

Efforts toward sustainability—among them, protecting the global environment, respecting human rights, developing human resources, and embracing diversity—are essential responsibilities to society that corporations should fulfill.

As demonstrated in its value creation process, through its business activities, the Mitsubishi HC Capital Group works to strengthen and accumulate non-financial capital, such as human capital including human resources, natural capital including the global environment, and social and relation capital including human rights, and by extension, to expand its financial capital. We believe this approach is important to enhancing corporate value.

The section highlights the efforts of the Group to enhance non-financial capital to help shape a prosperous and sustainable future society together with stakeholders, and continue to achieve long-term growth.

Environmental Initiatives

The Mitsubishi HC Capital Group has declared its goal to “contribute to a prosperous and sustainable future by creating social value through maximizing the potential of assets.” To achieve this goal, we have established an Environmental Policy and pursue initiatives to tackle environmental issues.

Environmental Policy

- Basic Philosophy
- Environmental Action Guidelines

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.

- 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.
- 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.
- 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.
- 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.
- 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.

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Efforts to Solve Materiality

In December 2021, Mitsubishi HC Capital identified Materiality (Material Issues) as priority key challenges which must be addressed to achieve sustainable development of the Mitsubishi HC Capital Group.

Please refer to page 6 for details.

As materiality related to the environment, we have established “Promote a decarbonized society” and “Realize the Circular Economy.” We aim to reduce our environmental impact across the entire supply chain and work with stakeholders to solve environmental issues through corporate activities.

Promote a Decarbonized Society


Climate change is a major challenge that needs to be resolved in order for a sustainable society to become a reality. The Group believes that for any company to survive moving forward, it must work to solve this problem through its business activities. Furthermore, the Group is aware of the importance of earning the trust of stakeholders through proper disclosure of information and supports the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

Information Disclosure According to Four Disclosure Items Suggested by TCFD Recommendations

1. Governance

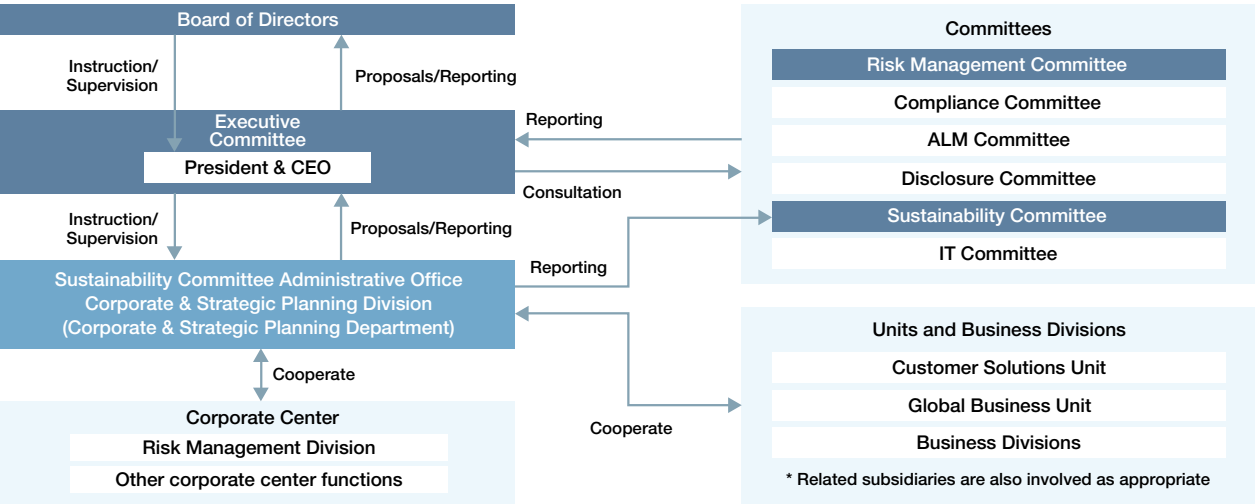
The Sustainability Committee was established in April 2021 with the launch of the Group to better contribute to the realization of a sustainable and prosperous future. This Committee is considered one of the advisory bodies to the Executive Committee and meets to discuss the climate change issue and other key challenges related to sustainability. The results of the deliberations are reported to the Executive Committee and the Board of Directors.

The Group will promote efforts to identify and manage the impact of climate change on business and reinforce its governance.



