

# Corporate Governance Report

Last Update: June 28, 2022

Mitsubishi HC Capital Inc.

President & CEO Takahiro Yanai

Securities Code: 8593

<https://www.mitsubishi-hc-capital.com/english/>

The corporate governance of Mitsubishi HC Capital Inc. (the “Company”) is described below.

## **I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information**

### **1. Basic Views**

For the Company’s basic views on corporate governance, please refer to Principle 3.1 (ii) “Disclosure Based on the Principles of the Corporate Governance Code.”

### **[Reasons for Non-compliance with the Principles of the Corporate Governance Code]**

The Company regards the appropriate development and operation of the corporate governance framework as one of the most important challenges of its management, and has fulfilled all the principles of the Corporate Governance Code.

### **[Disclosure Based on the Principles of the Corporate Governance Code]**

Principle 1.4

Strategic shareholdings

#### **1. Policy for strategic shareholdings**

Under the corporate policy for enhancing its corporate value, the Company holds listed shares (strategic shareholdings) for purposes other than pure investment (targeting gains primarily through fluctuations in the value of shares and the receipt of dividends), with a view toward developing stable and long-term relationships with business partners and promoting business, along with strengthening such relationships based on capital/business alliances, and creation of new business opportunities. In its strategic shareholding practice, the Company’s basic policy is to regularly examine if it is rational to hold each stock and sell such strategic shares that are judged no longer rational to hold. Even when it is judged rational to hold shares, the Company may sell such shares in consideration of the impact of the risk of mark-to-market valuation fluctuation of the shares on the Company’s finance, capital efficiency, etc.

#### **2. Method for verifying the rationality of strategic shareholdings**

- (i) A quantitative evaluation based on factors including the size of business transactions/profit, dividends received, and capital costs;
- (ii) A qualitative evaluation of the business activities to date; and,
- (iii) Potential business opportunities in the future.

The Board of Directors verifies the rationality of strategic shareholdings effectively by adjusting the focus on each of the items above for each investee in accordance with the significance of holding each stock and the benefits expected therefrom.

### 3. Verification of the rationality by the Board of Directors

The Board of Directors examined the listed stocks using the method in 2. above at the Board of Directors meeting for the fiscal year ending March 31, 2022. It was confirmed that stocks subject to this examination and that were judged no longer reasonable to hold would be sold.

### 4. Basis for exercising of voting rights

The Company is dealing appropriately with the exercise of the voting rights of strategically held shares, in light of the aforementioned purposes of strategic shareholding (such as the development of stable and long-term relationships with business partners, as well as the promotion of business). The Company is dealing appropriately with the exercise of voting rights that may affect the enhancement of our corporate value over the medium- to long- term, the corporate value of our business partners, or shareholder interests, after verifying the circumstances and the potential impact with particular care. The Company believes that the exercise of voting rights would have a potential impact on the corporate value and the shareholders' interests in the Company, as well as its business partners, insofar as such an exercise of voting rights concerns the following agendas:

- Agenda on the disposal of surplus
- Agenda on the election of directors and auditors
- Agenda on organizational restructuring, etc.

### Principle 1.7

#### Related party transactions

When the Company engages in transactions with its own Directors or Audit & Supervisory Committee Members and with major shareholders (i.e., related party transactions), it establishes the following systems and procedures to ensure that such transactions do not harm the interests of the Company or the common interests of the shareholders:

- In the Compliance Manual, which compiles the basic policies for promoting compliance by the Group, clauses have been established that clearly prohibit certain transactions, such as those that constitute conflicts of interest, and to eliminate preferential transactions.
- When a transaction takes place between the Company and its Directors or Audit & Supervisory Committee Members, the appropriateness of the terms of the transaction, as well as the method of determination thereof, are deliberated in advance at meetings of the Board of Directors which include Outside Directors before a decision is made.
- In view of the importance of the Company offering credit to major shareholders and to the Company's subsidiaries, when the amount of credit exceeds a certain percentage of total assets, based on the Company's internal rules, the appropriateness of the amount of the credit offering, as well as the method of determination thereof, are deliberated in advance at meetings of the Board of Directors which include Outside Directors before a decision is made regarding such credit offering, as part of the supervision by the Board of Directors.
- Funding from the Company's major shareholders and its subsidiaries is determined and reported at the Board of Directors' and other meetings, in accordance with the decision-making authority set forth in the Company's internal rules.

- Regarding deliberations of the Board of Directors concerning transactions between the Company and a company in which the Company's Director concurrently serves as an officer, the fairness of the deliberations is guaranteed by requesting such Director to recuse from participating in such deliberations.
- The Audit & Supervisory Committee Members and the Accounting Auditor audit the status of transactions between parties related to the Company.

#### Supplementary Principle 2.4.1

##### Ensuring diversity in key personnel within the organization

###### <Views on ensuring diversity>

The Company has established the Diversity Promotion Office aiming to promote the participation of diverse talent, making use of individual attributes such as nationality, age, and gender, and is active in developing work environment where every employee can efficiently work with motivation and vigor as well as establishing systems to support a good balance between work and family.

###### <Women>

###### 1. Voluntary and measurable goals and disclosure

The Company has actively promoted women's empowerment, such as obtaining 2-Star Eruboshi certification (certification for business owners based on the formulation of an action plan as per the Act on Promotion of Women's Participation and Advancement in the Workplace). In addition, per this Act, the Company formulated an action plan for general business owners with the target period of the five years from April 1, 2021 to March 31, 2026, in which the numerical target of the percentage of women in managerial positions (Section Manager or above) is set at 20% as a minimum.

The percentage of female managers is currently 14.8%. As female employees account for approximately 40% of the Company's employees, the Company will continue to set a numerical target for the ratio of female managers and actively implement initiatives to achieve the target, as a priority issue in diversity promotion.

###### 2. Policies for talent development and improvement of work environment

In order for developing female employees in managerial positions, the Company has introduced training programs exclusively for female employees, external training programs with the purposes of exchange with female managers of other companies, training programs for developing and selecting managers, and others. The Company has also implemented career support measures including a system for career course changes according to capability, competence, and motivation for challenges, and various measures to support a good balance between work and child care such as a system to allow working from home and flexible working hours and a system to provide re-employment opportunities to employees who quit due to the overseas relocation of the spouse or childcare/elderly care. For the development of candidates for female managers in each office, the Human Resources Department interviews with the employee to exchange views on her career plan and establish a mindset. Interviews between the manager of the candidates and the Human Resources Management Department are also held for the regular monitoring of the status of talent development, career plan, status of job assignment, checks of work environment, etc. Thus, a solid talent development environment has been built by the head office and front offices working together.

<Foreign nationals and mid-career hires>

#### 1. Voluntary and measurable goals and disclosure

The Company continues hiring activities not bound by nationality, and there are approximately 30 foreign employees, among which one is actively working as a manager. The Company will continue efforts for increasing the number of foreign managers by actively hiring and developing them.

Meanwhile, mid-career hires account for just over 30% in managerial positions of the Company. The Company will continue efforts for maintaining and raising the ratio of mid-career managers by actively developing mid-career hires.

#### 2. Policies for talent development and improvement of work environment

The Company has recruited and hired persons with necessary attributes and capabilities according to the business environment as appropriate, not bound by nationality or experience. After hiring foreign nationals or mid-career persons, the Company provides an environment necessary for such employees to demonstrate their abilities, such as opportunities for education and promotion (job-level training, training for selected employees, e-learning, etc.) equivalent to those for Japanese employees or new-hires.

The Company has developed internal environment which enables foreign employees to smoothly work, including from the perspective of language, such as the dispatch of Japanese employees to overseas group companies, active implementation of education programs to develop business-level English proficiency and global mindsets, and dispatch of important internal information translated into English simultaneously with the Japanese version.

Regular performance evaluation interviews with managers and HR interviews (one-on-one interviews with the staff of the Human Resources Management Department to confirm the career planning of each employee) have been conducted to facilitate appropriate support by hearing career plans and job-related worries.

The figures above are all current as of April 2022 (non-consolidated basis).

Please refer to the Company website for details.

[https://www.mitsubishi-hc-capital.com/english/sustainability/social/employees\\_and\\_families.html](https://www.mitsubishi-hc-capital.com/english/sustainability/social/employees_and_families.html)

#### Principle 2.6

##### Roles of corporate pension funds as asset owners

Currently, the former Mitsubishi UFJ Lease & Finance Co., Ltd. and the former Hitachi Capital Corporation each operate a pension plan respectively, and have constructed the system below so that their corporate pension plans will enhance the investment profession and fulfill the functions expected of an asset owner.

The corporate pension plan of the former Mitsubishi UFJ Lease & Finance Co., Ltd. defines a policy asset mix of pension assets in order to secure long-term returns, and such assets are managed through appropriately diversified asset allocation, with the aim of ensuring asset management that secures a stable source of benefits in the future.

The former Mitsubishi UFJ Lease & Finance Co., Ltd. has established the “Basic Policy Concerning the Management of Pension Assets” to address the management of conflicts of interest between the beneficiaries of the corporate pension plan and the Company, with a view toward maximizing the interests of beneficiaries. In particular, in selecting an asset management institution, a rigorous screening is conducted based on evaluations by an evaluation body through “qualitative evaluation, primarily of business operations, reputation in society, and investment

policies (stewardship code, policy on ESG initiatives, etc.)” and “quantitative evaluation, primarily of experience and track record in investment and management.” A decision is then made based on the opinions of the Asset Management Committee. The members of the Asset Management Committee are selected from among persons with experience in corporate pension work. The selected members develop further knowledge by participating in training sessions and seminars conducted by asset management institutions and other organizations.

The corporate pension plan of the former Hitachi Capital Corporation invests the pension assets through the Mitsubishi HC Capital Corporate Pension Fund (the “Fund”). Since the stable investment of the corporate pension reserves will affect the company’s own financial status, in addition to ensuring future asset building of the employees, (i) from a personnel perspective, a person who has professional ability and knowledge of the pension investment will be appointed as an investment exercise director, and (ii) from an operations perspective, measures such as reporting the investment situation to the Asset Management Council established within the Company and the management team will be conducted. Furthermore, the Board of Representatives, which is a decision-making body of the Fund, consisting of the members selected by the business owner and the members selected by a mutual vote of the other participating members, will operate under a system which ensures appropriate management of conflicts of interest between the Company and a participating member who is a beneficiary. The situation of the investment and other operations shall be reported to the participating members regularly.

#### Principle 3.1(i)

##### Basic Management Policy

The Company has established its Corporate Philosophy, which has been disclosed online at the following URL:

- Corporate Philosophy  
(<https://www.mitsubishi-hc-capital.com/english/corporate/idea/index.html>)

##### Medium- to Long-Term Management Direction

The Company has formulated the “medium- to long-term management direction” for achieving its Mission (what the Company aspires to be from a long-term perspective), which has been disclosed online at the following URL. We will formulate a Medium-term Management Plan which starts in April 2023 based on the “medium- to long-term management direction”.

##### Medium- to long-term management direction

(<https://www.mitsubishi-hc-capital.com/english/investors/library/report/index.html>)

Please refer to “Financial Results for the Fiscal Year Ended March 31, 2022” from the link above.

