

mitsubishi HC CAPITAL

INTEGRATED REPORT

2021



Basic Management Policy

Our Mission

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

Our Vision

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

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Editorial Policy

Mitsubishi HC Capital (“the Company”) publishes an integrated report to present the Group’s sustainable corporate value creation-oriented management and overall corporate activities to stakeholders in an accessible way. In preparing *Integrated Report 2021*, we selected information of particular importance to investors, focusing mainly on our vision for and the current state of the new integrated company, the strengths of the former Mitsubishi UFJ Lease & Finance and Hitachi Capital that will help us achieve this vision, and the value creation foundation supporting such efforts. For more details and the latest information, please refer to our website.

Guidelines Referenced

International Integrated Reporting Framework, issued by the International Integrated Reporting Council

Scope of Reporting

Period: Fiscal 2020 (April 2020–March 2021)
(Some sections include information on activities in April 2021 and later.)
Scope: The former Mitsubishi UFJ Lease & Finance, the former Hitachi Capital, and their subsidiaries and affiliates

Forward-looking Statements

The strategies, plans, results, and other information presented in this report contain future projections and forecasts. Such forward-looking statements reflect assessments made by the Group based on the information available at the time of publication. Please note that actual results are influenced by a wide range of significant factors and may therefore differ considerably from the content of these statements.

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Corporate website:
<https://www.mitsubishi-hc-capital.com/english/>

Information Disclosure

The *Integrated Report* combines important financial and non-financial information to help readers understand the Company. Our corporate website’s Investor Relations (IR) section also offers IR information from the former Mitsubishi UFJ Lease & Finance and Hitachi Capital Corporation.

Financial Information

- Investor Relations section of our website
- Annual securities report (Japanese)
- Quarterly results publications



Non-Financial Information

- CSR section of our website
- Corporate Governance Report



Integrated Report (print, PDF) Summarizes key information about the fiscal year

Dialogue with Stakeholders



For Analysts and Institutional Investors

- We hold year-end and first-half financial results briefings at which we give presentations outlining financial results, management strategies and plans, and their progress.
- We hold individual meetings with analysts and institutional investors to promote two-way communication.
- We take part in IR conferences and other events organized by securities companies.

For Overseas Institutional Investors

- We hold individual meetings with major investors in the United States, Europe, and Asia.

For Individual Investors

- We participate in IR conferences and seminars held by stock exchanges and securities companies.

Disclosure Materials

- We provide detailed information on each business division in addition to publishing summaries of the latest Q&A sessions on financial results and remarks from management at financial results briefings in an effort to further enhance our disclosure materials.

Corporate Website

- We strive to enhance our website’s IR-related content by posting such materials as the latest stock price and major financial data, including charts and graphs.

Message from Top Management



Representative Director, Chairman

Seiji Kawabe



Representative Director, President & CEO

Takahiro Yano

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

Going forward, we will develop advanced asset businesses around the world, going beyond the bounds of a leasing company to create new value by solving social issues.

The pre-merger companies each bring unique experience and expertise based on their backgrounds, one affiliated with banks and trading houses, and the other with manufacturers. Leveraging these, we will work to accurately understand social changes and needs, operating unique and progressive businesses. By doing so, we will contribute to the realization of a bright, hopeful future and prosperity for all.

Looking ahead, you can expect great things from Mitsubishi HC Capital Inc.

Our Growth Trajectory: Going Beyond Leasing and Financing

Mitsubishi UFJ Lease & Finance and Hitachi Capital Corporation both developed as leasing companies—Mitsubishi UFJ Lease & Finance was affiliated with banks and trading houses, while Hitachi Capital was affiliated with manufacturers. Each developed unique strengths through business in a wide range of fields around the world. Now united as Mitsubishi HC Capital, we are combining these strengths to accurately address diverse customer and social needs through new value creation around the world.

MITSUBISHI UFJ LEASE & FINANCE ESTABLISHED

Diamond Lease and UFJ Central Leasing merged to form Mitsubishi UFJ Lease & Finance. With its core business in leasing, the company also operated used equipment trading and other businesses.