Supervision of the Board of Directors and the Roles of Top Management

The Mitsubishi HC Capital Group’s Sustainability Promotion Framework



Organizational Entities and Roles in the Sustainability Promotion Framework

Organizational Entities	Roles
Board of Directors	The Board of Directors oversees measures that relate to Company-wide management, including response policies, action plans, and progress on the Group’s Materiality and environmental issues in response to reports on the matters deliberated over and resolved by the Executive Committee and reflects those details when determining important matters such as Company strategy.
Executive Committee	The Executive Committee engages in specific deliberations and resolutions concerning measures that relate to Company-wide management, including response policies, action plans, and progress on the Group’s Materiality and environmental issues. Important matters are reported to the Board of Directors.
Risk Management Committee	The Risk Management Committee is chaired by the Head of the Risk Management Division, and its members comprise the President & CEO, Deputy Presidents, Head of the Corporate & Strategic Planning Division, Head of the Treasury & Accounting Division, Head of the Credit Division, Head of the IT & Operations Division, and directors in charge of auditing. The committee manages risks related to overall management in comprehensive and systematic ways. The overall impact of climate change risks, human rights risks, etc. on other major risks is reported to the Executive Committee. In principle, the committee meets quarterly.
Sustainability Committee	The Sustainability Committee is chaired by the Head of the Corporate & Strategic Planning Division, and its members comprise the President & CEO, Deputy Presidents, Head of the Treasury & Accounting Division, Head of the Human Resources Division, Head of the Risk Management Division, Head of the Credit Division, and Head of the IT & Operations Division. The committee formulates long-term plans related to the Group’s sustainability promotion, including Materiality and environmental issues, as well as goals and plans concerning non-financial KPIs. The committee also monitors the progress of each business division and reports important matters to the Executive Committee. In principle, the committee meets twice a year.
Sustainability Committee Office (Corporate & Strategic Planning Department, Corporate & Strategic Planning Division)	The Administrative Office is responsible for drafting and driving the implementation of plans for Company-wide strategy based on the Group’s Basic Sustainability Policy. It gathers knowledge from Japan and overseas in the Group’s areas of sustainability and reports to the Sustainability Committee and other bodies along with policies and strategies.

2. Risk Management

Regulatory changes, technological innovation, shifts in business models in line with the transition to a decarbonized society or extreme weather, etc. stemming from global warming may affect our operating results and financial condition in the form of business failure of business partners due to earnings deterioration and other factors, decline in value of assets owned by the Group, and others. The Group recognizes climate change risk as one of the critical risks in company-wide risk management and will promote efforts to properly identify and manage it.

Risk Management System Overview

The Group uses the “integrated risk management” framework to comprehensively manage risks that could have a substantial impact on investors’ decisions.

The important risks managed within the integrated risk management framework include, but are not limited to, credit risks, asset risks, investment risks, market risks, liquidity risks, and operational risks.

To manage envisaged risk factors, the departments overseeing specific risks monitor issues arising from developments in the external environment or other changes, regularly consider measures to address such risks, and then report and deliberate them at meetings of each committee including the Risk Management Committee. In addition, we operate a risk management system in which important matters are reported to and discussed by the Executive Committee and Board of Directors.

Please refer to page 85 for details on the Risk Management section.

Classification and Examples of Impacts of Climate Change Risks

Climate change risks consist of transition risks associated with climate-related regulation tightening and technological innovation, etc. and physical risks associated with extreme weather and changes in climates. The TCFD recommendations classify these

risks into the subcategories of policy and legal/technology/market/reputation, and acute/ chronic. The Company recognizes that impacts of climate change risks occur in various time frames such as short, medium and long term through broad transmission routes including existing risks like credit risks, asset risks and investment risks. Furthermore, in addition to direct impacts on the Company’s business activities, the onset of indirect impacts through the Company’s customers is also possible.

Based on such risk characteristics and details of the TCFD recommendations, the Company sorts out examples of impacts of climate change risks for each of its major risks, also taking into account its risk management framework. Under the integrated risk management system, the Company is also advancing the establishment of a system to identify/ assess and manage climate change risks in light of relations with other major risks.

Going forward, the Company will review the risk classification and examples of impacts according to changes in the external environment, and deepen analysis and assessment of climate change risks.

