

Corporate Governance

Basic views on corporate governance

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

- (1) Fostering sound corporate culture
- (2) Ensuring appropriate information disclosure and transparency
- (3) Ensuring the rights and equal treatment of shareholders
- (4) Constructive dialogue with shareholders
- (5) Ensuring effectiveness of the Board of Directors

 Please refer to the Corporate Governance Report for details.

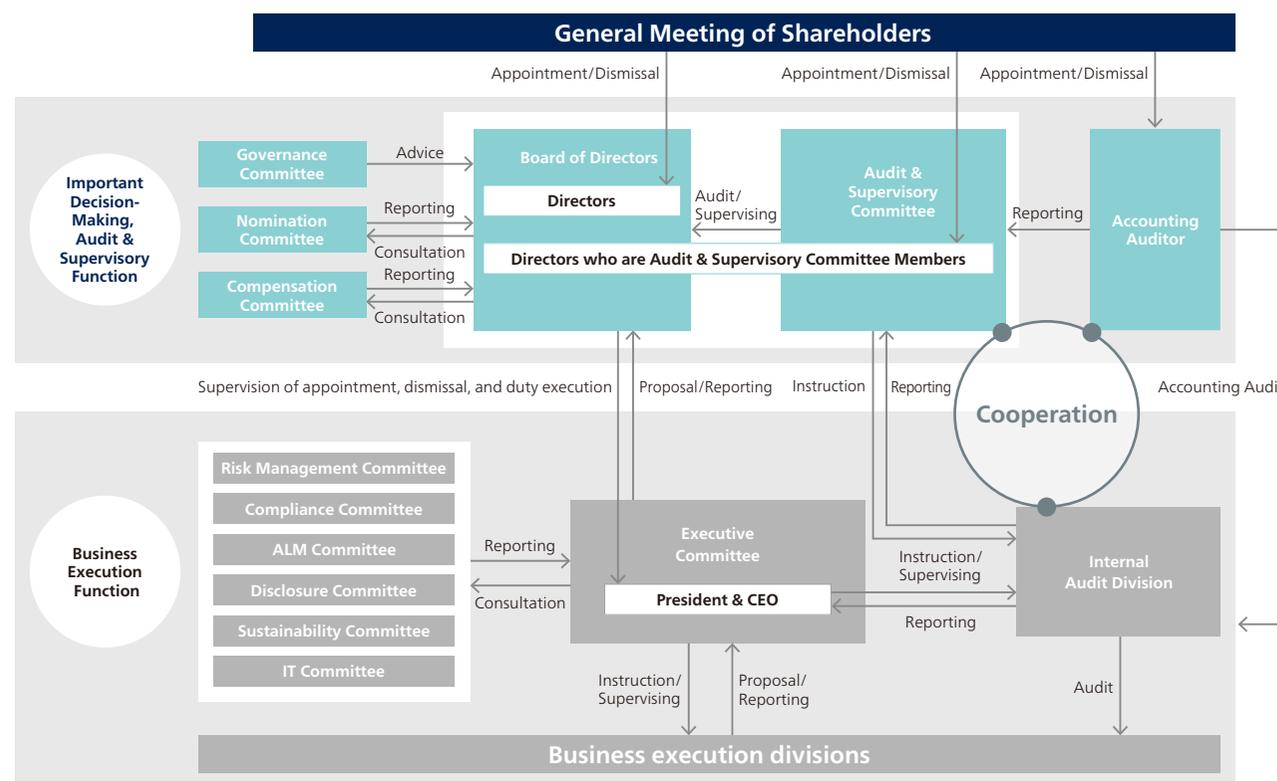
Overview of corporate governance systems

MHC is a company with an Audit & Supervisory Committee, and has established a Board of Directors to be responsible for important decision-making and supervisory functions, and an Audit & Supervisory Committee to be responsible for audit and supervisory functions.

In order to further enhance its corporate governance, MHC has also established a Nomination Committee to serve as an advisory body to designate the President & CEO and a Compensation Committee to advise on the

remuneration, etc. of Directors. Further, MHC has established a Governance Committee, which consists of Outside Directors, Representative Directors, etc., to serve as an advisory body to the Board of Directors regarding the improvement of the effectiveness of the Board of Directors, etc.

Alongside adopting an executive officer system, MHC has established an Executive Committee to serve as a body for deliberation and decision-making on important management matters.



