

Corporate Governance

Basic Views on Corporate Governance

MHC recognizes that one of its social responsibilities is 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 its stakeholders, including shareholders, customers, local communities, and employees MHC works to fulfill the trust they place in us and aspires to contribute to a more prosperous society.

To fulfill these social responsibilities, it engages in continuous initiatives to enhance corporate governance by boosting the activity of the Board of Directors, reinforcing the Audit & Supervisory Committee and the internal audit system, ensuring timely and appropriate disclosures of information, improving investor relations (IR), and related activities.

Basic policies

Appropriate collaboration with all stakeholders

In accordance with MHC’s “Vision,” which guides all of MHC’s activities, and the “Mitsubishi HC Capital Group Code of Ethics and Code of Conduct,” which serves as the standard for the decisions and behaviors of all employees, MHC strives to ensure appropriate collaboration with its various stakeholders, including shareholders, customers, local communities, and employees.

In addition, MHC strives to foster a corporate culture that encourages respect for the diversity of its stakeholders, their rights and perspectives, and sound corporate ethics.

Appropriate information disclosure and ensuring transparency

MHC strives to conduct proactive and continuous information disclosure in order to be trusted and properly evaluated by each of its stakeholders. It also establishes and appropriately operates internal systems to facilitate the swift and impartial disclosure of accurate information regarding its management policies, business strategies, business activities, financial condition, etc.

In addition to the items it is required to disclose pursuant to laws and regulations, it actively and voluntarily discloses non-financial information deemed useful to its stakeholders.

Ensuring the rights and equality of shareholders

MHC takes appropriate steps to ensure that the rights of shareholders are secured and can be exercised effectively, including furnishing the necessary environment for the exercise of such rights, and gives consideration to the fair treatment of all shareholders, including minority shareholders and foreign shareholders.

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Dialogue with shareholders

Through events such as financial results briefings and other domestic and overseas investor relations (IR) events, MHC pursues proactive and constructive dialogue with shareholders. It thereby seeks to gain an understanding from shareholders regarding matters such as its business strategies while responding to the shareholders in an appropriate manner based on an understanding of their perspectives.

Responsibilities of the Board of Directors

All members of the Board of Directors, including Outside Directors, call upon their experience and insight as they engage in free and open discussions, contributing to active proceedings of the meetings of the Board of Directors. In this manner, they adequately fulfill their duties and responsibilities to achieve the sustainable growth of MHC, medium- to long-term improvement of its corporate value, and enhancement of its earnings capacity and capital efficiency in an environment that supports appropriate risk-taking.

Board of Directors and Audit & Supervisory Committee

The Company implements a system to manage and operate business in line with the basic policy decided by the Board of Directors. Each Outside Director has qualities appropriate for their position, giving the Board of Directors a set of diversified and sufficient skills.

The Audit & Supervisory Committee consists of one Full-time Audit & Supervisory Committee Member and three Part-time (outside) Audit & Supervisory Committee Members. The Company’s Audit & Supervisory Committee Members have extensive knowledge of financial business, and a system is in place to ensure the full effectiveness of accounting audits.

Governance Committee, Nomination Committee, and Compensation Committee

The Governance Committee widely exchanges opinions on enhancing the effectiveness of the Board of Directors and other matters concerning the Board of Directors and continues working to enhance the soundness, transparency, and fairness of the Company’s management.

The Nomination Committee discusses the appointment of Directors, the succession plan for the Representative Director, President & CEO, knowledge, experience, skills, etc. that the Directors should have, and other matters.

The Compensation Committee regularly monitors the Directors’ remuneration system of MHC in comparison with the market standard by using an external specialized agency and discusses policies concerning the

systems, standards, etc., for Directors’ remuneration.

