Further, in principle, Directors shall continue to hold MHC's shares obtained during their terms of office until the time of their resignation, regardless of the number of shares held.

Risk management

Risk management system overview

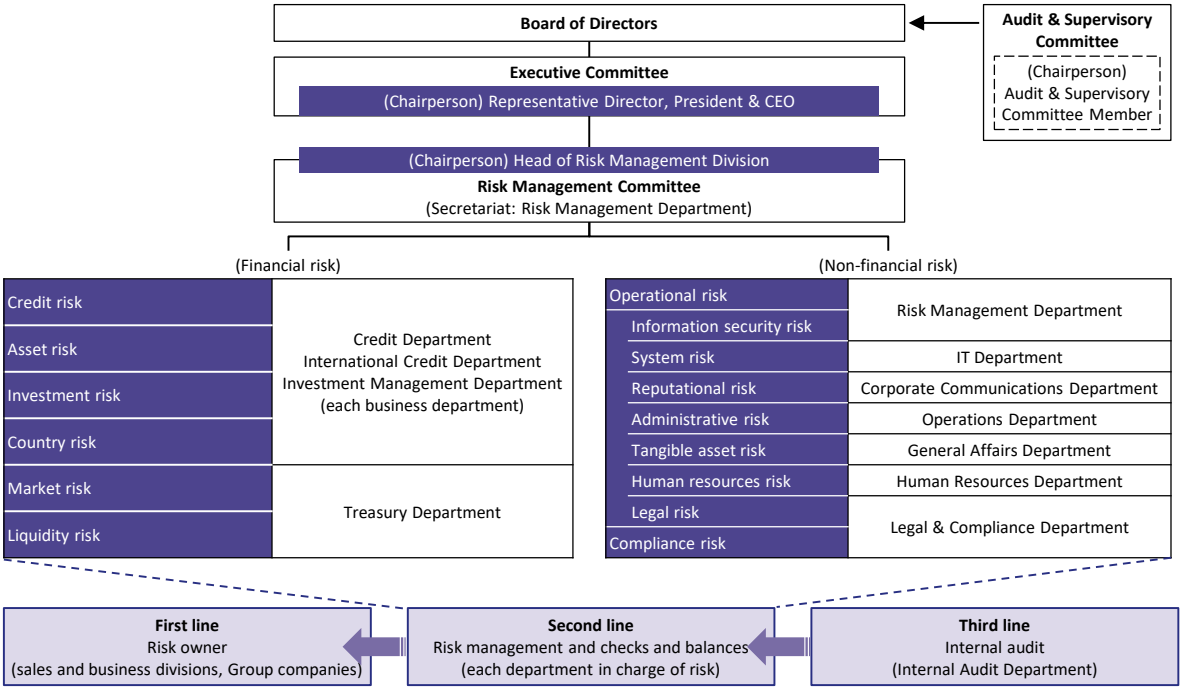
The Group identifies and recognizes various risks across the entire Group, and is structured to manage risks according to the risk category by the department in charge. The Risk Management Committee, chaired by the Head of Risk Management Division who is a Managing Executive Officer, comprehensively and systematically manages risks for the entire Group on a global basis, and reports important matters to the Executive Committee, chaired by the President & CEO, and the Board of Directors. The Board of Directors deliberates what is reported and regularly confirms the effectiveness of the entire process. The Risk Management Committee holds extraordinary meetings as needed for flexible deliberations when there are any major changes in the external environment, etc., in addition to biannual regular meetings. In addition, the Group has introduced a "three-lines model[*1]" process in line with the COSO Framework[*2] to establish an effective risk management framework.

With this risk management framework, the Group will push forward with initiatives for further enhancement of risk management to enhance corporate value in a sustainable and stable manner.

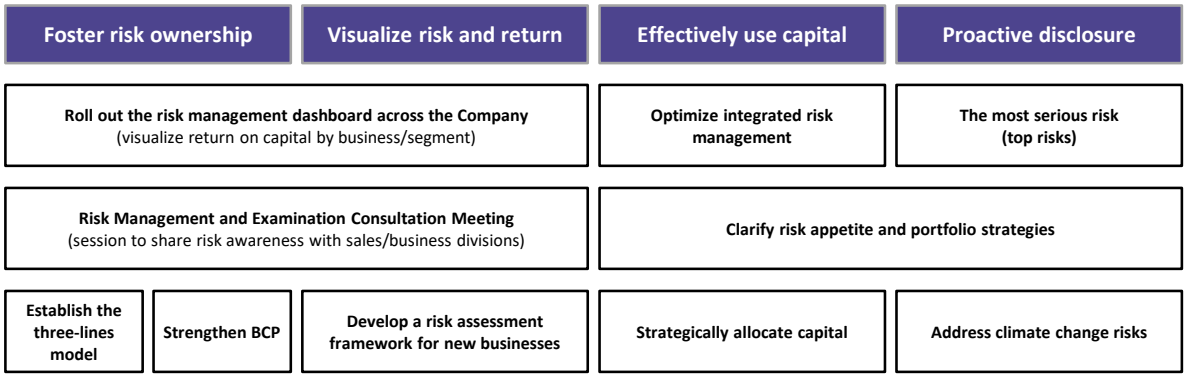
*1. A risk management framework with three lines of defense (first line: sales and business divisions, Group companies, second line: each department in charge of risk, third line: Internal Audit Department)

*2. A world-standard internal control framework released by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in the US

Diagram of risk management system



Initiatives to enhance the risk management framework



Internal audit in the risk management system

The Company has in place and operates risk management and internal control frameworks based on the COSO ERM (enterprise risk management) framework for the purpose of sustainably enhancing its corporate value and fulfilling its responsibilities to its stakeholders.

With these frameworks, the Company identifies and assesses, responds to, and monitors risks toward the achievement of strategic goals and works to foster risk awareness and strengthen the risk management system across the organization. In particular, the Company focuses on preventing risks from emerging by establishing a highly reliable control environment.

The Internal Audit Department, as an independent third line of defense, monitors the Company's control environment, risk assessment, control activities, etc., in accordance with the COSO ERM framework, in addition to conducting annual regular audits to comply with J-SOX requirements and for some self-assessments of assets. Based on these activities, the department formulates an annual audit plan through risk assessments, conducts risk-based individual audits and themed audits, and thereby confirms the effectiveness of risk management processes and internal control.

The Company has in place an internal audit system that covers all the processes from planning to implementation, reporting, and giving instruction for improvement, and strives to continue to improve the control environment through improvement activities based on audit results. The Company also encourages the acquisition of qualifications such as certified internal auditor (CIA) and certified public accountant (CPA) to improve the expertise of audit personnel, and works on systematic development of human resources at the same time.

Furthermore, the Company aims to achieve audit activities with higher quality by introducing audit methods utilizing IT and thereby streamlining and increasing the accuracy of audits.

Major risks recognized by the Group

The Group recognizes the following risks as major risks that could affect the business results, financial position, or other aspects of the Group. In addition, the Group closely monitors current affairs that are increasing uncertainties in the business environment, such as geopolitical risks related to the Russia-Ukraine situation, US-China tensions, and Middle East affairs, as well as the impact of US tariff policies on the global economy.

Risks	
Credit risk	
The Group conducts business that extends credit over the medium to long term through leases, installment sales, monetary loans, and other financial services of various forms. Depending on future business trends and the financial landscape, additional provisions of allowance for doubtful receivables could be necessary with increasing non-performing loans due to deterioration in companies' credit statuses, which could impact the Group's business results and financial position.	
Main efforts to address risk	
When considering each deal, the Group carefully reviews the customer's credit standing using its own rating system and makes a thorough study in light of the value of the leased property, country risk, and other factors in an effort to ensure a reasonable return for the risk. Additionally, the Group continues monitoring the customer's credit standing on an ongoing basis after entering into transactions and has a system in place to take the necessary steps in the event that the customer's credit standing worsens. Moreover, its credit management with respect to the portfolio as a whole takes into account risk diversification to ensure that credit is not concentrated in certain customers, industries, countries, and regions while striving to ensure sound management by regularly measuring the credit risk of its portfolio and monitoring to ensure that it is within a certain range of capital.	

Risks

Asset risk

In addition to general movable property, the Group holds global assets including aircraft and real estate including buildings, and leases these assets in and outside Japan in the form of operating and other types of leases. In this business, the Group is exposed to asset risk in addition to the aforementioned credit risk, so fluctuation in revenue from asset management and disposals could impact the profitability of the leases. For this reason, when engaging in operating leases, the Group carefully assesses the value of the underlying assets according to asset type in addition to the customer's credit standing prior to working on each deal. Even after entering into transactions, the Group continues monitoring the status of the leasing and secondary markets for the assets along with the status of asset use by the lessee, striving to prevent risks from emerging or to mitigate their impact if they occur.

a. Global assets

The Group holds global assets such as aircraft and aircraft engines, containers, and railcars and leases these assets in and outside Japan in the form of operating other types of leases. In the business related to global assets, the Group is exposed to price fluctuation risk pertaining to the assets in addition to the aforementioned credit risk. With operating leases, in addition to lease fee revenue received from the customer, the Group recovers funds by selling the asset at the end of the lease period. Additionally, in the event of a customer default, the Group repossess the asset and collects funds by leasing it to another customer or selling it. As for selling assets, in addition to business trends and the financial landscape, major incidents arising from technical problems, obsolescence due to technological change, revisions to laws and regulations, increased concern over global pandemics or terrorism, natural disasters, war, or geopolitical risk may render the asset irrecoverable or cause its selling price to fluctuate. Furthermore, the recording of an impairment loss or increased costs associated with property management could also impact the Group's business results and financial position.

Main efforts to address risk

a. Global assets

When engaging in operating leases with global assets, the Group conducts a comprehensive review that includes a checklist for deals involving movable property and future asset liquidity prior to working on each deal to ensure a reasonable return for the credit risk and asset value fluctuation risk. Furthermore, the Group has established internal criteria to maintain a diversified portfolio, including asset types, geographic regions, and maturity dates. Moreover, the Group continues monitoring the customer's credit standing and industry trends on an ongoing basis after entering into transactions and has a system in place to take the necessary steps in the event that the customer's credit standing worsens, such as collecting a deposit from the customer to cover asset wear and tear as necessary.

Additionally, the Risk Management Division conducts predictive management monitoring for each major asset category through time series observation of industry trends and indicators that could impact asset value fluctuations, while also maintaining ongoing risk communication with the business divisions. The Group also regularly measures customer credit risk and asset value fluctuation risk of its portfolio to monitor whether it is within a certain range of capital, in an effort to ensure sound management.

b. Real estate

The Group makes investment in and provides financing of commercial real estate such as offices, residences, commercial facilities, logistics facilities, and hotels in and outside Japan, and in leasing and other business operations based on its owned properties. These assets are subject to revenue fluctuation risk and price fluctuation risk. In the real estate-related business, in addition to rent revenue from tenants, the Group recovers funds by selling assets that are not to be held over the long term. Rent revenue and revenue from sale of assets may fluctuate depending on the market environment, such as economic trends, the financial landscape, and the rent market in the specific location of the asset, and this could impact the Group's business results and financial position.

Main efforts to address risk

b. Real estate

The Group makes a careful decision based on a comprehensive review of future asset value and liquidity prior to working on each deal to ensure a reasonable return for the asset value fluctuation risk. Furthermore, the Group continues monitoring the status of asset management, price trends, and industry trends on an ongoing basis after entering into transactions and has a system in place to maximize revenue. Additionally, the Risk Management Division conducts predictive management monitoring through time series observation of industry trends and indicators that could impact asset value fluctuations, while also monitoring ongoing risk communication with the business divisions. The Group also regularly measures the asset value fluctuation risk of its portfolio to monitor whether it is within a certain range of capital, in an effort to ensure sound management.

Risks

Investment risk

The Group makes investment in projects including solar power, wind power, and other renewable energy businesses in Japan and overseas as well as various businesses and funds. These investing activities are subject to such risks as risk of changes in the business environment including declining demand, risk of revenue falling below the plan and diminished recoverability of the investment amount due to sluggish performance of investees or partners, risk of investees' stock value falling below a certain level, and risk of investees' stock value staying below a certain level for a considerable period of time due to unexpected changes in the economic or financial situation or a major disruption of the financial markets regardless of the investee's performance. These risks could result in a full or partial loss of principal of the investment, including a valuation loss, or create the necessity of additional funding. In addition, there is the risk that the Group may be unable to exit or restructure the business at the desired time or using the desired method due to differences with the partner's management policy or low liquidity of the investment asset and the risk that the Group may be adversely affected by not being able to obtain relevant information from the investee, and these risks could impact the Group's business results and financial position.

Main efforts to address risk

The Group holds investment meetings according to the individual investment amounts and severity of risk to gather the opinions of the relevant departments and makes a careful decision based on a comprehensive review of future investment value and liquidity from a broad point of view when considering each investment to ensure a reasonable return for the risk. Additionally, the Group has a system in place to continue monitoring the status of investment management and industry trends on an ongoing basis after entering into business relations and thereby maximize revenue. The Group also regularly measures the risk of fluctuations in the value of investments in its portfolio to monitor whether it is within a certain range of capital, in an effort to ensure sound management.

Market risk

a. Interest rate fluctuation risk

The fees for leases and installment sales conducted by the Group are set based on the purchase price for the transacted property and the market interest rates at the time of contract. Most of these basically do not fluctuate during the contract term. The cost of funds for acquiring the leased property, on the other hand, is affected by fluctuations in the market interest rate as the funds are procured at both fixed and variable interest rates for the purpose of fundraising diversification and reduction of funding costs. As such, a sharp rise in the market interest rate resulting from sudden changes in the financial situation could impact the Group's business results and financial position.

b. Exchange rate fluctuation risk

The Group actively conducts business outside Japan, and as foreign currency-denominated assets increase, so does their percentage of consolidated operating assets. The financial statements of the Group's consolidated subsidiaries outside Japan are expressed in the local currency while the Company's consolidated financial statements are expressed in Japanese yen. As such, although fundraising is, in principle, conducted in the same currency as the asset, should a large fluctuation occur in exchange rates, it could impact the Group's business results and financial position in Japanese yen terms.

Main efforts to address risk

The Group constantly watches movements in the financial markets and, as needed, monitors through asset liability management (ALM) any imbalances in the form of interest rates or foreign exchange for asset management and for procurement of funds. It then manages interest rate fluctuation risk through appropriate hedge operations while taking interest rate movements into account. To address exchange rate fluctuation risk, in principle, the Group raises funds in the same currency as the operating asset in an effort to minimize loss on currency valuation of assets. The Group also regularly measures the quantitative risk of the position of portfolio holdings incurring a loss over a certain period of time at a certain probability and to what extent in the event that interest or foreign exchange rates take a disadvantageous turn based on past statistics, and monitors whether it is within a certain range of capital in an effort to ensure sound management. Meanwhile, the ALM Committee meets quarterly or as required to analyze scenarios and data in connection with geopolitical risk, pandemics, and various other risk factors and to determine ALM policy based on trends in the financial market environment, the risk situation, and other considerations.

Risks

Liquidity risk

When engaging in acquisition of lease properties for leases, installment sales, and monetary lending, the Group raises a large amount of funds in Japanese yen and other currencies. The Group attempts to balance the period of leases and other credit transactions and investments with the period of fundraising, but should it experience difficulty securing enough funds because of heightened risk aversion on the part of financial institutions and investors due to a free fall in economic and financial conditions and major confusion in the financial markets or a decline in the Group's creditworthiness, it could impact the Group's business results and financial position.

Main efforts to address risk

With respect to the procurement of funds, the Group works to ensure the liquidity of funds through efforts to diversify by procuring funds directly from the market including corporate bonds, commercial papers, and securitization of lease receivables in addition to borrowing from financial institutions as well as balancing long- and short-term funding, careful management of cash flow, and measures to supplement liquidity during emergencies, such as through the acquisition of commitment lines.
Additionally, the Group conducts stage-by-stage management of liquidity, putting in place funding arrangements to ensure that the immediately necessary funds can be secured, including funds for repayment, even if the fundraising environment deteriorates, and reporting on the status of funding to the ALM Committee.
In addition to conducting interest rate sensitivity analysis (analyzing the impact of interest rate fluctuation on revenue), the ALM Committee carries out comprehensive investigations of market risk and liquidity risk in the event of stress in the financial markets or other relevant areas, including the potential impact on profit and loss. It then determines a fund procurement strategy and risk response policies to implement a Company-wide strategy aligned with the market environment. Regarding risk management in particular, it coordinates with the Risk Management Committee, which is one arm of the Company-wide integrated risk management system. By strengthening the predictive management system and coordinating with contingency planning, it makes efforts to improve the flexibility and resilience of financial structures in the event of a crisis situation emerging.
Additionally, to support the recent globalization of its operations and enhance its foreign currency funding capacity, the Group has established a regional financial base in North America, where it holds a large asset balance, and has put in place a Group financing system that includes the centralization of financing. The regional financial base offers not only indirect financing but also various forms of fund procurement, including issuance of commercial papers and corporate bonds, thus providing funds to Group companies operating in North America.

Country risk

As the Group operates businesses globally, it is subject to risks due to which losses may arise depending on the political and economic situation in the countries and regions where the business partners and investees are located. In addition to changes in economic conditions such as rapid declines in currency or stock prices or sovereign defaults in a given country, various factors such as conflict, civil unrest, or political instability could result in additional provisions for credit losses or the recognition of impairment losses related to credit transactions or investments in that country or entities. These could impact the Group's business results and financial position.

Main efforts to address risk

The Group sets upper limits on transaction volumes based on each country's economic strength and creditworthiness. Additionally, the Group monitors whether the balances of credit transactions and investments involving country risk remain within the prescribed limits. In this way, the Group works to diversify its reliance on specific countries and regions to reduce the impact of losses in the event that country risk materializes.

Operational risk

a. Risk related to earthquakes, wind and flood damage, pandemics, war, terrorism, etc.
The Group uses facilities, including sites and systems, in and outside Japan to conduct its operations. Earthquakes, wind and flood damage, or other natural disasters as well as pandemics, war, terrorism, or other unpredictable circumstances could cause a reduction of activities or prevent operations at those sites by damaging the sites themselves or the systems or by injuring employees or preventing them from coming to work, thereby disrupting business operations. Moreover, depending on the extent of the damages or how long the event lasts, a large sum of money could be required to restore the systems or other facilities, or it may take a long time for business operations to recover. Such a situation could impact the Group's business results and financial position.

Main efforts to address risk

a. Risk related to earthquakes, wind and flood damage, pandemics, war, terrorism, etc.
The Group has designated responsible departments depending on the envisioned risk to prepare for such circumstances and has a system in place to establish a crisis response headquarters to respond to a critical situation. The Group is also working to establish a system for business continuity by putting together a business continuity plan, implementing redundancy measures for core systems, establishing a system infrastructure that allows work from home, and implementing office shifts limited to operations that must continue.