2007

EXPANSION OF VALUE CHAIN FUNCTIONS

Accelerated development of the global asset business, spurred by the acquisition of aircraft leasing companies. Advanced the provision of high-value-added services.



2013

EXPANSION OF OPPORTUNITIES FOR PROFIT

Accelerated overseas development, forming a business alliance with a North American freight railcar leasing company and acquiring aircraft engine leasing and marine container leasing companies. Launched businesses in real estate revitalization and solar power asset management, increasing profitability.



2015

NEW VALUE CREATION

Evolving business models to move into business participation and operation, such as by participating in a submarine power transmission project for offshore wind power plants in Germany.



2017

EVOLUTION INTO AN ASSET-BUSINESS PLATFORM COMPANY

Evolving into an asset-business platform company with enhanced asset value creation capabilities based on extensive insight related to tangible and intangible assets, combining the eight functions of acquisition, development, possession, rent, management, maintenance, operation, and sale.



2020

2021 Mitsubishi HC Capital Established

Advanced asset businesses

Creating social value with a pioneering spirit

Mitsubishi UFJ Lease & Finance

Hitachi Capital Corporation

2000 2005

2013 2014

LAUNCH OF BUSINESSES IN RENEWABLE ENERGY

Began participation in the operation of wind and solar power plants. Advanced renewable energy businesses as the primary project contractor.



REINFORCEMENT OF SALES FINANCE BUSINESS

Acquired a company that provides sales support to vendors through leasing. Developed global businesses based on the needs of local communities and expanded its range of businesses by forming partnerships with financial institutions in Europe.



EXPANSION OF SOCIAL INFRASTRUCTURE BUSINESSES

Opened Ayase Town Hills Shopping Center in Ayase, Kanagawa, beginning commercial facility management and operation. Provided solutions that contribute to communities, such as multi-tenant logistics facility management and public gymnasium construction as the representative company of PPP and PFI projects.



HITACHI CAPITAL CORPORATION ESTABLISHED

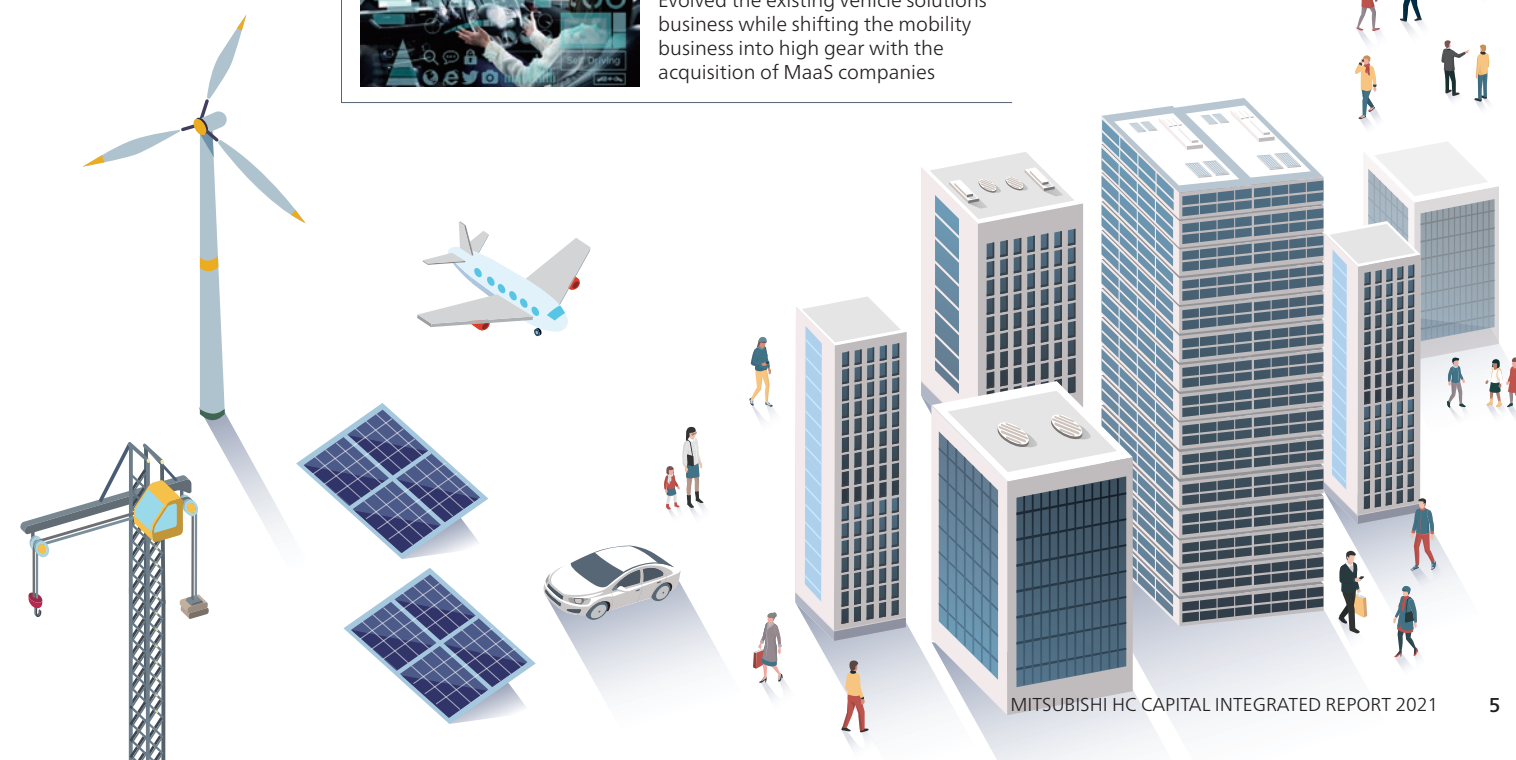
Hitachi Credit and Hitachi Leasing merged to form Hitachi Capital with the goals of consolidating and expanding the Hitachi Group's financing businesses.