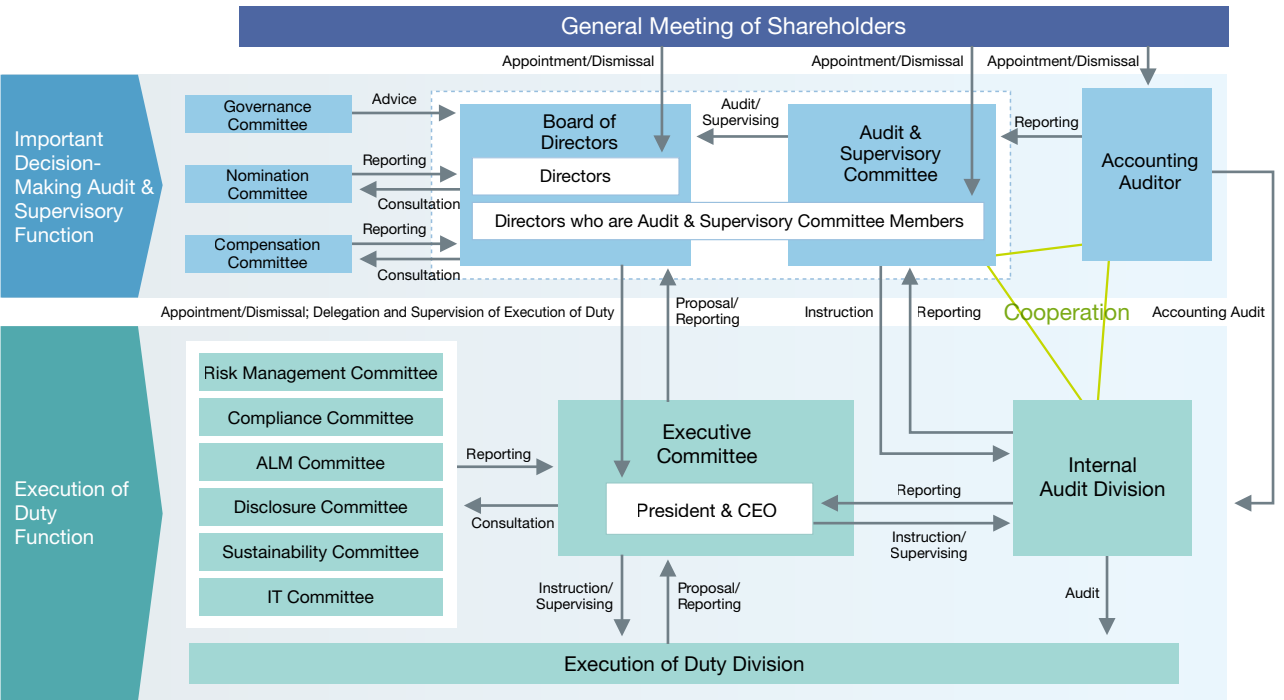
The members and the chairperson of the Nomination Committee and Compensation Committee shall be selected by the Board of Directors, and items discussed in the committees shall be resolved by a majority of committee members in attendance. It is stipulated in internal rules that the Board of Directors shall make decisions in recognition of to decisions made by the committees.

Matters concerning execution of duty

As a company with an audit & supervisory committee, MHC delegates many execution of duty decisions to the Executive Committee, a body that 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, MHC has adopted 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 duty.

The Executive Committee, a body that will deliberate and decide on important management matters, is composed of the President & CEO, Deputy President, and Executive Officers separately specified by the President & CEO. The Committee will hold deliberations 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.

Corporate Governance Systems (As of October 1, 2023)



Composition of the Board of Directors

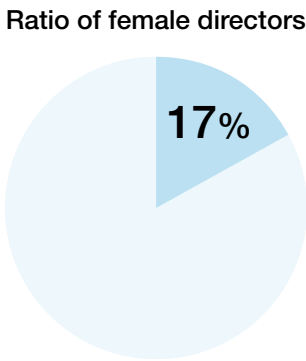
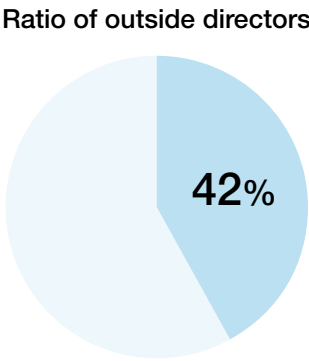
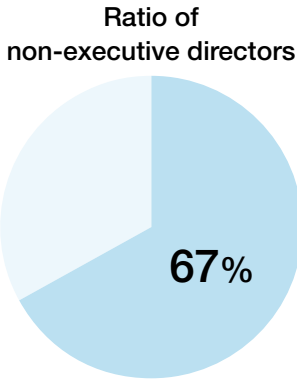
Views on the appropriate balance of knowledge, experience and skills, diversity, and size of the Board of Directors as a whole

MHC assumes that the Board of Directors shall possess skills in “general corporate management”, “financing”, “treasury accounting”, “legal, compliance and risk management”, “international business”, and other areas, in view of the business lineup. MHC recognizes that diversity of Directors is important for the purposes of strengthening the function of the Board of Directors and that gender, nationality, and race are factors that should be considered.