Corporate Governance

Diversity of the Board of Directors

MHC has selected nine skills that the Board of Directors should possess: “corporate management,” “finance,” “global,” “sustainability,” “sales/marketing,” “IT/DX,” “finance/accounting,” “risk management/legal affairs,” and “human resource management.” It recognizes that the skills the Board of Directors shall possess must be reviewed regularly based on its management strategies and environment, and thus it will continue to consider this issue at Governance Committee and Nomination Committee meetings.

MHC also recognizes that diversity at the Board of Directors in terms of gender, nationality, race, etc. is important, and proactively works on strengthening the function of the Board of Directors by enhancing diversity.

Each Director of the Company has qualities appropriate for their position, giving the Board of Directors a set of diversified and sufficient skills.

Reasons for selection of the skills

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

Appointment and dismissal of Directors and training policy

The Board of Directors resolves to appoint candidates to serve as Directors based on the prescribed selection criteria, after the Nomination Committee, of which independent Outside Directors comprise the majority, holds discussions in advance. (It is stipulated in internal regulations that the Board of Directors shall resolve with the utmost respect to the decisions made by the committee.) The Board of Directors also resolves to appoint candidates to serve as Directors who are also Audit & Supervisory Committee Members after the Nomination Committee discusses it and the Audit & Supervisory Committee agrees to it.

If Directors are found to meet the prescribed dismissal criteria, their dismissal is deliberated by the Nomination Committee in a timely manner and decided by the Board of Directors.

In addition, all Directors are regularly given information on training opportunities such as seminars held by external organizations on the latest corporate governance trends, digital transformation, and sustainability.

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

| Name | Position | Skill | | | | | | | | | |
|--------------------|--|----------------------|---------|--------|----------------|-------------------|-------|----------------------|---------------------------------|---------------------------|--|
| | | Corporate management | Finance | Global | Sustainability | Sales / Marketing | IT/DX | Finance / Accounting | Risk management / Legal affairs | Human resource management | |
| Takahiro Yanai | Director, Chairman | ● | ● | ● | ● | ● | | ● | ● | ● | |
| Taiju Hisai | Representative Director, President & CEO | ● | ● | ● | ● | ● | | ● | ● | ● | |
| Aiichiro Matsunaga | Representative Director, Deputy President | ● | ● | ● | ● | ● | | | ● | ● | |
| Kazumi Anei | Director, Deputy President | ● | ● | ● | ● | ● | | | | | |
| Haruhiko Sato | Director, Managing Executive Officer | ● | ● | ● | ● | | | ● | | | |
| Yuri Sasaki | Director (Outside Director) (Independent Director) | | ● | | | | | | | | |
| Kayoko Kawamura | Director (Outside Director) (Independent Director) | | | | | ● | ● | | | | |
| Shota Kondo | Director (Outside Director) | ● | | ● | ● | ● | | | | | |
| Yoshitaka Shiba | Director, Audit & Supervisory Committee Member | ● | ● | | | ● | | ● | ● | | |
| Hiroyasu Nakata | Director, Audit & Supervisory Committee Member (Outside Director) (Independent Director) | | | | | | | | ● | | |
| Hiroko Kaneko | Director, Audit & Supervisory Committee Member (Outside Director) (Independent Director) | | | | | | | ● | ● | | |
| Masayuki Saito | Director, Audit & Supervisory Committee Member (Outside Director) (Independent Director) | ● | | ● | ● | | | ● | ● | ● | |

Corporate Governance

Assessments of the effectiveness of the Board of Directors

MHC has continued efforts to further improve the effectiveness of the Board of Directors based on the reviews and assessments conducted by all Directors at the Board of Directors throughout the year for the purpose of maintaining and enhancing the functions of the Board of Directors.

Major initiatives in FY2024

| Issues in FY2023 | Response to issues |
|---|--|
| Improving agenda items and the content of deliberations | <ul style="list-style-type: none"> Strengthened timely and appropriate monitoring after important decisions were made (on investment projects, business development). Improved the quality of deliberations on risks related to both Company-wide and segment-specific businesses. Revitalized deliberations on important agenda items by flexibly allocating time for deliberations. Revitalized discussions by further utilizing the Governance Committee, etc. Based on various governance guidelines, etc., issues at MHC were identified and discussed, such as the appointment of external chairpersons for the Nomination Committee and the Compensation Committee and the revision of the skills that the Board of Directors should possess. |
| Enhancing communication | <ul style="list-style-type: none"> Outside Directors visited domestic and overseas business sites. Held roundtable discussions and opinion exchange meetings attended only by independent Outside Directors. Held opinion exchange meetings between the Chairman and the President & CEO and independent Outside Directors. Implemented an initiative to facilitate communication between management including Executive Officers and Outside Directors. |
| Improving information provision system | <ul style="list-style-type: none"> Continued the reporting of the current status of each unit and each business division. Continued the provision of business details explanations from the Head of each Corporate Center division to Outside Directors. |

