

SUSTAINABLE FINANCE FRAMEWORK

December 2024

Mitsubishi HC Capital Group

Contents

1. Introduction	2
1.1 Basic Sustainability Policy	3
1.1.1 Basic Management Policy	3
1.1.2 Materiality of Mitsubishi HC Capital Group	4
1.1.3 How Materiality Relates to "Our Mission" and "Our Vision"	6
1.2 Efforts on Sustainability.....	6
1.3 Environment	7
1.3.1 Environmental Policy	7
1.3.2 Environmental Management System	8
1.4 Participation in External Initiatives	8
1.4.1 Information Disclosure Based on TCFD.....	8
1.4.2 Participation in the GX League	9
2. When specifying the use of proceeds: Disclosure in line with the relevant Principles such as Green Bond Principles	10
2.1 Use of Proceeds.....	10
2.1.1 Eligibility Criteria	10
2.1.1.1 Green Projects.....	10
2.1.1.2 Social Projects.....	12
2.1.2 Exclusion Criteria.....	13
2.2 Process for Project Evaluation and Selection.....	13
2.3 Management of Proceeds	14
2.4 Reporting.....	14
2.4.1 Allocation Reporting.....	14
2.4.2 Impact Reporting	14
3. When not specifying the use of proceeds: Disclosure in line with the relevant Principles such as Sustainability-Linked Bond Principles	16
3.1 Selection of KPI.....	16
3.2 Calibration of SPT	17
3.3 Bond/Loan Characteristics	18
3.4 Reporting.....	19
3.5 Verification.....	19

Note: Diagrams, organization names etc. in this document are current as of December 20, 2024.

1. Introduction

Mitsubishi HC Capital Inc. ("the Company") was born in April 2021 from the business integration of Mitsubishi UFJ Lease & Finance and Hitachi Capital.

The Company sets "Our 10-year Vision" as "Together we innovate, challenge and explore the frontiers of the future." to realize "Our Mission", which is its long-term goal. The Company addresses social issues that can be solved only by itself through approaches such as SX (sustainability transformation) and DX (digital transformation) with its customers and partners, anticipating the changes in the society and business environment including changing global industry structures, accelerating digitalization and the increasing importance of sustainability.

To accelerate these initiatives, Mitsubishi HC Capital Group ("the Group") has developed "Sustainable Finance Framework" ("the Framework"). The Framework is designed to be aligned with the following Principles and Guidelines via key pillars (i.e., When specifying the use of proceeds; Use of Proceeds / Process for Project Evaluation and Selection / Management of Proceeds / Reporting. When not specifying the use of proceeds; Selection of KPI / Calibration of SPT / Bond/Loan Characteristics / Reporting / Verification).

- Green Bond Principles 2021 (ICMA¹)
- Social Bond Principles 2023 (ICMA)
- Sustainability Bond Guidelines 2021 (ICMA)
- Sustainability-Linked Bond Principles 2024 (ICMA)
- Green Bond and Sustainability-Linked Bond Guidelines 2022 (Ministry of the Environment of Japan)
- Green Loan and Sustainability-Linked Loan Guidelines 2022 (Ministry of the Environment of Japan)
- Social Bond Guidelines 2021 (Financial Services Agency of Japan)
- Green Loan Principles 2023 (LMA², APLMA³, LSTA⁴)
- Social Loan Principles 2023 (LMA, APLMA, LSTA)
- Sustainability-Linked Loan Principles 2023 (LMA, APLMA, LSTA)

The financing that can be executed under the Framework is as follows:

- Green/Social/Sustainability Finance (Green Bond, Green Loan, Social Bond, Social Loan, Sustainability Bond, Sustainability Loan)
- Sustainability-Linked Finance (Sustainability-Linked Bond, Sustainability-Linked Loan)

¹ International Capital Market Association: ICMA

² Loan Market Association: LMA

³ Asia Pacific Loan Market Association: APLMA

⁴ Loan Syndications and Trading Association: LSTA

The Group has obtained a Second-Party Opinion from DNV BUSINESS ASSURANCE JAPAN K.K., an independent external reviewer, that the Framework is aligned with the principles and guidelines described above.

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. The Company considers that it positions the execution of Green/Social/Sustainability/Sustainability-Linked Finance as an opportunity to raise funds to solve social issues and promote sustainability initiatives, and to communicate the Company's initiatives once again to its stakeholders.