2019

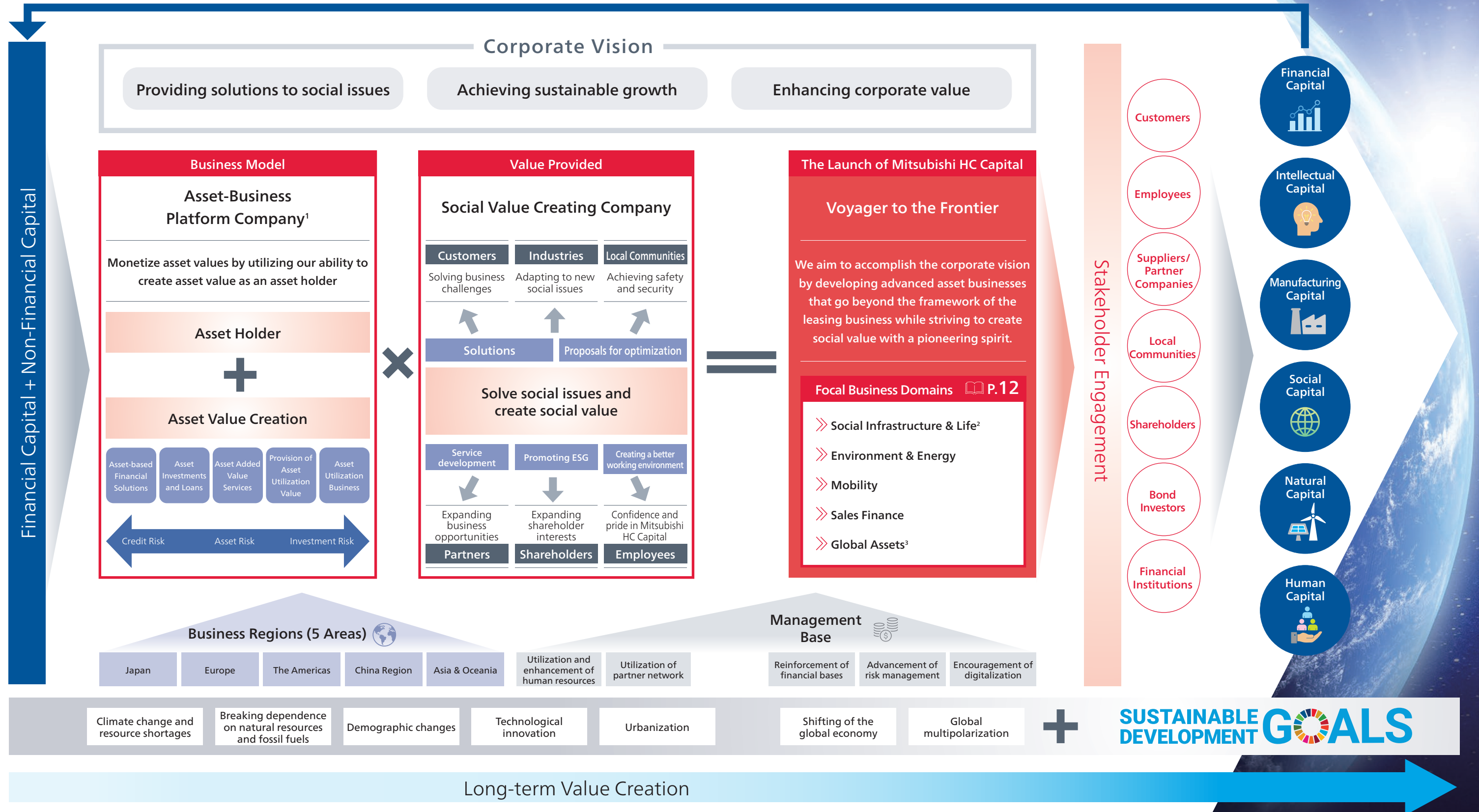
SHIFTING THE MOBILITY BUSINESS INTO HIGH GEAR

Evolving the existing vehicle solutions business while shifting the mobility business into high gear with the acquisition of MaaS companies.



Mitsubishi HC Capital's Value Creation Process

Mitsubishi HC Capital monetizes asset value through businesses that leverage its ability to create value as an asset holder whose portfolio contains not only tangible assets but also extensive intangible assets. To this end, we will continually innovate and evolve our business model by honing five types of asset businesses.



1. Assets include intangible assets such as computerized assets (software and databases), innovation assets (R&D and licensing), economic competitiveness (human resources and organizations)
 2. Social infrastructure & life refers to infrastructure and urban planning, healthcare, food and agriculture, and lifestyle related sectors
 3. Global assets refers to assets that have global market value, such as aircraft and aircraft engines, railcars, and marine containers

Message from the President



Representative Director
President & CEO

Takahiro Yanai

Contributing to the Realization of a Prosperous and Sustainable Society by Developing Advanced Asset Businesses with a Pioneering Spirit

Our Mission

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

Our Vision

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

Stepping into a New Future as Mitsubishi HC Capital

On April 1, 2021, Mitsubishi HC Capital Inc. took its first step into the future as a result of the business integration of Mitsubishi UFJ Lease & Finance Company Limited (“Mitsubishi UFJ Lease”) and Hitachi Capital Corporation (“Hitachi Capital”). We announced the integration on September 24, 2020; six short months later, our vigorous preparation had put us in an excellent position for a healthy start.

At the start of the capital and business alliance between Mitsubishi UFJ Lease and Hitachi Capital in May 2016, the intent was not to work toward business integration, but to collaborate on separate operations. Subsequent discussions on many different occasions revealed that the two companies had little overlap in terms of business areas, and they recognized that they were the very definition of a mutually complementary relationship in which they were leveraging their hard-earned strengths and knowledge—Mitsubishi UFJ Lease in banking and commerce, and Hitachi Capital in manufacturing—to engage in business in various fields around the world. They recognized that mutual complementation in their business areas and further reinforcement of their management bases would be major strengths for establishing a truly global position by offering more refined solutions in the advanced asset business domain and swiftly adapting to the sudden environmental changes happening in the world today. This recognition propelled discussions with the premise of business integration starting in late 2019, culminating in an agreement in September 2020.

