

Corporate Governance

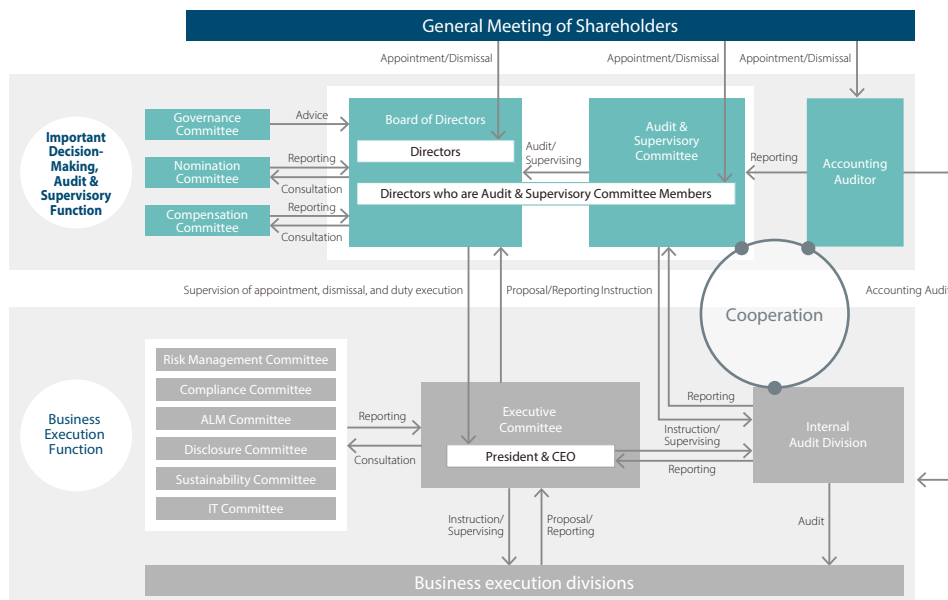
Basic views on and framework for corporate governance

While emphasizing initiatives to achieve sustainable corporate growth and enhance its corporate value over the medium to long term, the Company 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 living up to their trust, based on the views presented below.

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

In addition, with the recognition that it is one of its social responsibilities to ensure transparent and sound management, the Company continues to work on initiatives to enhance corporate governance by invigorating 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 and other activities.

[Web](#) Please refer to the Corporate Governance Report for details.



Diversity of the Board of Directors

The Company has selected nine areas of skills that the Board of Directors should possess: corporate management, finance, global, sustainability, sales/marketing, IT/DX, finance/accounting, risk management / legal affairs, and talent management. It recognizes the importance of reviewing these areas of skills regularly in light of its management strategies and environment, and thus it will continue to consider this matter at Governance Committee and Nomination Committee meetings.

The Company also recognizes that diversity on 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.

The Company's directors possess qualities appropriate for their positions, 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 FY2031 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, which balances the resolution of social issues with the sustainable enhancement of corporate value.
Matters Related to Earnings 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 technology, we believe it is essential to have the ability to apply advanced knowledge of IT and 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.
	Talent management	We believe it is essential to have the ability to build and promote a talent strategy that secures, develops, and utilizes talent in order to fulfill a talent portfolio that supports management strategies and to create a workplace that is both comfortable and motivating. This includes the ability to oversee such activities.

Corporate Governance

Composition of the Board of Directors and committees as well as skills possessed by each Director