1.1 Basic Sustainability Policy

Since the business integration on April 1, 2021, the Company has been building partnerships with numerous stakeholders globally and has considered itself to have the huge potential capability to contribute and solve social issues. The Company established "Our Mission" to create social value with customers and partner companies and to contribute the prosperous and sustainable future as its ideal image, and defined what the Group needs to do to achieve "Our Mission" as "Our Vision". The "Basic Sustainability Policy" consists of and integrates "Our Mission", "Our Vision" and the materiality identified in December 2021.

1.1.1 Basic Management Policy

<Our Mission> Our long-term goal

Contribute to a prosperous and sustainable future by creating social value through maximizing the potential of assets.

<Our Vision> Objectives to achieve our long-term goal

- Solve social issues by developing unique and progressive businesses with consideration for the global environment.
- Aim for sustainable growth through value co-creation with diverse stakeholders across the globe.
- Enhance corporate value by evolving our business model through utilizing digital technology and data.
- Foster an "open, creative and engaging" corporate culture that shapes each and every employee's motivation and pride.
- Aim to be a trusted company by complying with laws and regulations, as well as implementing ethical corporate management.

<Action Principles> "Values and mindset to be held" and "actions to be taken" by each and every employee

- Challenge Challenge ourselves to look forward to the future with a sense of responsibility and commitment.
- Digital Drive digital innovation and expertise.
- Communication Communicate openly and honestly to build mutual understanding and trust.
- Diversity Embrace diversity and respect each other.
- Sustainability Act in harmony with people, society and the earth to create a sustainable world.
- Integrity Maintain the highest standards of ethics and integrity.

1.1.2 Materiality of Mitsubishi HC Capital Group

The Company has identified the following six materiality as priority key challenges which must be addressed to achieve sustainable development of the Group.

Against a backdrop of megatrends such as recent climate change driven by global warming, population growth, urbanization, and scarcity of resources, not only its personal lives but also social environments have been drastically changing worldwide. Under such circumstances, companies are expected to take efforts to solve numerous issues, such as to promote a decarbonized society and to create a circular economy.

The Group will proceed its effective management and business activities toward solving such issues based on the materiality with appreciating the significance.

<How the Company Identified the Materiality>

As a first step in our sustainability management, the Company identified materiality through the following process:

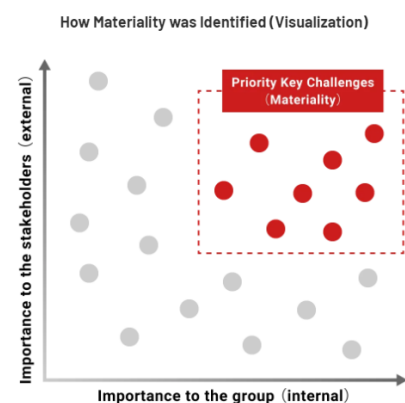
1. Identified internal ESG priority key challenges

The Company first listed wide-ranging ESG-related challenges based on related international guidelines and principles such as the ISO 26000 standards, SDGs (Sustainable Development Goals), and others.

Subsequently, the Company conducted employee questionnaires and interviews throughout the Group and ascertained potential challenges in consideration of their importance for the Group as both opportunities and risks.

2. Identified ESG priority key challenges for external stakeholders


Via interviews with stakeholders including major customers, shareholders, and partners, the Company confirmed and listed key ESG material issues from the perspective of the stakeholders based on their professional expertise and opinions.



3. Management held discussions and made decisions

By reviewing how the priority key challenges relate to our Mission, our Vision and SDGs, the Company identified the key challenges that the Group must address through discussions with relevant departments, the Sustainability Committee, the Executive Committee, and the Board of Directors.