Risks

b. System risk

The Group utilizes email as well as a variety of information systems to conduct account processing, management of various contracts, customer management, asset management of leased properties, and other operations. An outage or failure of these information systems arising from poor maintenance, poor development, or other such problems could cause an interruption of contract and collection operations or services provided to customers, which in turn could cause a suspension of operating activities and economic loss, thereby impacting the Group's business results and financial position.

Main efforts to address risk

b. System risk

The Group has a system in place to properly manage and maintain these systems through internal cooperation and partnership with other companies to ensure their stable operation. The Group is equipped with an integrated response system for failures that includes swift action and sharing of information internally and externally when failures occur as well as establishment and implementation of measures to prevent subsequent recurrence. Additionally, Group-wide IT control is conducted by implementing the Company's standard system development process at Group companies in Japan and other countries.

c. Cybersecurity risk and information security risk

The Group utilizes email as well as a variety of information systems to conduct account processing, management of various contracts, customer management, asset management of leased properties, and other operations. These information systems are subject to risk of business email scams, malware infections, unauthorized access by outside parties, and other cyberattacks. Unauthorized access by outside parties, malware infractions, human error, fraud, scams, and other problems could result in system outages or failures, monetary damages, leaks or unauthorized use of confidential information or customer information, or other incidents. These could cause an interruption of contract and collection operations or services provided to customers, which in turn could cause a suspension of operating activities, economic loss, or loss of social confidence from leakage of important information, thereby impacting the Group's business results and financial position.

Main efforts to address risk

c. Cybersecurity risk and information security risk

The Group has established a cross-organizational Security Incident Response Team (MHC-SIRT)* to address these risks and has a system in place to prevent incidents at the entrance, internal, and exit stages and respond to them if they occur.
Specifically, in preparation for cyberattacks that exploit vulnerabilities, the Group keeps software up to date to detect unauthorized access, malware, and other cyberattacks and maintains management preparedness to prevent problems. At the same time, the Group has established an internal and external coordination system and conducts drills to prepare for incidents. Moreover, targeted email training is provided for all employees, and internal education on information security is carried out on an ongoing basis.

* MHC-SIRT is a cross-organizational team operating inside the Group that responds to information security incidents, primarily focusing on cyberattacks such as targeted email attacks and unauthorized access against the Group. (MHC: Mitsubishi HC Capital)

d. Legal risk

The Group's operations are subject to a range of relevant legislation in and outside Japan. As the primary examples in Japan, its operations must comply with the Companies Act, tax laws, the Financial Instruments and Exchange Act, the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade, anti-bribery laws, the Act on the Protection of Personal Information, the Money Lending Business Act, the Installment Sales Act, the Act on Prevention of Transfer of Criminal Proceeds, and environmental laws and regulations. Outside Japan, the Group's operations are subject to the legislation of each country and region as well as to oversight by regulatory authorities. Should there be a failure of compliance with legislation, social norms, or company rules, it could impact the Group's business results and financial position by causing restriction on or interruption of operations, a claim for damages from customers or others, or a loss of social trust.

Main efforts to address risk

d. Legal risk

The Group conducts its business activities in accordance with laws, regulations, and internal rules. To ensure legal compliance, it has established the necessary internal regulations and set up the Legal Office that includes qualified legal professionals. This department provides various forms of legal support, conducts education and training for officers and employees, and works to strengthen the legal risk management system on a consolidated basis.

e. System change risk

The Group's operations are subject to a range of relevant legislation, accounting and tax regulations, and other systems in and outside Japan. Should there be substantial changes or revisions to any of the various systems closely related to the Group's operations that the Group was unable to properly address, there could be penalties for nonconformance, suspension of product offering, restrictions on business activities, decreases in sales in terms of accounting, or other negative consequences that could impact the Group's business results and financial position.

Main efforts to address risk

e. System change risk

The Group's corporate center divisions, business divisions, sales offices in Japan, and sites in each country continuously monitor revisions and changes to the various systems in and outside Japan, such as legal, accounting, and tax systems, applying to their relevant operations and countries. In addition, the Group gathers information on and implements measures to address changes and revisions as quickly as possible while reinforcing such monitoring by actively utilizing outside experts.

f. Administrative risk

The Group conducts transactions in various forms, and various administrative work arises with each transaction. Improper administrative work, including human error, fraud, and other irregularities, could cause an interruption of contract and collection operations or services provided to customers, which in turn could cause a suspension of operating activities or loss of customer trust, thereby impacting the Group's business results and financial position.

Main efforts to address risk

f. Administrative risk

The Group has established administrative rules for each transaction and conducts business according to these rules while reviewing them as needed. Additionally, an internal reporting system is in place for internal administrative incidents. Should such an incident occur, the system includes internal reporting, swiftly addressing the incident, identifying the cause, and establishing/implementing measures to prevent recurrence.

Other major risks

The Group also recognizes the major risks listed below. These risks are managed within the integrated risk management framework, including individual impact and combined impacts across multiple risk items, according to their individual characteristics and status. The Group explores a unified response and formulates a response policy as necessary and additionally conducts scenario analysis appropriate to the situation as part of a multifaceted verification of risk resilience.

Risks

Compliance risk

The Group ensures that all officers and employees act with high ethical standards, complying not only with laws and regulations but also with social norms. However, in the unlikely event that any actions in violation of these occur, it could impact the Group's credibility, business results, and financial position.

Main efforts to address risk

The Company has established the Legal & Compliance Department, which oversees the Group's compliance. Additionally, the Group has formulated and implemented a compliance program to ensure thorough adherence to laws and regulations.
Specifically, to promote awareness and shared understanding of fundamental compliance-related values and ethics, the Group has established the Group Code of Ethics and Conduct as a set of guidelines for its officers and employees. Furthermore, the Group has prepared various policies and internal rules related to compliance to supplement the Code of Ethics and Conduct and conducts ongoing compliance education.
The Group also conducts regular compliance awareness surveys of officers and employees to verify the penetration of the Code of Conduct and the situation within the workplace environment.
In addition, the Group is working to strengthen its compliance system by preparing and operating an internal whistleblowing system that allows officers and employees to report and consult on misconduct (any violation of legislation, internal rules, or the Code of Ethics, including corruption, or any action that could potentially be a violation).

Risk related to conduct

The Group is implementing various measures based on the keyword of "transformation" to achieve Our 10-year Vision of "Together we innovate, challenge and explore the frontiers of the future." During this process, any actions by our officers and employees that compromise customer protection, fair competition, market integrity, public interest, or social norms and cause harm to our stakeholders could impact the Group's credibility, business results, and financial position.

Main efforts to address risk

The Group emphasizes integrity as one of the core elements of the Action Principles, which set forth the values and attitude each employee should have along with the actions they should take within the Basic Management Policy. This means maintaining high ethical standards and constantly returning to the basics. The Group ensures that all officers and employees conduct themselves accordingly.

Risk related to personnel recruitment

The Group must stably secure adequate human resources to maintain and strengthen its competitiveness in the various businesses it operates in and outside Japan. The Group strives to continuously recruit and train capable personnel, but should it not be able to adequately secure and train the needed personnel, this could impact the Group's business results and financial position.

Main efforts to address risk

The Group actively promotes recruitment by conducting not only hiring of new graduates but also mid-career hiring. To strengthen its recruitment structure, the Group has introduced various hiring practices, including referral recruitment through employee introductions and rehiring of former employees, to promote the recruitment of diverse personnel. Additionally, to encourage each employee to take initiative and continuously create value, the Group promotes employee development under themes such as "career," "organizational level," "digital transformation (DX)," and "self-development." It supports employee growth through various opportunities, including training programs, assistance with obtaining qualifications, and the introduction of the Career Challenge Program (an internal and external open application system for various positions), which contributes to employees' career development, thereby fostering employee development.

Risk related to labor and employment management

The Group employs a large number of staff in its business operations. This involves the risk of long working hours having a negative effect on the mental or physical health of employees or other negative impacts, making them unable to fulfill the expected duties, and the risk of legal infringement due to failure to appropriately monitor legal requirements relating to employment and related areas. Additionally, there is the possibility of these risks resulting in damage to public trust.

Main efforts to address risk

The Group promotes operational improvements through the use of DX and introduces systems that enable diverse workstyles, such as flextime without core hours, remote work, and satellite offices. In this way, it works not only to reduce long working hours but also to create a work environment that supports employees with childcare or nursing care responsibilities. Additionally, to address harassment and other personnel issues, the Group has introduced measures for employees in Japan and overseas, including an internal whistleblowing system and advice services. To enable employees to develop their abilities to the fullest, the Group is addressing workplace enhancement as a major focus of initiatives.

Risks

Risk related to expansion of operating base, strategic partnerships, and M&As

In pursuit of continued growth through expansion of its operating base, the Group engages, in and outside Japan, in strategic partnerships with outside entities aimed at the enhancement of various services and tries to diversify and expand the Group's business portfolio through M&As in addition to expanding business on its own.
The Group endeavors to diversify its business and enhance its services through this kind of approach. However, changes in the domestic or international economic and financial conditions, intensification of competition, changes in the business environment or strategy of partners, revision of relevant legislation, and other factors could cause a failure to achieve expected results or result in the need to record additional expenses, such as a loss on impairment of goodwill recorded at the time of an M&A. Such a situation could impact the Group's business results and financial position.

Main efforts to address risk

In addition to review by the relevant departments according to the individual investment amounts and severity of risks, the Group brings in outside experts for a comprehensive review of the rationality of the investment structure and the future investment effect from a broad point of view when considering each M&A or partnership deal. Even after an M&A deal is executed, the Group's rules are applied to establish a system for proper operational management, and monitoring is carried out on the business plan, results management, and other aspects so that the necessary actions can be taken in a timely manner.

Risk associated with expansion of business domains and development of new services

The Group is expanding the scope of its operations on a global basis, including new business domains, within the scope permissible under laws, regulations, and various other conditions. Should the expanded business not develop as envisioned within the expanded scope of operations, or if risks exceeding the scope of reasonable assumptions emerge within that process, it could impact the Group's business results and financial position.

Main efforts to address risk

When entering new business domains and developing new services, the Group identifies potential risks based on a preliminary risk assessment and considers appropriate countermeasures prior to proceeding. In evaluating risks, the Group conducts multifaceted analysis of information and data while also working to enhance evaluation methods by leveraging experience and knowledge gained through existing businesses. Additionally, the Group continuously monitors the progress of its expanded business domains and the latest risk conditions and has a system in place in which relevant departments coordinate as necessary to implement prompt countermeasures.

Intensifying competition

Competition in the leasing and other businesses of the Group conducted in and outside Japan could intensify not only from companies in the same business but also from financial institutions and others, or the competitive landscape could change due to a shift in business models of other industries, technical innovation, or other factors. If competition intensifies further, it could impact the Group's business results and financial position due to a decline in market share or reduced profits.

Main efforts to address risk

The Group is advancing various initiatives to maintain and strengthen its competitiveness, including the provision of higher value-added services to customers, enhanced value creation as an asset holder, low-cost funding, and the accelerated promotion of its digital strategy. Through these initiatives, the Group aims to mitigate risks associated with intensifying competition and achieve sustainable growth.

Climate change risk

Regulatory changes, technological innovation, shift in business models in line with the transition to a decarbonized society or extreme weather, etc. stemming from global warming may affect our business results and financial position in the form of business failure of business partners due to earnings deterioration and other factors, decline in value of assets owned by the Group, and others. Moreover, if the Group's response to climate change risk or its information disclosure are, or are assumed to be inadequate, the Group's corporate value may be adversely affected.

Main efforts to address risk

The Group recognizes promoting a decarbonized society as a priority task in achieving sustainable growth that forms a part of its materiality (priority key challenge). Accordingly, the Group has expressed its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and is actively working to identify and assess climate-related risks and enhance related information disclosure in line with the TCFD recommendations. Additionally, the Group recognizes climate change as a significant risk in the Group-wide risk management and is taking relevant initiatives in understanding and managing climate change risks.

Human rights violation risk

With corporate responsibility extending throughout the supply chain and the emphasis on sustainability initiatives, the prevailing view is that companies should recognize stakeholders as broadly encompassing ordinary individuals and local residents. Under these circumstances, if the Group were to neglect these stakeholders, and human rights violations were to occur within the Group or be committed by customers of the Group, it could be perceived as the Group itself causing, encouraging, or directly participating in those human rights violations. In turn, this could lead to damage to the Group's corporate value.

Main efforts to address risk

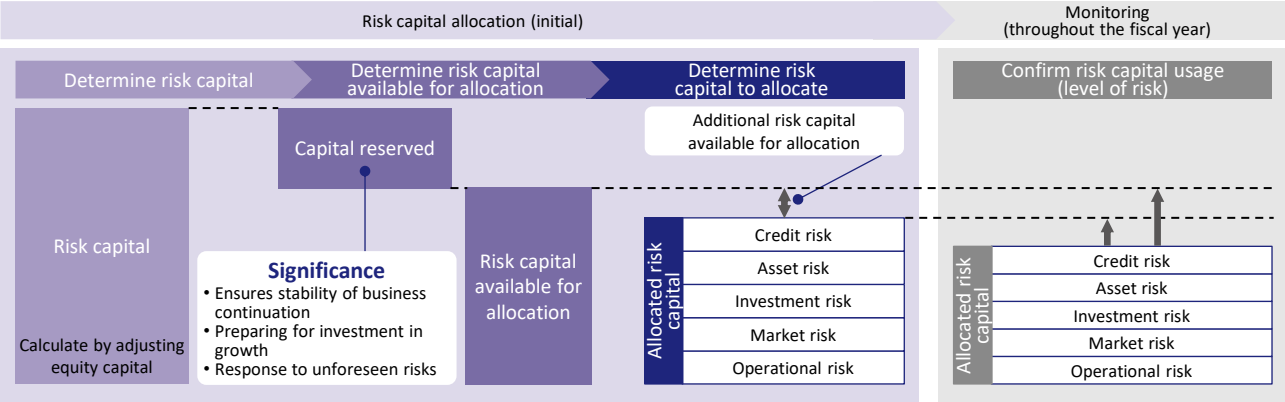
The Group established the Human Rights Policy in September 2022, declaring that we "recognize that conducting business with the utmost respect of human rights is a major challenge, and we will fulfill our responsibilities in this matter across all our business activities." As part of the internal project to address human rights violation risk launched in October 2022, the Group began implementing human rights due diligence in November 2023 and established an external human rights reporting hotline in January 2025 to receive inquiries related to human rights. The Group will continue promoting initiatives to eliminate human rights violations.

Risk and capital management

The Group measures and quantifies the various risks it faces on a uniform scale using statistical methods based on the framework of integrated risk management. We then manage risk and capital for securing sound business management by comparing our equity capital, which represents our management strength, with quantified risks.

Specifically, the Group sets planned risk amounts (allocated risk capital) for each risk category for credit risk, asset risk, investment risk, market risk, and operational risk as the limits of its risk tolerance, confirms whether the limits are commensurate with our management strength, and takes risk within the limits during each term. We regularly monitor and report to top management on the status of risks and the portfolio.

Managing risk and capital to ensure soundness



Stress tests

We conduct stress tests on a regular basis to understand the impact of risks that cannot be comprehended by statistical methods. Specifically, we analyze and verify the potential impact on the Group's periodic profit and loss and equity capital under stress conditions based on multiple scenarios, such as deterioration of the global economy, market fluctuations and credit conditions in each business field, and the risk of credit concentration in large customers.

Through this multifaceted verification, we check whether our management and business plans are reasonable in their risk appetite and whether our risk endurance is sufficient.

Risk management-related awareness and education

We conduct e-learning and other training in the necessary areas of risk management for all employees. For Directors including Outside Directors, we regularly explain our risk management framework in detail at Board of Directors meetings and Audit and Supervisory Committee meetings to share the status of risk management.

We have established the Risk Management Rules to clarify the basic policy and management processes for risks and disseminated it to all employees. Furthermore, emphasizing risk communication with sales and business divisions, we periodically hold the Risk Management and Examination Consultation Meeting to share the potential areas of risks, the current status of risks, and the status of risk management. We have also created and shared the Risk Management Dashboard, which visualizes risk-related management information.

Through these initiatives, we share internally what kind of risks we should take for our business growth to establish risk ownership of sales and business divisions.

Respect for intellectual property rights

We appropriately protect our rights in intellectual properties we created (patents, trademarks, copyrights, and other rights) and respect the intellectual property rights held by third parties. In addition, each employee recognizes the Mitsubishi HC Capital Group brand as an essential corporate resource and strives to maintain and increase its value.

BCP

To prepare for serious disasters such as a Nankai Trough earthquake that is said to be imminent, we have categorized the state following the occurrence of disasters into three phases in chronological order and developed a practical business continuity plan (BCP). We conduct periodic drills so that the plan effectively functions in times of disaster.

BCP measures

Phase	Objectives	Items to be implemented	Main concrete measures
Initial response	**Ensuring employee safety**	**Appropriate initial response** Confirming the safety of employees and directing the initial response policy	**○Introduction of safety check systems** **○Diversifying communication means** • Company iPhone, MCA* radio, etc. **○Dual information systems** • Email, etc. **○Periodic training/education** • Safety check / Communication check training • Disaster response headquarters start-up training • Debt fulfilment training • System switchover/recovery training • BCP training (e-learning), etc.
Business continuity	**Fulfillment of minimum social responsibilities**	**Debt fulfillment** Payments to suppliers and repayments to financial institutions, etc.	
Restoration	**Ensuring business infrastructure**	**Normal operations** Establishing an infrastructure that enables the implementation of key system operations	**○Redundant core systems** • Core systems (main systems)

*Multi-channel access

Information security

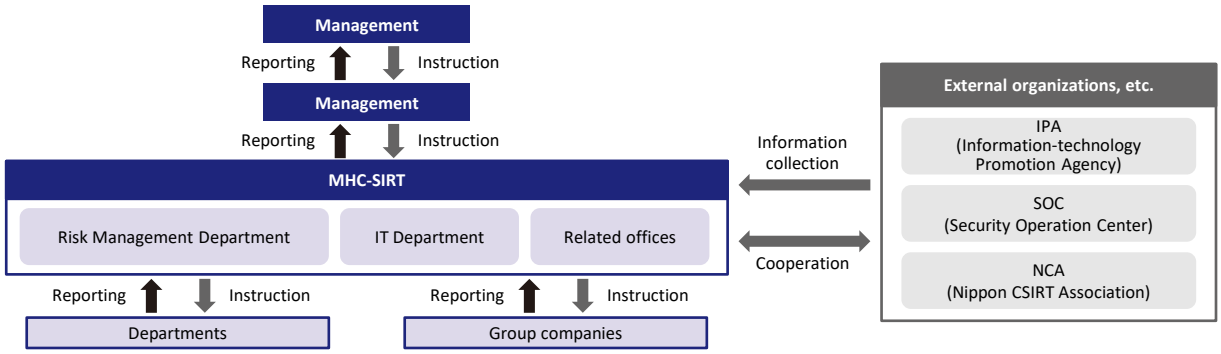
Information Security Policy

The Group positions information security and cyber security as management issues of the utmost importance. As such, we are aware of our societal duty to protect the information assets in our possession, including those of our clients, from various security threats, and through the compliance of our officers and employees with the following Information Security Policy we have established, we make every effort to maintain and enhance the confidentiality, integrity, and availability of our information assets.