#### Principle 3.1(ii)

##### Basic Views on Corporate Governance

###### <Basic Views>

The Company recognizes that it is one of our social responsibilities to ensure transparent and sound management, while emphasizing initiatives to achieve sustainable corporate growth and a medium- to long-term improvement in corporate value. Respecting the rights and interests of all of our stakeholders—shareholders, customers, local communities, and employees—the Company works to fulfill the trust they place in us, and aspire to contribute to a more prosperous society. To fulfill these social responsibilities, we engage in continuous 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, improving investor relations (IR), and related activities.

<Basic Policies>

[Appropriate collaboration with all stakeholders]

In accordance with the Company's "Vision," which guides all of the Company's activities, and the "Mitsubishi HC Capital Group Code of Ethics and Code of Conduct," which serves as the standard for the decisions and behaviors of all employees, the Company strives to ensure appropriate collaboration with its various stakeholders, including shareholders, customers, local communities, and employees. In addition, the Company strives to foster a corporate culture that encourages respect for the diversity of our stakeholders, their rights and perspectives, and sound corporate ethics.

[Appropriate information disclosure and ensuring transparency]

The Company strives to conduct proactive and continuous information disclosure in order to be trusted and properly evaluated by each of its stakeholders. We also establish and appropriately operate internal systems to facilitate the swift and impartial disclosure of accurate information regarding our management policies, business strategies, business activities, financial condition, etc. In addition to the items we are required to disclose pursuant to laws and regulations, we actively and voluntarily disclose non-financial information deemed useful to our stakeholders.

[Ensuring the rights and equality of shareholders]

The Company takes appropriate steps to ensure that the rights of shareholders are secured and can be exercised effectively, including furnishing the necessary environment for the exercise of such rights, and gives consideration to the fair treatment of all shareholders, including minority shareholders and foreign shareholders.

[Dialogue with shareholders]

Through events such as financial results briefings and other domestic and overseas investor relations (IR) events, the Company pursues proactive and constructive dialogue with shareholders. We thereby seek to gain understanding from shareholders regarding matters such as the Company's business strategies, while responding to the shareholders in an appropriate manner based on an understanding of their perspectives.

[Responsibilities of the Board of Directors]

All members of the Board of Directors, including Outside Directors, call upon their experience and insight as they engage in free and open discussions, contributing to active proceedings of the meetings of the Board of Directors. In this manner, they adequately fulfill their duties and responsibilities to achieve the sustainable growth of the Company, medium- to long-term improvement of its corporate value, and enhancement of its earnings capacity and capital efficiency in an environment that supports appropriate risk-taking.

Principle 3.1 (iii)

Policies and Procedures to Determine Compensation of Directors

A policy relating to the Board of Directors' decisions concerning the amount of compensation, etc. of the Directors (except Directors who are Audit & Supervisory Committee Members) has been disclosed in documents such as this Report and Securities Report. The amount of compensation is determined based on prescribed standards resolved by the Board of Directors after discussion in advance by the Compensation Committee, of which Independent Outside Directors comprise the

majority. Decisions relating to the amount of compensation for each individual have been entrusted entirely to the Representative Director, President & CEO, and the fairness of such decisions is guaranteed by an ex-post verification of the specific amount to be paid by the Compensation Committee.

#### Principle 3.1(iv)

##### Policies and Procedures for Selection and Dismissal of Directors

The Board of Directors resolves the appointment of candidates to serve as Directors after the Nomination Committee, of which Independent Outside Directors comprise the majority, holds discussions in advance based on the selection standards described below. The Board of Directors also resolves the appointment of 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.

In addition, if Directors are found to meet the dismissal standards described below, their dismissal is deliberated by the Nomination Committee in a timely manner and decided by the Board of Directors.

##### [Selection Standards]

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 Standards]

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

#### Principle 3.1(v)

##### Reasons for Selection, Dismissal and Nomination of Directors

The reasons for electing the candidates for Directors at the most recent Annual General Meeting of Shareholders are stated in the Notice of Convocation of the General Meeting of Shareholders. For details, please refer to the link below.

During the most recent fiscal year under review, no Directors or Executive Officers have been dismissed.

<https://www.mitsubishi-hc-capital.com/english/mul/investors/index.html>

### Supplementary Principle 3.1.3

#### Sustainability

##### 1. Efforts on sustainability

The Company believes 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.

With this fundamental understanding, and to lead and promote sustainability-based management, the Company established a Sustainability Committee in April 2021 to better contribute to the realization of a sustainable and prosperous future. The Sustainability 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 the management strategies. The Sustainability Committee is chaired by the Head of the Engagement Division, and its members comprise Executive Officers in charge of business departments and the corporate center, including the President & CEO. The committee implements a wide range of activities—including checking the progress of activities and the level of achievement of targets in non-financial sectors, deliberating over new activities, and discussing non-financial indicators—and reports the results to the Executive Committee and the Board of Directors.

The Company has identified its material issues as the first step of sustainability management, with the understanding that they are key issues that the Company needs to address preferentially by devoting limited resources, in order for the Group to continue to grow. The Company will formulate medium- to long-term strategic goals in consideration of the material issues going forward.

<Material issues of the Mitsubishi HC Capital Group>

- (1) Advance toward a Carbon-free Society
- (2) Realize a Circular Economy
- (3) Build Resilient Social Infrastructure
- (4) Realize Healthy and Prosperous Lifestyles
- (5) Create Businesses Making Use of the Latest Technologies
- (6) Symbiosis with Each Region Worldwide

Please refer to the Company's website for details of the material issues and sustainability efforts.

<https://www.mitsubishi-hc-capital.com/sustainability/index.html>

##### 2. Investment in human capital and intellectual property, etc.

The Company's vision includes fostering of an open, creative, and engaging corporate culture that shapes each and every employee's motivation and pride. The Company established the Diversity Promotion Office with the aim to help diverse talent to play an active role by taking advantage of individual attributes such as nationality, age, and gender, as well as taking advantage of diverse values. The Company has actively worked on the development of work environment where every employee can efficiently work with motivation and vitality as well as the enhancement of the systems to support a good balance between work and family.



Our diversity promotion includes the promotion of work-life balance and the support for the development of the next generation, including women empowerment. The Company has also developed and promoted a healthcare system comprising “self-care”, “care for the line by managers”, and “care by internal healthcare staff (HR)”, aiming to promote the health of employees.

The Company is also strategically making use of computerized information (software and database), innovative property (R&D and licenses), economic competencies (talent (human capital) and organization) and other intangible assets, regarding them as important for sustainable growth.

With the vision of the enhancement of corporate value by utilizing digital technology and data, the Company has been formulating medium- to long-term digital transformation strategies and promoting digital transformation initiatives.

At the same time, the Company is working to develop talent who are positive about digitalization by promoting self-development of employees, such as promoting the acquisition of related qualifications as a part of the education system.

### 3. Impact of climate change-related risks and revenue opportunities on the Company’s business activities, revenue, etc.

The Company promotes its unique and advance business with consciousness of global environment to solve social issues. Especially, climate change exerts a grave impact on the global environment, including its ecosystems, as well as on people’s lives and business activities. We believe climate change constitutes a major risk confronting the Mitsubishi HC Capital Group, and simultaneously, may also bring new business opportunities. To clearly specify our policy, we are supporting recommendations by the Task Force on Climate-related Financial Disclosure (TCFD).

Furthermore, recognizing the importance to disclose climate-related financial information, we also endeavor to play our part in the realization of international targets identified by the United Nations Sustainable Development Goals (SDGs) and the Paris Agreement. To this end, we will act in collaboration with other Group companies as well as a broad range of stakeholders, including government agencies, external business corporations, and industrial associations to realize society’s transition with decarbonization.

We will expand disclosure regarding climate change information based on TCFD recommendations, and emphasize to urge the environmental conscious efforts through customers’ business and the efforts to reduce greenhouse gas emissions of the Group.

We have established an Environmental Policy to facilitate business activities harmonizing with environment and society. Please refer to the following for our Environmental Policy.

<https://www.mitsubishi-hc-capital.com/sustainability/environment/>

#### Supplementary Principle 4.1.1

##### Disclosure of the scope of delegation to management

The Company establishes important matters that need to be resolved by the Board of Directors, in accordance with the Rules of the Board of Directors, and decisions regarding other matters are delegated to the Executive Directors and made at the Executive Committee. In order to ensure the proper implementation of the Rules of the Board of Directors, standards have been established for items to be submitted to the Board of Directors. Among those matters that need to be resolved by the Board of Directors, as provided in the Rules of the Board of Directors, specific standards requiring a resolution of the Board of Directors have been established for “the disposal of and acceptance of transfer of important assets” such as the buying and selling of receivables and assets,

“borrowing of a significant amount” such as borrowings, and “the establishment, revision, or abolition of important internal rules.”

If specific standards requiring a resolution of the Board of Directors are to be set by reference to monetary amounts, a standard amount is determined based on the amount of total assets.

#### Principle 4.9

Independence standards for Outside Directors and selection of Outside Directors

Please refer to II 1. “Independent Directors” in this report.

#### Supplementary Principle 4-10-1

Establishment of independent Nomination Committee and Compensation Committee

The Company has established the Nomination Committee and Compensation Committee as advisory bodies to the Board of Directors, in order to strengthen the independence, objectiveness, and accountability of the Board of Directors’ functions concerning the nomination, compensation, etc. of Directors.

Independent Outside Directors comprise the majority of both the Nomination Committee and Compensation Committee, and their members and the chairperson are selected by the Board of Directors.

The Nomination Committee discusses the appointment of Directors, the succession plan for the Representative Director, President & CEO, the knowledge, experience, skills, and other qualities that the Directors should have, and other matters.

Meanwhile, the Compensation Committee regularly monitors the Directors’ compensation system of the Company in comparison with the market standard by using an external specialized agency, and discusses policies concerning the systems, standards, etc. for Directors’ compensation.

It is stipulated in internal rules that the decisions on particularly important matters such as nomination and compensation to be made by the Board of Directors shall respect the resolutions of each committee, based on the understanding that appropriate involvement of Independent outside Directors is extremely important.

#### Supplementary Principle 4.11.1

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

The Company assumes that the Board of directors shall possess skills in “general corporate management,” “financing,” “financial accounting,” “legal, compliance and risk management,” “international business” and other areas.

The Company recognizes that diversity of Directors is important for purposes of strengthening the function of the Board of Directors, and that gender, nationality, and race are factors which should be considered. On the other hand, the Company believes that it is not necessarily desirable, for purposes of strengthening the functions of the Board of Directors, to elect a Director with a certain attribute merely to comply with formal and external diversity requirements even when they lack the qualities and abilities that are required for the role. Therefore, the Company believes, as a desirable way of achieving diversity within the Company, that it is necessary to consider whether such Director is expected to perform the necessary skills and possesses the ability in light of the respective management environment as a top priority, and electing a desirable person without restrictions on gender, nationality, race, age, career, etc. Based on such a view, the Company will continue to determine the appropriate composition of the Board of Directors.

Currently, we assume that the Company'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.

The Company has currently elected two female Directors while no foreign Director has been elected. However the Company acknowledges that the Board of Directors has been performing a sufficient 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.

Please refer to Principle 3.1 (iv) for the policies and procedures for selection and dismissal of directors. The skill matrix is published on our website.