<Materiality of Mitsubishi HC Capital Group>

Materiality	Why the Group Treats as Highly Material Challenges	How related to SDGs
①Promote a decarbonized society	Efforts to realize a decarbonized society have been globally recognized as an urgent issue and the Group can significantly contribute to solving this challenge through its services and solutions, such as renewable energy investment and EV promotion. It is quite a few impact on but is significant for the Group to distinct its business from the business not solving social issues.	 
②Realize the circular economy	The Group aims to contribute to creating a circular economy by reducing waste, not only in the Group but also within society through maximizing the potential of assets as a leading leader in the leasing industry. The Group treats this challenge as material. The Group can also contribute to realizing a sustainable and prosperous society through strengthening the collaboration between partners.	   
③Establish resilient social infrastructure	Large parts of the infrastructure within Japan needs to be repaired. The Group also recognizes the business has huge potential opportunities to support the development of infrastructure in overseas countries with active collaboration between various partners and create a smart city. The Group will contribute to the business being diversified, enhanced and efficient through establishing the system and providing services for supporting the collaboration of various companies.	 
④Realize healthy lifestyles that promote positive wellbeing	It is vital for its stakeholders that the Group recognizes the importance of health, safety, mental and physical wellbeing for realizing the prosperous future. Valuable human resources are key. Personal development and attraction and retention of talent is significant for the Group members.	  

<p>⑤ Create businesses utilizing the latest technologies</p>	<p>Both financing for the purpose of the digital transformation of customers and providing solution by internal and external digital technologies urge to develop new business models. Including establishing supply chain with utilizing with new alternative energies, the Group identifies material one as the opportunity.</p>	 
<p>⑥ Collaborate with partners locally and globally</p>	<p>Social issues differ by countries and regions. It is significant that the Group aims to solve these issues by collaborating with local partners to ensure the Group is meeting individual needs through local community-based communication. The Group can realize mutual benefits in developing society by utilizing the integrated capability in the Group.</p>	 

1.1.3 How Materiality Relates to "Our Mission" and "Our Vision"

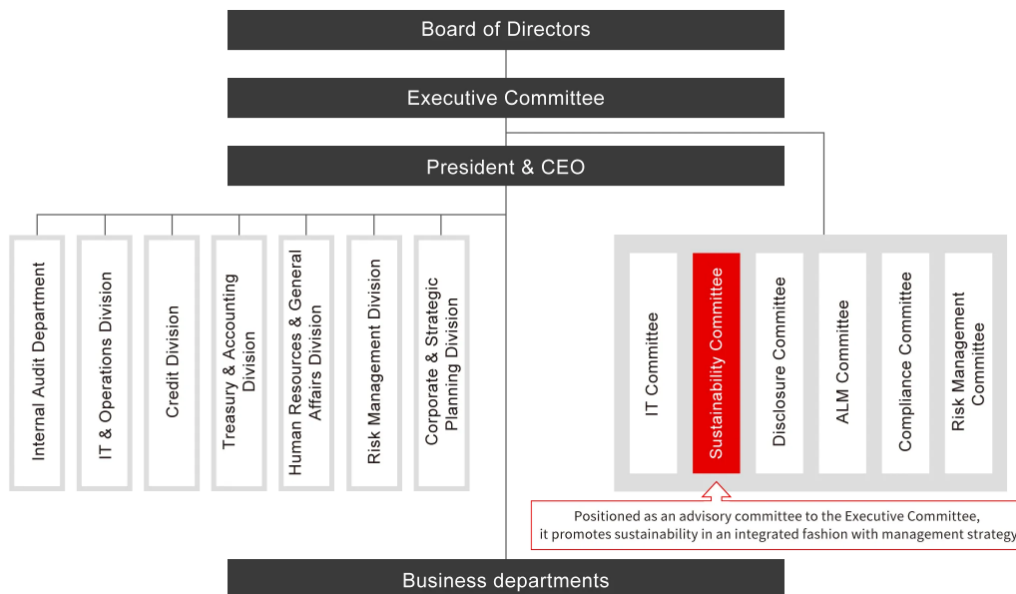


1.2 Efforts on Sustainability

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, the Company has established a "Sustainability Committee" 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 Corporate & Strategic Planning 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.



1.3 Environment

1.3.1 Environmental Policy

<Basic Philosophy>

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

<Environmental Action Guidelines>

1. We will provide innovative solutions to society and promote collaboration with stakeholders to solve environmental issues. Additionally, we will comply with relevant laws and regulations to conduct responsible corporate activities that consider people and the global environment.
2. We will pursue services and solutions that contribute to the reduction of environmental impact and the development of society, properly recognize the effects and impacts of these services and solutions on the environment and society, and endeavor to utilize environmentally friendly goods and services.