With this business integration, we maximize the ideal, mutual complementation between the two former companies. We will combine business areas—those in which we can harness and expand on their respective know-how and experience, and those in which we can blend their respective strengths to explore and expand into new territory—to contribute to the establishment of a prosperous and sustainable society by creating new value neither could have realized alone.

Our Ideal Image for Mitsubishi HC Capital

Against a backdrop of climate change driven by global warming, population growth and urbanization, scarcity of resources, and other megatrends, the world is changing substantially, and our society is dealing with a multitude of problems. Now that corporations are expected to join in efforts to decarbonize and establish circular economies, we know that our decision to broaden our connections with many other companies through our business integration gives us great potential to contribute to resolving these social issues. Our ideal image is one in which we make these contributions through our business while building a new ecosystem with our wide range of clients and partner companies around the globe to work toward the realization of a prosperous and sustainable future society. In the course of launching Mitsubishi HC Capital, we established this ideal image—our target from a long-term perspective—as Our Mission, and defined the work we need to do as a Group to achieve it as Our Vision.

Mitsubishi UFJ Lease aimed to be an “Asset-Business Platform Company,” leveraging its client base and financial base and using its extensive asset business insight in an effort to provide advanced asset value. Hitachi Capital aimed to be a “Social Values Creating Company,” working to create and provide value to all stakeholders based on an unwavering understanding of the needs of their clients and local communities. Given the ideals, performance, and strengths of these two companies, extracting the maximum potential from tangible and intangible assets will contribute to a prosperous and sustainable future by creating social value, advancing society, and enriching people’s lives. We recognize this as our ideal image, Our Mission.

Our Vision—the work we need to do to achieve Our Mission—is based on resolving social issues, achieving sustainable growth, and improving corporate value as we said when announcing the business integration. We now add employee job satisfaction and compliance with laws and regulations, which were included in the missions of the former companies, as well as the perspectives of the global environment, globalization, co-creation of value, and digital transformation (DX).

PMI Progressing Smoothly Thanks to Lively Discussion and Promotion of Mutual Understanding

Post-merger integration (PMI) is the first step toward achieving the ideal image, as well as the first step in the integration process. To oversee PMI, in April 2021, we established a department to take the lead in vigorous efforts, including animated discussion and debate, toward the soonest possible materialization of synergy. We intend to steadily promote PMI in this manner to achieve the following three types of synergy.

The first type of synergy is synergy of management resources. This type of synergy is not simply adding together the figures of the two former companies in terms of cost; the aim is for the fusion and synergy to reduce the cost of procurement as well as sales and general administrative (SG&A) expenses, which are some of the most important tasks of business integration. Optimizing management resources and integrating procurement should reduce sales and general administrative expenses through such effects as optimizing the number of employees and enabling joint procurement (including that of lease and rental assets). Based mainly on the resulting cost synergy, we expect a positive annual effect of about ¥10 billion by around fiscal 2023. Given the front-loaded expenses (e.g. the cost of changing trade names, systems-related expenses) generated immediately after the integration, we believe we will see the greatest effects of cost synergy in fiscal 2023; however, we will work to achieve cost synergy in fiscal 2021 and 2022 as well through diligent efforts such as strengthening budget controls to reduce SG&A expenses.

The second type of synergy is sales synergy. The biggest issue in the quest for sales synergy is the extent to which we can leverage the extra benefits of integrating the businesses of the two former companies. We launched the Domestic Sales Subcommittee and the Overseas Subcommittee and established sub-working groups for each business and area. Departments are holding frequent discussions while collaborating in an effort to harness and maximize synergy as rapidly as possible.

Sales synergy is created from collaboration fueled by mutual understanding, exchange, and dialogue between the sales teams of each former company. We intend to identify and narrow our focus not only on contribution to profits (top-line expansion, cost reduction), but also on broad synergy measures (knowledge, positioning, resources, diversification/multi-functionalization) in order to realize the benefits of synergy.

The third type of synergy is investment synergy. This is the synergy created from business investment and acquisition of assets using surplus capital created by the integration. In order to efficiently use surplus capital, we have established a framework for implementing management with a balance between offense (strategic resource allocation) and defense (risk management) for the purpose of realizing synergy. Our first move toward that end was our decision to acquire major U.S. marine container leasing company CAI International, Inc. ("CAI"), which we announced in June 2021.