<https://www.mitsubishi-hc-capital.com/sustainability/governance/index.html>

#### Supplementary Principle 4.11.2

Information on Directors and Audit & Supervisory Committee Members who have concurrent posts

Regarding the nomination of Director candidates, the Company makes a decision after consideration of the situation surrounding the concurrent posts, and consideration of whether such candidate could sufficiently perform their expected duties as Company Director.

The Company determines whether current Directors put sufficient time and effort into their work to fulfill their respective roles and responsibilities appropriately.

Information on Directors and Audit & Supervisory Committee Members who have concurrent posts has been included in the Business Report posted in the Notice of Convocation of the General Meeting of Shareholders, which can be viewed at the link below:

<https://www.mitsubishi-hc-capital.com/english/investors/meeting/index.html> (Only in Japanese)

#### Supplementary Principle 4.11.3

Evaluation of the Board of Directors and disclosure of the results thereof

The Company's Board of Directors every term evaluates its effectiveness throughout the year based on the review and evaluation by all of the Directors on their activities, and implements the PDCA cycle for further improving the effectiveness.

We have decided to request opinions from all the Directors for the evaluation of the Board of Directors' effectiveness for FY2021, the first year of business integration, based on the discussion in the Governance Committee held in February 2022 involving Outside Directors. Based on the opinions heard, the Governance Committee and the Board of Directors discussed and evaluated the effectiveness of the Board of Directors. The details of the discussion are as follows.

- In FY2021, the first year of business integration, the Board of Directors mainly deliberated topics that are important management matters and contribute to the improvement of the corporate value, such as the overall policy, company-wide PMI, execution of synergy initiatives (business investment), governance, sustainability, and the status of each Committee activities.
- Although the meetings were held online, all of the Directors actively participated in the deliberations. A number of opinions and questions based on each Director's knowledge were raised, active discussions were held, and the supervision of business execution and decision-making were carried out appropriately.
- In consideration of the results above, it was evaluated that the Company's Board of Directors is sufficiently performing its role.

- On the other hand, challenges that should be considered were identified, such as discussions on business strategies along with the formulation of the new Medium-term Management Plan, securing sufficient time for deliberation, enhancement of information sharing with Outside Directors, and mutual understanding among executive officers.

In FY2022, we will strive to further enhance corporate governance and improve the effectiveness of the Board of Directors by implementing improvement plans making use of the survey results.

#### Supplementary Principle 4.14.2

##### Disclosure of the training policy for Directors and Audit & Supervisory Committee Members

- The Company provides management-related materials, such as the Annual Securities Report and the Business Report, to newly-appointed Outside Directors as part of the briefing provided upon their appointment to explain the business environment and other matters.
- The Company provides information on training opportunities to Directors, for example, by introducing seminars held by external organizations. In addition, the Company has put in place the Governance Committee, which serves as an advisory body for the Board of Directors. In these meetings, information is exchanged and shared, and cooperation is fostered through the provision of various opportunities for communication.
- The Company bears the full cost related to the training of Directors.

#### Supplementary Principle 5.1

##### Policies for constructive dialogue with shareholders

The Company strives to engage in proactive dialogue with shareholders, with the recognition that conducting transparent and sound management is one of its social responsibilities, while focusing on sustainable growth and enhancement of its medium- to long-term corporate value.

The Head of the Engagement Division is responsible for coordination, and the Corporate Communications Department and the Governance Control Department serve as the primary point of contact, implementing a system for coordination with the relevant internal departments, such as planning, accounting, and general administration.

The Company takes the following initiatives:

- Financial results briefings are held twice each year, once for second quarter financial results and once for full-year financial results, during which the Company's management provide explanations and also answer any questions that are asked.
- The Company's management (including Outside Directors), the Corporate Communications Department, and the Governance Control Department conduct individual interviews with domestic and foreign institutional investors, and IR and SR activities, such as participation in briefings and various conferences.
- The Company provides a wide range of information such as the movies of financial results briefings and materials with scripts, and summaries of Q&A sessions on the corporate website to investors including individual investors. In conjunction with this, the Company participates in IR events and various briefings for individual investors which are organized by securities companies and stock exchanges.

Regarding opinions and concerns expressed in the dialogue with shareholders, the Corporate Communications Department and the Governance Control Department, which serve as the points of contact, promptly provide reports to the Company's management, as necessary, to ensure the sharing of information.

The Company appropriately and carefully manages insider information, in accordance with the Company's internal rules, and also discloses such information in accordance with the information disclosure policy. The information disclosure policy is published on the Company website:

[https://www.mitsubishi-hc-capital.com/sustainability/variou s\\_policies.html](https://www.mitsubishi-hc-capital.com/sustainability/variou s_policies.html)

## 2. Capital Structure

Percentage of Foreign Shareholders	From 10% to less than 20%
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### [Status of Major Shareholders]

Name / Company Name	Number of Shares Owned (Shares)	Percentage (%)
Mitsubishi Corporation	264,044,396	18.00
Mitsubishi UFJ Financial Group, Inc.	208,345,981	14.20
Hitachi, Ltd.	173,351,580	11.81
The Master Trust Bank of Japan, Ltd. (Trust account)	92,727,800	6.32
Custody Bank of Japan, Ltd. (Trust account)	52,695,800	3.59
MUFG Bank, Ltd.	50,348,620	3.43
Meiji Yasuda Life Insurance Company	31,100,390	2.12
Mitsubishi UFJ Trust and Banking Corporation	28,431,000	1.93
JP MORGAN CHASE BANK 385635	11,481,297	0.78
Tokio Marine & Nichido Fire Insurance Co., Ltd.	11,419,725	0.77

Controlling Shareholder (Except for Parent Company)	-
Parent Company	-

Supplementary Explanation

## 3. Corporate Attributes

Listed Stock Markets and Market Sections	Tokyo Stock Exchange/Prime, Nagoya Stock Exchange/Premier
Fiscal-Year End	March
Type of Business	Other Financing Business
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Sales (Consolidated) as of the End of the Previous Fiscal Year	¥1 trillion or more
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 100 to less than 300

## 4. Policy on Measures to Protect Minority Shareholders when Conducting Transactions with Controlling Shareholder

-

**5. Other Special Circumstances which may have Material Impact on Corporate Governance**

-

## **II Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management**

### **1. Matters Concerning Organizational Composition and Operation**

Organization Form	Company with Audit & Supervisory Committee
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#### **[Directors]**

Maximum Number of Directors Stipulated in Articles of Incorporation	22 persons
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	Chairman
Number of Directors	14 persons
Appointment of Outside Directors	Appointed
Number of Outside Directors	7 persons
Number of Outside Directors who are designated as Independent Directors	5 persons

#### Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company (*)										
		a	b	c	d	e	f	g	h	i	j	k
Hiroyasu Nakata	Scholar											
Yuri Sasaki	Scholar											
Go Watanabe	From another company					△		△	△			
Takuya Kuga	From another company							○	○			
Koichiro Hiraiwa	From another company								△			
Hiroko Kaneko	Scholar											
Masayuki Saito	From another company								△			

\* Categories for "Relationship with the Company"

\* "○" when the Director presently falls within or has recently fallen into the category

"△" when the Director fell within the category in the past

\* "●" when a close relative of the Director currently falls within or has recently fallen into the category

"▲" when a close relative of the Director fell into the category in the past

a. Executive of the Company or its subsidiaries

b. Non-executive director or executive of a parent company of the Company

c. Executive of a fellow subsidiary company of the Company

d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the Company or an executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company in addition to compensation as a Director/Audit & Supervisory Committee Member

- g. Major shareholder of the Company (or an executive of the major shareholder if the relevant shareholder is a legal entity)
- h. Executive of a client or supplier of the Company (which does not correspond to any of d, e, or f) (the Director himself/herself only)
- i. Executive of a company, between which and the Company's Outside Directors/Audit & Supervisory Committee Members are mutually appointed (the Director himself/herself only)
- j. Executive of a company or organization that receives a donation from the Company (the Director himself/herself only)
- k. Other

Outside Directors' Relationship with the Company (2)

Name	Audit & Supervisory Committee Member	Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Hiroyasu Nakata		○	-	<p>Because Mr. Nakata has contributed to the appropriate decision-making and supervision of overall management by the Board of Directors as an Outside Director by utilizing his deep knowledge of the law, we decided to ask him to continue serving in the Director position. We expect him to contribute to appropriate decision-making and supervision of overall management by the Board of Directors as an Outside Director based on his objective perspective, independent from the Company's management team engaged in the execution of business, and also to contribute to the enhancement of the soundness, transparency, and fairness of management as a member of the Governance Committee, Nomination Committee, and Compensation Committee.</p> <p>(Reasons for designation as an Independent Director) We have determined that Mr. Nakata fulfills the independence standards, and has no risk of conflicts of interest with general shareholders, after comprehensively taking into consideration his current</p>



				status, past career, and other factors. We have therefore designated him as an Independent Director.
Yuri Sasaki		○	-	<p>Because Ms. Sasaki has contributed to the appropriate decision-making and supervision of overall management by the Board of Directors as an Outside Director by utilizing her academic expertise as a university professor and excellent knowledge and wealth of experience as an international finance researcher. , we decided to ask her to continue to serving in the Director position. We expect her to contribute to the appropriate decision-making and supervision of overall management by the Board of Directors by utilizing the above knowledge, and also to contribute to the enhancement of the soundness, transparency, and fairness of management as a member of the Governance Committee, Nomination Committee, and Compensation Committee.</p> <p>(Reasons for designation as an Independent Director) We have determined that Ms. Sasaki fulfills the independence standards, and has no risk of conflicts of interest with general shareholders, after comprehensively taking into consideration her current status, past career, and other factors. We have therefore designated her as an Independent Director.</p>
Go Watanabe			<ul style="list-style-type: none"> <li>•Mr. Watanabe was previously a Managing Executive Officer of Mitsubishi UFJ Financial Group, Inc., which is the major shareholder of the Company.</li> <li>•He was previously a Managing</li> </ul>	We decided to ask Mr. Watanabe to continue serving in the Director position as he has contributed to the appropriate decision-making and supervision of overall management by the Board of Directors as an Outside Director based on his practical perspective, by utilizing a wealth of management experience at major financial institutions and manufacturers in Japan and deep