Assessment of the effectiveness of the Board of Directors in FY2024

| Assessment method | | | | | | Results |
|--|---|---|--|--|---|---|
| <ul style="list-style-type: none"> At the Governance Committee meeting held in October 2024, the method of assessing the effectiveness of the Board of Directors for FY2024 was discussed. For FY2025 as well, it was decided to conduct a questionnaire among all Directors regarding the effectiveness of the Board of Directors, Governance Committee, Nomination Committee, and Compensation Committee. The Governance Committee discussed the necessity of using a third-party organization, but it was reconfirmed that the questionnaire among all Directors would continue to be the most effective way to identify issues in consideration of MHC's actual situation. MHC's questionnaire items have been decided by the Governance Committee attended by independent Outside Directors, which we believe to be effective for conducting objective and appropriate reviews. | | | | | | <ul style="list-style-type: none"> The major results of the assessment are shown below: ① It was determined that MHC's Board of Directors is sufficiently performing its role. <ul style="list-style-type: none"> ✓ The criteria for matters to be submitted to the Board of Directors were revised and the frequency of committee reporting was optimized in October 2023. As a result, it became possible to allocate more time on deliberating important agenda items in FY2024, enabling deeper discussions contributing to improving corporate value and exercising sound supervisory functions. ✓ Directors submitted various opinions and recommendations based on their specialized skills and expertise, which enabled organic discussions. ✓ Effective improvement measures have been implemented to address the issues identified in the previous effectiveness assessment, such as the progress management after important decision-making, revitalizing deliberations on reports from the Audit & Supervisory Committee, and the improvement of information provision systems including the access of Outside Directors to MHC's internal system environments. ② It was determined that MHC's Governance Committee, Nomination Committee, and Compensation Committee are sufficiently performing their roles. <ul style="list-style-type: none"> ✓ The Governance Committee comprehensively reviewed various governance guidelines and identified issues at MHC. Multifaceted discussions were held about the composition of the Board of Directors members, the expansion of the roles of Outside Directors, the improvement of the effectiveness of the Board of Directors, and other matters. ✓ Multifaceted discussions were held by the Nomination Committee about the revision of skills that the Board of Directors should possess, and by the Compensation Committee about the policy, the system, the level, etc. of officers' remuneration. ③ The themes that each of the Board of Directors' committees should discuss were specified as the issues to address in FY2025, such as the verification of the effect of revising the criteria for matters to be submitted to the Board of Directors and goals of officers' remuneration based on discussion of the next Medium-term Management Plan. In addition, it has been recognized that there is room for improvement in materials and the operation of meetings in order to further improve the effectiveness of the Board of Directors, etc. We will work to further enhance governance by steadily implementing measures to address these issues. |
| October 2024 | February 2025 | March 2025 | March 2025 Carried out the questionnaire among all Directors | April and May 2025 | May 2025 | |
| <ul style="list-style-type: none"> Deliberated on the method of assessing effectiveness | <ul style="list-style-type: none"> Decided the method of assessing effectiveness Deliberated on questionnaire items | <ul style="list-style-type: none"> Decided questionnaire items | <ul style="list-style-type: none"> March 2025 Carried out the questionnaire among all Directors | <ul style="list-style-type: none"> Deliberated on issues and response measures based on analysis results of the questionnaire | <ul style="list-style-type: none"> Summarized the results of assessing the effectiveness in FY2024 | |

Corporate Governance

Remuneration of Directors

Basic policy

- MHC officers' remuneration is determined by also taking into account officers' incentives, with a view toward increasing corporate value through the execution of business strategies.
- The level of remuneration shall be appropriate with respect to the roles and responsibilities of each officer, and is also based on market levels, from the viewpoints of increasing corporate value over the medium to long term and improving short-term business performance.