On the other hand, MHC 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, MHC believes, as a desirable way of achieving diversity within MHC, that it is necessary to consider whether such a 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, MHC will continue to determine the appropriate composition of the Board of Directors.

Currently, it assumes that MHC’s Board of Directors consists of Directors from a variety of business categories and industries and has an appropriate number of members to ensure a balanced composition of appropriate skills and diversity.

MHC has currently elected two female Directors while no foreign Directors have been elected. However, MHC 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.



Training Policy for Directors and Audit & Supervisory Committee Members

The Company explains its corporate philosophy, financial conditions, matters related to corporate governance, and other matters to newly appointed Outside Directors upon their appointment. In addition, after they take office as Directors, the Company provides them with information on training opportunities, including seminars held by external organizations on the latest trends in corporate governance, DX, sustainability, and other topics.

Further, Outside Directors cooperate by exchanging and sharing various information via the Governance Committee, which is an advisory body to the Board of Directors, and opinion exchange sessions, in which only Outside Directors participate.

The Company bears the full cost related to the training of Directors.

Composition of the Board of Directors and Reasons for Appointment and Expertise of Each Director

Candidate's Name	Title	Reasons for Appointment and Expected Role	Areas of Expertise (Note)				
			Management	Finance	Treasury	Legal	Global
Takahiro Yanai	Director, Chairman	Since 2017, Mr. Takahiro Yanai has served as the President & CEO of Mitsubishi UFJ Lease & Finance Company Limited based on a wealth of management experience at a major Japanese financial institution. He has a wealth of management experience as the chief of execution of duty leading the management of the Company as it expands globally. By using deep knowledge based on his experience, he has been in charge of supervision of management as a non-Executive Director, Chairman since April 2023. We have deemed him to be the best candidate to aim for further improvement of the soundness of the management of the Company and enhancement of corporate value over the medium to long term. We are therefore reappointing him as a candidate for Director.	●	●			
Taiju Hisai	Representative Director, President & CEO	Since 2021, Mr. Taiju Hisai has served as the Deputy President and an Executive Officer of the Company and has led the overall business of the Company based on a wealth of management experience at a major Japanese financial institution. He has served as the Representative Director, President & CEO, and an Executive Officer acting as the chief of execution of duty since April 2023. He has sufficient experience and knowledge to assume business management of the Company as it expands globally. We have deemed him to be the best candidate to take command of business as the Representative Director, President & CEO, and an Executive Officer and to aim for the Company's sustainable growth and improvement of corporate value over the medium to long term. We are therefore reappointing him as a candidate for Director.	●	●			●
Kanji Nishiura	Representative Director, Deputy President	Since 2021, Mr. Kanji Nishiura has served as the Representative Director, Deputy President, and Executive Officer of the Company. With his wealth of management experience at a major Japanese general trading company, he has managed the overall operations to assist the President. He has sufficient experience and knowledge to assume business management of the Company as it expands globally. We expect him to contribute to the Company's sustainable growth and improvement of corporate value over the medium to long term as an Executive Director and are therefore reappointing him as a candidate for Director.	●				●
Kazumi Anei	Director, Deputy President	Mr. Kazumi Anei has served as an Executive Officer and the Chief Marketing Officer of Hitachi Capital Corporation since 2016 and 2020, respectively, and since 2021, he has led the overall business of the Company as the Director, Deputy President, and an Executive Officer of the Company. He has sufficient experience and knowledge to assume business management of the Company as it expands globally. We expect him to contribute to the Company's sustainable growth and improvement of corporate value over the medium to long term as an Executive Director and are therefore reappointing him as a candidate for Director.	●	●			
Haruhiko Sato	Director, Managing Executive Officer	Mr. Haruhiko Sato currently assumes the positions of the Head of the Corporate & Strategic Planning Division and CFO, serving as the Director, Managing Executive Officer of the Company. He has a wealth of experience at a major Japanese general trading company, as well as experience and knowledge in the corporate division, which he has cultivated while engaged in the business management of the Company as it expands globally. We expect him to utilize this background and contribute to the Company's sustainable growth and improvement of corporate value over the medium to long term as an Executive Director. We are therefore reappointing him as a candidate for Director.			●		●
Hiroyasu Nakata	Director (Outside Director) (Independent Director)	Mr. Hiroyasu Nakata has deep knowledge as a legal expert. He had contributed to appropriate decision making and supervision of overall management by the Board of Directors as an independent Outside Director. We are therefore reappointing him as a candidate for Director. We expect him to use his knowledge to contribute to appropriate decision making and supervision of overall management by the Board of Directors as an independent Outside Director from an objective perspective independent of executive management responsible for the execution of duty and to contribute to the improvement of the soundness, transparency, and fairness of the management of the Company as a member of the Governance Committee, Nomination Committee and Compensation Committee.				●	
Yuri Sasaki	Director (Outside Director) (Independent Director)	Ms. Yuri Sasaki has academic knowledge as a university professor, as well as outstanding insight and a wealth of experience as an international finance researcher. She contributed to appropriate decision making and supervision of overall management by the Board of Directors as an independent Outside Director. We are therefore reappointing her as a candidate for Director. We expect her to use her knowledge and experience to contribute to appropriate decision making and supervision of overall management by the Board of Directors as an independent Outside Director from an objective perspective independent of executive management responsible for the execution of duty and to contribute to the improvement of the soundness, transparency, and fairness of the management of the Company as a member of the Governance Committee, Nomination Committee and Compensation Committee.		●			