			<p>Executive Officer of the Bank of Tokyo-Mitsubishi UFJ, Ltd. (currently MUFG Bank, Ltd.), with which the Company has funding and other financial transactions.</p> <p>•He was previously a First Senior Vice President of Nidec Corporation. There is a transactional relationship, including lease contracts between Nidec Corporation and the Company, but the amount is less than 1% of the consolidated net sales of Nidec Corporation and the Company for FY2021.</p>	<p>knowledge about domestic and overseas financial business.</p> <p>Mr. Watanabe has a history of working at Mitsubishi UFJ Financial Group Inc., which is the Company's major shareholder (six years have passed after leaving office as of the end of June 2022). We determined that in the Nomination Committee, of which Independent Outside Directors comprise the majority, utilizing the wealth of management experience and wide-ranging knowledge about finance, international business, etc. that Mr. Watanabe possesses will lead to the enhancement of the Company's value and contribute to the enhancement of the interests of all shareholders including minority shareholders.</p> <p>We expect him to contribute to the appropriate decision-making and supervision of overall management by the Board of Directors as an Outside Director by utilizing the above knowledge, and also to contribute to the enhancement of the soundness, transparency, and fairness of management as a member of the Governance Committee, Nomination Committee, and Compensation Committee.</p>
Takuya Kuga			<p>•Mr. Kuga is currently an Executive Vice President of Mitsubishi Corporation, which is the Company's major shareholder. There is a transactional relationship, including lease contracts, between Mitsubishi Corporation and the Company.</p>	<p>We newly appointed Mr. Kuga to a Director position as we expect him to contribute to the appropriate decision-making and supervision of overall management by the Board of Directors as an Outside Director based on his practical perspective, by utilizing a wealth of management experience at a major general trading company in Japan and deep knowledge of domestic and overseas businesses. Mr. Kuga is concurrently serving as an Executive Vice President of Mitsubishi Corporation, which is the Company's major shareholder. We determined that in the Nomination Committee, of</p>

				<p>which Independent Outside Directors comprise the majority, utilizing the wealth of management experience and wide-ranging knowledge about international business, etc. that Mr. Kuga possesses will lead to the enhancement of the Company's value and contribute to the enhancement of the interests of all shareholders including minority shareholders.</p> <p>We expect him to contribute to the appropriate decision-making and supervision of overall management by the Board of Directors as an Outside Director by utilizing the above knowledge, and also to contribute to the enhancement of the soundness, transparency, and fairness of management by giving advice to the Board of Directors as a member of the Governance Committee</p>
Koichiro Hiraiwa	○	○	<p>Mr. Hiraiwa was previously the President of THE KYOTO HOTEL, LTD. There is a transactional relationship, including lease contracts between THE KYOTO HOTEL, LTD. and the Company; however, the amount is less than 1% of the consolidated net sales of THE KYOTO HOTEL, LTD. and the Company for FY2021.</p>	<p>We decided to ask Mr. Hiraiwa to continue serving in the Director position (Audit &amp; Supervisory Committee Member) as he has contributed to the appropriate decision-making and supervision of overall management by the Board of Directors and neutral and objective auditing as an Outside Director by utilizing a wealth of knowledge gained through experience at the Bank of Japan and a leading telecommunications company in Japan.</p> <p>We expect him to contribute to ensuring the soundness of the Company's management as an Outside Director from an objective perspective, independent from the management members who engage in business execution, by utilizing the aforementioned knowledge. We also expect him to contribute to the enhancement of the soundness, transparency, and fairness of management as a member of the</p>

				<p>Governance Committee, Nomination Committee, and Compensation Committee.</p> <p>(Reasons for designation as an Independent Director)  We have determined that Mr. Hiraiwa fulfills the independence standards, and has no risk of conflicts of interest with general shareholders, after comprehensively taking into consideration his current status, past career, and other factors. We have therefore designated him as an Independent Director.</p>
Hiroko Kaneko	○	○	-	<p>We decided to ask Ms. Kaneko to continue serving in the Director position (Audit &amp; Supervisory Committee Member) as she has contributed to the appropriate decision-making and supervision of overall management by the Board of Directors and neutral and objective auditing as an Outside Director by utilizing a wealth of experience as a Partner of a major audit corporation and a university professor as well as extensive knowledge of accounting as a professional accountant. We expect her to contribute to ensuring the soundness of the Company's management as an Outside Director from an objective perspective, independent from the management members who engage in business execution, by utilizing the above knowledge. We also expect her to contribute to the enhancement of the soundness, transparency, and fairness of management as a member of the Governance Committee, Nomination Committee, and Compensation Committee.</p> <p>(Reasons for designation as an Independent Director)  We have determined that Ms. Kaneko fulfills the independence standards, and has no risk of</p>

				conflicts of interest with general shareholders, after comprehensively taking into consideration her current status, past career, and other factors. We have therefore designated her as an Independent Director.
Masayuki Saito	○	○	Previously, Mr. Saito was the Representative Director & Executive Vice President of DIC Corporation. There is a transactional relationship, including lease contracts between DIC Corporation and the Company; however, the amount is less than 1% of the consolidated net sales of DIC Corporation and the Company for FY2021.	<p>We newly appointed Mr. Saito to a Director position (Audit &amp; Supervisory Committee Member) as we expect him to contribute to the appropriate decision-making and supervision of overall management by the Board of Directors and neutral and objective auditing as an Outside Director by utilizing a wealth of management experience and deep knowledge of treasury and accounting divisions at a major manufacturer in Japan.</p> <p>We expect him to contribute to ensuring the soundness of the Company's management as an Outside Director from an objective perspective, independent from the management members who engage in business execution, by utilizing the above knowledge. We also expect him to contribute to the enhancement of the soundness, transparency, and fairness of management as a member of the Governance Committee, Nomination Committee, and Compensation Committee.</p> <p>(Reasons for designation as an Independent Director)</p> <p>We have determined that Mr. Saito fulfills the independence standards, and has no risk of conflicts of interest with general shareholders, after comprehensively taking into consideration his current status, past career, and other factors. We have therefore designated him as an Independent Director.</p>

**[Audit & Supervisory Committee]**

Breakdown of members and attribution of Chairman

	All members	Full-time members	Inside Directors	Outside Directors	Chairman
Audit & Supervisory Committee	4	1	1	3	Inside Director

Directors and employees who should support the duties of the Audit & Supervisory Committee	Appointed.
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Matters relating to the independence of the Directors and the employees from the Executive Directors

The Audit & Supervisory Committee was established as an organization with a command and order system that is independent from the executive department, and the appointed employees support the duties of the Audit & Supervisory Committee.

To secure the effectiveness of instructions given by the Audit & Supervisory Committee to such employees, the prior consent of the Audit & Supervisory Committee is necessary for personnel transfers of such employees or disciplinary action against such employees. With respect to the decisions of personnel evaluations or compensation, etc. relating to such employees, it is necessary to obtain the prior consent of members of the Audit & Supervisory Committee elected by the Audit & Supervisory Committee.

Cooperation between Audit & Supervisory Committee, Financial Auditors, and Internal Audit Department

The Audit & Supervisory Committee cooperates closely with the Accounting Auditor, for example, by regularly holding meetings, receives explanations regarding audit plans and results of audits, and the situation surrounding the internal control audit for the financial report, etc., and proactively exchanges opinions and information.

When the Audit & Supervisory Committee conducts research on the business activities and property of the Company, and performs other audit duties, and the Audit & Supervisory Committee cooperates closely with the internal audit department, for example, by regularly holding meetings, receives reports regarding audit plans and the circumstances and results of audits, and give instructions as necessary.

The Audit & Supervisory Committee acknowledges that strong cooperation between the so-called three-pillars of effective audits, which consist of the Audit & Supervisory Committee’s audit, the Financial Auditor’s audit, and an internal audit by the internal audit department, is important, and it also conducts improvements and operations to develop a more effective and efficient auditing system.

**[Establishment of Voluntary Committees]**

Establishment of voluntary committee(s) equivalent to a nominating committee or compensation committee	Established
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Status of Establishment of Voluntary Committees, Member Composition, and Attributes of the Chairperson
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	Committee	Total Count	Full-time members	Inside Directors	Outside Directors	External Experts	Other	Chairperson
Voluntary Committee Equivalent to Nomination Committee	Nomination Committee	8	0	1	7	0	0	Inside Director
Voluntary Committee Equivalent to Compensation Committee	Compensation Committee	8	0	1	7	0	0	Inside Director

(Supplementary Explanation)

The Company, based on the understanding that appropriate involvement of Independent Outside Directors is extremely important for resolutions related to nomination and compensation, separated such functions of the existing Governance Committee and newly established the Nomination Committee and Compensation Committee, of which Independent Outside Directors comprise the majority, on April 1, 2022.

The Nomination Committee discusses the appointment of Directors, the succession plan for the Representative Director, President & CEO, knowledge, experience, skills, etc. that the Directors should have, and other matters.

The Compensation Committee regularly monitor the Directors' compensation system of the Company in comparison with the market standard by using an external specialized agency, and discusses policies concerning the systems, standards, etc. for Directors' compensation.

The majority of members in each committee shall be Independent Outside Directors. The members and the chairperson of each committee shall be selected by the Board of Directors, and items discussed in the committees shall be resolved by a majority of committee members in attendance. It is stipulated in internal rules that the Board of Directors shall make decisions in deference to decisions made by the committees.

Nomination Committee

<Members> (as of June 28, 2022)

Chairperson: Inside Director Seiji Kawabe (Representative Director, Chairman)

Members: Outside Directors Hiroyasu Nakata, Yuri Sasaki, Go Watanabe, Takuya Kuga, Koichiro Hiraiwa, Hiroko Kaneko, Masayuki Saito

Compensation Committee

<Members> (as of June 28, 2022)

Chairperson: Inside Director Takahiro Yanai (Representative Director, President & CEO)

Members: Outside Directors Hiroyasu Nakata, Yuri Sasaki, Go Watanabe, Takuya Kuga, Koichiro Hiraiwa, Hiroko Kaneko, Masayuki Saito

## [Independent Directors]

Number of Independent Directors	5 persons
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### Other matters relating to Independent Directors

The “Outside Directors’ independence decision criteria” prescribed by the Company are as follows:

“Outside Directors’ independence decision criteria”

The Company 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 the Company or an Executive thereof (Note 1);
- (2) An Executive of a lender of the Company that exceeds the Company’s standard (Note 2);
- (3) An Executive of a business partner of the Company that exceeds the Company’s standard (Note 3);
- (4) A consultant, attorney-at-law, certified public accountant, or other person who provides professional services, who receives more than 10 million yen per fiscal year in monetary or other assets from the Company, excluding officers’ compensation;
- (5) A representative partner or partner of the Company’s Accounting Auditor;
- (6) A person who belongs to an association which receives donations from the Company exceeding a certain amount (Note 4).

Note 1 An Executive refers to an Executive Director, Executive Officer, or other employee.

Note 2 A lender that exceeds the Company’s standard refers to a lender from whom the amount the Company has borrowed exceeds 2% of the consolidated total assets of the Company.

Note 3 A business partner that exceeds the Company’s standard refers to a business partner whose dealings with the Company have a value equal to more than 2% of the consolidated net sales of the Company or of the relevant business partner;

Note 4 Donations exceeding a certain amount refers to donations exceeding 10 million yen 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.



**[Incentives]**

Implementation of Incentive Policies for Directors	Performance-based compensation plan / stock option plan
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## Supplementary Explanation

- The Company pays bonuses as single-year performance-based compensation. For details, please refer to II 1. “Disclosure of Policy on Determining Compensation Amounts and Calculation Methods” in “Compensation of Directors” of this report.
- Also, in connection with to the Company’s transition into a company with an audit & supervisory committee on April 1, 2021, the Company resolved to grant compensation-type stock options to the Company’s directors who are not Audit & Supervisory Committee Members (excluding outside directors and persons who will be subject to taxation outside Japan) at the extraordinary shareholders’ meeting held on February 26, 2021.

