

Risk Management

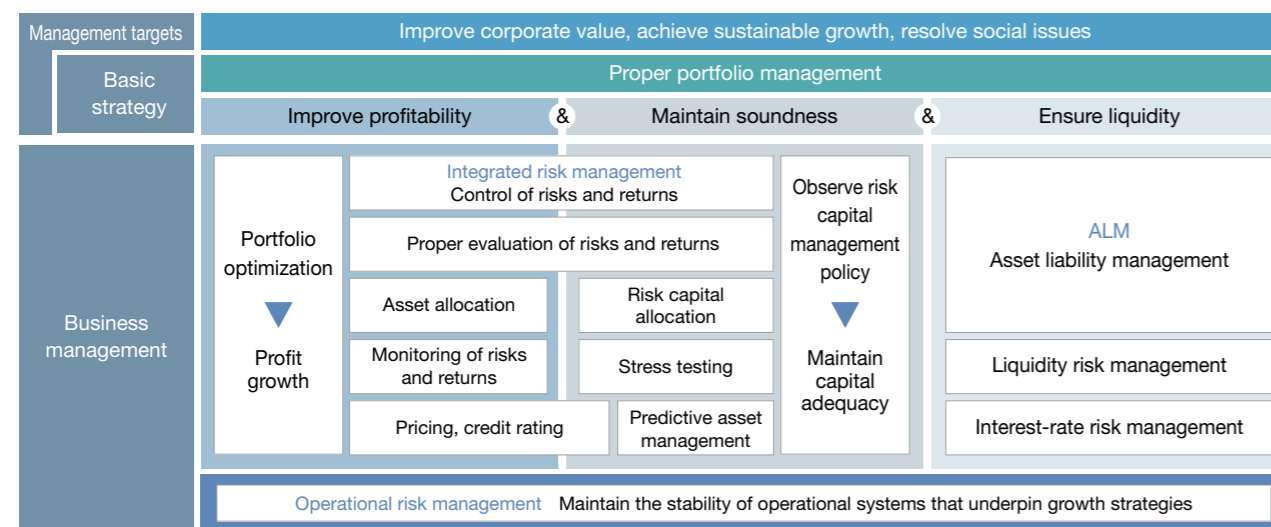
Risk Management System Overview

Of the business and other related risks of the Mitsubishi HC Capital Group, the main items with potential for important impact on investors' decisions are managed comprehensively in the framework set out below under "1. Integrated Risk Management." An outline of the risk and a specific statement of the main efforts to address it are given under "2. Major Risks Managed within Framework of Integrated Risk Management." The Group has established an appropriate system to manage these risks and strives to prevent them from emerging or to minimize their impact if they occur.

To manage potential risk factors, we operate a system whereby the division responsible for each category of risks identifies issues arising from changes in the external environment and other factors, holds regular discussions to con-

sider appropriate measures to address those risks, and reports promptly to the Executive Committee, a consultative and decision-making body that controls the execution of business. Specifically, the Risk Management Committee, which undertakes the comprehensive and systematic management of risks affecting all operational areas, meets quarterly or as necessary primarily to discuss and consider policies for reporting and responding to the status of risks. The issues surrounding individual risks and the measures to address them are discussed by the Asset Liability Management (ALM) Committee, Compliance Committee, Disclosure Committee on J-SOX, and other committees. Additionally, important matters at each committee are reported to and discussed by the Board of Directors.