▶ **Please see the following for details:**
https://www.mitsubishi-hc-capital.com/pdf/english/sustainability/various_policies/security.pdf

Information security organization

To protect all of its information assets from various security threats, the Group strives to establish an effective information security management framework and rules. We have established a cross-organizational team, the MHC-SIRT (Security Incident Response Team) led by the Head of the Risk Management Division (CISO) who is a Managing Executive Officer, which is responsible for preventing cyberattacks, conducting periodic in-house education and training, and examining responses and investigating causes when incidents occur. In addition, each office has an Information Security Manager and a person in charge of information security assigned, constituting an information security management framework on a Company-wide basis.



Classification	Specific activities
Security trends	• Collecting information on external information security incidents, information exchange with external organizations, etc.
Multi-layered defense	• Software vulnerability countermeasures, website filtering, multi-factor authentication, etc.
Education and training	• All employees: Targeted email training, e-learning, etc. • MHC-SIRT: Cyber incident response training, NCA joint training, etc.
Incident response	• Support for incident response and security response to Group companies • Monitoring by external SOC • Acquisition of security-related logs (PC operation logs, etc.)

Security trends

The MHC-SIRT collects, assesses, and shares information about cyber-attacks that occur in Japan and overseas, vulnerabilities, etc. on a daily basis and takes countermeasures swiftly and appropriately, with the cooperation of external institutions specialized in security.

Multi-layered defense

The Company has taken multi-layered technical measures to prepare for cyber-attacks, such as monitoring of device behaviors using EDR,[*1] software vulnerability countermeasures, website filtering, and multi-factor authentication. For public websites that manage personal information and other important information, the Company has taken technical measures such as implementing WAF[*2] and a tamper detection system. The Company also regularly conducts vulnerability assessments using an assessment service at least once a year in addition to the time of developing the websites, and takes corrective measures in accordance with the seriousness of vulnerabilities.

To prepare for human errors, the Company has in place a system to prevent email errors, which encourages self-checks and automatically password-protect attached files when sending emails externally. Furthermore, files that include high-risk information are automatically detected by a system and cannot be sent before being double-checked by a manager.

*1. Endpoint detection and response: A system that monitors suspicious behaviors of and attacks to PCs and servers for the purpose of taking swift response

*2. Web application firewall: A security measure to protect web applications from malicious attacks

Education and training

The Company conducts e-learning education on information security and cybersecurity for all officers and employees every year. To ensure information security management, information security training is conducted and a written oath on security rules that must be complied with by officers and employees who engage in operations is collected when employees enter the Company. Learning contents and other materials of the Company are shared with its Group companies, and the entire Group is actively working on information security education. In addition, as education on targeted emails and phishing emails, the Group conducts targeted email training every year, in which attack simulation emails are actually sent to officers and employees to increase their sensitivity to security.

The MHC-SIRT conducts a drill based on multiple scenarios of ransomware infections, unauthorized access, etc. and a joint drill within the Group once a year. The Company also participates in an nationwide joint CSIRT drill hosted by the Nippon CSIRT Association and the National Center of Incident Readiness and Strategy for Cybersecurity every year to increase the effectiveness of our response to cyberattacks.

Incident response

The Company has in place escalation rules and incident response procedures to prepare for information security and other incidents. In times of emergency, the MHC-SIRT takes the lead in initial response, identification of the scope of impact, recovery, recurrence prevention measures, etc. Serious incidents are reported to the Head of the Risk Management Division (CISO) and management takes the lead in responding to the incidents.

In addition, the Company conducts security monitoring using an external security operation center (SOC) on a 24/7 basis, so that the Company can prevent the spread of damage and recover early on such as by isolating affected devices when an anomaly is detected.

Information security management for partner companies

The Company has in place procedures to select and manage external business partners and assesses the status of information security measures, etc. at business partners based on information security requirements when outsourcing operations. The status of management at business partners is checked and examined once a year.

Third-party assessment and certification

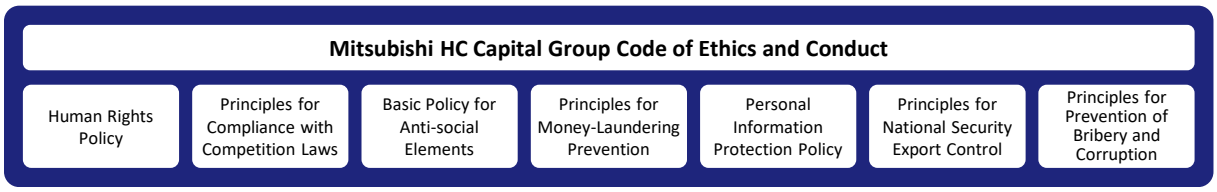
A department of the Company (the Public Business Department) underwent assessment by the Japan Quality Assurance Organization (JQA) and acquired ISMS certification under ISO/IEC27001.

JQA-IM1471

Compliance

Compliance efforts

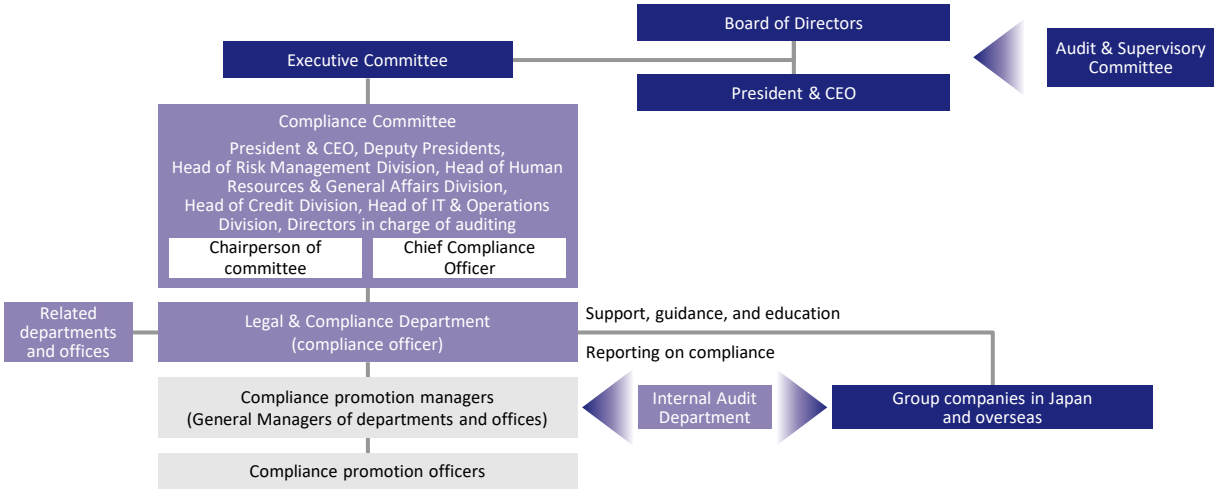
The Group strongly recognizes that the trust and confidence of its customers and society are the cornerstones of its existence and considers it of utmost importance to engage in corporate activities based on a high sense of mission and ethics in order to practice Our Mission and achieve Our 10-year Vision. From this perspective, in order to share fundamental values and ethics for compliance and reflect them in business, we have established clear policies for each main issue based on the Mitsubishi HC Capital Group Code of Ethics and Conduct and laws and regulations of each country as a guideline for Group officers and employees. In addition, to ensure compliance with the Code of Ethics and Conduct, we have prepared a compliance manual with more specific and easy-to-understand explanations, which is available on the Company intranet for all Group officers and employees to access at any time for ongoing education. Furthermore, we continuously conduct integrity training to share with all Group officers and employees the importance of integrity (maintain the highest standards of ethics and constantly return to the basics), which is an action principle of our Group.



▶ **Sustainability website and various policies:**
https://www.mitsubishi-hc-capital.com/english/sustainability/various_policies.html

Compliance management framework

Our Chief Compliance Officer (CCO) supervises the Group's compliance management framework. Under the leadership of the CCO, the Legal & Compliance Department plans and manages the internal framework and provides guidance and supervision to each division and Group company, as well as guidance on the correction of compliance violations. In the event that a compliance violation is brought to light, our basic response policy is for the Legal & Compliance Department to ensure prompt reporting to management, the fulfilling of corporate social responsibility, and the prevention of further harm and recurrences.



Compliance-related awareness and education

With regard to the various business laws (Money Lending Business Act, Installment Sales Act, Financial Instruments and Exchange Act, etc.) for which the Group is registered and licensed, the Company provides individual training and measures the level of understanding. In addition, the Group provides yearly education to all employees on the Code of Ethics and Conduct and other priority items related to compliance and anti-corruption (understanding of anti-bribery, compliance with antitrust laws, prevention of fraud, prevention of insider trading, prevention of transactions with anti-social forces, prevention of money laundering, personal information protection, the Whistleblower Protection Act, security export control, anti-harassment, etc.). In addition to training, we conduct periodic monitoring using compliance awareness surveys and self-checks to measure the level of understanding and confirm that understanding has penetrated throughout the Company.

Integrity training

The Group has practiced Our Mission and is promoting various initiatives speedily from new perspectives, not simply staying on conventional paths, for the achievement of Our 10-year Vision.
In this process, in order for officers, employees, etc., to make right decisions and take right actions, we need to share with the Group's officers and employees that it is important to behave based on integrity (maintain the highest standards of ethics and constantly return to the basics), not just prioritizing compliance. Therefore, we continuously conduct integrity training (for conduct risk), in which employees consider what integrity is, what they should do to practice integrity, etc. as their own issues through discussions on actual cases occurred in the Company.

Compliance with the Code of Ethics and Code of Conduct and a framework for compliance violation investigation

The Group affirms our compliance with the Mitsubishi HC Capital Group Code of Ethics and Code of Conduct by periodically conducting a self-check. The Group also provides whistleblowing points of contact for the prevention, early detection, and correction of fraud, etc. In cases when a violation of laws and regulations is found out, or any doubt arises, employees must immediately report about it to their direct supervisor and to the Chief Compliance Officer (CCO) via the compliance promotion manager (department head) and the Legal & Compliance Department. There was no material violation of compliance that needed to be disclosed and there were no fines imposed related to compliance violations including corruption in the latest investigation (for the period from April 1, 2024 to March 31, 2025).
In addition, no revisions needed to be made to our Code of Ethics and Code of Conduct as a result of reviewing its validity in March 2025. We will continue to comply with our Code of Ethics and Code of Conduct and regularly monitor the status of compliance.

Number of compliance violations

	FY2023	FY2024
Corruption or bribery	0	0
Discrimination or harassment	3	2
Leakage of personal information (customers' privacy data)	0	0
Acts of conflict of interest	0	0
Money laundering	0	0
Insider trading	0	0
Scope	a	a

(Note) Number of serious cases among violations resulting in disciplinary action

Response to compliance violation

If any violations of laws and regulations are confirmed as a result of investigations, we impose appropriate penalties, etc. including disciplinary actions on officers, employees, etc. who engaged in the violations.

Prevention of fraud and corruption

The Group complies with laws and regulations relating to prohibition of fraud, corruption, etc. applicable to countries and areas where the Group operates, and prohibits acts of fraud, entertainment and gifts, giving or receiving bribes, etc. that may invite suspicion or distrust from society.
In addition, all officers and employees of the Group will observe the following:

- Do not conduct any form of corruption such as bribery, money laundering, embezzlement, obstruction of justice, forcing of provision of benefits, and bid-rigging.
- Fully understand laws and regulations, and do not engage in any form of bribery such as providing entertainment or gifts that may invite suspicion or distrust from society, or offering any money or other benefits for the purpose of gaining any unfair advantage to Japanese or foreign government employees or any other persons equivalent thereto.
- Regardless of whether it is in or out of the country, do not provide or accept entertainment or gifts that deviate from social norms or sound business practices to or from business partners.
- Do not take advantage of your position and authority in the Company to make a demand to business partners, etc. for personal profit.
- Maintain a firm stance against antisocial forces that threaten the order and safety of civil society, and do not have any relationship whatsoever with them, including business relationships.
- Do not conduct any act that may violate insider trading regulations.

▶ **Principles for prevention of bribery and corruption:**
https://www.mitsubishi-hc-capital.com/pdf/english/sustainability/various_policies/antibribery.pdf

Whistleblowing system

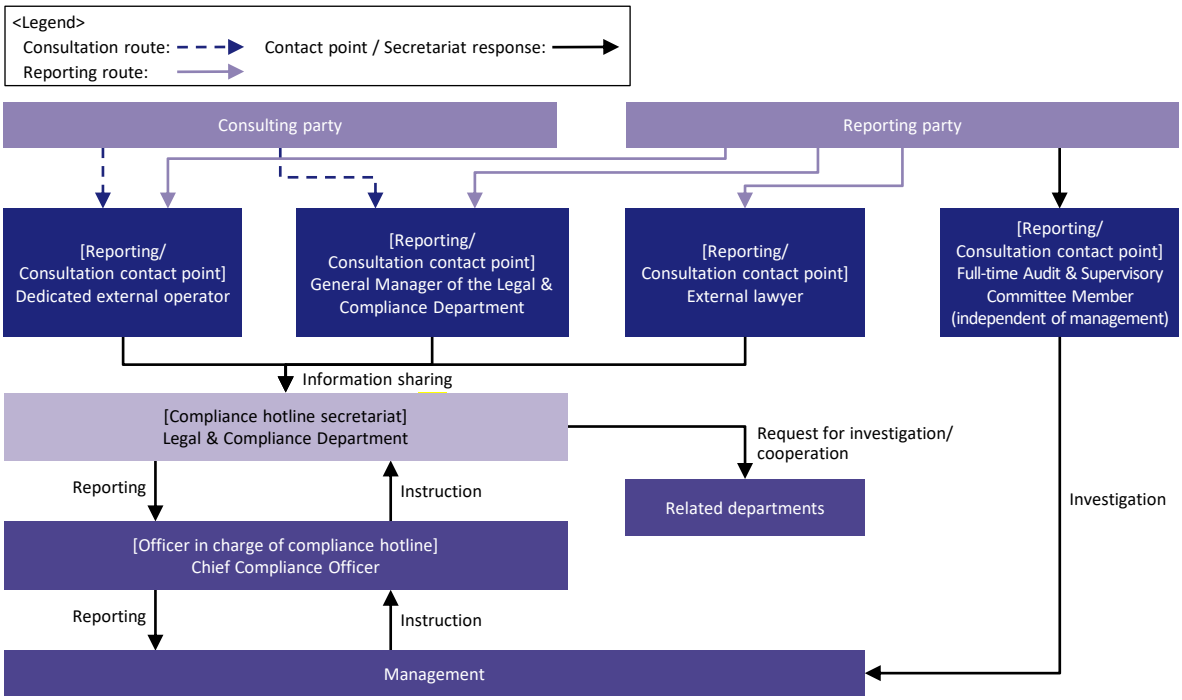
The Group has set up a compliance hotline system as a whistleblowing system for officers, employees, etc. to report and consult about misconduct and related issues (any real or suspected violation of laws, regulations, internal rules, or the Code of Ethics by officers, employees, etc. including corruption).
The compliance hotline system provides multiple points of contact within and outside the Company where officers, employees, etc. (including those already retired) can report and consult without hesitation and may do so anonymously.
Employees in managerial positions periodically receive education (training) on the handling of reports and consultations regarding workplace bullying and harassment, violations of laws and regulations, etc.
Departments and persons in charge that receive reports and consultations are obliged to maintain confidentiality, and officers and employees who report or consult about misconduct or related issues shall receive no disadvantageous treatment whatsoever due to such reporting or consulting.
We receive advice from lawyers and other external experts when handling individual cases. Our whistleblowing system and response to whistleblowing are regularly assessed by external experts (law firms) to ensure their appropriateness.

What can be consulted or reported

Any of the following acts engaged in by officers, employees, etc. in violation or suspected of being in violation of laws, regulations, internal rules, or the Code of Ethics can be consulted or reported.

- Acts affecting the protection of customer interests
- Acts impacting the protection of the environment
- Acts affecting fair competition, such as violations of antitrust laws
- Acts related to provision of bribes or other illegal benefits to government employees and the like both in Japan and overseas
- Other inappropriate acts in violation of laws, regulations, rules, or social justice

Reporting and consultation route



Response after receiving a report/consultation

Receipt of report	The compliance hotline secretariat receives reports via each of the reporting contact points, and then reports to the responsible officer
Investigation	Functioning as the main body, the compliance hotline secretariat receives support and advice from external experts (legal advisors) as necessary and conducts an investigation
Investigation results analysis	The investigation results are analyzed and advice is received from external experts (legal advisors) as necessary, and it is determined if any illegal acts have occurred
Feedback/Follow-up	The results of the investigation are sent to the reporting party As necessary at a later date, a follow-up is conducted to confirm any unfair treatment
Corrective measures	Corrective measures for illegal acts are considered and the necessary response is made

Number of internal reports and consultations

	FY2022	FY2023	FY2024
Number of internal reports and consultations	40	35	32
Breakdown			
Management	3	4	3
Harassment	22	24	20
Communication	4	1	0
Misconduct, etc.	6	3	5
Other	5	3	4
Number of cases deemed to be violations			
Management	0	0	0
Harassment	2	7	4
Communication	0	0	0
Misconduct, etc.	0	0	0
Other	0	0	0
Number of serious violations of laws and regulations			
Management	0	0	0
Harassment	0	0	0
Communication	0	0	0
Misconduct, etc.	0	0	0
Other	0	0	0
Scope	a	a	a

Amount of political contributions

No political contributions were made in FY2024.

Tax governance

Tax policy

We at Mitsubishi HC Capital Group shall adhere to legal requirements, social norms, and internal regulations based on our Code of Ethics and Code of Conduct, and conduct business activities with appropriateness and sincerity. In relation to tax, we strive to contribute to society and improve our corporate value by adhering to the following policies and fulfilling our tax payment obligations appropriately.