Recipients of Stock Options	Internal Directors, Other
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## Supplementary Explanation

The Company introduced the stock compensation-type stock options plan in FY2009, with the aim of further strengthening their morale and motivation to contribute to the continuing improvement of business performance and corporate value over the medium- to long-term through further enhancing the link between the remuneration of the Directors of the Company and the Company’s business performance and share value, and the Directors sharing of risks due to share value depreciation, as well as the merits due to share value with the shareholders.

**[Compensation of Directors]/[Compensation of Directors/Executive Officers]**

Disclosure (of Individual Directors’ Compensation)	Individual compensation is partially disclosed
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## Supplementary Explanation

1. Total amount of compensation, etc. for each Director category, total amount of compensation, etc. by compensation type, and the number of applicable Directors
  - (1) Directors who are not Audit & Supervisory Committee Members (excluding Outside Directors): 514 million yen in total/7 Directors  
 (Breakdown) Base compensation: 328 million yen  
                   Bonus: 96 million yen  
                   Stock options: 89 million yen
  - (2) Directors who are Audit & Supervisory Committee Members (excluding Outside Directors): 86 million yen in total (base compensation only)/2 Directors
  - (3) Outside Directors: 96 million yen in total (base compensation only)/ 7 Directors

2. Total amount of consolidated compensation, etc. by Director

(1) Seiji Kawabe (Representative Director, Chairman) Total amount of consolidated compensation, etc. : 119 million yen

(Breakdown) Base compensation: 75 million yen

Bonus: 22 million yen

Stock options: 22 million yen

(2) Takahiro Yanai (Representative Director, President & CEO) Total amount of consolidated compensation, etc.: 119 million yen

(Breakdown) Base compensation: 75 million yen

Bonus: 22 million yen

Stock options: 22 million yen

\* Only Directors whose consolidated compensation, etc. is 100 million yen or more in total are described here.

Policy on Determining Compensation Amounts and Calculation Methods	Established
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Disclosure of Policy on Determining Compensation Amounts and Calculation Methods
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(i) Basic policy

- The Company's officers' compensation 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 compensation is appropriate with respect to the roles and responsibilities of each officer, and is also based on market levels, from the viewpoints of increasing medium- to long-term corporate value and improving short-term business performance.

(ii) Policy for determining the compensation, etc. of individual Directors (excluding persons who are Audit & Supervisory Committee Members)

(a) Compensation system

- In principle, Directors' (excluding Outside Directors and persons who are Audit & Supervisory Committee Members; hereinafter, the same in (ii)) compensation, etc., consists of base compensation (fixed compensation), annual incentive compensation (performance-based compensation), and medium- to long-term incentive compensation. As annual incentive compensation, cash is paid as the bonus, while medium- to long-term incentive compensation is paid through the allotment of stock compensation-type stock options.
- The Company has established a payment ratio for performance-based compensation and non-performance based compensation, with a view toward maintaining a sound performance-based ratio. In addition, the Company has also established appropriate short-term and medium- to long-term incentive ratios under this compensation system, in order to enhance not only short-term business performance, but also medium- to long-term corporate value.
- Specifically, the ratio of non-performance-based compensation (base compensation and stock compensation type stock options) to performance-based compensation (bonus) is generally set at 1.3 : 0.3 (the ratio of base compensation to stock compensation-type stock options to bonus is generally set at 1 : 0.3 : 0.3). Using this as the base case, the ratio is

determined by taking into account the roles, responsibilities, and other factors with regard to each Director on a comprehensive basis.

- Outside Directors (excluding persons who are Audit & Supervisory Committee Members) are not paid bonuses or stock compensation-type stock options, which represent incentive compensation, in order to ensure the effectiveness of their supervisory functions. Accordingly, they are paid only base compensation.

(b) Performance-based compensation

- With respect to bonuses, which are performance-based compensation, financial indicators which are emphasized as the indicators of the Company's growth from the perspective of management strategy are set as Key Performance Indicators (KPIs) for the company-wide performance evaluation, with a view toward clarifying the relationship between business performance and compensation, and the target value uses the net income attributable to owners of the parent, ROA, ROE, and OHR, which have been set as the Company's numerical goals.
- The bonus of Representative Directors is fully linked to the company-wide performance evaluation, with the amount to be paid determined within the range of 0% to 150% of the standard amount, based on the level of achievement of the projection for the key performance indicators (KPIs) for companywide performance evaluation.
- The bonus of Executive Directors, excluding Representative Directors, is based 70% on the company-wide performance evaluation and 30% on the evaluation of the duties for which each individual is responsible. The amount to be paid based on each evaluation is determined within the range of 0% to 150% of the standard amount.
- For the portion based on the responsible duties, quantitative and qualitative evaluations are conducted by the President, using a standard evaluation sheet, from the perspective of performance and the level of contribution regarding the duties handled by the relevant Executive Director. The purpose is to enhance the incentive of each Director by appropriately evaluating not only the level of achievement of performance targets, but also results, such as the level of contributions, which cannot be evaluated by quantitative means alone.

(c) Non-performance-based compensation

- Stock compensation-type stock options, which represent medium- to long-term incentive compensation, are paid after the number of stock options to be allotted is determined, according to the role and the title of each Director.
- When it is necessary for Directors to reside in an area away from home due to a transfer resulting from a change of duties or base, the Company provides such Directors with appropriate company housing. (The difference between the total rent per month required by the Company to rent company housing and the total company housing rent per month collected from the Directors will be referred to as "non-monetary compensation related to the provision of company housing.") The company housing shall be properties of a general and standard level, and the upper limit of rent by title and region shall be established beforehand. The company housing rent to be calculated based on the predetermined rate (when the total rent exceeds the limit, all of the excess amount is added to the amount for collection) shall be collected from Directors as their own expenses.

(d) Policy for when compensation is paid and how payment conditions are decided

- Base compensation is a fixed amount and paid on a predetermined date every month.

- Bonus amounts are decided based on the performance in the previous fiscal year (April to March of the next year) and paid on a date after a General Meeting of Shareholders held in June every year.
  - Performance-based stock options are paid in July (payment in advance), after the number of stock options to be allotted to each Director is resolved at the meeting of the Board of Directors in June every year.
  - Non-monetary compensation related to the provision of company housing is paid every month, separately from the base compensation.
- (e) Method of determining compensation, etc. and the overview of procedures and activities of the committee
- In order to ensure transparency and objectiveness in determining officers' compensation, etc., the Company decides details of the compensation, etc., determination policy, and other relevant matters at a meeting of the Board of Directors every year, after the Compensation Committee, the majority of which consists of Independent Outside Directors, deliberates those matters. In addition, the Compensation Committee deliberates the validity of the amount and composition of compensation every year based on the compensation-related data provided by an external specialized institution.
  - The members and chairperson of the Compensation Committee are selected by the Board of Directors, and the committee makes decisions by a majority of committee members attending. It is stipulated in internal rules that the Board of Directors shall make decisions in deference to the decisions made by the committee.
  - The amount of compensation, etc., to be paid to Directors (excluding those who are Audit & Supervisory Committee Members) has been set at no more than 800 million yen (including 100 million yen for Outside Directors) annually for the sum of base compensation and bonuses, while the amount of compensation, etc., related to the granting of stock compensation-type stock options has been set at no more than 150 million yen annually, and non-monetary compensation related to the provision of company housing at no more than 2 million yen per month, by a resolution of the General Meeting of Shareholders (February 26, 2021). Although the number of Directors (excluding those who are Audit & Supervisory Committee Members) relating to the amount of compensation, etc., was not specified in the relevant resolution of the General Meeting of Shareholders, the number of Directors (excluding those who are Audit & Supervisory Committee Members) at the time of the resolution at said General Meeting of Shareholders becoming effective is 10 (three of whom are Outside Directors, to whom only base compensation is to be paid).
  - The Company considers it useful for persons who are well-acquainted with individual operations and the Company's circumstances, to flexibly determine the specific amounts of base compensation and bonuses to be paid, as well as non-monetary compensation related to the provision of company housing based on certain standards, and they are determined at the discretion of the Representative Director, President & CEO (Takahiro Yanai) up to the limits approved by resolution of the General Meeting of Shareholders, based on the policy resolved by the Board of Directors and Compensation Committee. Measures shall be taken so that the authority of the President & CEO will be exercised appropriately.
  - With regard to compensation-type stock options, the number of stock options to be allotted to each Director is resolved at the meeting of the Board of Directors.
- (f) Measures to ensure the proper performance of authorities delegated
- Base compensation shall be determined based on a certain standard (compensation table) to be established beforehand and deliberated at the Compensation Committee.

- The following measures shall be taken for performance-based bonuses.
    - Set key performance indicators (KPIs) in line with numerical targets to be discussed at the Board of Directors.
    - Determine the amount in accordance with the rate of achievement of the KPIs, based on a coefficient for bonus payment which will be deliberated at the Compensation Committee and established in advance.
    - Report the results of the company-wide evaluation and the amounts of bonuses to the Compensation Committee after the fact and have them verified.
  - The following measures shall be taken for the bonuses based on the responsible duties
    - Conduct evaluations based on an evaluation sheet standardized through discussion in advance by the Compensation Committee (in which targets set beforehand and the weighting and evaluation standards for individual targets are specified).
    - Evaluate the results for the responsible duties individually based on this evaluation sheet, report the amount of bonuses to the Compensation Committee and have them verified.
  - Regarding non-monetary compensation related to the provision of company housing, (a) the company housing shall be properties of a general and standard level, and the upper limit of rent by title and region shall be established beforehand, (b) the company housing rent to be calculated based on the predetermined rate (when the total rent exceeds the limit, all of the excess amount is added to the amount for collection) shall be collected from Directors as their own expenses.
- (iii) Details and method of determination of compensation, etc., for Directors who are Audit & Supervisory Committee Members
- Directors who are Audit & Supervisory Committee Members are not paid bonuses or stock compensation type stock options, which represent incentive compensation, from the standpoint of ensuring the fairness of audits. Accordingly, they are paid only base compensation.
  - The amount of compensation for Directors who are Audit & Supervisory Committee Members has been set at no more than 200 million yen annually, by a resolution of the General Meeting of Shareholders (February 26, 2021). The amount of compensation for Directors who are Audit & Supervisory Committee Members are determined through consultations of the Audit & Supervisory Committee. Although the number of Directors who are Audit & Supervisory Committee Members relating to the amount of compensation, etc., was not specified in the relevant resolution of the General Meeting of Shareholders, the number of Directors who are Audit & Supervisory Committee Members at the time of the resolution at said General Meeting of Shareholders becoming effective is five.

**[Supporting System for Outside Directors (Outside Audit & Supervisory Committee Members)]**

- The Governance Control Department and the Audit & Supervisory Committee Office are mainly responsible for duties such as transmitting information and sending documents to Outside Directors.
- As a general rule, documents are sent in advance, with the relevant departments providing prior explanations of particularly important proposals.
- The Audit & Supervisory Committee Office, which assists all Directors who are Audit & Supervisory Committee Members, including Outside Directors, with their duties, has been established to support the Audit & Supervisory Committee.

**[Status of retired Presidents & CEOs, etc.]**

Names and other details about Advisors or Senior Advisors who are former Presidents & CEOs, etc.