Overview of Risk Management Framework



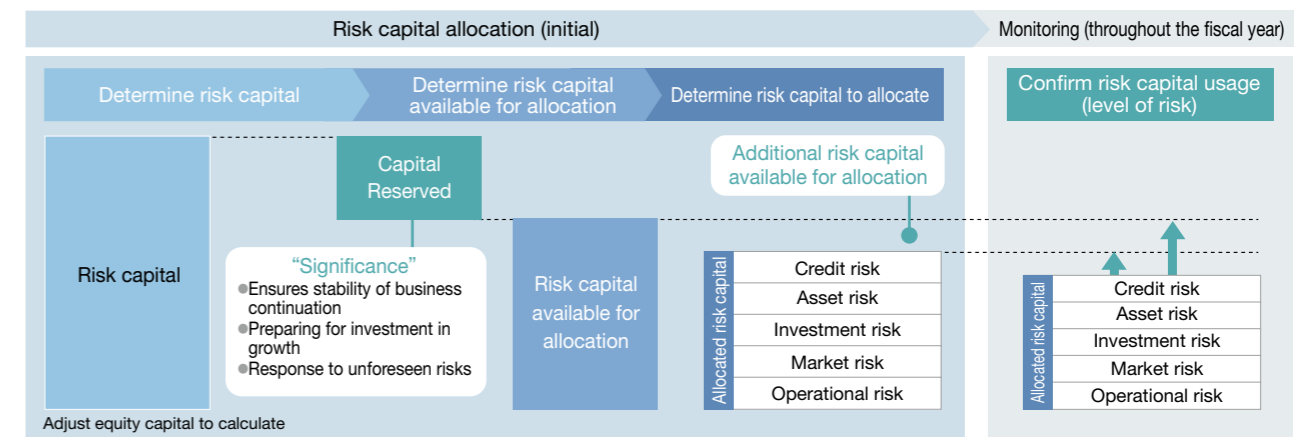
Integrated Risk Management

The Group engages in business operations that incorporate the framework of integrated risk management in order to work toward sustainable growth by balancing the maintenance of management soundness with improving profitability. The major risks managed within the framework of integrated risk management include credit risk, asset risk, investment risk, market risk, liquidity risk, and operational risk. Risk management is conducted on a consolidated basis. Specifically, risk capital is allocated to the respective risk category based on the Company's risk capital management policy after quantifying each risk using risk assessment methods tailored to the characteristics of the asset or business.

Reasonable risk-taking is then carried out within the scope of risk tolerance.

Within this risk management framework, regular monitoring is undertaken of the utilization of risk capital and the status of portfolios, the results of which are reported to and discussed by the Risk Management Committee, the Executive Committee, and the Board of Directors. In this way, efforts are made to ensure appropriate response measures and to promote effective internal communication about risk. Arrangements are in place to ensure that the Board of Directors is fully informed of the risk management system and risk management status and that it maintains oversight thereof.

Managing Risk Capital to Ensure Soundness



Major Risks Managed within Framework of Integrated Risk Management

The Mitsubishi HC Capital Group conducts business activities globally. The Group provides capital investments and services necessary for customer businesses through leases and other means. The assets it holds for leases and related transactions are diversified, ranging from general movable property, such as office equipment and production equipment, to assets, such as aircraft, that are used in particular industries. Demand for capital investment can decline considerably if a customer's business environment deteriorates with a deceleration or slowdown in business at home or abroad. In that case, a decline in leases and other transactions could impact the Group's business results and financial position. Additionally, losses arising from inadequacy of internal processes, personnel, or systems or their failure to function, or exogenous events could impact the Group's business results and financial position.

The major items among these envisioned risks are managed within the framework set out under Integrated Risk management.

Please refer to our website for details.

https://www.mitsubishi-hc-capital.com/english/sustainability/governance/risk_management.html

Other Major Risks

In addition to risk addressed in the framework of integrated risk management, the Group recognizes the major risks listed below. These risks are managed within the integrated risk management framework, including individual impact and combined impacts across multiple risk

items, according to their individual characteristics and status. The Group explores a unified response and formulates a response policy as necessary and additionally conducts scenario analysis appropriate to the situation as part of a multi-faceted verification of risk resilience.

1. Risk Related to Expansion of Operating Base, Strategic Partnerships, and M&As
2. Global Pandemic Risk
3. Climate Change Risk
4. Human Rights Violation Risk
5. Risk associated with Expansion of Business Domains
6. Intensifying Competition
7. Risk related to Personnel Recruitment
8. Risk related to Labor and Employment Management

Stress Tests

In the execution of management strategy, the Group makes efforts to gauge the degree of impact of stress periods caused by various risk events with potential impact on its business, such as deterioration in market conditions, including economic downturns and market fluctuation. Specifically, the Group has posited a number of potential high-stress scenarios, ranging from a deterioration in the overall world economy to market fluctuation, deterioration in credit, and the emergence of large-scale concentrations of risk in individual business fields. Based on these scenarios, it has undertaken analysis and verification of the potential degree of impact of stress conditions on profitability and equity in each fiscal period.

These multifaceted verifications enable the Group to confirm its risk resilience and to ensure that the risk-return balance of management plans does not exceed tolerable levels.