3. With the aim of becoming a society that is decarbonized and highly recycling-oriented as well as one that is in harmony with nature and contributes to the conservation of biodiversity, we will endeavor to reduce CO₂ emissions through the value chain, improve the efficiency of the use of water, resources, and energy, and minimize the impact on natural capital.
4. In order to build a relationship of trust with the local communities in Japan and overseas where we conduct business, we will work together with society to solve problems and create a society that can balance conservation of the global environment and sustainable development. If an issue should arise in our business activities, we will make it public in a timely and appropriate manner and promptly take measures to prevent recurrence.
5. As a good corporate citizen, we will raise awareness of environmental and social issues and promote environmental conservation activities as well as community/social contribution activities.

1.3.2 Environmental Management System

<Basic approach>

The Company has established the Sustainability Committee as an advisory body to the Executive Committee to promote sustainability-conscious management throughout the Group. The Company positions environmental issues, most notably climate change, as one of the most important management issues and formulate and implement environmental plans accordingly.

<ISO 14001 self-declaration>

In order to ensure the implementation of environmental targets and to ensure continuous improvement, based on ISO 14001 standards, the Company introduced and has been operating its Environmental Management System (EMS) and improving environmental performance continually since receiving third-party certification in 2001.

To formulate and implement a medium to long-term management strategy in a timely manner by accurately understanding the global and social environmental changes, the Company decided to shift EMS to self-declaration⁵ of conformity in December 2023.

Incidentally, MHC Eco Solutions Co., Ltd. (formerly MHC Reuse Services Corporation), and Mitsubishi HC Capital UK PLC (formerly Hitachi Capital (UK) PLC) have been certified under the ISO 14001:2015 by third-party certification.

1.4 Participation in External Initiatives

1.4.1 Information Disclosure Based on TCFD

The Group engages to resolve social issues to realize a prosperous and sustainable future society with customers and partners globally. Climate change is considered a significant social issue and exerts a grave impact on the global environment, peoples' lives, and business activities.

⁵ Self-declaration is one of the formal options according to the ISO 14001 standard, to evaluate and satisfy requirement of ISO international standards by itself with its own responsibility, without depending on the third-party certification.

The Group has identified "promote a decarbonized society" and "realize the circular economy" as priority key challenges (materiality) related to the environment.

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

<Metrics and Targets>

Based on the recognition that efforts to realize a decarbonized society are an urgent issue, the Group will set the Group's GHG reduction targets pursuant to the Paris Agreement, and the Group see the transition to a decarbonized society as an opportunity and actively promote the transition.

a. The Group's targets for the reduction of GHG emissions

	Short Term (Every Year)	Medium Term (to Fiscal 2030)	Long Term (to Fiscal 2050)
GHG emissions (Scope1,2)	—	-55% compared to fiscal 2019	Net zero
Energy usage in Japan	-1% compared to the prior fiscal year	—	—

b. Future efforts

The Group has calculated and obtained third-party assurance for GHG emissions of certain transactions, which are considered to involve greenhouse gas emissions trading, such as building leasing transactions, aircraft leasing transactions (Scope 3 Category 13 (Downstream Leased assets)), and real estate transactions (Scope 3 Category 15 (Investments)).

Going forward, the Group will consider the reduction of GHG emissions of the entire Group, including supply chains, through formulation of policy for sectors with high GHG emissions and the transaction plan, and other means.

1.4.2 Participation in the GX League

In May 2023, the Company participates in the GX League, established by Japan's Ministry of Economy, Trade and Industry, which aims at transforming economic and social systems towards the realization of carbon neutrality.

By participating in the GX League, the Company will be actively involved in building the future ecosystem by participating in discussions aimed at creating and sharing various business opportunities toward carbon neutrality. Furthermore, the Company will contribute to a sustainable and prosperous future by leading the promotion by providing solutions that contribute to decarbonization and actively engaging in GX initiatives aimed at achieving carbon neutrality by 2050 and driving social transformation.

2. When specifying the use of proceeds: Disclosure in line with the relevant Principles such as Green Bond Principles

2.1 Use of Proceeds

The net proceeds or equivalent from the execution of Green/Social/Sustainability Finance under the Framework will be allocated to the following projects: finance existing and/or new expenses (including investments and loans to special purpose companies) that meet at least one of the following eligibility criteria (eligible projects).

