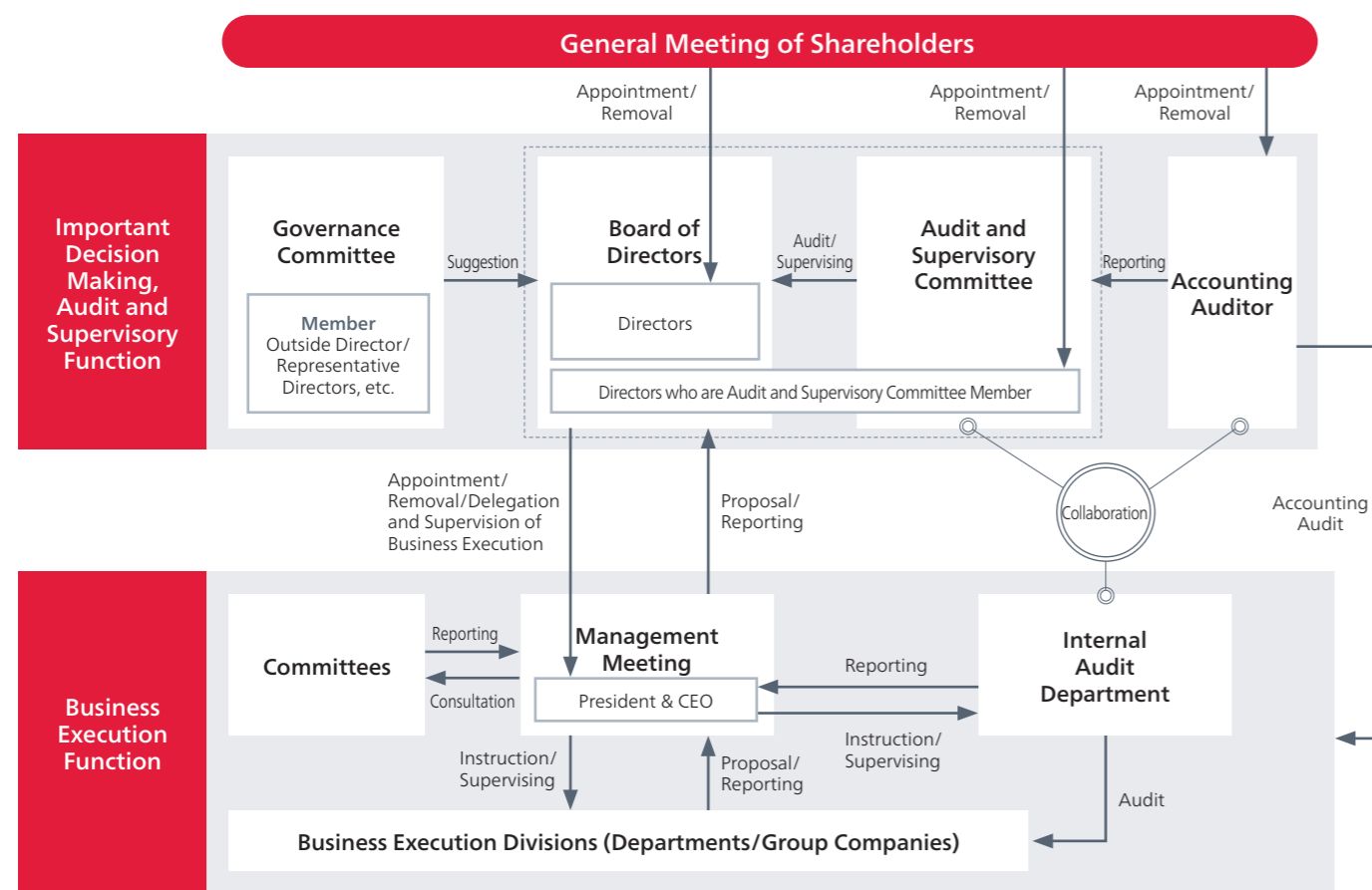


Corporate Governance

Basic Views

The Company recognizes that it is one of our social responsibilities to ensure transparent and sound management, while emphasizing initiatives to achieve sustainable corporate growth and a medium- to long-term improvement in corporate value. Respecting the rights and interests of all of our stakeholders—shareholders, customers, local communities, and employees—we work to fulfill the trust they place in us, and aspire to contribute to a more prosperous society. To fulfill these social responsibilities, we engage in continuous initiatives to enhance corporate governance by boosting the activity of the Board of Directors, reinforcing the Audit and Supervisory Committee and the internal audit system, ensuring timely and appropriate disclosures of information, improving investor relations (IR), and related activities.