1. We shall comply with tax laws, regulations, and rules of each country and regional jurisdiction in which we operate together with international rules such as tax treaties, and fulfill our tax payment obligations according to the value created by our business activities.
2. We shall not conduct activities mainly for mitigating tax obligations, which deviates from the intent and purpose of tax laws and regulations, rules, and international rules such as tax treaties, and without business rationality.
3. We shall comply with tax laws, regulations, and rules of each country and regional jurisdiction in which we operate, and disclose information on tax appropriately.
4. We strive to maintain open and transparent relationships with tax authorities in each country and regional jurisdiction in which we operate by cooperatively responding to requests from tax authorities
5. We shall set appropriate pricing for intergroup transactions across borders based on the OECD Transfer Pricing Guidelines and tax laws, regulations, and rules of each country and regional jurisdiction, following the arm's length principle.
6. We shall establish a system for Group tax governance, and appropriately identify, evaluate, and manage tax risks. Further, we shall establish a system that can appropriately control tax risks, including consulting with external professionals and making prior inquiries to tax authorities as necessary.
7. We shall seek understanding and cooperation from our business partners and trading counterparts regarding the above policies.

January 1, 2025

Tax amount by region

Region	FY2021		FY2022		FY2023	
	(¥ in 100 millions)	Percentage	(¥ in 100 millions)	Percentage	(¥ in 100 millions)	Percentage
Japan	279	80.2%	415	81.4%	190	59.1%
North America	5	1.6%	60	11.8%	57	17.9%
Europe and Middle East	49	14.1%	32	6.3%	53	16.8%
Asia & Oceania	14	4.1%	2	0.5%	20	6.2%
Other	0	0.0%	0	0.0%	0	0.0%
Total	348	100.0%	510	100.0%	321	100.0%

(Note) FY2024 tax amounts are being calculated.

Environment

Environment management

Environmental Policy

Basic philosophy

Mitsubishi HC Capital shall conduct business activities in harmony with the environment and society in order to contribute to the creation of a society that can conserve the global environment and achieve sustainable development.

Environmental action guidelines

1. We will provide innovative solutions to society and promote collaboration with stakeholders to solve environmental issues. Additionally, we will comply with relevant laws and regulations to conduct responsible corporate activities that consider people and the global environment.
2. We will pursue services and solutions that contribute to the reduction of environmental impact and the development of society, properly recognize the effects and impacts of these services and solutions on the environment and society, and endeavor to utilize environmentally friendly goods and services.
3. With the aim of becoming a society that is decarbonized and highly recycling-oriented as well as one that is in harmony with nature and contributes to the conservation of biodiversity, we will endeavor to reduce CO_2 emissions through the value chain, improve the efficiency of the use of water, resources, and energy, and minimize the impact on natural capital.
4. In order to build a relationship of trust with the local communities in Japan and overseas where we conduct business, we will work together with society to solve problems and create a society that can balance conservation of the global environment and sustainable development. If an issue should arise in our business activities, we will make it public in a timely and appropriate manner and promptly take measures to prevent recurrence.
5. As a good corporate citizen, we will raise awareness of environmental and social issues and promote environmental conservation activities as well as community/social contribution activities.

Established: April 1, 2021
Revised: May 13, 2022

Environmental management system

Basic approach

Mitsubishi HC Capital has established the Sustainability Committee as an advisory body to the Executive Committee. We position environmental issues, most notably climate change, as one of our most important management issues and formulate and implement environmental plans accordingly.

Self-declaration of conformity with ISO 14001

Based on the ISO 14001 standard, we introduced and have been operating our environmental management system (EMS) and improving our environmental performance continually since receiving third-party certification in 2001.
To formulate and implement a medium- to long-term management strategy in a timely manner by accurately understanding the recent global and social environmental changes, the Company shifted its EMS to self-declaration of conformity* in December 2023 and has confirmed the appropriate use of the system by monitoring the progress of environmental plans and responding to matters that must be complied with.
Incidentally, Mitsubishi HC Capital UK PLC (formerly Hitachi Capital (UK) PLC), our Group company in the UK, has been certified under ISO 14001: 2015 by an external certification body.

* Self-declaration of conformity is one of the formal options according to the ISO 14001 standard for companies to evaluate and satisfy the requirements of ISO international standards by themselves and on their own responsibility, instead of undergoing assessment and receiving certification from an external certification body.

Compliance with environmental laws and regulations

As a part of its compliance activities, the Group ensures that all officers and employees fully comply with applicable laws and regulations, including those related to the environment, and carries out regular compliance checks.

Category	FY2022	FY2023	FY2024
Violations of environmental laws and regulations	0	0	0
Findings made by external parties relating to the environment (litigation, exposure, notification, etc.)	0	0	0

Addressing climate change

The Group's commitment to achieving a decarbonized society

The Group has identified "promoting a decarbonized society" as one of its key challenges (materiality) related to the environment and is working to achieve this goal through its business activities.
We are actively working on the initiatives to reduce GHG emissions, recognizing that companies are responsible for curbing global warming and addressing climate change and acknowledging the importance of international agreements on climate change countermeasures, such as the Paris Agreement. We have also established a management system in compliance with domestic laws, such as the Act on Promotion of Global Warming Countermeasures and the Energy Conservation Act. Regardless of whether reporting is mandatory, we are continuously implementing appropriate measures.
Furthermore, we actively contribute to industry-wide decarbonization efforts through the Leasing Business Association. We participate in activities such as the development of the Guidance Relating to Supply Chain Emissions Accounting at Leasing Companies, thereby contributing to the advancement of cross-industry environmental initiatives.
The Group continues to work toward the realization of a decarbonized society by promoting environmentally conscious decision-making and actions, complying with relevant regulations, and cooperating with internal and external stakeholders.

Information disclosure based on TCFD

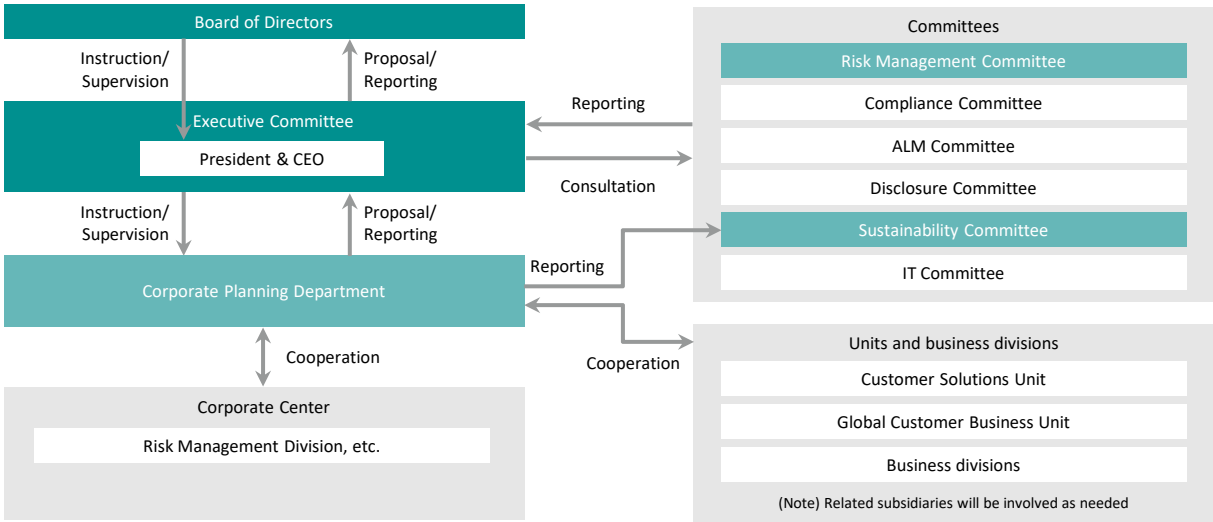
The Group expressed its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in November 2021 and is intensifying efforts to reduce its GHG emissions. In addition, the Group will work to realize a decarbonized society by contributing to the decarbonization of customers through its business activities.

① Governance

To contribute to the realization of a sustainable and prosperous future, the Group has established the Sustainability Committee, as one of the advisory bodies to the Executive Committee. The committee meets to discuss the climate change issue and other key challenges related to sustainability and reports the results to the Executive Committee and the Board of Directors. "Promote a decarbonized society" and other materiality were discussed at the Sustainability Committee and Executive Committee and decided at the Board of Directors. The Board of Directors oversees the progress on environmental targets specified in (4) "Metrics and targets" below. The Group will implement various initiatives to strengthen governance toward the realization of a decarbonized society, such as by considering a mechanism to reflect the achievement level of environmental targets in officers' remuneration in the course of formulating the next Medium-term Management Plan.

Supervision of the Board of Directors and the roles of top management

The Mitsubishi HC Capital Group's sustainability promotion framework



Organizational entities and roles in the sustainability promotion framework

Organizational entities	Roles
Board of Directors	The Board of Directors identifies the Group's basic policies including materiality and periodically confirms the status of business managed and executed based on these basic policies.
Executive Committee	The Executive Committee resolves Group-wide measures that relate to management, including response policies, action plans, and the progress of metrics for the Group's materiality and environmental issues. Important matters are reported to the Board of Directors.
Risk Management Committee	The Risk Management Committee manages risks related to overall management in comprehensive and systematic ways. The overall impact on climate change risks, human rights risks, and other major risks is reported to the Executive Committee. The committee is chaired by the Head of the Risk Management Division, and its members consist of the President & CEO, Deputy Presidents, Head of the Corporate & Strategic Planning Division, Head of the Treasury & Accounting Division, Head of the Credit Division, Head of the IT & Operations Division, and officers in charge of auditing. In principle, the committee meets twice a year.
Sustainability Committee	The Sustainability Committee formulates long-term plans related to the Group's sustainability promotion, including materiality and environmental issues, as well as goals and plans for non-financial metrics. The committee also monitors the progress of metrics set by each business division and reports important matters to the Executive Committee. The committee is chaired by the Head of the Corporate & Strategic Planning Division, and its members comprise the President & CEO, Deputy Presidents, Head of the Treasury & Accounting Division, Head of the Human Resources & General Affairs Division, Head of the Risk Management Division, Head of the Credit Division, and Head of the IT & Operations Division. In principle, the committee meets twice a year.
Corporate & Strategic Planning Division	The Corporate & Strategic Planning Division is in charge of drafting and driving the execution of plans for Group-wide strategies based on the Group's basic sustainability policy. It gathers knowledge related to the Group's sustainability from Japan and overseas, drafts policies and strategies, and reports those matters to the Sustainability Committee and other committees.

② Risk management

Occurrences such as regulatory changes, technological innovation, and shifts in business models in line with the transition to a decarbonized society or extreme weather caused by global warming may affect our operating results and financial condition in the form of business failure of business partners due to performance deterioration and other factors, a decline in the value of assets owned by the Group, and in other ways. Our Group recognizes climate change risk as one of the critical risks in Group-wide risk management. It identifies, assesses, and manages climate change risk while recognizing it as a business opportunity and contributes to the realization of a decarbonized society

a. Risk management system overview

The Group uses its integrated risk management framework to comprehensively manage risks that could have a substantial impact on investors' decisions.

The important risks managed within the integrated risk management framework include, but are not limited to, credit risks, asset risks, investment risks, market risks, liquidity risks, and operational risks.

To manage envisaged risk factors, the departments overseeing specific risks monitor issues arising from developments in the external environment or other changes, regularly consider measures to address such risks, and then report and deliberate them at meetings of the Risk Management Committee and other committees. In addition, we operate a risk management system in which important matters are reported to and discussed by the Executive Committee and Board of Directors.

b. Classification and examples of impacts of climate change risks

Climate change risks consist of transition risks associated such as with tightening of climate-related regulations and technological innovation, and physical risks associated with extreme weather and changes in climates. The TCFD recommendations classify these risks into the subcategories of policy and legal/technology/market/reputation, and acute/chronic, and present examples of impacts.

We believe that impacts will occur over a variety of time frames (short, medium, and long term) through broad transmission routes including existing risks such as credit risks, asset risks, and investment risks. Furthermore, in addition to direct impacts on the Group's business activities, the onset of indirect impacts through the Group's customers is also possible.

Based on such risk characteristics and the details of the TCFD recommendations, we categorize examples of impacts of climate change risks for each of the Group's major risks, also taking into account its risk management framework. Under the integrated risk management framework, we are building a system to identify, assess, and manage climate change risks in light of their relation to other major risks.

Going forward, we will review the risk classification and examples of impacts in accordance with the extent of our analysis and assessment of changes in the external environment and climate change risks.

Classification and examples of impacts of climate change risks

Major risks	Timeframe*	Transition risk	Physical risk
Credit risk	Short to long term	• Deterioration of customers' business environments and increases in the Group's credit costs due to policy and regulatory changes, technological innovations, changes to stakeholders, etc.	• Damage to lease assets, collateral assets, etc. and increases in the Group's credit costs due to extreme weather • Deterioration of customers' business environments and increases in the Group's credit costs due to climate change (rising temperatures, etc.)
Asset risk	Short to long term	• Assets becoming obsolete and less profitable or valuable due to policy and regulatory changes, technological innovations, changes to stakeholders, etc.	• Direct damage to assets due to extreme weather • Deterioration of asset usage environments and utility value (decreased profitability, shorter useful life, etc.) and decline of usage opportunities due to climate change
Investment risk	Short to long term	• Business becoming less profitable or valuable due to policy and regulatory changes, technological innovations, changes to stakeholders, etc.	• Direct damage to business value due to extreme weather • Deterioration of business environments, profitability, and value due to climate change
Market risk	Short to long term	• Impacts of the transition to a decarbonized society on companies and fluctuations in the value of securities, etc. held by the Group	• Disruption in financial markets, deterioration of the corporate management environment, fluctuations in the value of securities, etc. held by the Group due to extreme weather and climate change
Liquidity risk	Short to long term	• Deterioration of reputation among stakeholders and deterioration of fund procurement conditions due to delayed responses to the transition to a decarbonized society	• Disruption in financial markets and the fund procurement environment due to extreme weather and climate change
Operational risk	Short to long term	• Increase in regulatory compliance costs due to the tightening of GHG emissions reporting obligations, etc.	• Suspension of operations, etc. due to damage caused by natural disasters to business sites, data centers, etc.
Reputational risk	Short to long term	• Deterioration of reputation among stakeholders due to insufficient response and disclosure related to climate change	
Strategic risk	Medium to long term	• Failure to achieve strategic targets due to inadequate business strategies related to the transition to a decarbonized society and the impacts of natural disasters and extreme weather	

* Short term: until 2025, medium term: until 2030, long term: until 2050

(Reference) Classification and examples of impacts in the TCFD recommendations

Transition risks: Risks related to the transition to a low-carbon economy

Type	Environmental changes brought by climate change	Impacts on customers / the Group's business, etc.
Policy and legal risk	• Introduction of carbon tax, etc. • Tightening of regulations requiring reporting of GHG emissions • Policy changes and regulatory tightening related to competitive power of assets and investment businesses • Increase in climate-related litigations	• Increase in costs and deterioration of business conditions of customers, increase in the Group's credit costs • Increase in regulatory compliance costs • Decline of value and profitability of assets and investment business • Increase in litigation costs
Technology risk	• Shift to facilities, machinery, etc. that emit less GHGs • Shift to low emission technologies (renewable energy, storage batteries, carbon capture and storage technologies, etc.)	• Decline of value and profitability of obsolete assets and investment business • Failure of investment in new technology-related assets and businesses • Increases in customers' transition costs and the Group's credit costs
Market risk	• Customers' behavioral changes • Changes in demand-supply conditions in markets	• Decline of value and profitability of assets and investment business
Reputational risk	• Reputational damage due to delayed response to climate change, insufficient information disclosure, etc.	• Adverse impacts on fund procurement • Adverse impacts on corporate activities and business activities

Physical risks: Risks related to physical changes caused by climate change

Type	Environmental changes brought by climate change	Impacts on customers / the Group, etc.
Acute risk	• Increase in natural disasters such as typhoons and floods	• Damage to assets and investment business due to natural disasters
Chronic risk	• Sea level rise along with rising average temperatures, etc.	• Decline of value and profitability of assets and investment business due to climate change (rising temperatures, etc.) • Increase in credit costs due to changes in customers' business environments

c. Status of integration into overall risk management

We have a system in place where various impacts of climate change risks on other major risks are reported and deliberated at the Risk Management Committee. We will integrate the management of such risks, including risks identified through scenario analysis, in overall risk management by establishing a monitoring system and other means. Additionally, the development of targets and plans related to climate change and details of monitoring are reported and deliberated at the Sustainability Committee. The details of deliberations of both committees are reflected in our Group's overall management strategies under the Board of Directors' supervisory system, allowing us to appropriately respond from the perspectives of both overall risk management and individual risks.

③ Strategy

We identify risks and opportunities for the Group brought by future climate change, and conduct scenario analysis on transition risks and physical risks for the purpose of appropriately disclosing information and considering future measures. While we assessed transitions risks generally in qualitative terms, we also assessed them quantitively for particularly important segments.

The scenario analysis was carried out based on information and data available at present. We will obtain more information and related data through careful interpretation of the analysis results and dialogues with stakeholders and strive to disclose information appropriately by improving our analysis methods and expanding the scope of businesses to be analyzed.

a. Overview of the scenario analysis

Overview of transition risk analysis

	Target sector	Main segment
Target sectors and main segments	Energy (oil, gas, coal, and electric utilities)	Environment & Energy
	Transportation (air freight and passenger air transportation)	Aviation
	Materials and buildings (real estate management and development)	Real Estate
	Among the Group's segments, the Customer Solutions Unit was included in the target segments of the analysis because it conducts business activities across target sectors, such as finance solutions business for companies and government agencies, sales financing business provided through collaboration with vendors, real estate leasing business, and financial service business, etc. through its business bases in Japan. Meanwhile, the Global Customer Business Unit was excluded from the target segments because the business bases of overseas Group companies are located in multiple regions, such as Europe and the Americas, and the analysis would therefore require significant work.	
Sector and segment selection method	① Summarize the relationships between the sectors that have the potential to be significantly affected by climate change and the segments of the Group by referring to the Final Report of the Task Force on Climate-related Financial Disclosures (TCFD) and other information. ② Select the target sectors and segments of the analysis by comprehensively considering the asset balance, business characteristics, and amounts of GHG emissions of the Group's segments by sector as well as external professionals' opinions. From these perspectives, a quantitative scenario analysis was conducted for the Aviation segment (JSA's aircraft operating lease business) and the Real Estate segment (domestic equity investment business, etc.)	
Scenario	• Net Zero Emissions by 2050 Scenario (NZE Scenario) and Stated Policies Scenario (STEPS Scenario) published by the International Energy Agency (IEA) (Note) In the quantitative scenario analysis, the Net Zero 2050 Scenario and the Current Policies Scenario published by the Network of Central Banks and Supervisors for Greening the Financial System (NGFS) were used as some preconditions.	
Reason for selecting the above scenario	• The materials published by the IEA contain a medium- to long-term outlook for the energy market and relevant policy trends, as well as industry trends of the Groups' key segments.	
Analysis method	• In the qualitative scenario analysis, identify the risks and opportunities that may arise in working toward realizing a decarbonized society in the target sectors and assess their business impacts. • In the quantitative scenario analysis, assess the impacts of the risks and opportunities identified in the qualitative scenario analysis and our strategies to address them on our financial standing in 2050. Assess the impact on profitability in the profit and loss statement in the Aviation segment and the impact on cash flow in the Real Estate segment.	