In the case of expense on existing projects, only expenditures made within 36 months on or prior to the date of execution of the applicable Green/Social/Sustainability Finance.

The funds will be allocated to other eligible projects should it be recovered due to repayments etc.

2.1.1 Eligibility Criteria

2.1.1.1 Green Projects

Green Bond/Loan Principles Eligible Category and Environmental Objectives	Eligible Projects
Renewable Energy (Environmental Objectives : Climate Change Mitigation)	<ul style="list-style-type: none"> ◆ Acquisition and/or refinancing for acquisition of solar power generation facilities, wind power generation facilities and/or storage batteries that contribute to the expansion of renewable energy, acquisition and/or refinancing for acquisition of the assets subject to lease and/or installment sales, and/or new loans, investments and/or refinancing for development, construction (repairs and renovations), acquisition and/or operation & maintenance of the assets. <ul style="list-style-type: none"> · Only those projects that can confirm compliance with relevant laws and regulations, such as environmental assessments and the Forest Act in construction and installation of the facility, where applicable. ※Including intercompany loans to the subsidiaries involved in the business set forth in the above.
Green Buildings (Environmental Objectives : Climate Change Mitigation)	<ul style="list-style-type: none"> ◆ Acquisition and/or refinancing for acquisition of the properties (office buildings, commercial facilities, hotels, warehouses and/or residences), which are subject to lease and/or installment sales, that have received and/or will receive one of the following green building certifications and/or new loans, investments and/or refinancing for development (repairs and renovations) and/or acquisition of

	<p>the assets.</p> <ul style="list-style-type: none"> • CASBEE: Rank A or above (Including CASBEE by local governments) • DBJ Green Building Certification 5 Stars or 4 Stars • BELS Certification (FY 2016 standard): 5 Stars • BELS Certification (FY 2024 standard): The following levels <ul style="list-style-type: none"> ➤ Non-residential: 6 Levels or 5 Levels ➤ Residential with renewable energy facilities: 6 Levels or 5 Levels ➤ Residential without renewable energy facilities: 4 Levels • LEED Certification: Platinum or Gold • ZEB Certification: ZEB, Nearly ZEB, ZEH-M or Nearly ZEH-M • Green building certifications administered in each country or region: Top two ranks <p>※In the case of investments and loans to special purpose companies, only those specialized in green building related business or those with at least 90% of assets in green building-related ones are eligible.</p> <p>※Facilities equipped with freezer and refrigerator must be designed in an eco-friendly manner, such as using natural refrigerant.</p> <p>※Including intercompany loans to the subsidiaries involved in the business set forth in the above.</p>
<p>Energy Efficiency (Environmental Objectives : Climate Change Mitigation)</p>	<ul style="list-style-type: none"> ◆ Acquisition and/or refinancing for acquisition of equipment, which is subject to lease and/or installment sales, that is expected to reduce CO₂ emissions, such as LEDs, air conditioners, and/or highly efficient machine tools that meet any of the following conditions and/or new loans, investments and/or refinancing for acquisition of the assets. <ul style="list-style-type: none"> • The installation of a complete set of facilities is expected to improve the energy efficiency of the entire contract by 20% or more if the energy source is solely electricity, and by 30% or more if the energy source includes sources other than electricity. (Energy efficiency is calculated by comparing the performance

	<p>before and after the upgrade in the case of a renewal, or by comparing the performance of the same equipment prior to one cycle in the case of a new installation).</p> <ul style="list-style-type: none"> It can be expected that clear improvements in energy efficiency will be achieved through the installation of equipment that can be confirmed as the best economically available technology, i.e., equipment that meets international green standards and/or is recognized as a top-performing product by nations or industries, etc. <p>※Including intercompany loans to the subsidiaries involved in the business set forth in the above.</p>
<p>Clean Transportation</p> <p>(Environmental Objectives : Climate Change Mitigation)</p>	<p>◆ Acquisition and/or refinancing for acquisition of EV, PHV, FCV and/or charging infrastructure, acquisition and/or refinancing for acquisition of the assets subject to lease and/or installment sales, and/or new loans, investments and/or refinancing for acquisition and/or operation & maintenance of the assets.</p> <p>※Including intercompany loans to the subsidiaries involved in the business set forth in the above.</p>