Overview of Corporate Governance Systems

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

As a company with an audit and supervisory committee, the Company delegates many business execution decisions to the Executive Committee, a body which will deliberate and decide on important management matters, and expedites the decision-making process, with the aim of strengthening the supervisory functions of the Board of Directors.

In addition, the Company has introduced an executive officer system, in order to further enhance and invigorate the functions of the Board of Directors by clarifying the responsibilities related to the execution of business. The Company has 15 Directors (including seven Outside Directors) and 34 Executive Officers (six of whom concurrently serve as Directors) as of June 29, 2021.

Corporate Governance Report
https://www.mitsubishi-hc-capital.com/pdf/english/sustainability/governance/governance_report.pdf

Furthermore, the Company has established the Governance Committee, which is comprised of Outside Directors (including those who are Audit and Supervisory Committee Members), Representative Directors, and Inside Directors nominated by the Representative Directors. It will widely exchange opinions on nomination of the Representative Director, President, matters concerning compensation for Directors, etc., the enhancement of the effectiveness of the Board of Directors, and other matters concerning the Board of Directors, and continue to work on enhancing the soundness, transparency, and fairness of the Company's management.

Members of the Board of Directors, and Their Areas of Expertise

Name	Current position and responsibility at the Company	Areas of expertise				
		Overall management	Finance	Financial accounting	Legal affairs, compliance, and risk management	Global business
Seiji Kawabe	Representative Director, Chairman	○	○			
Takahiro Yanai	Representative Director, President & CEO	○	○			
Kanji Nishiura	Representative Director, Deputy President	○				○
Kazumi Anei	Director, Deputy President, Head of the Business Management Division	○				
Satoshi Inoue	Director, Senior Managing Executive Officer, Head of the Treasury & Accounting Division	○		○		
Haruhiko Sato	Director, Managing Executive Officer, Deputy Head of the Corporate & Strategic Planning Division Deputy Head of the Treasury & Accounting Division			○		○
Hiroyasu Nakata	Director				○	
Go Watanabe	Director	○	○			○
Mitsumasa Icho	Director	○			○	
Yuri Sasaki	Director		○			
Seiichiro Kishino	Director (Audit and Supervisory Committee Member)	○		○		○
Shuji Miake	Director (Audit and Supervisory Committee Member)		○			
Teruyuki Minoura	Director (Audit and Supervisory Committee Member)	○				○
Koichiro Hiraiwa	Director (Audit and Supervisory Committee Member)	○	○			
Hiroko Kaneko	Director (Audit and Supervisory Committee Member)			○		

Policies and Procedures for Selection and Dismissal of Directors

The Representative Director, President proposes candidates to serve as Directors to the Board of Directors by comprehensively considering knowledge, experience, abilities, and other factors, based on the following selection standards. Furthermore, the Representative Director, President also proposes candidates for Director who are concurrently Audit and Supervisory Committee Members to the Board of Directors, after obtaining approval from the Audit and Supervisory Committee, based on the following selection standards. At the Board of Directors meeting, the Representative Director, President carefully explains the reasons for appointing each candidate to the Board of Directors, and careful deliberations are held.

In addition, if Directors engage in misconduct or material violations of any laws and regulations in the course of execution of business, or if they are found not to meet the selection standards, their dismissal is deliberated carefully and in a timely manner.

Selection Standards

1. Directors and Audit and Supervisory Committee Members should be mentally and physically sound enough to execute business.
2. Directors and Audit and Supervisory Committee Members should be persons who are well respected, possess excellent integrity and hold themselves to high ethical standards.
3. Directors and Audit and Supervisory Committee Members should have a law-abiding spirit.
4. Directors and Audit and Supervisory Committee Members should be expected to have the ability to make objective judgments regarding management and have excellent insight and perspicacity.
5. In addition to 1. to 4. above, candidates for Outside Directors should (i) have experience, achievements and knowledge in their fields of specialty, (ii) be able to contribute to the implementation of appropriate decision making and management supervision of the Board of Directors, and (iii) be expected to set aside time necessary to perform their duties.
6. A candidate for reappointment should have fulfilled the role expected of them during their term of office.