Name	Title	Work performed	Conditions (Full-time/part-time, compensation, etc.)	Date of retirement as CEO, etc.	Term of office
Kazuyoshi Tanaka	Senior Advisor	Activities contributing to the financial world, society, etc. (No involvement in management)	Part time, with compensation	2010/6/29	1 year
Naotaka Obata	Senior Advisor	Activities contributing to the financial world, society, etc. (No involvement in management)	Part time, with compensation	2012/6/28	1 year
Ryuichi Murata	Senior Advisor	Activities contributing to the financial world, society, etc. (No involvement in management)	Part time, with compensation	2017/6/29	1 year
Kazuya Miura	Senior Advisor	Activities contributing to the financial world, society, etc. (No involvement in management)	Part time, with compensation	2019/6/26	1 year
Tadashi Shiraishi	Senior Advisor	Activities contributing to the financial world, society, etc. (No involvement in management)	Part time, with compensation	2021/4/1	1 year

Total number of Advisors or Senior Advisors who are former Presidents & CEOs, etc.	5 persons
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**Other items**

- Following discussions with all Outside Directors and Outside Audit & Supervisory Committee Members, the Company abolished the Advisor/Senior Advisor System, and established a new Senior Advisor System, in July 2018.
- Former Chairmen and Presidents of the Company may be appointed as Senior Advisors for purposes of engaging in external activities, such as activities in the financial world and activities to contribute to society.
- In principle, the maximum term of office of a Senior Advisor is six years, with the contract being renewed each year as necessary, based on the status of the activities of the Senior Advisor.

However, certain transitional measures may be taken for Advisors/Senior Advisors prior to the transition of the system.

- After the retirement of a Senior Advisor, the title of Honorary Advisor may be used.
- Senior Advisors and Honorary Advisors are not involved in decision-making at the management level, and the Company management does not engage in regular reporting, etc., to Senior Advisors and Honorary Advisors.
- Senior Advisors are paid compensation in amounts corresponding to their duties, while Honorary Advisors serve without compensation.

## **2. Matters on Functions of Business Execution, Auditing, Oversight, Nominating and Compensation Decisions, etc. (Overview of Current Corporate Governance Systems)**

### **(1) Overview of corporate governance systems**

The Company conducted a business integration through the merger with Hitachi Capital Corporation as of April 1, 2021. In conjunction therewith, the Company transitioned into a company with an audit & supervisory committee in order to enhance the fairness and transparency of management, strengthen the supervisory functions of the Board of Directors, and enhance corporate governance.

### **(2) Matters concerning the Board of Directors**

The Company implements a system to manage and operate business in line with the basic policy decided by the Board of Directors. Each Outside Director has qualities appropriate for their positions, giving the Board of Directors a set of diversified and sufficient skills.

In addition, for timely, appropriate, and smooth provision of information in particular to Outside Directors, the Company establishes the Audit & Supervisory Committee Office in which staff members assist the duties of the Audit & Supervisory Committee. The office also strives to provide and share information smoothly in cooperation with the Governance Control Department.

The records of Board of Directors' meetings held and other relevant matters in FY2021, are as follows:

In FY2021, the Company's Board of Directors convened regular meetings (11 meetings), and also convened extraordinary meetings on a flexible basis (3 meetings), as necessary, to deliberate and decide on matters required by laws and regulations and the Articles of Incorporation, as well as important management matters. Outside Directors utilize their wealth of management experience and knowledge in various domains to contribute to appropriate decision-making and supervision of management by the Board of Directors, from their respective perspectives.

In FY2021, the Board of Directors deliberated and decided important matters for the new company, such as the corporate philosophy, materiality, basic management policy, and M&A deals.

Attendance at the Board of Directors meetings by Directors and Audit & Supervisory Committee Members in FY2021 was as follows:

Representative Director	Seiji Kawabe	14/14 times
Representative Director	Takahiro Yanai	14/14 times
Representative Director	Kanji Nishiura	14/14 times
Director	Kazumi Anei	14/14 times

Director	Satoshi Inoue	14/14 times
Director	Haruhiko Sato	14/14 times
Outside Director	Hiroyasu Nakata	12/14 times
Outside Director	Yuri Sasaki	14/14 times
Outside Director	Mitsumasa Icho	14/14 times
Outside Director	Go Watanabe	9/9 times*
Director (Audit & Supervisory Committee Member)	Seiichiro Kishino	14/14 times
Director (Audit & Supervisory Committee Member)	Shuji Miake	14/14 times
Director (Audit & Supervisory Committee Member)	Teruyuki Minoura	14/14 times
Director (Audit & Supervisory Committee Member)	Koichiro Hiraiwa	14/14 times
Director (Audit & Supervisory Committee Member)	Hiroko Kaneko	13/14 times

\* Attendance of newly appointed Directors after their election at the General Meeting of Shareholders in June 2021

The Company has concluded liability limitation agreements as below with Hiroyasu Nakata, Yuri Sasaki, Go Watanabe, Takuya Kuga, Akira Hamamoto, Koichiro Hiraiwa, Hiroko Kaneko, and Masayuki Saito who are non-executive directors (Outside Directors and Audit & Supervisory Committee Members).

- When a non-executive director is liable for damages to the Company as a result of the director neglecting his/her duty, compensation for the damages shall be as per the minimum liability amount stipulated in Paragraph 1 of Article 425 of the Companies Act.
- The minimum liability amount as the above shall be applied only when the non-executive director acts in good faith and without gross negligence in executing the duty which is the cause of the liability.

(3) Matters concerning the Governance Committee, Nomination Committee, and Compensation Committee

The Company has established the Governance Committee, which consists of the Outside Directors, Representative Directors, etc., and has exchanged a wide range of opinions on the improvement of the Board of Directors' effectiveness and other matters regarding the Board of Directors, in order to work on the improvement of the soundness, transparency, and fairness of the Company's management.

The Company has also established the Nomination Committee and Compensation Committee, of which Independent Outside Directors comprise the majority, as advisory bodies of the Board of Directors.

Please refer to II-1. [Voluntary Establishment of Committees] of this report for the overview of the Nomination Committee and Compensation Committee.

(4) Matters concerning business execution

As a company with an audit & supervisory committee, the Company delegates many business execution decisions to the Executive Committee, a body which will deliberate and decide on important management matters, and expedites the decision-making process, with the aim of strengthening the supervisory functions of the Board of Directors. In addition, the Company has introduced an executive officer system, in order to further enhance and invigorate the



functions of the Board of Directors by clarifying the responsibilities related to the execution of business.

The Executive Committee, a body which will deliberate and decide on important management matters, is composed of the Chairman, Representative Director, President & CEO, Representative Director, Deputy President, and Executive Officers separately specified by the Representative Director, President & CEO. The Committee will hold discussions and make decisions on important matters, including the business management of the Group, in addition to conducting preliminary considerations of matters that are to be submitted to the Board of Directors to facilitate decision-making by the Board of Directors. The Company has 31 Executive Officers (five of whom concurrently serve as Directors) as of June 28, 2022.

(5) Status of the audit

The Company has established the Audit & Supervisory Committee Office, which assists activities of the Audit & Supervisory Committee, and cooperates with the internal audit offices to achieve effective auditing.

The Company's internal audit is implemented by the Internal Audit Department. In order to ensure independence and objectiveness, the Internal Audit Department adopts a structure under which its members do not concurrently perform the operations of the executive division. The Internal Audit Department systematically implements internal audits based on an annual audit plan, and reports the audit results to the Representative Directors and the Audit & Supervisory Committee. With regard to the divisions subject to audits, the Internal Audit Department identifies detected matters and provides guidance for improvement. By making such divisions report the results of improvement after the audit, the Internal Audit Department ensures the effectiveness of the audit. In addition, the General Manager of the Internal Audit Department builds collaborative relationships with the Audit & Supervisory Committee and the Accounting Auditor as necessary, for example, by exchanging relevant information with these individuals, and works to ensure the efficient implementation of the audit. At the same time, the General Manager attends important meetings of the internal control offices, such as the Risk Management Committee and the Compliance Committee, and exchanges relevant information.

The number of Audit & Supervisory Committee Members stands at four, three of whom are Outside Directors. The Audit & Supervisory Committee follows the policies and divisions of duties of auditing which have been determined by its resolutions. Full-time Audit & Supervisory Committee Members as nominated Audit & Supervisory Committee Members shall, in addition to attending important internal company meetings including the Executive Committee meetings, perform duties including having meetings with Representative Directors and the like, confirming important documents, gathering and exchanging information with internal audit departments, internal control departments and the Accounting Auditor, conducting on-site audits at offices, and having meetings with directors and auditors of subsidiaries. Part-time Audit & Supervisory Committee Members shall, in addition to attending Board of Directors meetings, Audit & Supervisory Committee meetings and Governance Committee meetings and speaking as necessary for agendas, deliberations, etc., share information via various reports from full-time Audit & Supervisory Committee Members, internal audit departments, internal control departments, and the Accounting Auditor at Audit & Supervisory Committee meetings and express their opinion when necessary, and also attend Nomination Committee and Compensation Committee meetings and speak as necessary for agendas, deliberations, etc.

An Audit & Supervisory Committee Member Mr. Akira Hamamoto has a wealth of management experience in a major financial institution, and Mr. Koichiro Hiraiwa and Mr. Masayuki Saito have such experience in listed companies, and they have considerable knowledge regarding corporate management, finance, and accounting. In addition, Mr. Akira Hamamoto, who served as a full-time audit & supervisory committee member of the major financial institution, and Mr. Koichiro Hiraiwa, who served as Chairman of the Audit Committee of Hitachi Capital, are well-acquainted with the audit operations in the respective companies.

Ms. Hiroko Kaneko, who has been involved in accounting audits for many years as a certified public accountant and who is currently a professor at Waseda Graduate School of Accountancy, possesses considerable knowledge regarding finance and accounting.

Accounting audits are implemented in collaboration with the Audit & Supervisory Committee, as well as the internal audit offices, based on the audit contract concluded with Deloitte Touche Tohmatsu LLC, and in conjunction with matters such as the provision of relevant information by the internal control offices.

The certified public accountants that performed the accounting audit operations of the Company in FY2021 were Mr. Hideo Shirata, Mr. Motohiro Shimizu, and Mr. Aki Saito, who are Designated Limited Liability Partners and Engagement Partners of Deloitte Touche Tohmatsu LLC.

In addition, 21 certified public accountants and 57 other staff members were involved in the audit operations above, in assistant roles.

### **3. Reasons for Adoption of Current Corporate Governance System**

In order to enhance the fairness and transparency of management, strengthen the supervisory functions of the Board of Directors, and enhance corporate governance, the Company adopted the institutional design of a company with an audit & supervisory committee. Also, in order to further enhance corporate governance, the Company has established the Nomination Committee and Compensation Committee as advisory bodies related to the nomination of the President, compensation for Directors, etc. The Company has also established the Governance Committee comprised of Outside Directors, Representative Directors, etc. to give advice to the Board of Directors on the improvement of the effectiveness of the Board of Directors.