(Note) The respective terms for the areas of expertise have the following meanings: “Management” for general corporate management; “Finance” for treasury; “Treasury” for finance and accounting; “Legal” for legal, compliance, and risk management, and; “Global” for global business.

Status of Activities of the Board of Directors and each Committee

Status of activities of the Board of Directors

The Board of Directors meetings are held every month, in principle. The meetings were held 14 times in FY2022, where important management matters such as the next Medium-term Management Plan, HR strategies, major investment projects, business strategies of each business division, and IR activities were deliberated and decided. In addition, the significance of strategic shareholdings was verified, and details of deliberations in the advisory bodies to the Executive Committee, such as risk management, compliance, sustainability, and digitalization, were regularly reported to the Board of Directors. Then, the Board of Directors deliberated the important policies for each area. Furthermore, the status of audits is reported by the Audit & Supervisory Committee in every meeting.

Attendance at the Board of Directors meetings by Directors and Audit & Supervisory Committee Members in FY2022 was as shown on the right.

Status of activities of each committee

Governance Committee

The committee meetings were held three times in FY2022 and conducted PDCA for effectiveness assessment by deliberating the manner of effectiveness assessment for the Board of Directors and the analysis of the assessment results. Attendance by Directors was as shown on the right.

Nomination Committee

The committee meetings were held five times in FY2022 and deliberated the selection of Director candidates, skills that the Directors should have (skill matrix), selection/dismissal standards, and independence standards for Directors. Furthermore, the committee discussed the expertise, quality, etc. required for MHC's President & CEO as a part of the succession plan for the President & CEO and deliberated on the next President & CEO based on the candidate list. Attendance by Directors was as shown on the right.

Compensation Committee

The committee meetings were held eight times in FY2022 and deliberated the Directors' remuneration scheme and standards, verified the amount paid as performance-based compensation, and deliberated the adoption of a performance-based stock compensation plan.

Attendance by Directors was as shown on the right.