Views on the Appropriate Balance of Knowledge, Experience and Skills, Diversity, and Size of the Board of Directors as a Whole

The Company's Board of Directors consists of Directors from a variety of business categories and industries, and has an appropriate number of members to ensure such diversity.

Each Director is expected to fully demonstrate his skills and abilities, backed by each individual's experience, and to implement management supervision by utilizing his deep insight from a variety of perspectives.

The Company currently has elected two female Directors. In addition, although foreign Directors have not been elected, the Company acknowledges that the Board of Directors has been performing a sufficient supervisory function, as it has elected several Directors who possess a wealth of international business experience, and has received valuable opinions on global business development.

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

Reasons for Appointing Outside Directors

Name	Reasons for Appointment
Hiroyasu Nakata	Mr. Hiroyasu Nakata is a university professor with extensive knowledge as an academic and expert in the law, and has an objective perspective independent from the Company's management team, which is engaged in the execution of business. He is expected to apply his background and abilities to make contributions, namely to appropriate decision-making and supervision of overall management by the Board of Directors as an independent Outside Director, and to the enhancement of the soundness, transparency, and fairness of management by giving advice to the Board of Directors as a member of the Governance Committee.
Go Watanabe	Mr. Go Watanabe has a wealth of management experience at major financial institutions and a leading manufacturer in Japan, as well as extensive knowledge about domestic and overseas financial business. He is expected to apply his background and abilities to make contributions, namely to appropriate decision-making and supervision of overall management by the Board of Directors as an Outside Director, and to the enhancement of the soundness, transparency, and fairness of management by giving advice to the Board of Directors as a member of the Governance Committee.
Mitsumasa Icho	Mr. Mitsumasa Icho has a wealth of management experience at a major general trading company in Japan and extensive knowledge about financial business. He is expected to apply his background and abilities to make contributions, namely to appropriate decision-making and supervision of overall management by the Board of Directors as an Outside Director, and to the enhancement of the soundness, transparency, and fairness of management by giving advice to the Board of Directors as a member of the Governance Committee.
Yuri Sasaki	Ms. Yuri Sasaki has academic expertise as a university professor, excellent knowledge and breadth of experience as an international finance researcher, and a wealth of experience in supervision of management at Hitachi Capital Corporation that she is expected to utilize in the management of the Company, and an objective perspective independent from the Company's management team, which is engaged in the execution of business. She is expected to apply her background and abilities to make contributions, namely to appropriate decision-making and supervision of overall management by the Board of Directors as an independent Outside Director, and to the enhancement of the soundness, transparency, and fairness of management by giving advice to the Board of Directors as a member of the Governance Committee.
Teruyuki Minoura	Mr. Teruyuki Minoura has a wealth of management experience and deep insight from his time at major manufacturing companies in Japan. Since he was appointed as a Director in 2013, he has applied his background and abilities—as well as his objective perspective independent from the Company's management team, which is engaged in the execution of business—to make contributions to appropriate decision-making and the supervision of overall management by the Board of Directors as an independent Outside Director. Since his appointment on April 1, 2021, he has contributed to ensuring the sound management of the Company as a Director who is concurrently an Audit and Supervisory Committee Member.
Koichiro Hiraiwa	Mr. Koichiro Hiraiwa has a wealth of knowledge from his experience at the Bank of Japan and a leading telecommunications company in Japan, and in management at a major hotel. Since he was appointed as a director of Hitachi Capital Corporation in 2015 (and the chairman of the board in June 2019), he has applied his background and abilities—as well as his objective perspective independent from Hitachi Capital Corporation's management team, which is engaged in the execution of business—to contribute to effective operations, appropriate decision-making, and supervision of overall management by the board of directors of Hitachi Capital Corporation. He also served as the chair of the audit committee of Hitachi Capital Corporation, and thus has a wealth of experience and accomplishments in committee audits. Since his appointment on April 1, 2021, he has contributed to ensuring the sound management of the Company as a Director who is concurrently an Audit and Supervisory Committee Member.
Hiroko Kaneko	Ms. Hiroko Kaneko has a wealth of experience from her time as a partner of a major audit corporation and as a university professor, and extensive knowledge as a professional accountant. Since she was appointed as an Audit & Supervisory Board Member in 2020, she has applied her background and abilities—as well as her neutral, objective perspective—to contribute to ensuring the sound management of the Company. Since her appointment on April 1, 2021, she has contributed to ensuring the sound management of the Company as a Director who is concurrently an Audit and Supervisory Committee Member.

