MITSUBISHI HC CAPITAL │ INTEGRATED REPORT 2025

Our Medium- to Long-term Vision

Value Creation Story

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Risk Management

Realizing Our 10-year Vision through effective enterprise risk management and a sound risk culture adapted to an increasingly uncertain business environment

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Head of Risk Management Division
Chief Crisis Management Officer
Chief Compliance Officer
Chief Information Security Officer

Importance of risk management adapted to changes in the business environment

Our Group is expanding its business domains across more than 20 countries and regions worldwide, including not only financial services such as leasing and installment sales, which are our founding businesses, but also businesses through which we hold assets in the aviation, logistics, and mobility sectors, as well as investment and financing businesses in the environment and energy, and real estate sectors. On the other hand, uncertainty in the political, economic, and social spheres is currently increasing, and we are also exposed to various hard-to-predict risks such as natural disasters and cyberattacks. In our Group, with risks materializing in domains such as the transportation sector in the Americas and the Environment & Energy business, the importance of risk management adapted to changes in the business environment has heightened significantly.

Enhancement of the risk management framework

The Group is working to build a management framework for addressing risks arising from new business domains in the process of promoting the evolution and layering of business models toward achieving further growth. Specifically, we are establishing a system that enables us to make investment decisions by having relevant Corporate Center departments work together to analyze information and data in an agile and rational manner, and a risk and return evaluation system that takes into account the actual condition of new businesses. We are also focusing on developing a predictive management model that can capture trends in market conditions for aircraft, containers, real estate, and other assets.

Preventing the occurrence of unexpected losses and stabilizing volatility in earnings forecasts also lead to reducing cost of shareholder equity. Through these initiatives toward enhancing our risk management framework, we will meet the expectations of our stakeholders.

Toward further business growth

On the other hand, risk is also a source of profit. For our Group to achieve further growth, it is important to maximize returns by evaluating the risks of each business in a timely and appropriate manner and optimizing our business portfolio. By continuously developing such an effective enterprise risk management framework, we can make management decisions such as on investments in growth businesses commensurate with their risks and portfolio restructuring at the appropriate timing. Going forward, we will continue to appropriately identify rapid changes in the external environment, clarify the risk appetite of our entire Group, and visualize management information related to risks, thereby fostering a sound risk culture and contributing to sustainable and stable enhancement of our corporate value.

Initiatives to enhance the risk management framework

Fostering risk ownership		Visualizing risks and returns	Effective use of capital	Proactive disclosure
Company-wide implementation of the risk management dashboard (visualize business/segment-specific return on capital)			Optimizing integrated risk management	Risks requiring the highest vigilance (top risks)
Risk Management / Credit Committee (sessions to share risk awareness with sales and business divisions)			Clarifying our risk appetite and portfolio strategies	
Instilling risk management based on the three-lines model	Enhancing BCP	Developing a risk assessment framework for new businesses	Strategic capital allocation	Responding to climate change risks

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Our Group seeks to maximize its corporate value while ensuring management safety by identifying and recognizing the various risks we face and taking risks within a controlled range. We have also built a framework to minimize impact on management through effective crisis management even during emergencies such as disasters.

Risk management framework

The Group identifies and recognizes various risks across the entire Group, and is structured to manage risks according to the risk category by the department in charge. The Risk Management Committee, chaired by the Head of the Risk Management Division, comprehensively and systematically manages risks for the entire Group on a global basis, and reports important matters to the Executive Committee, chaired by the President & CEO, and the Board of Directors and deliberates on them. In addition, the Group has introduced a "three-lines model" process to establish an effective risk management framework.

In addition to the financial and non-financial risks shown in the figure on the right, we are also enhancing risk management by formulating response policies in accordance with changing circumstances for risks that have a significant impact on management, such as conduct-related risks and human rights violation risks.

Risk and capital management

The Group measures and quantifies the various risks it faces on a uniform scale using statistical methods based on the framework of integrated risk management. We then manage risk and capital for securing sound business management by comparing our equity capital, which represents our management strength, with quantified risks. Specifically, we set planned risk amounts for each risk category such as credit risk and asset risk, and take risks within the limits of our risk tolerance. The status of risks and our portfolio are continuously monitored and reported to management.

We also conduct stress tests on a regular basis to understand the impact of risks that cannot be comprehended by statistical methods. Through multifaceted verification, we check whether our management and business plans are reasonable in their risk appetite and whether our risk endurance is sufficient.

Risk management framework organization chart

Overview of the Group's risk management framework

Web For details on risk management, please visit our website.

Web For details on our risk management framework and risk capital management, please see our ESG Data Book.

Risk Management

Three-lines model (3 lines of defense)

The Group has adopted a three-lines model framework that divides the entire Group into 3 lines of defense and manages the organization on a risk basis. We classify our Group's risk management functions as follows, with each function taking on its respective role to improve the effectiveness of our risk management framework.

Classification	Role
1st line (sales and business divisions, group companies)	As owners of risks arising from business activities, independently implement risk management.
2nd line (each department in charge of risk)	Support the independent risk management by the 1st line from a professional standpoint through the development of risk management policies and frameworks, as well as monitoring and checks on the 1st line.
3rd line (Internal Audit Department)	From a position independent of the 1st and 2nd lines, evaluate the effectiveness of risk management operated by the 1st and 2nd lines and provide advice on challenges and problems.

Crisis management

The Group has established Crisis Management Regulations, Disaster Response Regulations, and a response manual, and has built a framework to minimize the impact of natural disasters, man-made disasters, accidents, and other events on management. Furthermore, in the event of a crisis, the Group determines the crisis category based on the status of the event in question and establishes a Crisis Management Headquarters if it determines the situation to be a "crisis situation." Under the leadership of management and in close cooperation with related departments, the Crisis Management Headquarters collects and shares information, and examines and issues instructions on response policies.

Crisis management response flow

Incident occurrence → Department in charge → Officer in charge and Risk Management Department → Consideration of crisis category → Establishment of Crisis Management Headquarters

Crisis category	Crisis situation	Response
State of alert	A situation that can be handled by the department in charge and is not a "crisis situation," but may develop into one due to delays or errors in the response	Response by the department in charge
Crisis situation	A situation that is likely to cause significant delays or prolonged interruptions in operations and a significant loss of credibility that may jeopardize the Company's continued existence	Crisis Management Headquarters

BCP

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

BCP measures

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

Information security

To protect all of its information assets from various security threats, the Group strives to establish an effective information security management framework and rules. We have also established a cross-organizational team, the MHC-SIRT (Security Incident Response Team), which is responsible for preventing cyberattacks, conducting periodic in-house education and training, and examining responses and investigating causes when incidents occur.

MHC-SIRT activity details

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