<Group's Materiality Alignment>

Promote a decarbonized society

< SDGs Alignment>

7. Affordable and clean energy

13. Climate action

2.1.1.2 Social Projects

Social Bond/Loan Principles Eligible Category and Target Populations	Eligible Projects
<p>Access to Essential Services</p> <p>(Target Populations: Nursing Care Providers and Medical Service Providers, Patients (the general public))</p>	<p>◆ Nursing reward and medical fee receivable factoring. (financing to nursing care providers and medical institutions for them to meet short-term liquidity)</p> <p>※Only those to nursing care providers and medical institutions generating at least 90% of their revenue from medical practices covered by Japanese public medical insurance are eligible.</p>

	<ul style="list-style-type: none"> ◆ Acquisition and/or refinancing for acquisition of medical equipment, which is subject to lease and/or installment sales, that meet any of the following conditions and/or new loans, investments and/or refinancing for development and/or acquisition of the assets. <ul style="list-style-type: none"> • It can be confirmed that the medical equipment will be introduced in hospitals or clinics operated by public hospitals, social medical corporations and social welfare corporations. • It can be confirmed that the medical care provided by the medical equipment will be accessible to low-income populations. <p>※Including intercompany loans to the subsidiaries involved in the business set forth in the above.</p>
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<Group's Materiality Alignment>

Realize healthy lifestyles that promote positive wellbeing

<SDGs Alignment>

3. Good health and well-being

5. Gender equality

8. Decent work and economic growth

2.1.2 Exclusion Criteria

The the proceeds from the execution of Green/Social/Sustainability Finance under the Framework will not be knowingly allocated to the projects related to:

- Unfair transactions that do not comply with relevant laws and regulations of the jurisdiction.
- Inappropriate relationship such as bribery, corruption, blackmail, embezzlement, etc.
- Transactions that can cause social problems such as human rights and the environment.
- Property development for the tenants who are primarily engaged in the business related to fossil fuels, weapons, and tobacco.

2.2 Process for Project Evaluation and Selection

The execution of projects is subject to financial assessment by the department in charge and, depending on the amount of the project, the approval by an approver between General Manager and the Board of Directors. Treasury Department of the Company or its group companies will be responsible for selecting eligible projects and determining whether approved projects are eligible for the proceeds allocation. As a part of its compliance activities, the Group ensures that all executives and employees fully comply with applicable laws and regulations, including those related to the environment, and carries out regular compliance checks.

2.3 Management of Proceeds

The net proceeds or equivalent from the execution of the Green/Social/Sustainability Finance will be managed by Treasury Department of the Company or its group companies using internal management files, etc. As long as the balance of the proceeds from the execution of Green/Social/Sustainability Finance is outstanding, the Company or its group companies will check once a year to ensure that the net proceeds or equivalent from the execution of Green/Social/Sustainability Finance do not exceed the aggregate amount of the eligible projects.

In the event that the entire proceeds or the equivalent of the entire proceeds from the execution of Green/Social/Sustainability Finance are not immediately allocated to the eligible projects, or if unallocated proceeds arise due to repayment or any other reasons, the unallocated amount will be identified and held in cash or cash equivalents until the proceeds are allocated to the eligible projects.

2.4 Reporting

On an annual basis, the Company or its group companies will prepare and make publicly available a report on the Company's or its group companies' website (in the case of loans, the Company or its group companies will report to the lender) disclosing allocation status and environmental and social impacts of the eligible projects. The first report is planned to be made available within one year from the execution of Green/Social/Sustainability Finance.

2.4.1 Allocation Reporting

The Company or its group companies will disclose the amount of the outstanding Green/Social/Sustainability Finance, net proceeds allocated to eligible projects by eligible category, net proceeds allocated to the expenses of existing eligible projects, and the balance of the amount equal to the net proceeds that is unallocated as of such date, if any, as long as the balance of the proceeds from the execution of Green/Social/Sustainability Finance is outstanding on the Company's or its group companies' website (in the case of loans, the Company or its group companies will report to the lender).

The Company or its group companies will report on a timely basis in the case of material developments in the allocation status after full allocation on the Company's or its group companies' website (in the case of loans, the Company or its group companies will report to the lender).