14/14 times (100%)	Seiji Kawabe, Takahiro Yanai, Kanji Nishiura, Kazumi Anei, Haruhiko Sato, Hiroyasu Nakata, Yuri Sasaki, Go Watanabe, Koichiro Hiraiwa, Hiroko Kaneko
11/11 times (100%)	Taiju Hisai, Takuya Kuga, Akira Hamamoto
10/11 times (91%)	Masayuki Saito

(Note) Regarding Taiju Hisai, Takuya Kuga, Akira Hamamoto, and Masayuki Saito, attendance at the Board of Directors meetings held later than June 28, 2022, is provided as they were newly appointed as Directors in the General Meeting of Shareholders held on June 28, 2022.

3/3 times (100%)	Seiji Kawabe, Takahiro Yanai, Kanji Nishiura, Hiroyasu Nakata, Yuri Sasaki, Go Watanabe, Koichiro Hiraiwa, Hiroko Kaneko
2/2 times (100%)	Takuya Kuga, Akira Hamamoto, Masayuki Saito

5/5 times (100%)	Seiji Kawabe, Hiroyasu Nakata, Yuri Sasaki, Go Watanabe, Koichiro Hiraiwa, Hiroko Kaneko
4/4 times (100%)	Takuya Kuga, Masayuki Saito

8/8 times (100%)	Takahiro Yanai, Hiroyasu Nakata, Yuri Sasaki, Go Watanabe, Koichiro Hiraiwa, Hiroko Kaneko
7/7 times (100%)	Takuya Kuga, Masayuki Saito

(Note) Regarding Takuya Kuga, Akira Hamamoto, and Masayuki Saito, attendance at the committee meetings held later than June 28, 2022, is provided as they have been members since June 28, 2022.

Candidate's Name	Title	Reasons for Appointment and Expected Role	Areas of Expertise (Note)				
			Management	Finance	Treasury	Legal	Global
Takuya Kuga	Director (Outside Director)	Mr. Takuya Kuga has a wealth of management experience at a major Japanese general trading company, as well as a deep knowledge of Japanese and international businesses. He has used his experience and knowledge from a practical perspective to contribute to appropriate decision making and supervision of overall management by the Board of Directors as an Outside Director. We are therefore reappointing him as a candidate for Director. As Mr. Kuga concurrently serves as the Executive Vice President of Mitsubishi Corporation, a major shareholder of the Company, he is not designated as an Independent Director. Mitsubishi Corporation is an important business partner for the Company to work together with to aim for the improvement of corporate value. Among other positions, including overseas assignments in the U.S., he had served as Division COO, Real Estate Business Division and Division COO, Urban Infrastructure Division. Currently, he assumes the position of the Group CEO, Urban Development Group. We expect to utilize Mr. Kuga's management experience and extensive knowledge of overall Japanese and international businesses for the Company's management and effectively utilize advice from him, who has served as a chief of business areas of collaboration between Mitsubishi Corporation and the Company. We deem that this will lead to the improvement of the Company's corporate value and contribute to the enhancement of the interests of all shareholders, including minority shareholders. Mr. Kuga has indicated his intention to perform his duties as a Director for the benefit of the Company and not for any specific shareholder. If any item of business posing a conflict of interest between Mitsubishi Corporation and the Company is submitted to the Company's Board of Directors, he will participate in neither the resolutions nor the deliberations. We expect him to use his knowledge to contribute to appropriate decision making and supervision of overall management by the Board of Directors as an Outside Director and to contribute to the improvement of the soundness, transparency, and fairness of the management of the Company as a member of the Governance Committee, Nomination Committee and Compensation Committee.	●				●
Akira Hamamoto	Director, Audit & Supervisory Committee Member	Based on his extensive management experience and experience as a Full-time Member of the Audit & Supervisory Committee of Japan's leading financial institution, he was appointed as Senior Managing Executive Officer of the Company in 2021 and contributed to ensuring the soundness of the Company's management as the Director in charge of the Internal Audit Department. He was reappointed as a Director with the expectation that, by taking advantage of his knowledge, he would contribute to ensuring the sound management of the Company as a Director who is also an Audit & Supervisory Committee Member.	●	●		●	
Koichiro Hiraiwa	Director, Audit & Supervisory Committee Member (Outside Director) (Independent Director)	Based on his experience at the central bank of Japan and Japan's leading telecommunication company, as well as the extensive knowledge he has acquired through management of a major hotel, he has contributed to the Board of Directors' appropriate decision-making and overall management supervision as an Independent Outside Director, and to neutral and objective audits, and has therefore been reappointed as a Director. We expect that he will contribute to ensuring the sound management of the Company as an Independent Outside Director and contribute to improving the soundness, transparency, and fairness of management as a member of the Governance Committee, the Nomination Committee, and the Compensation Committee, based on the above knowledge and from an objective perspective independent from the management team that executes duty.	●	●			
Hiroko Kaneko	Director, Audit & Supervisory Committee Member (Outside Director) (Independent Director)	Based on her extensive experience at major audit firms and as a university professor, as well as her in-depth knowledge as an accounting expert, she has contributed to the Board of Directors' appropriate decision-making and overall management supervision as an Independent Outside Director and to neutral and objective audits and has therefore been reappointed as a Director. We expect that she will contribute to ensuring the sound management of the Company as an Independent Outside Director, and contribute to improving the soundness, transparency, and fairness of management as a member of the Governance Committee, the Nomination Committee, and the Compensation Committee, based on the above knowledge and from an objective perspective independent from the management team that executes duty.			●		
Masayuki Saito	Director, Audit & Supervisory Committee Member (Outside Director) (Independent Director)	Based on his extensive management experience at Japan's leading manufacturer and his extensive knowledge in the finance and accounting fields, we expect that he will contribute to the Board of Directors' appropriate decision-making, overall management supervision, and neutral and objective audits as an Independent Outside Director and has therefore been reappointed as a Director. We expect that he will contribute to ensuring the sound management of the Company as an Independent Outside Director and contribute to improving the soundness, transparency, and fairness of management as a member of the Governance Committee, the Nomination Committee, and the Compensation Committee, based on the above knowledge and from an objective perspective independent from the management team that executes duty.	●		●		●