Status of Integration into Overall Risk Management

Comprehensive impacts of climate change risks on other major risks are reported to and discussed by the Risk Management Committee. We will advance reflection of such risks, including risks identified through scenario analysis, in overall risk management by establishing a monitoring system and other means. In addition, the development of targets and plans related to climate change and details of monitoring are reported to and discussed by the Sustainability Committee. Details of discussions of both committees are reflected in the Company’s management strategies under the system of monitoring by the Board of Directors so that we can appropriately address the risks from both the perspectives of overall risk management and individual risks.

Results of the Scenario Analysis

We have discussed the impacts on our business and confirmed consistency between the results of the scenario analysis and the existing strategic policy.

The Group endeavors to minimize risks and maximize opportunities by taking short- and long-term measures as for risks and opportunities related to climate change. As a result of the transition risk analysis, we recognize the need to appropriately handle risks and opportunities associated with the expansion of renewable energy (Environment & Energy), shift to low mileage aircraft/engines and low-carbon fuels such as SAF and hydrogen (Aviation), growing demand for low-carbon buildings (Real Estate),

etc. Furthermore, as a result of the physical risk analysis, we anticipate risks including damage caused by disasters to power stations and deterioration of power generating facilities such as solar panels (Environment & Energy), loss in value of real estate due to intensification of natural disasters and increases in construction/operation expenses and renovation costs (Real Estate), damage caused by disasters to the Group’s offices, and increases in operating expenses and insurance costs.

4. Metrics and Targets

Based on the recognition that efforts to realize a decarbonized society are an urgent issue, we will set the Group’s greenhouse gas reduction targets pursuant to the Paris Agreement, and we see the transition to a decarbonized society as an “opportunity” and actively promote the transition. In the case where greenhouse gas emissions increase significantly in the future due to efforts for

While appropriate countermeasures for climate change risks have been developed, the acquisition of business opportunities has been incorporated into strategies for opportunities brought by climate change. Going forward, we will reflect KPIs related to climate change in the process of implementing the Medium-term Management Plan, and establish a system to regularly monitor relevant trends in Japan and abroad, and the status of initiatives of the Group.

new businesses, or where numerical value changes while calculation of greenhouse gas emissions of the entire Group including supply chains are sophisticated, and other cases, the established targets may be reviewed appropriately, but we plan to set the targets so that any targets are in line with the level of the Paris Agreement, just like the targets established this time.

The Group’s Targets for Reduction of Greenhouse Gas Emissions

	Short Term (Every Year)	Medium Term (to Fiscal 2030)	Long Term (to Fiscal 2050)
Scope 1 and Scope 2	Energy usage in Japan: (1)% compared to the prior fiscal year	(55)% compared to fiscal 2019	Net zero

Future Efforts

For Category 11 (Use of sold products), Category 13 (Downstream leased assets) and Category 15 (Investments) of Scope 3, which are expected to comprise a majority of the Group’s greenhouse gas emissions, we also consider the measurement method and conduct discussions toward disclosure.

Going forward, we will consider the reduction of greenhouse gas emissions of the entire Group including supply chains, through visualization of the status of greenhouse gas emissions related to business transactions, formulation of the policy for sectors with high greenhouse gas emissions and the transaction plan, and other means.

Realize the Circular Economy

Leveraging an extensive track record cultivated in the used market over many years, the Group buys and sells a variety of pre-owned machinery and equipment for semiconductor manufacturing, and pharmaceuticals and medical devices. We also provide services to accurately determine the value of idle equipment and propose its effective utilization and to effectively utilize office equipment (purchase, data erasure, re-sale).

The used market has also benefited from technological advances that facilitate the distribution of good quality equipment and facilities, and a growing number of customers are looking to adopt used equipment from a cost-cutting perspective. However, with the speed of new product development accelerating, the production side is facing issues with caching surplus equipment and reducing the costs of installing new equipment, and, at the same time, companies are facing growing demands to reduce waste generation.

The Mitsubishi HC Capital Group uses its nationwide information network to propose the effective utilization of used equipment and facilities in ways that properly reflect market value, contributing to the reduction of waste and working to realize a circular economy that fully utilizes the

new value of assets.

We are also working on the circulation of plastic resources to comply with the Act on Promotion of Resources Circulation for Plastics, which went into effect in April 2022.

Meanwhile, we are working to reduce food loss and CO₂ emissions in Japan by providing sales support, financing for installation, and operational support for unattended vending machines known as “Fuubo Food Loss Reduction Boxes” provided by ZERO Co., Ltd.



U-MACHINE’s Resource Center helps make a circular economy a reality by servicing end-of-lease properties.