We are working to maximize the benefits of these three types of synergy—which we promised to deliver in our announcement of the business integration in September 2020—starting with areas where we can achieve results quickly.

Area	Synergy measures (when the integration was announced)	Progress
Synergy of management resources	» Optimize management resources » Integrate procurement	» Integration of corporate functions complete » Proceeding with the optimization of management resources and conversion to joint procurement
Sales synergy	» Top-line growth through mutual use of the sales network	» Launched working groups Japan: Domestic sales, sales finance, sale of used goods, semiconductors, real estate, environment and energy, governmental agencies Overseas: Greater China, Singapore, Thailand, Indonesia, mobility, the Americas, Europe » Identifying wide-ranging synergy measures not limited to contribution to profits (top-line expansion, cost reduction), but also (knowledge, positioning, resources, diversification/multi-functionalization)
Investment synergy	» Utilize surplus capital from business integration and the effects of portfolio diversification in terms of both business and region — Manage capital efficiently while maintaining present credit ratings — Use surplus capital for business investment and to acquire assets	» Efficiently using surplus capital and establishing a framework to foster synergy while holding fast to the balance between offense (strategic resource allocation) and defense (risk management) — Investment Strategy Committee (offense): Discussing the priority of key projects and strategies for optimizing investment synergy from a company-wide perspective, mainly through business company investment — Risk Management Committee (defense): Comprehensively and systematically managing risk pertaining to management as a whole, and deliberating and reporting matters such as countermeasures for the risks in each category based on a full understanding of the present state and issues — Investment Discussion Committee: Discussing individual investments in terms of both offense and defense

Additionally, given that PMI has progressed even more smoothly than expected to date, we recently began our next step as a new company: discussing medium- and long-term strategies. We will analyze factors such as changes in the business environment keyed by megatrends, their impact on management, and the state of our competitiveness amid those circumstances with the foremost aim of putting together a general framework for medium- and long-term policies. We will build up these discussions in an integrated manner, encompassing strategies such as sustainability management and DX promotion.

We cannot grow or develop as a company without creating an environment in which all employees can grow and exhibit their capabilities to the fullest. To ensure that employees can work with motivation and pride, we are taking our employees' views and desires on board as we work on various communication strategies, including holding sessions to introduce the businesses of the former companies to each other, and disseminating a variety of information on promoting the integration. Although the pandemic has restricted communication means, Chairman Kawabe and I have also held online meetings to engage in direct dialogue with our departments and employees in due order. This direct communication has allowed us to develop a firm understanding of our employees' honest opinions, expectations for the new company, and passion for further growth, giving us great reassurance and a sense of confidence in the future growth of the Company.

What “Advanced Asset Businesses” Means at Mitsubishi HC Capital

We intend to develop advanced asset businesses, positioning the following five business areas, which we mapped out when we announced the business integration in September 2020: social infrastructure & life, environment & energy, mobility, global assets, and sales finance.

Both former companies devoted energy to social infrastructure & life, environment & energy, and mobility, while Mitsubishi UFJ Lease developed strength in global assets and Hitachi Capital did the same with sales finance; our focal business domains are based on this history, and they form the foundation of our sustained growth through strengthening existing businesses and extending value chains.

These focal business domains are not independent of each other, but are closely interlinked. To take logistics in a broad sense as an example, a view of an entire value chain from input to output reveals real estate business and distribution facility business (social infrastructure & life) at the starting point, with aircraft and marine containers (global assets) and automobiles (mobility) following. One essential component of the value chain is marine containers, which are garnering attention for robust demand of late. We view our aforementioned acquisition of CAI as both an effort to strengthen our existing marine container leasing business (global assets) and a foray into strengthening the other focal business domains that are closely interlinked within value chains.

We intend to pursue not only organic growth in businesses in each focal business domain, but also inorganic growth that includes acquisitions and strategic partnerships with the aim of gaining the functions necessary throughout entire value chains.