(Note) The respective terms the areas of expertise indicate are the following: "Management" for general corporate management; "Finance" for treasury; "Treasury" for finance and accounting; "Legal" for legal, compliance, and risk management, and; "Global" for global business.

Evaluation of the Effectiveness of the Board of Directors

Policies for effectiveness assessment of the Board of Directors

MHC has continued efforts to further improve the effectiveness of the activities of the Board of Directors based on the review and assessment by all of the Directors on their activities throughout the year for the purpose of maintaining and improving the function of the Board of Directors.

Assessment manner for FY2022

Having confirmed the validity of the self-assessment manner used for FY2022, MHC decided to conduct a survey of all the Directors for FY2023 as well.

In the survey for FY2022, questions on the topics to be entrusted to business execution and the standards for items to be submitted to the Board of Directors, in addition to the questions on themes that should be discussed by the Board of Directors, in order to further stimulate discussions at the Board of Directors. MHC also added questions on the effectiveness of the Governance Committee, Nomination Committee, and Compensation Committee, in addition to the Board of Directors.

Based on the results of the survey, the Board of Directors held in May 2023 assessed the effectiveness of the Board of Directors, etc., taking into account the discussion at the Governance Committee held in April 2023.

Results of effectiveness assessment

The major results of the assessment above are shown on the left.

① It was determined that the Board of Directors, etc. of MHC are sufficiently performing their roles.

- Because sufficient prior explanations of important agenda items mainly focusing on key topics such as the medium- to long-term management direction and the new Medium-term Management Plan had been provided to Directors, understanding of the agenda items was deepened and the efficiency of the Board of Directors improved. In addition, measures to solve the issues recognized in the previous effectiveness assessment have been steadily implemented, and the operation of the Board of Directors has been improved. For instance, communication and mutual understanding among the Directors has significantly improved.
 - Each Committee meeting was carried out in a timely and appropriate manner and had highly-transparent and fair discussions on the replacement of the President & CEO and the remuneration of the Directors.
- ② Meanwhile, issues that should be addressed to further enhance the effectiveness of the Board of Directors, etc. have been recognized.
- It is necessary to allocate time for deliberation according to the significance of the agenda items and to further improve prior explanations on key agenda items in order to secure enough time for deliberation.
 - There is a need for efforts to further promote Outside Directors' understanding of the overall global business of MHC.