Compensation of Directors

Basic Policy

- The Company's officers' compensation is determined by also taking into account officers' incentives, with a view toward increasing corporate value through the execution of business strategies.
- The level of compensation is appropriate with respect to the roles and responsibilities of each officer, and is also based on market levels, from the viewpoints of increasing medium- to long-term corporate value and improving short-term business performance.
- The Company's Board of Directors established the following policy for determining the compensation of individual Directors (excluding persons who are Audit and Supervisory Committee Members) after explaining and obtaining advice at the Governance Committee (attended by Outside Directors (including those who are Audit and Supervisory Committee Members), Representative Directors, and Inside Directors nominated by the Representative Directors), in line with the above basic policy.

Content of Directors' Compensation, etc. (excluding persons who are Audit and Supervisory Committee Members)

A Compensation system

- In principle, Directors' compensation, etc., (excluding Outside Directors and persons who are Audit and Supervisory Committee Members; hereinafter, the same in (ii)) consists of base compensation (fixed compensation), annual incentive compensation (performance-based compensation), and medium- to long-term incentive compensation. Regarding annual incentive compensation, cash is paid as bonus, while medium- to long-term incentive compensation is paid through the allotment of stock compensation-type stock options.
- The Company has established a payment ratio for performance-based compensation and non-performance-based compensation, with a view toward maintaining a sound performance-based ratio. In addition, the Company has also established appropriate short-term and medium- to long-term incentive ratios under this compensation system, in order to enhance not only short-term business performance, but also medium- to long-term corporate value.
- Specifically, the ratio of non-performance-based compensation (base compensation and stock compensation-type stock options) to performance-based compensation (bonus) is generally set at 1.3 : 0.3 (the ratio of base compensation to stock compensation-type stock options to bonus is generally set at 1 : 0.3 : 0.3). Using this as the base case, the ratio is determined by taking into account the roles, responsibilities, and other factors with regard to each Director on a comprehensive basis.
- Outside Directors (excluding persons who are Audit and Supervisory Committee Members) are not paid bonus or stock compensation-type stock options, which represent incentive compensation, in order to ensure the effectiveness of their supervisory functions. Accordingly, they are paid only base compensation.

B Performance-based compensation

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

C Non-performance-based compensation

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

D Policy for when compensation is paid and how payment conditions are decided

- Base compensation is a fixed amount and paid on a predetermined date every month.
- Bonus amounts are decided based on the performance in the previous fiscal year (April to March of the next year) and paid on a date after the General Meeting of Shareholders held in June every year.
- Performance-based stock options are paid in July (payment in advance), after the number of stock options to be allotted to each Director is resolved at the meeting of the Board of Directors in June every year.
- Non-monetary compensation related to the provision of company housing is paid every month, separately from basic compensation.

Method of Determining Compensation, etc. for Directors (excluding those who are Audit and Supervisory Committee Members)

- In order to ensure transparency and objectiveness in determining officers' compensation, etc., the Company deliberates on the compensation, etc., at a meeting of the Board of Directors, after providing prior explanations on the details of the compensation, etc., its determination policy, and other relevant matters and receiving advice from the Governance Committee.
- The amount of compensation, etc., to be paid to Directors (excluding those who are Audit and Supervisory Committee Members) has been set at no more than 800 million yen (including 100 million yen for Outside Directors) annually for the sum of base compensation and bonuses, while the amount of compensation, etc., related to the granting of stock compensation-type stock options has been set at no more than 150 million yen annually, and non-monetary compensation related to the provision of company housing at no more than 2 million yen per month, by a resolution of the General Meeting of Shareholders (February 26, 2021). Although the number of Directors (excluding those who are Audit and Supervisory Committee Members) relating to the amount of compensation, etc., was not specified in the relevant resolution of the General Meeting of Shareholders, the number of Directors (excluding those who are Audit and Supervisory Committee Members) at the time of the resolution at said General Meeting of Shareholders becoming effective is 10 (three of whom are Outside Directors, to whom only base compensation is to be paid).
- The Company considers it useful for persons who are well-acquainted with individual operations and the Company's circumstances, to flexibly determine the specific amounts of base compensation and bonuses to be paid, as well as non-monetary compensation related to the provision of company housing based on certain standards, and they are determined at the discretion of the President who serves as Representative Director, within the range of the upper limits approved by resolution of the General Meeting of Shareholders. The individual amounts of compensation are reported to the Governance Committee after the fact and verified. With regard to stock compensation-type stock options, the number of stock options to be allotted to each Director is resolved at the meeting of the Board of Directors.