Mitsubishi HC Capital is committed to growing as a company that flexibly provides services beyond financial functions—while leveraging various functions related to tangible and intangible assets—to develop an unwavering understanding of changes in the needs of clients around the world, and help satisfy those needs, thereby contributing to resolving social issues.

We sincerely hope to continue to benefit from your understanding and further support.



Mitsubishi HC Capital’s Focal Business Domains and Segments

Mitsubishi HC Capital has leveraged the hard-earned business strengths of the former companies as well as their ideal complementary relationship to diversify its portfolio and assemble a comprehensive lineup in terms of both business domains and geographic areas. Accordingly, our robust and stable earnings base is steeled against the impact of the external environment, and we leverage it to develop an advanced asset business in our five focal business domains (social infrastructure & life, environment & energy, mobility, sales finance, and

global assets), strengthening and expanding each while working to develop new drivers of growth with an eye on further portfolio diversification. The chart below shows the focal business domains that each integrated, reorganized segment of the new company is responsible for based on the new operational structure.

Focal business domains	Targets	Specific efforts	Segments
<div> <div>Social infrastructure & life</div>  </div>	<div> <div>Target: Social infrastructure related to industrial infrastructure/lifestyles</div> <div>Provide value toward the realization of more prosperous lives by implementing real estate financing, business operation, and social infrastructure investment</div> </div>	<div> <div>Participating in overseas infrastructure projects</div> <div>PPI/PFI projects</div> <div>Real estate leasing, securitization, rehabilitation investment projects</div> <div>Managing/operating office buildings, commercial facilities, hotels, distribution facilities, etc.</div> <div>Providing support for introducing medical equipment</div> </div>	<div> <div>Life</div> <div>Other</div> <div>Real estate</div> </div>
<div> <div>Environment and energy</div>  </div>	<div> <div>Target: All aspects of energy creation, energy storage, and energy conservation (mainly renewable energy)</div> <div>Develop joint business with strategic partners in addition to project investment and financing</div> </div>	<div> <div>Running and implementing asset management for renewable energy power generation projects as well as related projects</div> <div>Solar PPA (Power Purchase Agreement)</div> <div>Environmental support services</div> <div>ESCO (Energy Service Company)</div> </div>	<div> <div>Environment/renewable energy</div> </div>
<div> <div>Sales finance</div>  </div>	<div> <div>Target: Assets for business that underpins economic activity (e.g. industrial machinery, telecommunications equipment, OA equipment)</div> <div>Accelerate labor-saving and streamlining through digitalization</div> </div>	<div> <div>Introducing machinery and equipment and providing backup for sales activities</div> <div>Partner leases (sales support finance services for vendors)</div> <div>Leveraging our global network to provide financial assistance outside Japan</div> <div>Selling and purchasing used equipment (mainly leased equipment after leases end)</div> </div>	<div> <div>Account solution</div> <div>Vendor solution</div> </div>
<div> <div>Mobility</div>  </div>	<div> <div>Target: Automobile leases and advanced mobility services business</div> <div>Achieve advancements to deliver data-driven solutions</div> </div>	<div> <div>Complete services involving vehicle leasing/management operations</div> <div>Maintaining and customizing special-purpose vehicles (e.g. universally accessible cars, garbage trucks)</div> <div>Risk management services (e.g. holding seminars for safe driving, assessing safety control systems)</div> <div>Purchasing vehicles</div> <div>Online vehicle management systems</div> <div>Mobility as a service (MaaS)</div> </div>	<div> <div>Mobility</div> <div>Logistics</div> </div>
<div> <div>Global assets</div>  </div>	<div> <div>Target: High-added-value assets that exhibit high liquidity and value throughout the world</div> <div>Promote diverse asset business based on operating leases</div> </div>	<div> <div>Aircraft leases</div> <div>Aircraft engine leases</div> <div>Marine container services</div> <div>Railcar leases</div> </div>	<div> <div>Aviation</div> </div>

Strengthening Global Assets

First Move Toward Realizing Investment Synergy: Acquiring a Major U.S. Marine Container Leasing Company

In June 2021, Mitsubishi HC Capital reached an agreement to acquire all shares of major U.S. marine container leasing company CAI International, Inc. (“CAI”), making it a wholly owned subsidiary. As the owner of the world’s fifth-largest supply of marine containers in the marine container leasing industry (based on TEU¹⁾, CAI’s strengths lie in its global platform, specifically its worldwide marketing and operating bases and container storage locations. Combined with Group company and fellow marine container leasing business entity Beacon Intermodal Leasing, LLC, the Group now owns more containers than all but one other group in the world.