Overview of physical risk analysis

Subjects of analysis	• Assets for business possessed by the Environment & Energy Business Division, the Real Estate Business Division, and the Group's offices and branches
Scenario	• Shared Socioeconomic Pathways (SSP5-8.5) published by the Intergovernmental Panel on Climate Change (IPCC)
Reason for selecting the above scenario	• Because of the wealth of information on various changes in the natural environment, such as temperatures, rainfall and snowfall, dryness, and rising sea levels
Analysis method	• Assess business impacts of extreme weather and changes in climates that can occur at the locations of assets for business (qualitative analysis)

b. Results of the scenario analysis

Discussions about the impacts of climate change on our business were held with each division in charge of Environment & Energy, Aviation, Real Estate, and Customer Solutions, which are the target segments of the scenario analysis, and with the Risk Management Department, which is the department in charge of risk management for the entire Group, to ensure consistency between scenario analysis results and existing strategic policies.

The Group endeavors to minimize risks and maximize opportunities by taking short- and long-term measures regarding risks and opportunities related to climate change. As a result of the qualitative scenario analysis of transition risks, we recognize the need to appropriately handle risks and opportunities associated with the expansion of renewable energy (Environment & Energy), the shift to fuel-efficient aircraft and aircraft engines and low-carbon fuels such as SAF and hydrogen (Aviation), growing demand for low-carbon buildings (Real Estate), and other trends. The results of the quantitative scenario analysis suggest that the Aviation segment is expected to see lower lease fee income due to declining aircraft demand, a decline in the value of current aircraft models due to regulatory tightening, and increased credit costs for airline companies. Meanwhile, resilience is expected to be strengthened thanks to an increase in the percentage of new generation aircraft[*1] with growing demand and the implementation of strategies and measures to seize new business opportunities such as SAF.[*2] The Real Estate segment is expected to see increased outflow of cash as a result of the introduction of carbon tax, a decline in the value of low-carbon buildings due to regulatory tightening, and increased outflow of cash due to higher utility and other expenses. Meanwhile, resilience is expected to be strengthened thanks to an increase in the percentage of low carbon buildings with growing demand and the implementation of strategies and measures to seize opportunities such as revitalization investment business.

Furthermore, based on the results of the physical risk analysis, we anticipate risks including damage caused by disasters to power stations and deterioration of power generation facilities such as solar panels (Environment & Energy), loss in the value of real estate due to intensification of natural disasters and increases in construction and operation expenses and renovation costs (Real Estate), and damage caused by disasters to the Group's offices and increases in their operation expenses and insurance costs.

While appropriate measures for climate change risks have been developed, in terms of the opportunities brought by climate change, the acquisition of business opportunities has been incorporated into our strategies. We have also set metrics related to climate change and established a system to regularly monitor relevant trends in Japan and overseas and the status of initiatives of the Group.

*1. Fuel-efficient aircraft that emit less CO_2 compared with the current generation

*2. SAF: Sustainable aviation fuel.

Results of the qualitative scenario analysis

Types of risks/ opportunities			Timeframe*	Details of climate change-related risks and opportunities	Measures to address risks / Measures to realize opportunities
Risks	Transition risk	Policy and legal	Short to long term	• Increased business management costs associated with the introduction of carbon tax and tightening of regulations requiring reporting of GHG emissions, etc.	• Reduce GHG emissions by promoting energy conservation, switching to renewable electricity, etc. at the Group's offices and branches
		Technology	Short to long term	• Increased depreciation expense and residual value risk of existing assets such as aircraft and aircraft engines	• Mitigate impacts by increasing the percentage of new generation aircraft and aircraft engines in the portfolio
		Market	Short to long term	• Increased costs of renovating/repairing existing buildings and development • Possibilities of price declines of non-low carbon properties owned by the Group • Risk of losing earnings due to delayed response to the demand for low carbon buildings • Decline in the electricity sales price due to intensified competition in the renewable energy market	• Consider mitigating impacts by passing the cost onto rent • Reduce carbon emissions from maintenance and renovation processes (renewing equipment of aged properties (including logistics warehouses), installing power generation equipment such as solar panels, etc.) • Introduce and enhance development functions to respond to a low carbon society • Consider securing earnings by participating in the battery storage business, etc. while paying attention to the regulatory environment, etc.
		Reputation	Short to long term	• Deterioration of reputation among overseas ESG investors and domestic financial institutions due to delayed response to climate change	• Promote reducing the emissions from the Group and relevant supply chains and proactively disclose activities based on the TCFD recommendations, etc.
	Physical risk		Short to long term	• Increase in temporary suspension of operations and operation expenses • Damage to real estate value, increase in operation expenses, and prolonged construction periods • Damage to power generation plants and reduced efficiency of power generation using solar panels and other equipment due to storms, etc., and impacts on wind power generation business due to changes in wind conditions	• Enhance the capabilities to respond to natural disasters by formulating a BCP for minimizing damage • Strengthen resilience by taking measures to deal with natural disasters (detailing risks related to leasing, investment, and financing, installing or renovating disaster management equipment, etc.) • Consider measures for enabling early recovery by strengthening the management framework for the Group's power generation plants
Opportunities	Products and services		Short to long term	• Expansion of opportunities for low-carbon building leasing, investment, and financing businesses and increase in prices and unit rent prices of owned or managed low-carbon buildings	• Introduce and strengthen development functions to respond to a low-carbon society
	Markets		Short to long term	• Expansion of leasing opportunities for energy conservation equipment • Increase in leasing opportunities for new generation aircraft associated with aviation companies' demand for switching aircraft and aircraft engines • Increase in leasing opportunities associated with demand for switching airport equipment • Expansion of revenue opportunities associated with increased demand for renewable energy • Expansion of opportunities for renewable energy businesses	• Consider increasing the procurement of energy conservation equipment • Capture demand by increasing the transaction volume of new generation aircraft and aircraft engines • Offer leasing services in line with customers' demand for switching heat source equipment, etc. • Expand renewable power generation business in Japan and overseas • Expand battery storage and aggregation businesses
			Long term	• Increased leasing opportunities associated with the spread of hydrogen-compatible aircraft • Possibilities of gaining earnings from new SAF/hydrogen-related businesses	• Capture demand associated with increased transaction volume of hydrogen-compatible aircraft • Participate in and support the hydrogen value chain including storage, transportation, production, and filling facilities and clean energy supply and consider engaging in SAF-related businesses

* Short term: until 2025, medium term: until 2030, long term: until 2050

Results of the quantitative scenario analysis

Impacts of transition risks and opportunities on business in the NZE Scenario for 2050

Risks/ Opportunities	Business	Change factors	Impact rate (profit change ÷ business size*)
Risks	Aviation	• A decrease in lease fee income due to declining aircraft demand	±0% to -1%
		• A decrease in the value and sales prices of current aircraft models due to regulatory tightening	-1% to -3%
		• An increase in credit costs for customers due to regulatory tightening	±0% to -1%
	Real Estate	• An increase in cash outflow as a result of the introduction of carbon tax	±0% to -1%
		• A decrease in the value and sales prices of low carbon properties due to regulatory tightening	-3% to -5%
		• An increase in cash outflow due to higher utility expenses, etc. caused by regulatory tightening	±0% to -1%
Risks, measures	Aviation	• An increase in the percentage of new generation aircraft with growing demand, efforts to seize new business opportunities such as SAF	+3% to +5%
	Real Estate	• An increase in the percentage of low carbon buildings with growing demand, efforts to capture revitalization investment business	+5% to +7%

* Business size refers to the sales volume assumed in the STEPS scenario for 2050 (total cash inflow for the Real Estate segment)

The figures above are the results of calculating the rates of future impacts based on the scenarios and other data published by major institutions, and their accuracy is not guaranteed. The initiatives above have been set as preconditions for calculating the rates of future impacts and do not indicate action plans for such initiatives.

④ Metrics and targets

Our Group recognizes the realization of a decarbonized society as an urgent issue and has defined our Group's ideal state based on national policy targets and Our 10-year Vision. We then set environmental targets by working backward from that vision. Now we view the promotion of a decarbonized society as an even more important opportunity and are actively working on relevant efforts.

In such cases as where GHG emissions increase significantly in the future due to efforts for new businesses or other activities, or where numerical values change as the calculation of GHG emissions of the entire Group including its supply chain is further refined, the established targets may be revised if necessary, but we plan to set the targets so that they will be in line with national policy target levels, just as the current targets are.

a. The Group's environmental targets

Metrics	FY2030 target	FY2024 result
The Group's GHG Emissions (Scope 1 and Scope 2)	5,081t-CO_2e (-55% compared to FY2019)	4,458t-CO_2e (-61% compared to FY2019) *1
Percentage of new generation aircraft in our portfolio*2	83%	76%
Percentage of green buildings in our portfolio*3	64%	65%
Total new transactions volume of leasing of decarbonization-related assets*4	¥102.0 billion	¥11.6 billion
Power generation capacity in operation corresponding to the Group's stake*5	Approx. 2.3GW	1.18GW

*1 The target for FY2030 was achieved ahead of schedule. A new target is planned to be established.

*2. Fuel-efficient aircraft that emit less CO_2 compared with the current generation. Models: A220, A320NEO, A321NEO, A330NEO, A350, B737MAX, B787. Targets and results are both calculated based on net book value (Jackson Square Aviation's business)

*3. In the real estate business, the share (number of buildings) of environmentally certified properties (CASBEE, DBJ Green Building, BELS, etc.) or buildings using 100% renewable energy among assets over which the Group has some degree of control (Mitsubishi HC Capital Realty's investment properties) and assets under management by the Group's asset management companies with the Company acting as a sponsor (Mitsubishi HC Capital Realty Advisers' private REITs + CenterPoint Development's private placement funds)

*4. Total transactions volume of leasing mainly of the following equipment (GX Assessment Lease) for FY2024 and beyond:

- Equipment for which CO_2 reduction effects generally required in green finance can be expected
- Energy-environment friendly products
- Machinery for the ESG lease promotion business

*5. Power generation capacity corresponding to the Group's stake in the domestic renewable power generation business

b. Future efforts

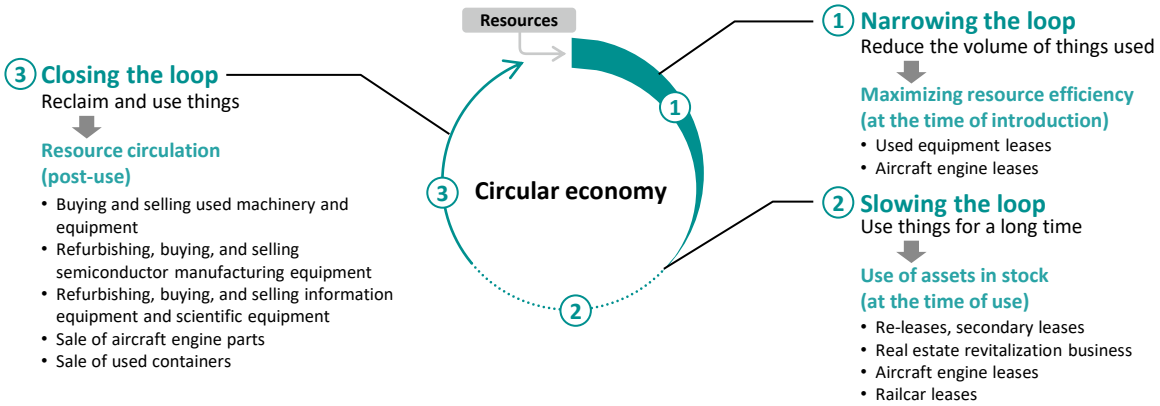
To further enhance the effectiveness of promoting a decarbonized society, our Group has compiled our initiatives and progress since setting Scope 1 and 2 targets, along with processes toward achieving our interim Scope 3 targets, and formulated the Transition Plan toward the Realization of a Carbon-neutral Society. By promoting and sophisticating these initiatives, we aim to realize carbon neutrality across our entire supply chain by 2050.

▶ **Transition Plan toward the Realization of a Carbon-neutral Society**
https://www.mitsubishi-hc-capital.com/english/sustainability/environment/carbon_neutral/index.html

Efforts toward a circular economy

Major initiatives

Our Group contributes to the realization of a circular economy through a variety of businesses.
Due to the nature of its business model, leasing, which is our founding business, has a high affinity with a circular economy, and our Group has a variety of value propositions and solutions that maximize the value of the facilities and equipment covered by our contracts. As shown in the chart below, our Group's circular economy-related businesses are linked to various factors for realizing a circular economy. We are working on businesses related to a circular economy in many areas, such as those shown on this page.



<References> Tasaki, Tomohiro (2024). Transformation and information dissemination towards the realization of a circular economy. Ad Studies, Vol.87, 2024.
Bocken, N. M. P., de Pauw, I., Bakker, C., van Der Grinten, B (2016). Product design and business model strategies for a circular economy. Journal of Industrial and Production Engineering, 33(5): 308–320

Value and solutions provided by our Group at the lifecycle stages of assets

① Time of introduction: maximizing resource efficiency—narrowing the loop

Providing a wide range of finance functions

We provide the appropriate things that meet customers' needs, such as equipment that promotes decarbonization and energy conservation and engines that contribute to improving the utilization rate of aircraft. We also provide a wide range of financing functions, such as operating leases, sharing, and rentals to fulfill customers' needs for use (as opposed to ownership).

Related businesses	Used equipment leasing, aircraft engine leasing, ESG lease promotion business, GX Assessment Lease, etc.

② Time of use: use of assets in stock—slowing the loop

Lease contracts

In a lease contract, when the lease contract period expires, we provide two options: "re-lease contract" (usually a one-year extension contract) and "return." If "re-lease contract" is chosen, the initial contract period will be extended. This allows for extended use every year at a lower cost than the initial contract period. In addition, residual value-setting leases support the restructuring of leases (secondary leases) based on residual value.

Real estate revitalization investment business

In an effort to encourage the use of assets in stock, we conduct business in which we acquire old offices and other facilities and revitalize their real estate value by updating their equipment and renovating their common areas.

Aircraft engine lease business

We maintain and improve the asset value of engines through timely and appropriate maintenance, making it possible to use them for long periods of time.

Related businesses	Equipment refurbishing, real estate revitalization business, aircraft engine leasing, etc.

③ Post-use: resource circulation—closing the loop

Secondary use

If "return" is selected when the lease contract expires, the returned property will be used for secondary use by new customers. Leveraging our Group's strengths such as our expertise and network, we work in multiple areas, purchasing not only equipment returned by customers, but also idle assets and equipment of customers, leasing them to other customers, and engaging in the refurbishing and reuse business.

Sale of aircraft engine parts

We are also pursuing the possibility of reusing and recycling aircraft engines and information equipment, which are difficult to reuse, by dismantling and maintaining them and engaging in a business to sell reusable parts as spare parts. Ultimately, we contribute to the realization of a circular economy by properly disposing of items that are difficult to reuse and recycle.

Results related to resource circulation (post-use)

Items	Description	FY2024
Sales value of used machinery and equipment	Total sales amount of used machinery and equipment for industrial machine tools, semiconductor manufacturing equipment, scientific equipment, construction equipment, medical equipment, and information equipment for the Customer Solutions Unit	¥16.3 billion
PCs refurbished and sold	Engaged in reuse business to purchase properties returned at lease expiration and customers' idle assets, and conduct appropriate refurbishing, including data erasure	Over 480,000 units

Target related to the recycling of plastics

The Group has set a target to reduce plastic waste generated from operating assets such as leased assets in response to the Act on Promotion of Resource Circulation for Plastics.

<Target>

Effective utilization[*1] of plastic waste[*2] generated from operating assets, such as leased assets, by FY2030	100%

*1. Target companies: Group companies with large amounts of waste (Mitsubishi HC Capital and MHC Eco Solutions, which generate more than 250 tons of plastic waste)

*2. The percentage of plastic waste processed through material, chemical, or thermal recycling

Percentage of plastic waste generated from operating assets such as leased assets processed through material, chemical, or thermal recycling

Target companies	FY2022	FY2023	FY2024
Mitsubishi HC Capital	92.1%	95.2%	94.2%
MHC Eco Solutions	95.7%	97.1%	90.9%

Stakeholder engagement

MHC closed a capital and business alliance agreement with ZERO Corporation (hereinafter "ZERO"), and is working to reduce food loss and CO_2 emissions in Japan by providing sales support, financing for installation, and operational support for unmanned vending machines known as "Food Loss Reduction Box ZERO" provided by ZERO.

MHC, as a service user, introduced and installed the vending machines at its Marunouchi Office, Nishi-Shimbashi Office, Nagoya Office, and Osaka Office, enabling its employees to buy foods that are safe to eat but cannot be distributed due to their short shelf life, seasonal packaging, damaged packaging, etc.

Amount of GHG reduced through Box ZERO installed in the Company (September 2024 to March 2025)

	FY2024	Locations
Amount of GHG reduced	2,672kg-CO_2e	Marunouchi Office, Nishi-Shimbashi Office, Nagoya Office, Osaka Office

(Note 1) Measuring tool: My-Eco-Ruler

(Note 2) Conditions for calculating the amount of reduction (key conditions): An intake of 1 kcal is set as the functional unit and global warming is set as the impact category. The latest GWP100 values in the IPCC's Climate Change 2021 (Sixth Assessment Report) is used. To represent average food consumption in Japan, the amount of activity by ingredient (amount of consumption and calories) is calculated based on public statistical information, such as the Food Supply and Demand Table published by the Ministry of Agriculture, Forestry and Fisheries. Emission factors for respective activities are calculated based on databases such as IDEv3.1, 3.3, Ecoinvent v3.10.
The amount of reduction is calculated based on data provided by ZERO, under the assumption that the reduction of food through the use of ZERO BOX leads to the reduction of activities throughout the entire product life cycles—from production and processing to consumption and disposal—of foods with equivalent calorific value.