Initiatives for FY2023

MHC will strive to further enhance corporate governance and improve the effectiveness of its Board of Directors, etc., by implementing measures to solve each issue specified above.

Selection and Dismissal of Directors

The Board of Directors resolves the appointment of candidates to serve as Directors after the Nomination Committee, of which Independent Outside Directors comprise the majority, holds discussions in advance based on the selection standards described below. The Board of Directors also resolves the appointment of candidates to serve as Directors who are also Audit & Supervisory Committee Members after the Nomination Committee discusses it and the Audit & Supervisory Committee agrees to it.

In addition, if a Director is found to meet the dismissal standards described below, their dismissal is deliberated by the Nomination Committee in a timely manner and decided by the Board of Directors.

See pages 76-77 for reasons for the appointment and expected role of each Director.

Selection Standards

1. Directors and Audit & Supervisory Committee Members should have the mental and physical soundness sufficient to execute duty.
2. Directors and Audit & Supervisory Committee Members should be persons who are well respected, possess excellent integrity, and hold themselves to high ethical standards.
3. Directors and Audit & Supervisory Committee Members should have a law-abiding mentality.
4. Directors and Audit & Supervisory Committee Members should be expected to make objective judgments regarding management and have excellent insight and perspicacity.
5. It is reasonable to consider that the candidates will help strengthen the functions of the Board of Directors, in view of their knowledge, experience, capabilities, and similar factors.
6. In addition to 1. to 5. above, candidates for Outside Directors should (i) have experience, achievements, and knowledge in their fields of specialization, (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 secure the time necessary to fulfill their duties.
7. Candidates for reappointment should have performed roles expected of them during each of their previous assignments.

Dismissal Standards

1. The Director significantly damaged the value of the Company by neglecting their duties.
2. The Director violated laws, Articles of Incorporation, or other regulations/rules of the Company or conducted an act against public order and/or morals, which caused serious damage to the Company or hindrance to the business of the Company as a result.
3. The Director is deemed to not meet the selection standards for Directors.

Process of Replacement of the President in April 2023

MHC discussed a succession plan for appointing the next President & CEO in the Nomination Committee, which was established in April 2022.

The Nomination Committee first specified selection standards for President & CEO, such as “strategic intelligence”, “leadership”, and “ability to make decisions.” In addition, the committee discussed and identified expertise specifically required for the President & CEO of MHC and defined evaluation criteria for candidates for the President & CEO, taking into account “attributes and ability”, “expertise and skills”, “global management experience”, etc.

With these in mind, a series of Nomination Committee meetings discussed the selection of the President & CEO by creating a long list of presidential candidates and then making a short list based on the long list. As a result, they concluded that Mr. Taiju Hisai is the most suitable person to be the next President & CEO, and this was resolved at the Board of Directors meeting.

Remuneration for Directors

- Basic policy
- MHC’s officers’ remuneration is determined by also taking into account officers’ incentives to increase corporate value through the execution of business strategies.
 - The level of remuneration 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.

Remuneration system

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

MHC has established a payment ratio for performance-based compensation and non-performance-based compensation to maintain a sound performance-based ratio. In addition, MHC has also established appropriate short-term and medium- to long-term incentive ratios under this remuneration system 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 remuneration) to performance-based compensation (bonus and stock compensation) is generally set at 1:0.6 (the ratio of base remuneration to bonus to stock compensation is generally set at 1:0.3:0.3). 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.