### **III Implementation of Measures for Shareholders and Other Stakeholders**

#### **1. Measures to Vitalize the General Meetings of Shareholders and Ensure the Smooth Exercise of Voting Rights**

	Supplementary Explanations
Early Shipping of Notice of Convocation of the General Meeting of Shareholders	The Company strives to send convocation notices before the statutory deadline.
Setting Date of General Meeting of Shareholders by Avoiding the Dates on Which Many Companies Hold Meetings	The Company strives to set meeting dates by avoiding the dates on which many companies hold shareholders' meetings. The most recent General Meeting of Shareholders was held on June 28, 2022.
Allowing Electronic Exercise of Voting Rights	The Company permits the exercise of voting rights via the Internet.
Participation in Electronic Voting Platform and Other Measures to Improve the Voting Environment for Institutional Investors	The Company participates in the electronic voting platform operated by ICJ, Inc.
Providing Convocation Notices (Summary) in English	The Notice of Convocation is translated into English, and the Company discloses the notices in Japanese and English on TDnet and its website at the same timing.
Other	The Company discloses convocation notices on TDnet and its website before the date they are sent. The convocation notice for the recent ordinary General Meeting of Shareholders was disclosed on TDnet and MHC website seven days prior to the date of shipping. In addition, the Company held a virtual and hybrid meeting of shareholders (participatory meeting) by receiving questions on the website exclusively for shareholders before the meeting. The results of the exercise of voting rights are disclosed, including the number of votes of approval or disapproval, in extraordinary reports.

## 2. Investor Relations Activities

	Supplementary Explanations	Personal Explanation from the CEO
Preparation and Publication of Disclosure Policy	<p>The Company endeavors to voluntarily and actively disclose information that is deemed to be useful for shareholders and other investors, as well as information that the Company is required to disclose under the rules of stock exchanges or laws and regulations, including the Financial Instruments and Exchange Act, in order to gain the trust and fair evaluation of shareholders and other investors.</p> <p>The Company has established an Information Disclosure Policy based on the basic approach above, and discloses the details of this policy on its website: (<a href="https://www.mitsubishi-hc-capital.com/english/corporate/csr/index.html">https://www.mitsubishi-hc-capital.com/english/corporate/csr/index.html</a>).</p>	
Regular Investor Briefings for Individual Investors	<p>The Company provides the movies of financial results briefings and materials with script, summary of Q&amp;A session and others on the corporate website. (<a href="https://www.mitsubishi-hc-capital.com/investors/index.html">https://www.mitsubishi-hc-capital.com/investors/index.html</a>)</p>	No
Regular Investor Briefings for Analysts and Institutional Investors	<p>The President gives financial results briefings twice per year, after the announcement of the second quarter financial results and the full-year financial results.</p>	Yes
Regular Investor Briefings for Overseas Investors	<p>The Company regularly holds individual meetings with investors in the Americas, Europe, Asia, and other countries.</p>	Yes
Posting of IR Materials on Website	<p>Financial information, press releases, financial results, financial overviews, the Integrated Report, and other IR information are posted on the Company website: (<a href="https://www.mitsubishi-hc-capital.com/english/">https://www.mitsubishi-hc-capital.com/english/</a>).</p>	
Establishment of IR-Related Division (Person in Charge)	<p>Corporate Communications Department</p>	

### 3. Measures to Respect the Position of Stakeholders

	Supplementary Explanations
Establishment of Internal Rules, etc., for Respecting the Position of Stakeholders	Corporate responsibility to stakeholders is clarified in our Corporate Philosophy. The Corporate Philosophy is disclosed on the Company website. <a href="https://www.mitsubishi-hc-capital.com/corporate/idea/index.html">https://www.mitsubishi-hc-capital.com/corporate/idea/index.html</a>
Implementation of Environmental Protection Activities, CSR Activities, etc.	Aiming to better contribute to the realization of a sustainable and prosperous future, the Company promotes sustainability management by establishing a Sustainability Committee to serve as an advisory body to the Executive Committee. The information on our sustainability activities is disclosed on our website. <a href="https://www.mitsubishi-hc-capital.com/sustainability/index.html">https://www.mitsubishi-hc-capital.com/sustainability/index.html</a>
Development of Policies, etc., on the Provision of Information to Stakeholders	The Company has established a set of regulations for handling information disclosures, regarding disclosure procedures for important management information, in order to carry out swift and impartial disclosure of accurate information related to the Mitsubishi HC Capital Group to stakeholders. In addition, the Information Disclosure Policy sets forth matters such as the objectives and basic approach of our IR activities, as well as standards and methods for information disclosures.

## **IV Matters Related to the Internal Control System, etc.**

### **1. Basic Views on Internal Control System and the Progress of System Development**

The Company has resolved to use a system for ensuring the propriety of business activities of the company (internal control system), as follows, in accordance with Article 399-13, paragraph (1), (b) and (c) of the Companies Act, as well as relevant laws and regulations.

Hereinafter, “the Group” refers to “the Company and the Company’s subsidiaries and affiliates,” and “Group companies” refers to “the Company’s subsidiaries and affiliates.”

In addition, in specifically applying the internal control system to the Group companies, the system will be applied after making appropriate adjustments based on factors such as the business operations, scale, and importance of each Group company.

[System for group management]

- (1) The Company shall establish the Mitsubishi HC Capital Group Code of Ethics and Code of Conduct in order to share fundamental values and ethics to be embraced by all members of the Group and reflect them in business.
- (2) The Company shall establish management method between the Company and the Group companies, in order to ensure the propriety of the business activities of the Group companies, and establish internal rules to improve the management efficiency and corporate value of the Group as a whole, through the Group carrying out activities with a strong sense of solidarity.
- (3) The Company shall receive reports, etc. from the Group companies and conduct management of the Group in line with various internal rules established for the Group management, in adherence to the allocation of duties.
- (4) The Company shall establish management and operational methods for internal controls pertaining to the financial reports of the Group, and shall effectively develop and operate the internal controls of the Group as a whole, so that the Company’s financial reports will be prepared appropriately, in accordance with the provisions of the Financial Instruments and Exchange Act.

[System for compliance with laws and regulations]

- (1) The Company shall establish the Mitsubishi HC Capital Group Code of Ethics and Code of Conduct in order to share fundamental values and ethics to be embraced by all members of the Group and reflect them in business.
- (2) The Company shall establish a system for ensuring that the officers and employees of the Group comply with laws and regulations and the Articles of Incorporation, by establishing and disseminating various internal rules and the Compliance Manual.
- (3) The Company shall establish the Compliance Committee, which deals with establishment, maintenance, management, etc., of the Group’s compliance system, in addition to the Chief Compliance Officer (Head of Risk Management Division), who is responsible for the compliance of the Group, and the Legal & Compliance Department, which is tasked with enforcing compliance. The Group companies shall, if there are any legal risks, etc. intrinsic to the business activities of such company, cooperate with the Company as necessary, and develop an appropriate compliance system.
- (4) The Company shall formulate compliance programs (specific plans to ensure that the officers and employees of the Group comply with laws and regulations, etc., including education for the Group’s officers and employees) and monitor how the Group’s officers and employees are working on those programs.

- (5) The Company shall establish the Compliance Hotline System as an internal whistleblowing framework under which the Group's officers, employees, etc., can report to or seek consultations with the Company regarding unfair practices and other conduct.
- (6) The Group shall take a resolute stance against anti-social forces, which threaten the peace and stability of civil society, and work to prevent transactions with such forces.
- (7) The Company shall be aware of the possibility that funds transacted through the Group may be used for various criminal activities and/or terrorism, and shall work to prevent money laundering.

[Information disclosure system]

- (1) The Group shall establish internal rules for appropriately disclosing information regarding decisions and occurrences concerning the Group in a timely manner, in accordance with accounting standards and other relevant laws and regulations. The Group companies shall cooperate with the Company as necessary.
- (2) The Company shall establish a Disclosure Committee for deliberating on the appropriateness of information disclosures regarding the Group and the effectiveness of internal controls and procedures related to information disclosures, among other matters.

[Internal audit system]

- (1) The Company shall establish internal rules to smoothly and effectively promote audit activities by clarifying procedures for planning, implementing, and reporting internal audits and providing instructions for improvement within the Group.
- (2) The Company shall establish the Internal Audit Department as a department in charge of internal audits. The Internal Audit Department shall systematically implement internal audits related to the Group based on an annual audit plan and report the audit results to the Representative Director and Audit & Supervisory Committee. The Company shall ensure the effectiveness of auditing by requesting the parties subject to audit of the Group to report the outcome of improvement efforts on the suggestion and guidance for audit findings to the General Manager of the Internal Audit Department, and to the Representative Director for important audit findings.
- (3) The General Manager of the Internal Audit Department of the Company shall build collaborative relationships with the Audit & Supervisory Committee Member of the Company and Auditors and other relevant persons and the Accounting Auditor of the Group companies on a regular basis, such as by exchanging relevant information with them, and shall work to ensure the efficient implementation of the audit.

[Risk management system]

<Company-wide risk management>

- (1) The Company shall establish the company-wide risk management system that is based on the policy of taking risks within the controlled scope decided by the Executive Committee, the Board of Directors and other arms through overall understanding of the wide-ranging risks of the Group and sufficient consideration of potential risks estimated along with new operations. The company-wide risk management aims to ensure sound management and contribute to sustainable improvement of corporate value, while performing its social responsibility as a company to stakeholders including clients, shareholders, employees and communities.
- (2) The Company aims for the stable recording of returns commensurate with risk, achievement of an appropriate capital structure, and appropriate allocation of resources, by identifying and

recognizing, evaluating and measuring, controlling, monitoring, and reporting the risks of the Group as well as conducting integrated risk management and ongoing operations.

- (3) The Company shall classify the major risks of the Group as follows according to the characteristics of its businesses, operations, etc., and establish risk management methods, operations, and the like.
  - i) Credit risks ii) Asset risks iii) Investment risks iv) Market risks v) Liquidity risks vi) Country risks vii) Operational risks
- (4) The Group companies shall understand the Group's overall risks that can be reasonably evaluated and measured quantitatively. The Company shall discuss risk capital management as necessary and on a regular basis and take actions for its implementation, monitoring, etc.
- (5) The Company shall establish internal rules that state, among other matters, the Group's basic policies for risk management and risk management frameworks and operations. The Group companies shall also prepare internal rules that state, among other matters, the risk management frameworks and operations.
- (6) The Company shall establish an executive officer and a department in charge of company-wide risk management respectively and hold the Risk Management Committee meetings related to the integrated risk management of the Group as necessary and on a regular basis. The report at the Risk Management Committee shall be made on major risks of the Group's business, and other risk management related matters concerning financial market, liquidity, compliance, system, IT and others provided from the committees and internal auditing.
- (7) The Company shall request the Group companies to report important risk-related matters and compile information that is necessary for the company-wide risk management. Then the report shall be made to the Board of Directors on the current situation, issues and measures to be taken as necessary, etc. and the Board of Directors shall supervise the integrated risk management and operations.

#### <Crisis Management>

- (1) The Company shall clarify the Group's basic approach to and criteria for responding to crisis events and sharing them with the Group companies in order to prepare for events such as huge financial losses, loss of credibility, excessive delay or prolonged suspension of business at the Group. Also, the Company shall establish the systems necessary to ensure the continuation of overall business operations, perform our social responsibility and minimize the Group's losses and the restoration of normal functions.
- (2) The Company shall, during normal times, designate departments to respond to potential emergency events according to its nature and establish a response system according to risk stage. The Company shall establish internal rules that are necessary in an emergency for information collection, internal collaboration and implementation of measures for business continuation and recovery. The Group companies shall establish corresponding internal rules within each company.