Details and Method of Determination of Compensation, etc., for Directors who are Audit and Supervisory Committee Members

- Directors who are Audit and Supervisory Committee Members are not paid bonuses or stock compensation-type stock options, which represent incentive compensation, from the standpoint of ensuring the fairness of audits. Accordingly, they are paid only base compensation.
- The amount of compensation for Directors who are Audit and Supervisory Committee Members has been set at no more than 200 million yen annually, by a resolution of the General Meeting of Shareholders (February 26, 2021). The amount of compensation for Directors who are Audit and Supervisory Committee Members is determined through consultations of the Audit and Supervisory Committee. Although the number of Directors who are Audit and Supervisory Committee Members relating to the amount of compensation, etc., was not specified in the relevant resolution of the General Meeting of Shareholders, the number of Directors who are Audit and Supervisory Committee Members at the time of the resolution at said General Meeting of Shareholders becoming effective is five.

Basic Views on Internal Control System and the Progress of System Development

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

Hereinafter, "the Group" refers to "the Company and the Company's subsidiaries and affiliates," and "Group companies" refers to "the Company's subsidiaries and affiliates."

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

System for Group Management

The Company shall establish the Mitsubishi HC Capital Group Code of Ethics and Code of Conduct in order to share fundamental values and ethics to be embraced by all members of the Group and reflect them in business.

1. The Company shall establish management method between the Company and the Group companies, in order to ensure the propriety of the business activities of the Group companies, and establish internal rules to improve the management efficiency and corporate value of the Group as a whole, through the Group carrying out activities with a strong sense of solidarity.
2. The Company shall receive reports, etc. from the Group companies and conduct management of the Group in line with various internal rules established for the Group management, in adherence to the allocation of duties.

3. The Company shall establish management and operational methods for internal controls pertaining to the financial reports of the Group, and shall effectively develop and operate the internal controls of the Group as a whole, so that the Company's financial reports will be prepared appropriately, in accordance with the provisions of the Financial Instruments and Exchange Act.

System for Compliance with Laws and Regulations

1. The Company shall establish the Mitsubishi HC Capital Group Code of Ethics and Code of Conduct in order to share fundamental values and ethics to be embraced by all members of the Group and reflect them in business.
2. The Company shall establish a system for ensuring that the officers and employees of the Group comply with laws and regulations and the Articles of Incorporation, by establishing and disseminating various internal rules and the Compliance Manual.
3. The Company shall establish the Compliance Committee, which deals with establishment, maintenance, management, etc., of the Group's compliance system, in addition to the Chief Compliance Officer (Head of Risk Management Division), who is responsible for the compliance of the Group, and the Legal & Compliance Department, which is tasked with enforcing compliance. The Group companies shall, if there are any legal risks, etc. intrinsic to the business activities of such company, cooperate with the Company as necessary, and develop an appropriate compliance system.
4. The Company shall formulate compliance programs (specific plans to ensure that the officers and employees of the Group comply with laws and regulations, etc., including education for the Group's officers and employees) and monitor how the Group's officers and employees are working on those programs.
5. The Company shall establish the Compliance Hotline System as an internal whistleblowing framework under which the Group's officers, employees, etc., can report to or seek consultations with the Company regarding unfair practices and other conduct.
6. The Group shall take a resolute stance against anti-social forces, which threaten the peace and stability of civil society, and work to prevent transactions with such forces.
7. The Company shall be aware of the possibility that funds transacted through the Group may be used for various criminal activities and/or terrorism, and shall work to prevent money laundering.