	Type of Remuneration	Remuneration Ratio	Details of Remuneration	Evaluation Method/ Ratio	Range Based on KPI Achievement
Fixed	Basic Remuneration	62.5% 1	1. The amount determined according to title is paid monthly.	—	—
	Bonus (short-term incentive) Performance-based	18.75% 0.3	1. The amount paid to each individual is determined based on the consolidated business performance of the previous year, etc. 2. The financial indicators, etc., emphasized in the management strategy as indicators representing the Company’s growth are set as the KPI for evaluating company-wide performance, and the targets are set according to the Company’s numerical targets (net income attributable to owners of the parent, ROA, ROE, OHR). 3. The achievement of the executive officers, excluding Representative Directors in their duties is evaluated using a standard evaluation sheet, from the perspective of performance and the level of contribution regarding the duties.	[Representative Director] Company-wide performance evaluation: 100% [Executive Director] (Other than Representative Director) Company-wide performance evaluation: 70% Evaluation of responsible duties: 30%	0-150%
	Stock Compensation (Medium-to Long-Term Incentive) Performance-based	18.75% 0.3	1. From the perspective of increasing corporate value over the medium to long term, indicators set as numerical targets, etc., under the Medium-term Management Plan (net income attributable to owners of parent, ROA, ROE, and TSR against TOPIX growth rate) were set as key performance indicators (KPIs). 2. Using a trust framework, points are offered in accordance with the title and term in office in accordance with the regulations for share delivery. In the fiscal year following the final fiscal year of the Medium-term Management Plan, a portion of shares corresponding to the number of accumulated points is converted into cash value, and compensation is provided in the form of Company shares and cash at a ratio of 50:50.	Company-wide performance evaluation: 100%	0-150%

(Note) In addition, in the event that it becomes necessary to reside in an area away from home, an appropriate property shall be provided as company housing.

For non-Executive Directors, including Outside Directors (excluding Directors who are Audit & Supervisory Committee Members), from the standpoint of ensuring the effectiveness of the supervisory function, bonuses and stock compensation, which are incentive compensation, shall not be paid. Remuneration shall be limited to basic remuneration only.

	Type of Remuneration	Remuneration Ratio	Details of Remuneration
Fixed	Basic Remuneration	100%	1. For Internal Directors who do not concurrently serve as Executive Officers (excluding those who are Audit & Supervisory Committee Members) and Outside Directors (excluding those who are Audit & Supervisory Committee Members), from the standpoint of ensuring the effectiveness of the supervisory function, bonuses and stock compensation, which are incentive compensation, shall not be paid. Remuneration shall be limited to basic remuneration only.

Performance-based compensation

With respect to bonuses and stock compensation, financial indicators, which are emphasized as indicators of MHC’s growth from the perspective of management strategy are set as indicators (key performance indicators, or “KPIs”) for the company-wide performance evaluation to clarify the relationship between business performance and remuneration.

Bonuses

The net income attributable to owners of the parent, ROA, and ROE, which have been set as MHC’s numerical goals, are set as KPIs for the company-wide performance evaluation.

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 (KPIs) 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, 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.

Stock compensation

From the perspective of increasing its medium- to long-term corporate value, (1) net income attributable to owners of the parent, (2) ROA, (3) ROE, and (4) TSR against TOPIX growth rate, which MHC has set as numerical goals, etc. in the Medium-term Management Plan, are set as indicators (KPIs) for the performance evaluation. By using a trust framework, MHC’s shares, etc. corresponding to share conversion points, which are calculated

using the following formula, are provided. Specifically, one share of MHC or a corresponding amount of cash per point is delivered. In principle, the portion of MHC’s shares possessed in the trust is converted into cash value therein, and compensation is provided in the form of Company shares and cash at a percentage of 50:50.

Share conversion points

The number of points granted corresponding to the position and the number of months in office of the relevant person (the aggregate number of points during the three-year period of the Medium-term Management Plan)

×

The performance-linked factor based on the level of achievement of KPIs (ranging from 0 to 150%)

Non-performance-based compensation

When it is necessary for Directors (excluding Outside Directors and those who are Audit & Supervisory Committee Members) to reside in an area away from home due to a transfer resulting from a change of duties or base, MHC provides such Directors with appropriate 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.

Remuneration determination policy

In order to ensure transparency and objectiveness in determining officers’ remuneration, etc., MHC decides details of the remuneration, etc., determination policy, and other relevant matters at a meeting of the Board of Directors after the Compensation Committee, the majority of which consists of Independent Outside Directors deliberates those matters. In addition, the Compensation Committee deliberates the validity of the amount and composition of remuneration every year based on the remuneration-related data provided by an external specialized institution. The members and chairperson of the Compensation Committee are selected by the Board of Directors, and the committee makes decisions by a majority of committee members attending. It is stipulated in internal rules that the Board of Directors shall make decisions in recognition of the decisions made by the committee.

KPIs and Evaluation Ratio of Performance-based Compensation