●: Chairperson ●: Member ●: Skills held

Name	Position	Board of Directors	Audit & Supervisory Committee	Governance Committee	Nomination Committee	Compensation Committee	Corporate management	Finance	Global	Sustainability	Sales/Marketing	IT/DX	Finance/Accounting	Risk management/Legal affairs	Talent management
Takahiro Yanai	Director, Chairman	●		●	●	●	●	●	●	●	●		●	●	●
Taiju Hisai	Representative Director, President & CEO	●		●			●	●	●	●	●		●	●	●
Aiichiro Matsunaga	Representative Director, Deputy President	●		●			●	●	●	●	●			●	●
Kazumi Anei	Director, Deputy President	●					●	●	●	●	●				
Kazuyoshi Kawakami	Director, Managing Executive Officer	●					●	●	●	●			●		
Hiroyasu Nakata	Director (Independent Outside Director)	●		●	●	●								●	
Junko Takata	Director (Independent Outside Director)	●		●	●	●			●		●				
Shota Kondo	Director (Outside Director)	●		●	●	●	●		●	●	●				
Yoshitaka Shiba	Director, Audit & Supervisory Committee Member	●	●	●			●	●			●		●	●	
Hiroko Kaneko	Director, Audit & Supervisory Committee Member (Independent Outside Director)	●	●	●	●	●							●	●	
Masayuki Saito	Director, Audit & Supervisory Committee Member (Independent Outside Director)	●	●	●	●	●	●		●	●			●	●	●
Kayoko Kawamura	Director, Audit & Supervisory Committee Member (Independent Outside Director)	●	●	●	●	●					●	●			

Protection of minority shareholders

The Company is an affiliate of Mitsubishi UFJ Financial Group, Inc. and Mitsubishi Corporation (hereinafter “the two companies”), both of which are listed on the Prime Market of the Tokyo Stock Exchange.

The Company and Mitsubishi UFJ Financial Group, Inc., and the Company and Mitsubishi Corporation, regard each other as strategically important partners and aim to enhance corporate value through diverse forms of collaboration.

The two companies respect the Company's independence as described below and have established a framework that does not impair the interests of the Company or its minority shareholders.

- As a listed company, the Company makes management decisions and conducts business execution independently under its own responsibility.
- If a proposal involving a conflict between the interests of the Company and those of another company where a director concurrently serves is submitted to the Board of Directors, the director will not participate in either the resolution or the deliberation.

Succession plan

The Nomination Committee, the majority of whose members are independent outside directors, deliberates on the succession plan for the President & CEO, the selection of director candidates, and other matters.

As part of the succession plan for the President & CEO, the Company has established selection criteria³ for its President & CEO, defining the qualities required for the position. Based on these selection criteria, multiple candidates are discussed and narrowed down over multiple Nomination Committee meetings, and the next President & CEO is selected by resolution of the Board of Directors.

In addition, director candidates are selected by resolution of the Board of Directors after prior deliberation by the Nomination Committee based on the selection criteria⁴ (the Company's internal regulations stipulate that, when adopting resolutions, the Board of Directors shall respect the Nomination Committee's resolutions to the fullest extent possible). Candidates for directors who are Audit & Supervisory Committee members are also deliberated by the Nomination Committee and resolved by the Board of Directors after obtaining the consent of the Audit & Supervisory Committee.

3. President & CEO selection criteria

A person who, in addition to meeting the director selection criteria, is deemed to possess the following qualities and capabilities in particular:

1. Ability to envision a future vision for the Group as a whole and strategic thinking
2. Strong leadership to lead the Group as a whole
3. Decisiveness to respond quickly to global changes and issues
4. Ability to develop human resources
5. High personal integrity, with a consistently positive, fair, and impartial mindset

4. For details on the selection criteria, please visit the following webpage.

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

Corporate Governance

Assessments of the effectiveness of the Board of Directors

The Company has continued efforts to further improve the effectiveness of the Board of Directors based on annual 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 and an overview of the effectiveness of the Board of Directors for FY2025 are as follows.