#### [Framework for ensuring the efficient execution of duties]

- (1) The Company shall set management targets for the Group and draw up management plans to manage business based on appropriate methods. The Group companies shall conduct business management based on appropriate methods, based on the Group's management targets and management plans.
- (2) The Company shall establish the Executive Committee, to which decisions, etc., regarding certain matters are delegated by the Board of Directors to the president subject to deliberation at the Executive Committee. The Executive Committee will hold discussions and make



decisions on important matters, including the business management of the Group, in addition to conducting preliminary considerations of matters that are to be submitted to the Board of Directors to facilitate decision-making by the Board of Directors. In addition, various committees shall be established as advisory bodies for the Executive Committee.

- (3) In order to efficiently conduct the execution of duties based on the decisions of the Board of Directors, the Company shall build an employee rank framework, organizational structure, etc., in accordance with the internal rules, and shall assign the execution of duties. The Group companies shall provide appropriate cooperation such as reports to and consultations with the Company on necessary matters pursuant to the internal rules.

[Other matters related to the execution of duties by Directors]

(Framework for ensuring that the execution of duties by Directors complies with laws, regulations, and the articles of incorporation, framework for retention and management of information, and framework for reports to the Company of matters related to the execution of duties by subsidiaries' Directors)

- (1) The Company shall establish the Executive Committee to deliberate and decide on important management matters. The Audit & Supervisory Committee Member(s) selected by the Audit & Supervisory Committee shall attend the meeting, confirm the details of the deliberation, and receive reports.
- (2) The Company shall clearly define the authority and responsibilities of the Board of Directors and Directors regarding material decision-making matters including compliance management, as well as matters decided at the discretion of the Board of Directors.
- (3) The Board of Directors shall receive and confirm reports of material information related to the execution of duties by Executive Directors, and utilize an internal whistleblowing system.
- (4) The Company shall retain and manage material documents and other data related to the execution of duties by Directors pursuant to the provisions of the internal rules.
- (5) The Company shall request reports of matters related to the execution of duties by Directors of the Group companies pursuant to the provisions of the internal rules.

[Framework concerning employees who assist with duties of the Audit & Supervisory Committee]

- (1) The Company shall establish an Audit & Supervisory Committee Office to assist with duties of the Audit & Supervisory Committee.
- (2) The Company shall allocate employees to assist with duties of the Audit & Supervisory Committee to the Audit & Supervisory Committee Office.
- (3) The above employees shall not be subject to the directions and instructions of Directors excluding Directors who are Audit & Supervisory Committee Members.
- (4) When implementing personnel transfers or disciplinary action for the above employees, prior consent of the Audit & Supervisory Committee shall be obtained. When determining performance evaluation, compensation, etc., related to those employees, the prior consent of the Audit & Supervisory Committee Member(s) selected by the Audit & Supervisory Committee shall be obtained.
- (5) Executive Directors shall cooperate in developing working environments and other relevant conditions so that the above employees can assist with duties of the Audit & Supervisory Committee smoothly.

[Framework for reporting to the Audit & Supervisory Committee]

- (1) Directors, Executive Officers and other relevant executives, and employees must report the following matters without delay to the Audit & Supervisory Committee or the Audit & Supervisory Committee Member(s) selected by the Audit & Supervisory Committee:
  1. when they discover any facts that are likely to cause significant damage (including loss of credit) to the Company or when significant damage occurs, they shall immediately report that effect (including matters concerning material lawsuits);
  2. the status of whistleblowing through an internal whistleblowing system developed by Directors;
  3. the status of management concerning elimination of transactions, and blocking of relationships, with anti-social forces; and
  4. other matters that the Audit & Supervisory Committee requests to be reported.
- (2) Directors, Auditors, and employees of subsidiaries or persons who receive reports from any of those persons must report to the Audit & Supervisory Committee or the Audit & Supervisory Committee Member(s) selected by the Audit & Supervisory Committee without delay, if any of the matters set forth in the preceding paragraph occurs.
- (3) The Audit & Supervisory Committee Member(s) selected by the Audit & Supervisory Committee shall cooperate closely with the Auditors of Group companies and other relevant persons, through means such as exchanging information necessary for the execution of duties.
- (4) If required by the Audit & Supervisory Committee, Directors, Executive Officers and other relevant executives and employees must attend the Audit & Supervisory Committee meeting and explain matters with necessary materials. In addition, they have a similar duty to explain if required by the Audit & Supervisory Committee Member(s) selected by the Audit & Supervisory Committee.
- (5) The Company shall not treat the persons who have made the reports under (1) to the Audit & Supervisory Committee or any Audit & Supervisory Committee Members disadvantageously, just because they made those reports.
- (6) The Company shall not treat the persons who have made reports just because they made those reports using an internal whistleblowing system disadvantageously, and the Company shall specify this in the internal rules and fully inform all employees through internal training and on other occasions.

[Matters concerning policies regarding the expenses or liabilities arising from the execution of duties by the Audit & Supervisory Committee Members]

- (1) The Audit & Supervisory Committee Office shall promptly process expenses or liabilities when each Audit & Supervisory Committee Member makes requests with respect to the prepayment of expenses and other payments, except in cases where such requested expenses or liabilities are deemed to be clearly unnecessary for the execution of the duties of an Audit & Supervisory Committee Member.

[Other frameworks for ensuring effective audits by the Company's Audit & Supervisory Committee Members]

- (1) The Audit & Supervisory Committee should create an opportunity to conduct interviews regularly with Directors and Executive Directors, and employees, concerning the business, and conduct a regular meeting to exchange opinions with the President and Accounting Auditor.
- (2) The Audit & Supervisory Committee may request opinions from lawyers, Accounting Auditors, etc. as necessary, for cases that require expertise.

- (3) The Audit & Supervisory Committee should receive in advance an audit plan from the Accounting Auditors, and regularly receive an audit implementation report; in addition, it should conduct an interview as necessary, regarding the implementation of audit.
- (4) The Audit & Supervisory Committee should make efforts to enhance the effectiveness of the audit, by cooperating with the Internal Audit department and conducting an audit, regularly or in a timely manner, of the offices, etc. including the subsidiary, and by understanding the actual situation.
- (5) The employee, who should assist the duties of an Audit & Supervisory Committee Member selected by the Audit & Supervisory Committee and the duties of the Audit & Supervisory Committee, may attend the Executive Committee, committees and other important meetings and make necessary statements thereat, and view important documents.
- (6) An Audit & Supervisory Committee Member selected by the Audit & Supervisory Committee should request that the Company and its subsidiaries report on its business, or investigate the situation of the duties and properties, and the Company and its subsidiaries should cooperate therewith.
- (7) The personnel of the general manager of the Internal Audit Department should be decided upon prior consultation with the Full-time Audit & Supervisory Committee Member selected by the Audit & Supervisory Committee.
- (8) The Internal Audit Department should make a report to the Audit & Supervisory Committee regarding the internal audit plan, internal audit result, and the amendment and abolition of the important rules related to internal audit, and should respond to requests by the Audit & Supervisory Committee in relation to information provision, investigation, and report.
- (9) Directors, Executive Directors and employees should provide the necessary cooperation for the execution of duties of the Audit & Supervisory Committee, based on the Audit & Supervisory Committee Regulations, standards for audit, etc. of the Audit & Supervisory Committee, and standards for the Audit & Supervisory Committee to conduct an audit regarding an internal control system.

## **2. Basic Philosophy on Eliminating Anti-Social Forces and Status of Measures**

1. Basic philosophy against anti-social forces
 

The Group, its entire organization headed by the top management, shall take a resolute stance against antisocial forces, which threaten the peace and stability of civil society, and shall work to end and eliminate any relationships with such forces.
2. Status of implementation of measures to eliminate anti-social forces
  - (1) Implementation of internal rules
 

The Group defines elimination of anti-social forces in the Mitsubishi HC Capital Group Code of Ethics and Code of Conduct, and the specific details thereof are stated in the internal rules.
  - (2) Division in charge of handling anti-social forces
 

The Group has established a division in charge of handling anti-social forces, and oversees the handling of anti-social forces while collecting and managing information concerning anti-social forces in a centralized manner. Also, persons responsible for preventing unjust demands are allocated to business offices, head office's departments, etc., and handle unjust demands from anti-social forces.
  - (3) Major specific initiatives to eliminate anti-social forces
    - (i) The Group vets the counterparty at the time of transactions and regularly.

- (ii) Anti-social forces elimination clauses are included in agreements and the terms and conditions of transactions, and maintained in order to eliminate transactions with anti-social forces.
  - (iii) The Group works closely with outside expert organizations to handle anti-social forces, such as through consultations with the police and lawyers, etc., as necessary.
- (4) Implementation of training activities
- The Group positions the handling of anti-social forces as a critical compliance matter, and incorporates it into the curriculum of compliance training, which is conducted regularly.

## **V Other**

### **1. Adoption of Anti-Takeover Measures**

Adoption of Anti-Takeover Measures	Not Adopted
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Supplementary Explanation
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Not applicable.

### **2. Other Matters Concerning Corporate Governance Framework, etc.**

Corporate Governance Framework including the Overview of the Internal Control System

Please refer to the figure given below.

Overview of the Information Disclosure System

The Company stipulates in its information disclosure policy that it strives to conduct proactive and continuous information disclosure in order to be trusted and properly evaluated by each of its stakeholders surrounding the Company including shareholders and investors. The Company's information disclosure policy is released on its website.

[https://www.mitsubishi-hc-capital.com/sustainability/various\\_policies.html](https://www.mitsubishi-hc-capital.com/sustainability/various_policies.html)

The Company strives to promptly disclose material information concerning the Company and each Group Company, while ensuring the accuracy of the details of the disclosure, and discloses material information in a timely and appropriate matter under the following framework.

The Company also strives to prevent insider trading by appropriately and carefully managing insider information based on internal rules.

#### (1) Disclosure Committee

The Company established the Disclosure Committee as an advisory body of the Executive Committee for discussing the appropriateness of disclosed information and the effectiveness of internal control and procedures concerning information disclosure. The Disclosure Committee, of which the chairperson is the Head of the Treasury & Accounting Division, is held four times a year in principle and what is discussed there is reported to the Executive Committee.

#### (2) Internal rules regarding timely disclosure

The Company has stipulated the Information Disclosure Rules in order to disclose information related to company decisions made or facts of occurrences concerning the Group in a timely and appropriate manner based on the Financial Instruments and Exchange Act, Cabinet Office Ordinance on the Disclosure of Corporate Affairs, etc., and the Timely Disclosure Rules established by stock exchanges. Timely disclosure standards and timely disclosure processes are specified in the Information Disclosure Rules.

#### (3) Responsible department

With regard to information concerning material decisions or occurrence of facts, financial results information, and the like ("material information"), the person in charge of management of the division managing such information will report to the department in charge of disclosure. In addition, material information in group companies is reported by person in charge of management of the department managing the relevant group companies.

The department in charge of disclosure shall promptly disclose information in a timely manner based on the internal rules.