2.4.2 Impact Reporting

The Company or its group companies will provide, to the extent practicable, the following indicators of the environmental and social impacts of the projects as long as the balance of the proceeds from the execution of Green/Social/Sustainability Finance is outstanding on the Company's or its group companies' website (in the case of loans, the Company or its group companies will report to the lender).

<Green Projects>

Green Bond/Loan Principles Eligible Category	Examples of Reporting Metrics
Renewable Energy	<ul style="list-style-type: none"> • Overview of eligible projects • Annual volume of CO₂ emissions avoided (estimation based on output standards) • Annual power generation produced (estimation based on output standards) • Storage battery capacity (theoretical value)
Green Buildings	<ul style="list-style-type: none"> • Acquisition status of green building certification • Balance by green building certification / asset type • In the case freezer or refrigerator installed assets, outline of such equipment (refrigerant, etc.)
Energy Efficiency	<ul style="list-style-type: none"> • Number of eligible projects executed (annual basis) • Cumulative amount of eligible projects (annual basis) • Annual volume of CO₂ emissions avoided (estimation based on output standards)
Clean Transportation	<ul style="list-style-type: none"> • Number of EVs, PHVs, FCVs, or charging infrastructures installed • Annual volume of CO₂ emissions avoided (estimation based on output standards)

<Social Projects>

Social Bond/Loan Principles Eligible Category	Examples of Reporting Metrics
Access to Essential Services	<p>Nursing reward and medical fee receivable factoring</p> <ul style="list-style-type: none"> • Number of eligible projects executed (annual basis) • Cumulative amount of eligible projects (annual basis) <p>Medical equipment leasing and installment sales</p> <ul style="list-style-type: none"> • Number of eligible projects executed (annual basis) • Cumulative amount of eligible projects (annual basis)

3. When not specifying the use of proceeds : Disclosure in line with the relevant Principles such as Sustainability-Linked Bond Principles

3.1 Selection of KPI

The following KPI will be used for Sustainability-Linked Finance executed under the Framework.

KPI	The reduction rate of GHG emissions in Scope1 and 2
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The Group expressed its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in October 2021, and is intensifying efforts to reduce its GHG emissions. In addition, the Group will set the Group's GHG reduction targets pursuant to the Paris Agreement, and the Group see the transition to a decarbonized society as an opportunity and actively promote the transition. Due to the Group having numerous global bases, it is necessary to respond to the regulations and environments of each country. This makes the Group's initiatives more difficult compared to companies that only have domestic bases. In addition, most of its bases are occupied as tenants, which limits the methods available to contribute to decarbonization in terms of setting up its bases.

On the other hand, the Group recognize that the insights gained from its efforts to reduce its own GHG emissions (Scope 1 and 2 emissions) can serve as a significant stepping stone in addressing decarbonization in the Group's supply chain, as they can be utilized when promoting its customers' efforts to reduce GHG emissions (Scope 3 emissions). In addition, regardless of the amount of GHG emissions, the Group acknowledges the importance of the reduction of Scope 1 and 2 to demonstrate clearly the Group 's commitment to climate change mitigation.

Therefore, the Group believes that the reduction of GHG emissions in Scope 1 and 2 is great important for the Group, and that measuring progress by setting this KPI is highly significant.

<Definition>

Based on the total GHG emissions (Scope 1 and 2) calculated using the calculation rules of the GHG Protocol, which includes the Group (consolidated basis) as the aggregation scope, the Group has calculated the reduction rate from FY 2019.

<Track record>

	FY 2019	FY 2021	FY 2022	FY 2023
Scope 1 and 2 GHG Emissions of the Group on a Consolidated Basis (market basis) (t-CO ₂ e)	11,292	10,055	7,757	6,574
Scope 1 and 2 GHG Emissions Reduction Target (market basis) (%) (Base year: FY2019)	Base year	11.0	31.3	41.8

3.2 Calibration of SPT

The following SPT will be used for Sustainability-Linked Finance executed under the Framework. The SPT is set to meet the levels required by the Paris Agreement. The Group has been addressing across segments towards achieving SPT. In addition to the conventional efforts in energy conservation and eco-driving, the Group is also undertaking various initiatives, such as "the promotion of electrification and energy-saving through the electrification of automobiles" as well as "the transition to renewable energy for power usage", including overseas group companies.