Environmental performance

Consumption volume by energy type

Category / Energy source		Unit	FY2020	FY2021	FY2022	FY2023	FY2024
Direct energy consumption	Gasoline	Kl	741	744	885	754	696
	Light oil		264	108	146	218	192
	Kerosene		51	29	28	0	1
	Heavy oil		-	-	-	38	44
	Urban gas (LNG)	m^3	383,750	398,229	306,837	323,646	413,071
	LPG		0	0	3,936	4,473	4,376
Indirect energy consumption	Power	kWh	13,169,420	14,168,540	13,424,687	13,144,817	12,771,121
	Renewable power		-	3,308,174	4,450,646	5,154,773	9,570,938
	Percentage of renewable energy	%	0	23.3	33.2	39.2	74.9
	Purchased steam, hot water, and cooling water	GJ	9,386	10,601	814	1,006	891
Scope		a	a	a	a	a	a

Consumption volume by energy type (calorific value)

Category / Energy source		Unit	FY2020	FY2021	FY2022	FY2023	FY2024
Direct energy consumption	Gasoline	GJ	26,750	25,733	30,618	25,167	23,250
	Light oil		23,854	10,665	5,519	8,280	7,313
	Kerosene		1,864	1,060	1,039	0	20
	Heavy oil		-	-	-	1,487	1,702
	Urban gas (LNG)		17,244	17,881	13,746	12,946	16,523
	LPG		0	0	437	446	437
	Total		69,712	55,339	51,359	48,326	49,245
Indirect energy consumption			140,685	151,716	134,658	132,060	128,219
Total			210,397	207,055	186,017	180,386	177,464
Scope			a	a	a	a	a

Volume of GHG emissions (Scope 1 and 2): Targets vs. results

Short-term GHG emissions reduction target	Energy usage in Japan: -1% compared to the prior fiscal year		
Energy consumption of domestic group companies on a consolidated basis (GJ)	FY2023 (base year)	FY2024 result	Rate of reduction from FY2023
	83,681	80,090	-4.3%

Medium- to long-term GHG emissions reduction target	2030: -55% compared to FY2019 2050: Net zero					
Scope 1 and 2 GHG emissions of the Group on a consolidated basis (market basis) ($t\text{-}CO_2e$)	FY2019 (base year)	FY2024 result	Rate of reduction from FY2019	FY2025 Target	FY2030 target	FY2050 target
	11,292	4,458	-60.5%	7,904	5,081	0

Volume of GHG emissions (Scope 1 and 2)

Category	Unit	FY2020	FY2021	FY2022	FY2023	FY2024
Scope 1	t-CO_2e	3,336	3,449	3,211	3,092☑	3,093☑
Scope 2 (location basis)		6,604	7,880	6,786	5,777☑	4,930☑
Scope 2 (market basis)		7,189	6,606	4,546	3,482☑	1,365☑
Total of Scope 1 and 2 (market basis)		10,525	10,055	7,757	6,574	4,458
Scope		a	a	a	a	a

Environmental data marked with ☑ have received limited assurance from SOCOTEC Certification Japan.

Volume of GHG emissions (Scope 3)

Category		Unit	FY2023	FY2024
Category 1	Purchased goods and services	t-CO_2e	7,135☑	9,486☑
Category 2	Capital goods		15,245☑	14,132☑
Category 3	Fuel- and energy-related activities not included in Scope 1 or Scope 2		1,586☑	1,570☑
Category 4	Transportation and distribution (upstream)		Not applicable	
Category 5	Waste generated in operations		5,123☑	2,190☑
Category 6	Business travel		1,095☑	1,089☑
Category 7	Employee commuting		2,431☑	2,424☑
Category 8	Leased assets (upstream)		Not applicable	
Category 9	Transportation and distribution (downstream)		Not applicable	
Category 10	Processing of sold products		Not applicable	
Category 11	Use of sold products		Accounting of emissions in this category will be considered going forward	
Category 12	End-of-life treatment of sold products		Not applicable	
Category 13	Leased assets*1 (downstream)		6,570,471☑	7,932,547☑
Category 14	Franchise		Not applicable	
Category 15	Investment*2		41,141☑	94,086☑
Total of Scope 3			6,644,227☑	8,057,525☑
Scope			a	a

Environmental data marked with ☑ have received limited assurance from SOCOTEC Certification Japan.

*1. Pertaining to certain building, aircraft, and other leasing transactions

*2. Pertaining to certain real estate investment and financing transactions

(Note 1) For categories 2, 5, 13, and 15, the calculation method was changed from FY2023 in the process of acquiring assurance.

(Note 2) The total amount of Scope 3 emissions is the sum of all categories' emissions amounts including fractional parts, and may therefore differ from the sum of the individually rounded emissions amounts shown above.

Output from renewable power generation facilities in operation

Item	Unit	FY2020	FY2021	FY2022	FY2023	FY2024
Solar	MW	907	907	1,020	920	1,102
Wind		228	298	340	343	507
Other		-	-	4	29	29
Total		1,136	1,205	1,366	1,293	1,638
Scope		a	a	a	a	a

Water resources

	Unit	FY2023	FY2024
Amount of water consumption	m^3	6,214	6,270
Scope		c-	c-

Waste

	Unit	FY2023	FY2024
Amount of non-hazardous (municipal) waste	t	148	176
Scope		c-	c-

Social

Human rights initiatives

Basic policy on human rights

The Group's Code of Ethics and Conduct includes sections on "Respect for Human Rights and the Environment," and the Code of Conduct states, under "Human rights," that "Consistent with the fundamental spirit of respect for humanity, no employee engages in any discriminatory action or human rights violation on the ground of gender, sexual orientation, age, nationality, race, ethnicity, political opinion, beliefs, religion, social status, lineage, illness, or disability."
Furthermore, we respect and support international norms concerning human rights, labor, the environment, and anti-bribery, including the International Bill of Human Rights, the Ten Principles of the United Nations Global Compact, the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct, the Guiding Principles on Business and Human Rights (Ruggie Framework), the ILO Declaration on Fundamental Principles and Rights at Work, and the Children's Rights and Business Principles. We strive to respect the human rights of all stakeholders under these basic principles on human rights.
The Group's compliance manual states, under "Respect for human rights and the prohibition of discrimination," that "All Group employees must respect basic human rights and must not engage in any discriminatory action or human rights violation on the ground of gender, sexual orientation, age, nationality, race, ethnicity, political opinion, beliefs, religion, social status, lineage, illness, or disability." Under "Eliminating harassment," it further states, "All Group employees should respect one another as professional partners and must work to eliminate all forms of harassment, including sexual harassment, harassment related to pregnancy, and abuse of power."

Human Rights Policy

We at the Mitsubishi HC Capital Group recognize that conducting business with the utmost respect of human rights is a major challenge, and we will fulfill our responsibilities in this matter across all our business activities.
We prohibit any discrimination based on race, ethnicity, nationality, place of origin, social status, social origin (family origin), gender, marital status, age, language, disability, health status, religion, thoughts and beliefs, property, sexual orientation, gender identity, and differences in occupation or form of employment. Through dialogue and collaboration with relevant stakeholders, we will exclude exploitative labor practices, such as modern slavery, forced labor, human trafficking, and child labor, from the businesses and supply chains of the Mitsubishi HC Capital Group. We will address human rights risks relevant to our businesses earnestly and appropriately to fulfil our obligations to respect human rights in a manner expected of global companies, aiming to realize a society that respects human rights. We will realize a flexible working style and respect a diversity of values and strive to create a comfortable working environment in which each and every individual can demonstrate their maximum potential. We guarantee freedom of association and collective bargaining rights and equal pay for equal work. (excerpt)

Established: September 22, 2022
Revised: March 11, 2025

▶ **Please see the following for details:**
https://www.mitsubishi-hc-capital.com/pdf/english/sustainability/various_policies/human_rights_policy.pdf

Human rights due diligence

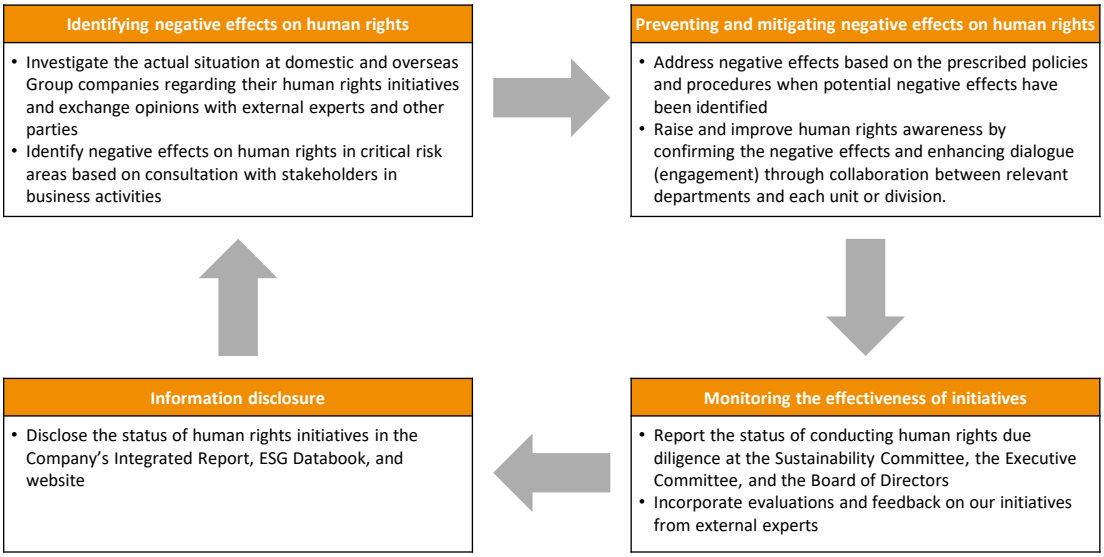
The Group began conducting human rights due diligence in FY2023, targeting credit transactions and outsourcing transactions. A company-wide, cross-segment Human Rights Project was launched in FY2022 through which a series of discussions were held and a human rights due diligence system was developed over the course of about one year. In FY2024, we added purchase transactions and investment transactions to the scope of transactions subject to human rights due diligence. We continue to improve and enhance our human rights due diligence system by incorporating feedback from business divisions and other frontline departments and exchanging opinions with external experts.

We conduct the following two activities through human rights due diligence.

1. Screening business partners based on information regarding concerns about human rights violations
   We have established a system for identifying business partners with concerns about human rights violations in critical risk areas by cooperating with an external information vendor.
2. Dialogue (engagement) with business partners to eliminate the risk of human rights violations
   Where concerns have been identified through screening, we open a dialogue (engage) with the business partners and, by confirming the actual situation and their responses, we encourage them to respect human rights.

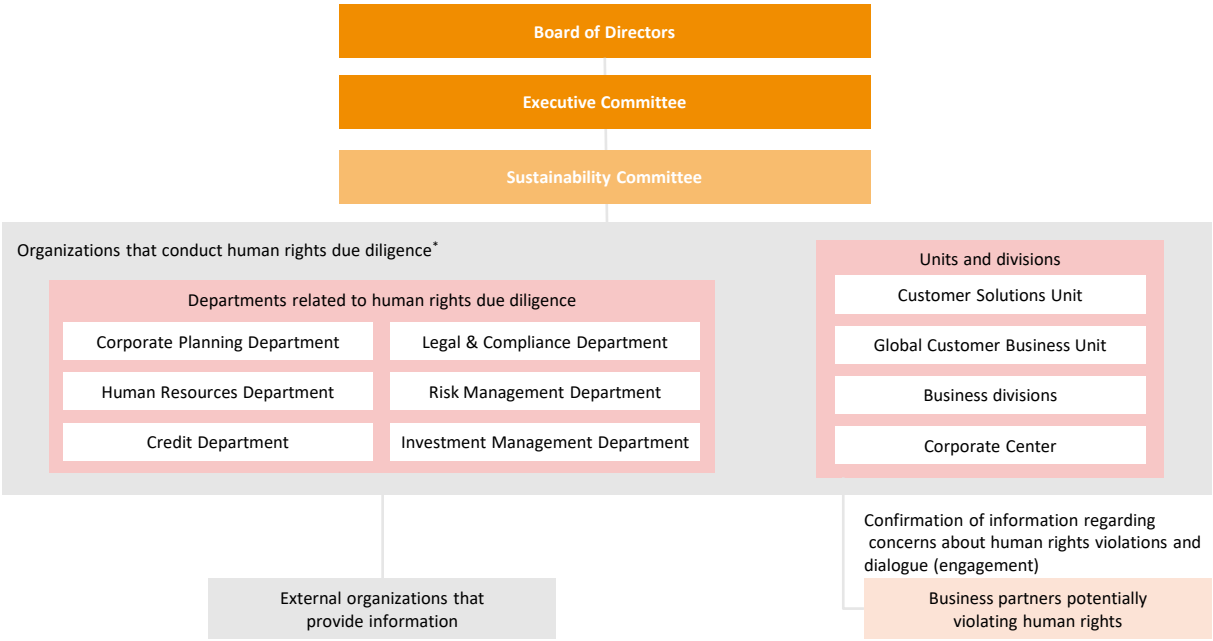
The Group is working on initiatives to respect human rights based on the Guiding Principles on Business and Human Rights Guiding Principles on Business and Human Rights and other guidelines. The main objective of human rights due diligence is to prevent human rights risks in our corporate activities and reduce their impacts by improving and enhancing human rights awareness at our business partners through dialogue (engagement).

Processes of conducting human rights due diligence



Human rights due diligence framework

When a unit/division recognizes information on a potential human rights violation by a business partner, it considers and determines a response policy in collaboration with relevant departments, based on which it has a dialogue (engagement) with the business partner. The status of implementing human rights due diligence is first reported to the Sustainability Committee and then also to the Executive Committee and the Borad of Directors.



* When concluding contracts with third parties, not only lease and other contracts with customers but also outsourcing and office supplies purchase contracts, confirm whether there is information about the contractor potentially causing, encouraging, or being directly involved in human rights violations.

Identifying critical risk areas

In order to address various types of human rights issues in consideration of how serious and probable they are, we have identified critical risk areas through the following process.

① Investigate the actual status of human rights initiatives conducted at domestic and overseas Group companies, and gain a comprehensive understanding of whether they have systems to screen business partners, the areas of human rights risk recognized by them, and specific human rights issues.

② Investigate situations of concern in each business regarding the human right issues identified in ①. Compare the results of the investigation with the human rights risk areas in the regions of where the Group companies operate and identify the relevant human rights risk areas.

③ Confirm the appropriateness of the human rights risk areas identified in ② by exchanging opinions with external experts and conducting verification based on the Ten Principles of the United Nations Global Compact and other international norms, and specify critical risk areas.

In order to respond to changing situations surrounding human rights, we continue to review critical risk areas through ongoing investigations and information gathering, and dialogue with stakeholders.

Identified critical risk areas	Targets (examples of general human rights issues)
Occupational health and safety	• Customers, suppliers (long working hours and death from overwork, insufficient management of occupational health and safety) • External vendors, business partners (long working hours and death from overwork)
Forced labor and human trafficking	• Customers, suppliers (forced labor involving technical intern trainees and in specific regions)
Child labor	• Customers, suppliers (child labor at rare metal mining sites, palm kernel plantations and plants, etc.)
Discrimination and gender	• Customers, suppliers (discriminatory actions at business partners) • External vendors (discriminatory remarks by external lecturers contracted for training sessions) • Business partners (racial bias in setting interest rates) • Employees (spread of videos containing discriminatory remarks)
Impacts on surrounding areas	• Group company, affiliated general contractors (forcing the development of a power plant despite opposition from local communities)

Status of human rights due diligence for business partners

Identified critical risk area	Number of concerns	
	FY2023*1	FY2024
Occupational health and safety	1	0
Forced labor and human trafficking	0	0
Child labor	0	0
Discrimination and gender	0	0
Impacts on surrounding areas	0	0
Total	1	0

Response to issues	Number of concerns	
	FY2023*1	FY2024
Confirmed appropriate response and recurrence prevention measures*2	1	0
Did not conduct the transaction	0	0
Currently confirming the occurrence of situations of concern and the business partner's response	0	0
Total	1	0

*1. November 2023-March 2024

*2. Confirmed the occurrence of a human rights violation at a business partner suspected of potential human rights violation, whether the potential human rights violation is related to the transaction with the Group, and that there were problems in the business partner's stance on respecting human rights.

Our response to inquiries and whistleblowing concerning human rights (complaint handling mechanism)

We receive consultation requests concerning human rights from our employees, including those of Group companies, through our internal whistleblowing systems: the Compliance Hotline and the Sexual/Maternity/Sexual Orientation and Gender Identity (SOGI) Harassment Hotline.

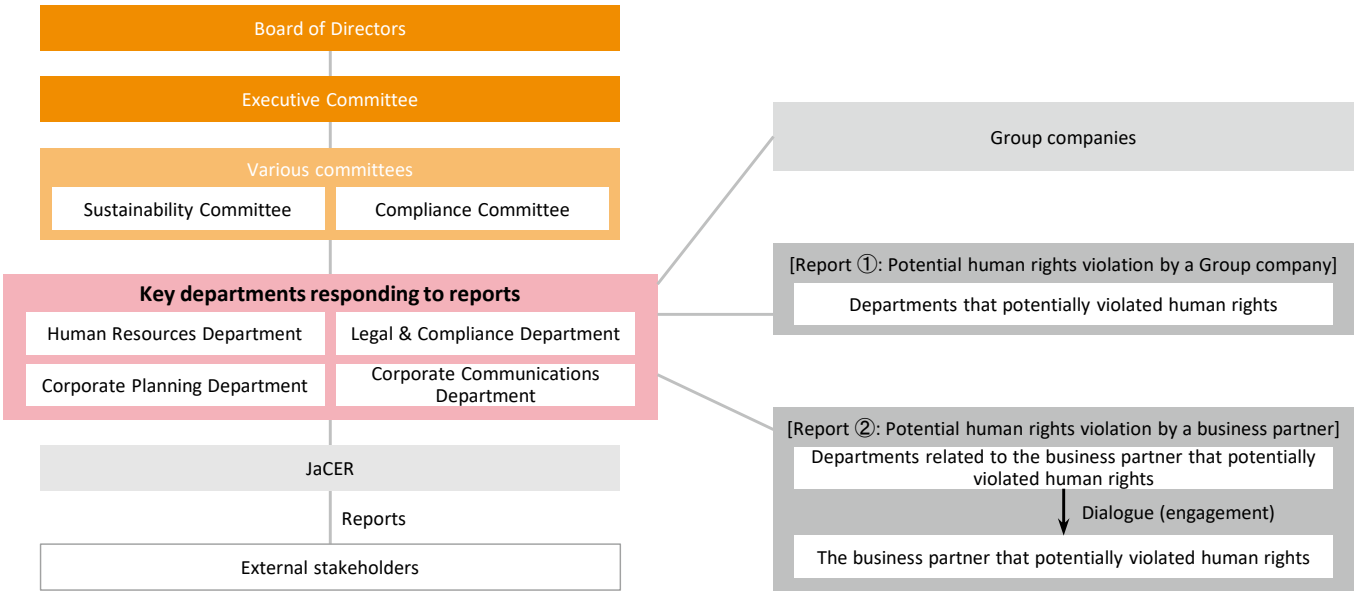
We receive consultation requests and inquiries related to human rights from all stakeholders outside the Company through a multilingual human rights hotline that makes use of the Engagement and Remedy Platform operated by the Japan Center for Engagement and Remedy on Business and Human Rights (JaCER). Care is taken to protect whistleblowers, and anonymous reports are also accepted. Details of inquiries and consultations are handled with the utmost care; information is kept confidential and disadvantageous treatment of whistleblowers is prohibited. Depending on the circumstances, information may be shared within an appropriate scope.