Major initiatives in FY2025

Issues in FY2024	Response to issues
Improving agenda items and the content of deliberations	- Discussed growth strategies, resource allocation, and other matters that contribute to the enhancement of corporate value over the medium to long term in the process of formulating the 2028 MTMP - Discussed the level and ratio of officers' compensation in consideration of the optimal incentives in the 2028 MTMP (revisions to KPIs, evaluation weights, etc.) - Followed up on important matters and investment projects that posted losses - Verified the effects of the revisions to the criteria for matters to be submitted to the Board of Directors implemented in the previous year. Reconfirmed the roles and purposes of the Board of Directors and other committees and clarified items for deliberation - Considered further accelerating the disclosure of the annual securities report
Enhancing communication	- Held roundtable discussions and opinion exchange meetings attended only by independent outside directors - Held opinion exchange meetings between independent outside directors and the chairman and the President & CEO - Held communication sessions between outside directors and executive officers - Held communication sessions between outside directors and the management personnel and employees of overseas Group companies, etc.
Improving the information provision system	- Visits to domestic and overseas offices by outside directors - Reporting of the current status of each unit and each business division

Training policy for directors

The Company provides training opportunities, etc. to directors as below so that they can adequately fulfill their duties and responsibilities, engage in effective discussions at the Board of Directors, and sufficiently exercise supervisory functions. The Company bears the full cost related to the training of directors.

- For all directors, the Company holds study sessions on governance by inviting external lecturers and provides information on seminars on the latest trends in corporate governance, DX, sustainability, and other topics. In addition, as initiatives to deepen understanding of the Company's businesses and strategies, the Company provides outside directors with opportunities for dialogue and exchange of opinions with business execution divisions in Japan and overseas.
- When outside directors assume their positions, business execution divisions brief them on matters including our corporate mission, business conditions, and corporate governance, and conduct an orientation to deepen their understanding of the Group.

Assessment of the effectiveness of the Board of Directors in FY2025

Assessment method				
Governance Committee		March-April 2026 Carried out the survey and interviews	Governance Committee	Board of Directors
February 2026	March 2026		April-May 2026	May 2026
- Decided the method of assessing effectiveness - Deliberated on questionnaire item	Decided questionnaire items		Deliberated on issues and response measures based on analysis results of the survey and interviews	Summarized the results of assessing the effectiveness in FY2025

Results

- The major results of the assessment are shown below.
 - It was determined that the Company's Board of Directors is sufficiently performing its role.
 - In the formulation of the 2028 MTMP, the Board of Directors was able to allocate sufficient time to discuss important points, such as the analysis of internal and external environments, measures to drive the enhancement of corporate value over the medium to long term, and key strategies including the restructuring of our business portfolio.
 - Through follow-up on important matters and investment projects that posted losses, the Board of Directors reviewed the background, assumptions, and decision-making criteria at the time of decision-making and obtained lessons and insights to be applied to future investment policies and frameworks, etc.
 - In terms of the Board's operation, improvements were implemented, including timely and appropriate agenda setting to promote substantive discussions and a review of presentation templates. Initiatives such as discussions among independent outside directors only and communication between the Board of Directors and executive officers were also evaluated as effective.
 - It was determined that the Company's Governance Committee, Nomination Committee, and Compensation Committee are sufficiently performing their roles.
 - The Governance Committee steadily advanced measures to address issues identified in the previous year's effectiveness assessment, while also engaging in discussions on corporate governance and risk management frameworks aimed at strengthening the Company's earnings power.
 - The Nomination Committee discussed the consideration of the skills matrix, the nomination of new director candidates, etc. while the Compensation Committee discussed increasing the proportion of variable compensation in officers' compensation as an incentive to enhance corporate value over the medium to long term, as well as the performance indicators and weighting linked to the key performance indicators of the 2028 MTMP.
 - As the issues to be addressed in FY2026, it was confirmed that the Board of Directors will discuss our new 10-year vision and Company-wide themes (such as DX) while continuing to discuss talent development, the role and approach to corporate governance, etc. In addition, by continuing to refine operational practices to further enhance the effectiveness of the Board of Directors and the committees, we will further strengthen governance.

Corporate Governance

Compensation of directors

Basic policy

- The Company's compensation of officers is designed to enhance corporate value over the medium to long term through the execution of business strategies, and is set at an appropriate level with respect to the roles and responsibilities of each officer by also taking market levels into consideration.
- Also taking into account incentives for officers, the ratio of fixed remuneration and variable compensation, key performance indicators (KPIs), and their respective weightings are appropriately determined.