SPT	A target for each fiscal year after FY2025 towards a 55% reduction of GHG in Scope 1 and 2 by FY2030 (base year: FY 2019)
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In addition to the targets for FY2030, the Group has established in advance the target for each fiscal year after FY2025 in the Framework, as described below. The target year for the SPT and the determination date for the SPT to be used will be specified in the respective legal disclosure documents (in the case of bonds) or contract documents (in the case of loans) at the time of each financing execution.

FY	2019	2025	2026	2027	2028	2029	2030
SPT	Base year	30%	35%	40%	45%	50%	55%

If the determination date is after FY2031, the SPT can be set to a figure that is calculated by linearly interpolating between the target for FY2030 and the target for FY2050 target (CO₂net zero) described in the Framework. However, if the Group has updated its targets after FY2030 at the time of financing execution, the Company or its group companies will consider setting the more ambitious figure as the SPT between the figure calculated by linearly interpolating and the newly set target (or depending on the bond maturity, the figure set by linearly interpolating). The SPT to be used, and the determination date for the SPT, will be specified in the legal disclosure documents (in the case of bonds) or contract documents (in the case of loans) at the time of each financing execution.

3.3 Bond/Loan Characteristics

The characteristics of Sustainability-Linked Finance executed under the Framework will change depending on the achievement status of SPT. The details of the changes will be specified in the legal disclosure documents (in the case of bonds) or contract documents (in the case of loans) at the time of each financing execution, and include the following: (1) "Step up/Step down in interest rates" or (2) "Donations".

However, in the event of unforeseen events (such as M&A activities, significant changes in regulatory or other institutional aspects, or the occurrence of unusual events, etc.) at the time of executing Sustainability Linked Finance that may materially affect the measurement method and scope of KPI, the setting of SPT, and assumptions, the Group intends to disclose an explanation of the changes on the Company's or its group companies' website (in the case of bonds) or in contract documents (in the case of loans).

In addition, if there are significant changes in the SPT settings or other aspects, the Company or its group companies will discuss with relevant stakeholders concerned the calibration of the SPT with an ambition level equal to or greater than the existing evaluation standards taking into account these changes, and will obtain a second party opinion from a third-party assessment agency as necessary.

(1) Step up/Step down in interest rates

In the case of step up

Suppose a third-party verified report stating that the SPT has been achieved is not received by the determination date. In that case, the interest rate will step up at the annual rate specified at the time of financing from the interest payment for the interest period beginning after the determination date until the redemption/repayment date (or if otherwise specified in the legal disclosure documents or contract documents, etc., by the due date).

In the case of step down

Suppose a third-party verified report stating that the SPT has been achieved is received by the determination date. In that case, the interest rate will step down at the annual rate specified at the time of financing from the interest payment for the interest period beginning after the determination date until the redemption/repayment date (or if otherwise specified in the legal disclosure documents or contract documents, etc., by the due date).

(2) Donations

Suppose a third-party verified report stating that the SPT has been achieved is not received by the determination date. In that case, donations in an amount corresponding to the percentage specified in the legal disclosure documents or contract documents of the amount raised through Sustainability-Linked Finance will be made to qualified donation

recipients by the redemption/repayment date. Qualified donation recipients are public interest incorporated associations, public interest foundations, general foundations, international organizations, local government-certified non-profit organizations, local governments, national and public university corporations, school corporations, research institutions, and similar organizations related to the improvement of SPT that has not been achieved. The recipients of the donations will be determined with the necessary approvals prior to the redemption/repayment date.

3.4 Reporting

The Company or its group companies will report on the following items. The reporting period is the fiscal year preceding the fiscal year to which the reporting date belongs. The reporting contents will be disclosed on the Company's or its group companies' website (in the case of loans, the Company or its group companies will report to the lender).

NO.	Information to be Reported	Reporting Frequency
1	Performance of the KPI	Annually until the determination dates, starting from the fiscal year following the year of issuance of each Sustainability-Linked Finance
2	Performance against the SPT	
3	Information that may affect the achievement of the SPT (e.g., updates to the Group's non-financial goals)	
4	If the SPT has not been reached and "donations" are made, the amount and recipients of the donations.	Timely

3.5 Verification

The Company or its group companies plan to obtain verification from independent third party on an annual basis until the determination date regarding the performance of the KPI.