In FY2024, we received one complaint through the human rights hotlines we have established. In coordination with relevant departments, we investigated the facts, and appropriately engaged in discussing a response and communicating with the person who submitted the complaint.

▶ **JaCER's Grievance Form (external website)**
https://jacer-bhr.org/en/application/form.html
(Note) This contact desk gives full consideration to reporter protection and accepts anonymous reports.

Complaint handling framework (reports from external parties)

At the relevant departments that respond to human rights reports from external parties, persons in charge confirm the details and identify the departments that were involved, giving due consideration to the reporting person's privacy, etc. Details of consultation requests and inquiries related to human rights are reported to various committees in accordance with the content and the level of importance. They are also reported to the Executive Committee and the Board of Directors.



Response to the Modern Slavery Act in the UK

Mitsubishi HC Capital UK PLC, our UK-based Group company, has published a statement on its website regarding its efforts to prevent slave labor and human trafficking in accordance with the Modern Slavery Act, which came into force in the UK in 2015.

▶ **Please see the following for details:**
https://www.mitsubishihccapital.co.uk/media/lrceeyp3/2024-mhcuk-anti-slavery-statement-final-25-09-24.pdf

Human rights training and awareness raising

The Group educates and raises awareness among all employees about human rights in order to enhance human rights initiatives.

[Training]

In FY2024, in conjunction with the expansion of the scope subject to human rights due diligence initiatives, we conducted an e-learning course (including a comprehension test) on the basics of human rights, including business and human rights, the Group's Human Rights Policy and response to human rights, and strengthening of measures to prevent of workplace harassment, which was taken by all of our approximately 4,800 employees in Japan (100% attendance rate). In addition, we have conducted human rights courses for mid-career hires and e-learning courses on compliance, LGBTQ+ awareness, and sustainability, with a total of approximately 25,200 employees learning about human rights.
Furthermore, 17 group training sessions have been held, including a human rights course for new employees, training for managers including harassment prevention, diversity training, and LGBTQ+ awareness training, with a total of approximately 440 employees attending.

[Awareness raising]

As part of an awareness-raising initiative, we hold a slogan contest to raise awareness about human rights. We invite submissions every October, and in FY2024, we received 268 slogans from employees and their families including ones from 15 domestic Group companies, and awards were given to 46 excellent slogans.
As self-learning materials for our employees to access anytime, we started to publish the Human Rights Newsletter in FY2024. It covered four themes: volume 1. "What are human rights?," volume 2. "Business and human rights," volume 3. "Gender gaps," and volume 4. "Workplace harassment."
We have also published the Natural Support News since FY2021, to provide useful information for promoting employment of people with disabilities. In FY2024, it covered four themes: volume 1. "People with disabilities and reasonable accommodation," volume 2. "Hearing impairment," volume 3. "Physical disabilities (including upper and lower limbs, trunk, and motor functions)," and volume 4. "Mood disorders (such as depression and bipolar disorder)."
Our Group participates in the activities of initiatives such as the Global Compact Network Japan and the Tokyo Human Rights Enlightenment Liaison Meeting to stay informed about the latest information on human rights and to enhance our educational and awareness-raising materials.

Human capital initiatives

Strategic direction

The Group recognizes that the accumulation and utilization of human capital is an important challenge in enhancing corporate value through the realization of the Basic Management Policy and the medium-to long-term management direction. In particular, we will secure and utilize the necessary human capital, both in terms of quality and quantity, to achieve the SX/DX and business portfolio transformation outlined in the medium- to long-term management direction and the management indicator targets set by the Group.

Themes that we want to accomplish in the medium to long term and details of initiatives

In accumulating and utilizing human capital, we uphold the two themes of fulfillment of a talent portfolio and maintaining and improving MHC engagement* to be accomplished in the medium to long term. In order to accomplish these themes, in particular, we will prioritize working on the two matters: reconstruction of the human resource management base and creation of a system for maintaining and improving MHC engagement.*

* MHC engagement: A state in which employees work together as one to create value

a. Fulfillment of a talent portfolio

Policy

Secure and develop human resources contributing to the Group's realization of strategies (quality and quantity)

- We define the quality and quantity of human resources necessary to realize the medium- to long-term management direction and visualize a talent portfolio.
- We identify the disparities between our necessary human resources and current human resources in terms of quality and quantity and implement measures for filling them.

Indicators and targets

Scheduled to be announced around the timing of the announcement of financial results for FY2025.

Details of initiatives and results in FY2024

Reconstruction of the human resource management base

- We defined the jobs necessary to realize the medium- to long-term management direction.
- We defined and visualized the requirements for each job that we defined.
- We identified and visualized information on human resources (experience, skills, and competency) by conducting assessments, etc.

b. Maintaining and improving MHC engagement

Policy

Maintain and improve the three elements comprising MHC engagement

Definition of MHC engagement

The Group defines a state in which all employees work together as one to create value as having a high level of MHC engagement. MHC engagement is composed of the three elements of initiative and diversity, both of which indicate the level of action, and a positive workplace environment, which influences initiative and diversity.

Indicators and targets

The state is defined as "good" when scores of initiative and diversity are both 67 points (two out of three respondents gave a positive answer) or higher, and is defined as "generally good" when the scores are both 50 points (half of the respondents gave a positive answer) or higher. Organizations in the state of "good" or "generally good" are assessed as being in a state in which all employees work together as one to create value.

We promote initiatives to continuously maintain the percentage of "good" or "generally good" organizations at a continually high level, aiming to maintain and improve MHC engagement.

Overview of the FY2024 MHC engagement survey

Survey targets	All employees (excluding those who are absent due to business trips, leave, etc., part-time or dispatched employees, employees seconded from companies outside the Group)
Frequency	Once a year
Response rate	83.7% (MHC on a non-consolidated basis: 85.1%, domestic Group companies: 92.8%, and overseas Group companies: 77.9%)
Assessment criteria	Mainly the percentage of positive answers (percentage of persons who answered "agree" or "somewhat agree"*)
Survey items	Three items including a total of 63 questions regarding initiative, diversity, and office environment

* For negatively worded questions (questions where negative responses are considered more favorable), the percentage of persons who answered "somewhat disagree" or "disagree."

Details of initiatives and results in FY2024

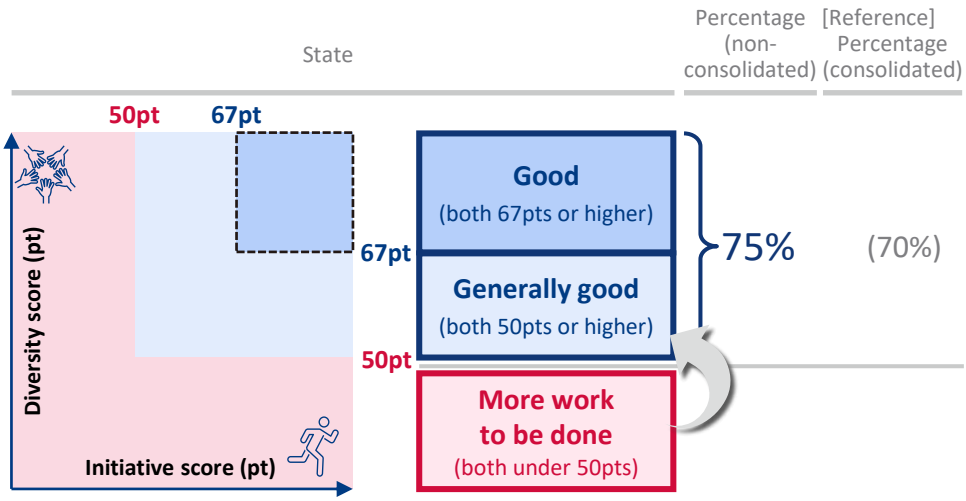
Details of initiatives

Creation of a system for maintaining and improving MHC engagement

- We enhanced the engagement survey by revising questions, etc.
- We quantified survey results

Results

75% of all organizations were in the state of "good" or "generally good."



Basic policy for labor standards

Regarding labor standards for work hours, salaries, and other matters, the Group not only complies with the laws and regulations of the countries and regions where our sites are located but also strives to create a better labor environment. We aim to reduce overtime work and ensure that living wages higher than the minimum level required by local laws are paid to employees not only in Japan but also at our overseas sites. We maintain high wage levels in order to secure excellent human resources.

To reduce overtime work, we have set a goal of reducing monthly average overtime to 14 hours or less as one of the non-financial targets in our Medium-term Management Plan. Although we have not yet achieved the target, we disclose overtime hours by department and by line to all employees on the intranet, aiming to raise the awareness of employees toward the reduction of overtime work. We are working to further reduce overtime by implementing efficiency improvement measures, such as setting “leave work early” days.

In FY2024, there were no violations of labor-related laws and regulations identified within the Company.

Basic policy for labor practices

Through dialogue and collaboration with relevant stakeholders, our Group will exclude all forms of exploitative labor practices, such as modern slavery, forced labor, human trafficking, and child labor, from the businesses and supply chains of the Group.

Compliance with labor laws

We respect the ILO Declaration on Fundamental Principles and Rights at Work and comply with labor laws.

Development of labor-management relations and labor relations

We will promote mutual cooperation between employees and between employees and the Company, and strive for the sound development of the Company’s business. We are working to maintain and develop appropriate labor-management relations by organizing an employee association for the purpose of improving the economic status of employees through the maintenance and improvement of labor conditions.

Basic policy on promoting diversity, equity, inclusion, and belonging

We position the promotion of diversity, equity, inclusion, and belonging (DEIB) as an important management strategy for the further expansion of the Group’s business domains and global operations. We have set the Policy for DEIB Promotion Initiatives and are working on Company-wide initiatives.

[Policy for DEIB Promotion Initiatives]

We seek to foster a vibrant corporate culture where each individual, as a member of an organization, creates new value with a sense of purpose, pride, and aspiration, by developing a work environment where diverse talent can leverage one another's strengths to maximize the impact of their individual motivations and abilities.

Specific initiatives

We are working on various initiatives so that employees with diverse attributes and values can play active roles.
Please see the following webpage for specific initiatives:

▶ **DEI promotion initiatives**
https://www.mitsubishi-hc-capital.com/english/sustainability/social/employees_and_families.html

Basic views on human resources and the employee welfare benefits system

Our human resources system focuses on job duties, rewarding employees based on the types and responsibilities of their jobs. Excluding junior employees who are in the initial stage of development (those who are in their first to sixth years since being hired as new graduates), grades and remunerations of non-managers as well as managers vary. The objective is to develop and enhance human resources while maximizing the performance of the entire organization by placing the right person in the right place, regardless of the year they entered the Company and their experience. The employee welfare benefits system offers company housing, allowances for employees posted away from their family, work from home, and child-rearing/daycare subsidies, aiming to support employees' lives and child-rearing.

Human resources data (non-consolidated basis)

Employees

Item		Unit	FY2020	FY2021	FY2022	FY2023	FY2024
Number of employees	Total	Persons	2,342	2,235	2,182	2,140	2,102
	Male		1,460	1,361	1,307	1,261	1,240
	Female		882	874	875	879	862
Number of employees: Male-to-female ratio (Japan)	Male	%	62	61	60	59	59
	Female		38	39	40	41	41
Number of temporary and non-permanent employees Number of senior temporary employees by gender (excl. dispatched employees)	Total	Persons	283	271	284	272	265
	Male		96	102	104	104	101
	Female		35	33	37	32	22
Number of employees by country/region	Total		2,342	2,235	2,182	2,140	2,102
	Japan		2,335	2,229	2,174	2,130	2,086
	Europe		0	0	0	0	0
	Americas		6	4	5	7	15
	China		0	0	0	0	0
	ASEAN		1	2	3	3	1
Number of non-Japanese employees	Total		-	-	20	20	23
Percentage of employees by age group	Under 30	%	19.4	18.5	16.9	16.6	16.6
	30-39		29.5	31.7	31.3	30.9	31.5
	40-49		27.5	28.1	28.5	28.6	29.6
	50-59		20.8	20.4	21.9	22.4	21.0
	60 or higher		2.9	1.3	1.6	1.5	1.3
Average years of service	Total	Years	15.6	15.5	15.8	15.5	15.3
	Male		17.1	16.5	16.7	16.5	16.3
	Female		13.2	13.8	14.4	14.2	13.8
Average age	Total	Age	40.9	40.4	41.0	41.3	40.5
	Male		42.8	41.8	42.4	42.6	41.9
	Female		37.8	38.2	38.9	39.4	38.5
Scope			c	c	c	c	c

Managers

Item		Unit	FY2020	FY2021	FY2022	FY2023	FY2024
Number of managers	Total	Persons	-	458	421	375	360
	Male		-	394	362	315	294
	Female		-	64	59	60	66
Percentage of female managers	Total	%	-	14.0	14.0	16.0	18.3
	Profit-earning divisions		-	-	-	17.7	21.0
	Corporate Center divisions		-	-	-	11.8	11.7
Percentage of mangers hired mid-career and non-Japanese managers	Mid-career hires		-	-	24.9	23.5	24.4
	Non-Japanese		-	-	0	0	0
Managers in positions equivalent to Subsection Chief (Team Leader)	Total	Persons	-	-	-	927	923
	Male		-	-	-	562	573
	Female		-	-	363	365	350
Percentage of female managers in positions equivalent to Subsection Chief (Team Leader)	Total	%	-	-	-	39.4	37.9
Number of managers in profit-earning divisions	Male	Persons	-	288	254	218	203
	Female		-	40	45	47	54
Scope			c	c	c	c	c

Salaries and remunerations

Item		Unit	FY2020	FY2021	FY2022	FY2023	FY2024
Average annual salary (All Employees)	Total	¥ in millions	8.3	8.7	9.2	9.8	10.1
Gender wage gap of regular employees (average wage of females / average wage of males)	Total	%	-	-	64.9	64.6	64.2
Average annual pay by position and gender	Managers						
	Male	¥ in millions	-	-	13.6	14.9	15.6
	Female		-	-	10.2	10.9	10.8
	Non-managers						
	Male	¥ in millions	-	-	9.5	10.1	10.4
	Female		-	-	6.6	7.0	7.2
Initial wage in FY2025	Bachelor	¥/ month	¥300,000/month (career-track positions, entered in Apr. 2025)				
	Master		¥320,000/month (career-track positions, entered in Apr. 2025)				
Ratio of standard salary of new hires to the minimum wage of Tokyo / weighted national average (Note) Neither of the career paths has a gender requirement. There is no difference in wages between regions of hiring	Career-track positions	%	Tokyo: 173% Weighted national average: 191%				
	Business professionals		Tokyo: 139% Weighted national average: 153%				
Scope			c	c	c	c	c

Hiring and employment

Item		Unit	FY2020	FY2021	FY2022	FY2023	FY2024
Number of new hires by age (total of new graduates and mid-career hires)	20-29	Persons	-	61	32	50	88
	30-39		-	13	11	27	51
	40-49		-	8	8	10	20
	50-59		-	1	1	2	3
Number of new graduates hired	Total		72	58	30	46	73
Percentage of mid-career hires	Total	%	44.2	37.0	49.2	56.6	56.3
Percentage of female new graduate hires for career-track positions	Total		-	43.1	56.7	46.5	41.7
Percentage of female hires	Total		-	33.8	48.9	41.3	42.0
Number of people with disabilities employed (March)	Total	Persons	59	62	70	74	77
Percentage of people with disabilities employed (annual average)	Total	%	2.2	2.4	2.5	2.7	2.8
Number of people reemployed	Total	Persons	41	54	54	55	53
	Male		39	48	48	51	43
	Female		2	6	6	4	10
Turnover rate (voluntary)	Total	%	2.4	3.4	2.4	2.4	2.1
Total turnover rate	Total		-	-	-	2.9	2.8
	Male		-	-	-	3.2	3.0
	Female		-	-	-	2.5	2.4
	20-29		-	-	-	1.7	1.7
	30-39		-	-	-	3.1	2.5
	40-49		-	-	-	2.0	2.8
	50-59		-	-	-	2.9	1.6
	60-69		-	-	-	-	-
Scope			c	c	c	c	c

Use of various systems

Item		Unit	FY2020	FY2021	FY2022	FY2023	FY2024
Percentage of maternity and parental leave taken	Total	%	100	100	100	100	100
Number of employees who took reduced working hours	Total	Persons	131	163	161	182	158
Number of employees who took childcare leave	Total		94	82	105	112	85
Percentage of employees who took childcare leave	Male	%	62.0	82.3	97.1	113.0	81.7
	Female		96.2	103.3	97.4	103.0	105.9
Percentage of returning to work after childcare leave	Female		-	100	97.8	97.5	100.0
Number of employees who took family care leave / time off	Total	Persons	0	17	9	15	18
Total days of family care leave taken by employees who took leave	Total	Days	-	-	25	38	52
Scope			c	c	c	c	c

Working hours and holidays

Item		Unit	FY2020	FY2021	FY2022	FY2023	FY2024
Annual total working hours per employee	Total	Hours	-	-	1945.5	1962.6	1909.3
Annual working hours exceeding the statutory limit per employee	Total		-	-	232.6	225.6	189.4
Monthly average overtime working hours per employee	Total		-	-	19.4	18.8	15.8
Percentage of annual paid holidays taken	Total	%	59.2	63.7	68.7	74.4	76.9
Number of annual paid holidays granted	Total	Days	-	-	19.8	19.8	19.8
Number of annual paid holidays taken	Total		-	-	13.6	14.7	15.3
Scope			c	c	c	c	c

Various systems for realizing work-life balance

We are encouraging a well-balanced work style by improving operations with the use of DX and by creating an environment that enables flexible working styles, such as flexible working hours without core time, work from home, and satellite offices. We have also introduced an hourly leave system, which allows employees to take paid leave in increments of one hour, aimed at ensuring employees' mental and physical health and improving productivity.

Overview of the performance evaluation system

We conduct (1) a performance evaluation to evaluate the results of the fiscal year and (2) a competency evaluation to evaluate behavioral characteristics once a year, respectively, aiming to maximize the performance and promote the growth of every employee as well as rationalizing their treatment based on fair evaluation. Both evaluations are based on the processes of self-evaluation and evaluation by managers. Regarding the performance evaluation, employees and their managers follow up on the employees' progress on their goals during the term and discuss measures to address issues. When employees are transferred or their missions are significantly changed during the term, their goals set at the beginning of the term can be flexibly revised.

Evaluation results are communicated to employees from their managers in interviews or other opportunities, and both parties confirm both positive points and negative points, The confirmed results are then used to set employees' goals for the next term and develop their abilities.