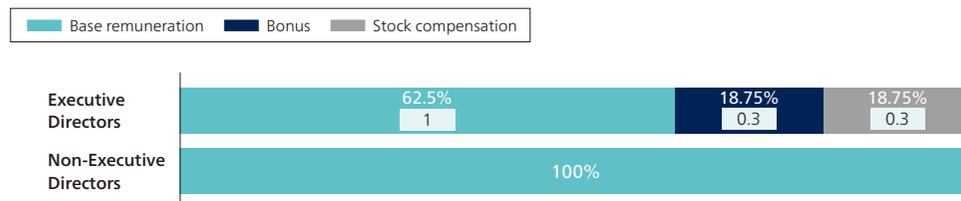
Remuneration system

In principle, Executive Directors' remuneration, etc., consists of base remuneration, short-term incentive compensation (performance-based monetary compensation), and medium- to long-term incentive compensation (performance-based stock compensation). As short-term incentive compensation, cash is paid as a bonus, while medium- to long-term incentive compensation is paid as provision of MHC's shares, etc. in a trust framework.

With a view toward maintaining a sound performance-based ratio, the ratio of fixed remuneration (base remuneration) to floating compensation (bonus and stock compensation) is generally set at 1:0.6 (the ratio of base remuneration to bonus to stock compensation is generally set at 1:0.3:0.3).

Bonuses and stock compensation, which represent incentive compensation, are not paid to non-executive Directors (excluding persons who are Audit & Supervisory Committee Members) from the standpoint of ensuring the effectiveness of their supervisory functions.

Composition of remuneration



Remuneration system for Executive Directors

| Type of remuneration | Details of remuneration | Percentage of remuneration | KPIs for evaluation / Evaluation weight | Range of payment coefficient based on KPI achievement | | | | | | | | | | | | | | | |
|---|---|----------------------------|---|---|-------------------------|------------------|---|------------------|-----|--|-----|--------|------------------|-----|-------|--------------------|---|-----|--------|
| Fixed | <ul style="list-style-type: none"> • Fixed remuneration according to position | 62.5% 1 | — | — | | | | | | | | | | | | | | | |
| Variation | <ul style="list-style-type: none"> • Amount determined based on the consolidated business performance of the previous year, etc. 1. KPIs for performance evaluation are set in line with MHC's numerical targets 2. Regarding responsible duties, quantitative and qualitative evaluations are conducted from the perspective of performance and the level of contribution | 18.75% 0.3 | <table border="1"> <thead> <tr> <th>Position</th> <th>Representative Director</th> <th>Other</th> </tr> </thead> <tbody> <tr> <td>Net income attributable to owners of the parent</td> <td>70%</td> <td>49%</td> </tr> <tr> <td>ROA¹</td> <td>15%</td> <td>10.5%</td> </tr> <tr> <td>ROE²</td> <td>15%</td> <td>10.5%</td> </tr> <tr> <td>Responsible duties</td> <td>—</td> <td>30%</td> </tr> </tbody> </table> | Position | Representative Director | Other | Net income attributable to owners of the parent | 70% | 49% | ROA ¹ | 15% | 10.5% | ROE ² | 15% | 10.5% | Responsible duties | — | 30% | 0-150% |
| | Position | Representative Director | Other | | | | | | | | | | | | | | | | |
| Net income attributable to owners of the parent | 70% | 49% | | | | | | | | | | | | | | | | | |
| ROA ¹ | 15% | 10.5% | | | | | | | | | | | | | | | | | |
| ROE ² | 15% | 10.5% | | | | | | | | | | | | | | | | | |
| Responsible duties | — | 30% | | | | | | | | | | | | | | | | | |
| | <ul style="list-style-type: none"> • Amount determined based on the level of achievement during the three-year period of the Medium-term Management Plan | 18.75% 0.3 | <table border="1"> <tbody> <tr> <td>Net income attributable to owners of the parent</td> <td>60%</td> </tr> <tr> <td>ROA¹</td> <td>10%</td> </tr> <tr> <td>ROE²</td> <td>10%</td> </tr> <tr> <td>TSR³ against TOPIX growth rate</td> <td>20%</td> </tr> </tbody> </table> | Net income attributable to owners of the parent | 60% | ROA ¹ | 10% | ROE ² | 10% | TSR ³ against TOPIX growth rate | 20% | 0-150% | | | | | | | |
| Net income attributable to owners of the parent | 60% | | | | | | | | | | | | | | | | | | |
| ROA ¹ | 10% | | | | | | | | | | | | | | | | | | |
| ROE ² | 10% | | | | | | | | | | | | | | | | | | |
| TSR ³ against TOPIX growth rate | 20% | | | | | | | | | | | | | | | | | | |

1. Return On Assets 2. Return On Equity 3. Total Shareholder Return