Information Disclosure System

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

Internal Audit System

1. The Company shall establish internal rules to smoothly and effectively promote audit activities by clarifying procedures for planning, implementing, and reporting internal audits and providing instructions for improvement within the Group.
2. The Company shall establish the Internal Audit Department as a department in charge of internal audits. The Internal Audit Department shall systematically implement internal audits related to the Group based on an annual audit plan and report the audit results to the Representative Director. The Internal Audit Department shall also identify matters discovered and provide guidance on improvement to the parties subject to audit of the Group. Effectiveness of the audit shall be ensured regarding significant identification of matters discovered and provision of guidance on improvement through having the results of improvements reported to the Manager of the Internal Audit Department of the Company after the audit, and having them reported to the Representative Director by the Internal Audit Department.
3. The General Manager of the Internal Audit Department of the Company shall build collaborative relationships with the Audit and Supervisory Committee Member of the Company and Auditors and other relevant persons and the Accounting Auditor of the Group companies as necessary, such as by exchanging relevant information with them, and shall work to ensure the efficient implementation of the audit.

Risk Management System

1. The Company shall establish internal rules that state, among other matters, the Group's basic policies for risk management and risk management frameworks and operations. The Group companies shall also prepare internal rules that state, among other matters, the risk management frameworks and operations.
2. The Company shall establish an integrated risk management framework for the Group. The Company shall establish a committee related to the risk management of the Group, an executive officer in charge of risk management, and the Risk Management Department as a department in charge of risk management.
3. The Company shall report to the Board of Directors on the current status and issues of the risks regarding the overall management of the Group and the responsive measures therefor, etc.
4. The Group companies shall report to the Company on the current status and issues of the risks regarding the overall management and the responsive measures therefor, etc. The Company shall report the foregoing to the Board of Directors as necessary.
5. The Company shall classify the major risks of the Group as follows. The Company shall establish internal rules for risk management, including establishment of a risk management framework under each risk management rule, and shall inspect the status of development of such rules.
 - i) Credit risks ii) Asset risks iii) Investment risks iv) Market risks v) Liquidity risks vi) Country risks vii) Operational risks

6. The Company shall conduct integrated risk management and operations to (a) contribute to sustainable improvement of corporate value, through ensuring sound management based on an overall understanding of the wide-ranging risks of the Group, and (b) perform its social responsibility as a company to stakeholders including clients, shareholders, employees and communities.
7. The Company shall provide a basis for the stable recording of returns commensurate with risk, achievement of an appropriate capital structure, and appropriate allocation of resources, primarily by identifying and recognizing, evaluating and measuring, controlling, monitoring, and reporting the risks of the Group in conducting integrated risk management and operations.
8. The Company shall establish a framework for risk capital management as necessary, with respect to the Group's risks that can be evaluated and measured quantitatively.
9. The Company shall establish internal rules to ensure the continuation of overall business operations and the restoration of normal functions by clarifying the Group's basic approach to and criteria for responding to crisis events and sharing them with the Group companies, and to establish the systems necessary to minimize the Group's losses. The Group companies shall establish internal rules within each company.

■ Framework for Ensuring the Efficient Execution of Duties

1. The Company shall set management targets for the Group and draw up management plans to manage business based on appropriate methods. The Group companies shall conduct business management based on appropriate methods, based on the Group's management targets and management plans.
2. The Company shall establish the Executive Committee, to which decisions, etc., regarding certain matters are delegated by the Board of Directors to the president subject to deliberation at the Executive Committee. The Executive Committee will hold discussions and make decisions on important matters, including the business management of the Group, in addition to conducting preliminary considerations of matters that are to be submitted to the Board of Directors to facilitate decision-making by the Board of Directors. In addition, various committees shall be established as advisory bodies for the Executive Committee.
3. In order to efficiently conduct the execution of duties based on the decisions of the Board of Directors, the Company shall build an employee rank framework, organizational structure, etc., in accordance with the internal rules, and shall assign the execution of duties. The Group companies shall provide appropriate cooperation such as reports to and consultations with the Company on necessary matters pursuant to the internal rules.

■ Other Matters Related to the Execution of Duties by Directors (Framework for ensuring that the execution of duties by Directors complies with laws, regulations, and the Articles of Incorporation, framework for retention and management of information, and framework for reports to the Company of matters related to the execution of duties by subsidiaries' Directors)

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

■ Framework Concerning Employees who Assist with Duties of the Audit and Supervisory Committee

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

■ Framework for Reporting to the Audit and Supervisory Committee

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

■ Matters Concerning Policies Regarding the Expenses or Liabilities Arising from the Execution of Duties by the Audit and Supervisory Committee Members

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

■ Other Frameworks for Ensuring Effective Audits by the Company's Audit and Supervisory Committee Members

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