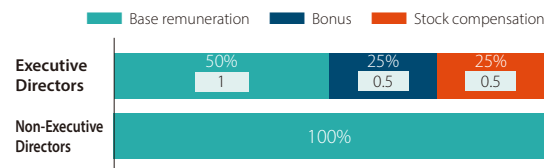
Compensation system

In principle, executive directors' compensation, 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 in the Company's shares, etc. using a trust framework.

To serve as an incentive to enhance corporate value over the medium to long term and business performance over the short term, the ratio of fixed remuneration (base remuneration) to variable compensation (bonus and stock compensation) is set at approximately 1:1 (the ratio of base remuneration to bonus to stock compensation is set at approximately 1:0.5:0.5).

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.

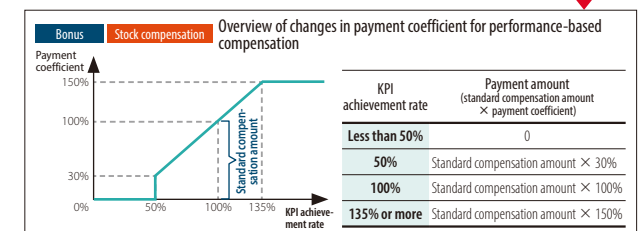
Composition of compensation



Compensation system for Executive Directors

Type of compensation	Details of compensation	Percentage of compensation	KPIs for evaluation / Evaluation weight			Range of payment coefficient based on KPI achievement	
Fixed	Base remuneration Fixed remuneration according to position	50% 1	-			-	
Variation	Bonus (Short-term incentive) Performance-based - Amount determined based on the consolidated business performance of the previous year, etc. - KPIs for performance evaluation are set in line with MHC's numerical targets - Regarding responsible duties, quantitative and qualitative evaluations are conducted from the perspective of performance and the level of contribution	25% 0.5	KPI	Position	Representative Director	Other	0-150%
			ROE ³		40%	28%	
			ROA ⁴		30%	21%	
			Net income attributable to owners of the parent		30%	21%	
			Responsible duties	-	30%		
	Stock (Medium- to long-term incentive) Performance-based Amount determined based on the level of achievement during the three-year period of the Medium- term Management Plan	25% 0.5	ROE ³		30%		0-150%
			ROA ⁴		20%		
			Net income attributable to owners of the parent		20%		
			TSR ² growth rate vs. TOPIX		10%		
			GHG emissions (Scope 1 and 2) ³ vs. FY2019		10%		
			MHC Engagement ⁹		10%		

- Return on equity
- Return on assets
- Total shareholder return
- The FY2028 target has been set as a milestone for achieving the FY2050 net-zero target, based on a constant linear decrease from the FY2024 result.
- The percentage of organizations where employee engagement survey results meet a certain high standard (the percentage of organizations where more than half of respondents have both high *initiative* and *diversity* scores).



Dialogue with shareholders and investors and feedback to the Board of Directors

With the recognition that it is one of its social responsibilities to ensure transparent and sound management while emphasizing initiatives to achieve sustainable corporate growth and the enhancement of its corporate value over the medium to long term, members of the Company's management including the President & CEO, as well as the Corporate Communications Department actively engage in dialogue with shareholders and investors.

Opinions and concerns expressed in the dialogue with shareholders are promptly reported to the Company's management. In addition, such matters are regularly reported to the Board of Directors so that the information is shared with independent outside directors as well.

Implementation status in FY2025

Dialogue opportunities	Financial results briefings, business segment briefings, conferences hosted by securities companies, individual meetings, IR events and seminars for individual investors, and other opportunities
Major themes of dialogue	- Growth strategies to enhance ROE over the medium to long term - Financial strategies including shareholder return and other capital allocation policies - Initiatives for the <i>evolution and layering of business models</i> and their progress - The business portfolio we are aiming for with our business portfolio transformation
Feedback to the Board of Directors	Reporting on the content of dialogue with shareholders, investors, etc. (twice a year)