We also conduct 360-degree surveys of managers once a year to maintain and improve organizational management based on feedback from their staff, colleagues, and other parties involved.

Training system

We believe that it is important to transform the quality of our human resources, who contribute to realizing our management strategies, and to foster an awareness of career ownership—the idea that each of them takes the initiative in developing their own career— among our employees. Based on this belief, we have established a human resource development system with a policy focusing on (1) designing human resource development programs aligned with our Basic Management Policy, (2) designing human resource development programs that contribute to realizing Our 10-year Vision, "Together we innovate, challenge and explore the frontiers of the future," and (3) fostering and instilling an awareness of career ownership.

Focusing on each and every one of our employees, we continue to step up our initiatives to provide skill and career development opportunities.

Main human resource education, training, and support systems (FY2024)

Theme	Contents	Target	Number of sessions	Number of participants	Training time (h)		Training cost	
					Total	Per person	Total (¥ in millions)	Per person (¥)
Rank-based	Programs related to the skills required for each rank: junior, mid-level, and management-level	Junior	9	603	22,855	38	55	91,949
		Mid-level	6	202	2,760	14	26	128,874
		Management-level	8	407	6,050	15	36	87,345
Global	Programs for both mindset and skills		8	341	8,620	25	37	108,877
DX	Programs based on DX assessment results		6	2,767	3,681	1.3	16	5,605
Diversity	Programs on the themes of women's participation and advancement, career development, and corporate culture		10	4,387	4,849	1.1	11	2,517
Self-development, etc.	Financial support mainly for the self-development and professional development of each department		16	23,892	26,037	1.1	31	1,303
Total			63	32,599	74,851	95	212	426,471
Scope			c	c	c	c	c	c

Training and support for acquisition of qualifications

Item		Unit	FY2022	FY2023	FY2024
Annual average hours of training per employee	Average	Hours	30.1	29.4	49.6
	Age 20-29		60.9	65.9	108.0
	Age 30-39		23.9	19.4	37.1
	Age 40-49		21.4	16.8	40.5
	Age 50-59		24.5	20.4	36.8
	Age 60-69		55.7	43.9	31.7
	Male		30.6	30.1	49.3
	Female		29.3	22.3	50.0
	Managers		18.9	29.8	48.6
	Non-managers		32.8	26.3	49.8
Annual average days of training per employee	Total	Days	4.1	4	6.7
Annual average cost of training per employee	Average	¥	99,407	180,230	135,721
	Age 20-29		214,446	360,030	240,421
	Age 30-39		83,193	95,589	77,920
	Age 40-49		67,280	70,822	80,027
	Age 50-59		75,823	81,519	73,072
	Age 60-69		94,827	36,926	22,425
	Male		107,044	149,421	112,300
	Female		87,999	97,641	90,336
	Managers		72,387	156,003	139,175
	Non-managers		105,866	122,235	95,827
Percentage of employees who took training	Total	%	99	91	99
Total hours of training	Total	Hours	68,474	62,844	104,270
Number of types of training	Total	Types	3	3	3
Training participants	Total	Persons	2,157	1,955	2,102
Participants in the next-generation leader development program (participants in FY2024 / participants who were appointed as managers in FY2024)	Total		10	30	30
Employees who are eligible for incentives for acquiring official qualifications and acquired qualifications	Total		670	912	518
Scope			c	c	c

Employees eligible for the shareholding system for employees

Employees and senior temporary employees of Mitsubishi HC Capital and its domestic subsidiaries are eligible for enrolling in the employee stock ownership plan.

Human resources data (consolidated basis)

Employees

Item		Unit	FY2024
Number of employees	Total	Persons	8,348
	Male		4,674
	Female		3,674
Number of employees: Male-to-female ratio (Japan)	Male	%	56
	Female		44
Average years of service	Total	Persons	10.9
	Male		12.2
	Female		10.1
Average age	Total	Age	41.9
	Male		43.0
	Female		40.1
Scope			a-

Managers

Item		Unit	FY2024
Number of managers	Total	Persons	1,751
	Male		1,269
	Female		482
Percentage of female managers	Total	%	28
Scope			a-

Salaries and remunerations

Item		Unit	FY2024
Average annual salary (all employees)	Total	¥ in millions	9.4
Scope			b

Hiring and employment

Item		Unit	FY2024
Turnover rate (voluntary)	Total	%	5.4
Scope			a-

Use of various systems

Item		Unit	FY2024
Percentage of maternity and parental leave taken	Total	%	85.9
Number of employees who took reduced working hours	Total	Persons	212
Number of employees who took Childcare leave	Total		116
Percentage of employees who took childcare leave	Males	%	74.7
	Females		100
Number of employees Who took family care leave / time off	Total	Persons	29
Total days of family care leave taken by employees who took leave	Total	Days	109
Scope			b-

Working hours and holidays

Item		Unit	FY2024
Percentage of annual paid holidays taken	Total	%	81.3
Scope			a-

Training and support for acquisition of qualifications

Item		Unit	FY2024
Total hours of training	Total	Hours	174,964
Total cost of training	Total	¥ in millions	568
Scope			a-

(Note) Human resources data (consolidated): The figures in the ESG Databook 2025 and those in the securities report may not match due to differences in target employee categories.

Occupational health and safety

Basic views on occupational health and safety

We have defined the Basic Policy for Health and Safety Management as below:

Based on the unchanging basic principle of ensuring the health and safety of all employees above all else, we will actively implement health and safety initiatives to encourage every employee to always prioritize health and safety, ensure safe activities, and reduce risks independently. Thus, we will establish a comfortable work environment in which every employee can pursue active roles with peace of mind.
Furthermore, we have defined priority items in the Health and Safety Activity Guidelines as below:

(1) Sharing of the basic principle and policy for health and safety in each workplace
(2) Ensuring legal compliance and basics and ethics
(3) Ensuring safety when natural disasters occur
(4) Promoting health and productivity management
(5) Further improvement of mental healthcare
(6) Promoting efforts for eliminating vehicle accidents
(7) Improving health and safety standards on a global basis

Occupational health and safety targets

The Group has set the following targets in the Medium-term Management Plan and the Basic Policy for Health and Safety Management:

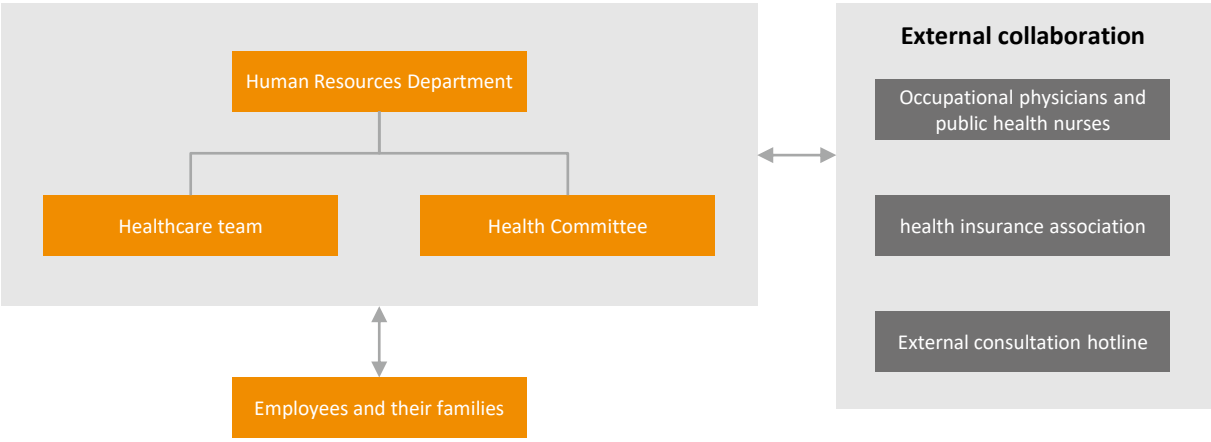
- Monthly average overtime: Below 14 hours
- Industrial accidents: Zero

<Results for FY2024>

Monthly average overtime	15 hours 47 minutes
Number of industrial accidents	7

Health and safety activity promotion framework

Offices with 50 or more employees appoint representative members to operate a Health Committee. Every month, a health-related theme is set, and occupational physicians provide explanations and answer attendees' questions.
Discussions are held with occupational physicians and public health nurses regarding initiatives for employees who work long hours or are considered high-risk.
We have also established a healthcare team to improve the level of health and performance in the workplace.



Occupational health and safety initiatives

To achieve monthly average overtime of 14 hours or less, we have set “leave work early” days and are implementing an initiative called the “Less Than 14-hour Overtime Challenge.” Thus, by promoting a flexible working style, we aim at improving employees’ work-life balance.

Health maintenance and promotion initiatives

We are working to promote health and productivity management based on our belief that it is crucial to reduce employees’ risk of illness and to maintain and improve their health, in order for them to fully exercise their abilities. To encourage employees to become more conscious of their health, we have implemented initiatives such as issuing internal magazines with health-related articles and partially covering the cost of employees’ genetic testing. We also hold regular walking events and offer incentives based on step count to improve employees’ daily exercise habits.

Occupational health and safety data

Item		Unit	FY2022	FY2023	FY2024
Rate of getting regular checkups	Total	%	100	100	100
Number of serious accidents	Total	Cases	0	0	0
Number of industrial accidents	Total		6	4	7
Number of fatalities related to industrial accidents	Total	Persons	0	0	0
Industrial accident frequency rate	Total	%	0	0	0
Annual industrial accidents rate per 1,000 workers	Total		0	0	0
Number of lost time accidents	Total	Cases	0	0	1
Lost time accident severity rate	Total	%	0	0	0
Cases of telephone health counseling service being used	Total	Cases	47	86	67
Scope			c	c	c

Item		Unit	FY2024
Rate of getting regular checkups	Total	%	100
Scope			b-

Health risks

Item		Unit	FY2022	FY2023	FY2024
Number of employees with mental health issues	Total	Persons	31	27	32
Percentage of employees with mental health issues (rate)	Total	%	0.98	0.85	0.99
Percentage of employees feeling stressed	Total		9.0	11.8	10.8
Percentage of employees on leave of absence	Total		-	1.04	1.24
Scope			c	c	c

Social contribution

Basic views on social contribution

In line with our Social Contribution Activity Policy, we place importance on the environment, human development, welfare and health, safety and security, and regional contribution, and we continuously conduct activities that allow us as a corporate citizen to contribute to local communities in regions worldwide, such as charities and volunteer work.
We regard social contribution activities as activities that contribute to society while helping us achieve Our Mission. Therefore, we are engaging in activities that align with the direction of the Company, including our basic policy and materiality, ensuring that they are continuous and involve our employees.

Please see the following webpage for details:

▶ **Social contribution**
https://www.mitsubishi-hc-capital.com/english/sustainability/social/community_and_society.html

FY2024 major social contribution programs and the number of participants and hours of activities

Date	Activity	Number of participants	Breakdown		Per person	Notes
			MHC	Group companies	Hours (h)	
May 17 and September 26, 2024 January 10, 2025	LTA (Learn, Think, Action) Project*	152	131	21	1.00	Target activities: internal sales event of fair trade products, the forest of Mitsubishi HC Capital Group, and volunteer snow removal
May 27 and June 3, 2024	Internal sales event of fair trade products	210	-	-	1.50	・The number of participants represents the total of event volunteers and visitors ・The hours represent the duration of the sales event
July 4-23, 2024	Artbility: Support for artists with disabilities	684	-	-	0.08	・The winner of the Mitsubishi HC Capital Special Award is decided by an employee vote ・Breakdown is unknown because the voting was done anonymously.
September 16, 2024 (online: September 30-October 27, 2024)	FIT for Charity Run	165	98	67	3.00	
October 5, 2024	The Forest of Mitsubishi HC Capital Group	0	-	-	4.50	Cancelled due to rain
January 24-25 and January 30-Feburary 1, 2025	Volunteer snow removal	64	54	10	6.00	
Total		1,275	283	98	-	
Scope		b				

* The purpose is so that employees are able to participate in volunteer activities with a full understanding of the meaning of social contribution activities, etc. Participants learn, think, and act regarding actual social issues related to the activity by participating in lectures and workshops held by experts.

[Activities conducted for local communities and awareness gained through them]

Volunteers removing snow in Obanazawa City, Yamagata Prefecture

Snow removal volunteer

<Overview>

A volunteer snow removal activity in the areas designated as special heavy snow area by the Act on Special Measures concerning Countermeasures for Heavy-snowfall Areas, mainly for the houses of elderly people living alone. We began this activity in Obanazawa City, Yamagata Prefecture, in FY2018 with the aim of contributing to resolving the shortage of people who remove snow due to a declining birthrate, an aging population, and depopulation. In FY 2024, we started this activity also in Oishida Town and Tozawa Village located next to Obanazawa City.

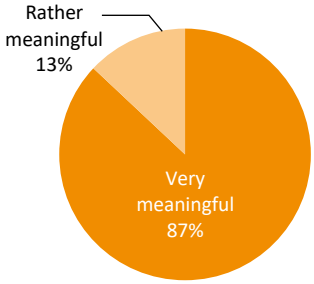
<FY2024 activity details>

- Date: January 24-25, January 31-February 1, 2025
- Location: Obanazawa City, Oishida Town, and Tozawa Village, Yamagata Prefecture
- Number of participants: 64 officers and employees of the Group (cumulative total)
- Number of buildings: 10 houses and three public facilities

<Comments from participants>

- By listening to local residents talk about the declining birthrate, aging population, and depopulation—issues I had never considered personally relevant—I felt a stronger desire to support them and to actively participate in this kind of volunteer activity going forward.
- I truly felt that population aging in rural communities is a serious issue. For people over 90, shoveling snow is incredibly difficult. While there are volunteer organizations in the region, including the local Council of Social Welfare, I believe that companies like ours can make a meaningful contribution by leveraging the power of numbers—as the saying goes, “There is strength in numbers.”

Was it meaningful to participate in the activity?



Participants from our Group

FIT for Charity Run

<Overview>

Through this charity run event, we donate the sponsorship money and entry fees from participants to charitable organizations that have only limited fund-raising capabilities. It has been held since 2005 by like-minded individuals in the financial industry and is intended to be a powerful expression of the industry’s collective commitment to making a positive contribution to the community and to strengthen ties within the industry.

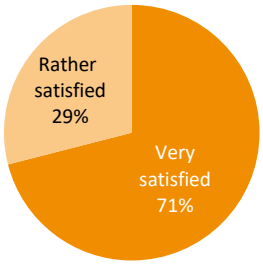
<FY2024 activity details>

- Date: September 16, 2024 (online: September 30-October 27, 2024)
- Location: National Studium and online
- Number of participants: 165 including officers and employees of the Group and their family members
- Amount of donations: ¥1,149,000

<Comments from participants>

- In addition to contributing to society, I was also able to talk with various people beyond the boundaries of our Group companies, which was very inspiring. I would definitely like to participate in the next round of this event.
- I believe that the essence of volunteering is for participants to enjoy themselves. I would love to take part in and enjoy future activities as well.
- It was a large and enjoyable event, so even more people should have joined. I felt that the larger the number of participants, the more energized the company would get.

Level of satisfaction with this activity



Mr. Toshiro Ide, the recipient of the Mitsubishi HC Capital Special Award in the 36th Artbility Award

Artbility: Support for artists with disabilities

<Overview>

Since 1998, we have sponsored the Artbility Awards, a program managed by the social welfare corporation Tokyo Colony, to support artists with disabilities, and conferred the Mitsubishi HC Capital Special Award. Artworks registered with Artbility are used in various publications and media by companies, municipalities, and other organizations, and royalties for using them are paid to the artists. The Mitsubishi HC Capital Special Award is given in recognition of artists who share our pioneering, ambitious spirit and continuously take on bold new challenges. The recipient of the award is decided by a vote of employees.

We provide further support for the artists by paying royalties for using their artworks on the top pages of our shareholder communications, ESG Data Book, and calendars.

<FY2024 activity details>

- Date: July 4-23, 2024
- Number of votes: 684
- Amount of donations: ¥800,000 (sponsorship money for the Artbility Award)

<Comments from participants (at the time of voting by employees for the artist)>

- The artwork conveys the artist's warm perspective toward the subject, along with his strong and uncompromising determination. I felt that his determination strongly resembles our Action Principles of challenge, diversity, and sustainability.
- I learned that, despite acquiring disabilities, he continues to create highly detailed artworks, and that he entered art school after starting his working career as he never gave up on his dream of becoming a professional illustrator. I felt that his story encourages us to believe that dreams can be achieved. I resonated with how he worked hard to pursue his passion and achieved his dream.

Expenses related to the Group's social contribution activities

Category	Figure	FY2020	FY2021	FY2022	FY2023	FY2024
Environment	Expenses (¥)	3,920,000	5,005,829	5,571,519	18,769,489	26,671,913
	Percentage (%)	8.0	4.8	4.6	15.5	13.4
Human development	Expenses (¥)	2,940,000	2,464,615	2,524,900	14,779,203	11,801,061
	Percentage (%)	6.0	2.4	2.1	12.2	6.0
Welfare and health	Expenses (¥)	30,870,000	11,530,120	66,040,491	19,355,276	67,077,096
	Percentage (%)	63.0	11.0	54.7	16.0	33.9
Safety and security	Expenses (¥)	9,800,000	62,887,196	40,444,944	25,985,579	15,392,634
	Percentage (%)	20.0	60.1	33.5	21.4	7.8
Regional contribution and other	Expenses (¥)	1,470,000	22,800,851	6,106,530	42,271,806	76,970,008
	Percentage (%)	3.0	21.80	5.1	34.9	38.9
Total (¥)		49,000,000	104,688,611	120,688,384	121,161,353	197,912,712
Scope		a	a	a	a	a

Expanding access to finance

Initiatives to improve financial literacy

PT. Mitsubishi HC Capital and Finance Indonesia (hereinafter "MHCI") pursues the management vision to become a trusted financial company that drives the development of the financial industry in Indonesia. To achieve this vision, MHCI is working to create an environment where local people have access to various financial institutions, products, and services. As part of this initiative, MHCI is actively implementing a financial literacy improvement program.

The following activities were implemented in 2024:

1. **Hosting a seminar for students**
   Collaborating with Universitas Katolik Indonesia Atma Jaya, MHCI held a seminar for law students with the theme "Let's learn about financial companies." The seminar helped students to deepen their understanding of financial companies, the types of loans, and related regulations.

2. **Participating in Multifinance Day**
   MHCI participated in Multifinance Day, an event organized by the Indonesia Finance Services Association (APPI). At this event, MHCI gave a presentation about its loan products and other financial services to visitors to a shopping mall. We hope that, through this event, we can get consumers of various sectors interested in our loan products.

▶ **Please see the following webpage for details:**
https://www.id.mitsubishi-hc-capital.com/literacy_inclusion.html

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