With stable demand and high profitability, the marine container leasing business is a market for sustained growth, and we expect it to drive our medium- and long-term growth on the strength of our efforts to increase our competitiveness on the world stage and seek opportunities for growth.



Strengthening Mitsubishi HC Capital’s Overseas Business through M&A

January 2013	Made JSA International Holdings, L.P.—which owns aircraft leasing company Jackson Square Aviation, LLC—a subsidiary
November 2013	Made Indonesian automobile leasing company PT. Takari Kokoh Sejahtera a subsidiary
November 2014	Made aircraft engine leasing company Engine Lease Finance Corporation a subsidiary
November 2014	Made marine container leasing company Beacon Intermodal Leasing, LLC a subsidiary
December 2018	Made U.S. sales finance company ENGS Holdings Inc. a subsidiary

Main Initiatives to Realize a Decarbonized World

Examples of Main Initiatives

Timing of release	Overview of initiative
April 2017	Participated in offshore power transmission business in Germany
May 2018	Established MUL Utility Innovation, participated in a solar PPA project and a VPP ² pilot project
November 2018	Participated in an offshore wind farm project in the U.K.
February 2020	Started operation of a solar power plant (in Okayama Prefecture) using green bonds
November 2020	Participated in wind power business in Ireland
December 2020	Began collaborating with Hitachi Asia (Thailand) and SANTEC POWER SOLUTIONS to promote solar power generation business in Thailand
January 2021	Invested in GRIDSERVE Holdings, a company involved in renewable energy business in the U.K. (Plans exist to open more than 100 electric vehicle (EV) charging stations in the U.K. by 2025)
February 2021	Invested in Bloom Profit, a company involved in environmental recycling business (glass bottle recycling business) in the Hong Kong Special Administrative Region
March 2021	Participated in offshore power transmission business in the U.K.
May 2021	Participated in wind power business in Vietnam

Output of Contributing Equity from Active Domestic/Foreign Energy Generation Facilities (Including Figures from Infrastructure/Investment Business Departments)

	FY3/2021	FY3/2022 1Q	Change
Total ^{3,4,5}	1,136MW	1,208MW	+71MW
Solar	907MW	934MW	+26MW
Wind	228MW	273MW	+45MW

1. A unit that expresses the capacity of a 20-foot container
2. VPP is an abbreviation for virtual power plant
3. Includes equity method investment
4. Managerial accounting values
5. Does not include financed portions

Directors and Executive Officers

Directors



Representative Director, Chairman

Seiji Kawabe

Born September 3, 1955

April 1980
August 2000
October 2000
April 2002
April 2003
September 2007
April 2008
April 2009
April 2012
April 2014
April 2015
April 2016
June 2016
May 2019
April 2021

Joined Hitachi Leasing Corporation (current Mitsubishi HC Capital Inc.)
General Manager of Sales Department II, Kansai Branch Office, Hitachi Leasing Corporation
General Manager of Sales Department II, Kansai Corporate Sales Branch I, Kansai Sales Division, Hitachi Capital Corporation
Head of Kansai Corporate Sales Branch and General Manager of Sales Department II, Kansai Sales Division, Hitachi Capital Corporation
Head of Sales Division I, Hitachi Capital Corporation
Co-Head of Corporate Sales & Marketing Division and Co-Head of Tokyo Sales Division II, Hitachi Capital Corporation
Vice President, Executive Officer, and Co-Head of the Corporate Sales & Marketing Division, Hitachi Capital Corporation
Vice President, Executive Officer, and Head of the Corporate Sales & Marketing Division, Hitachi Capital Corporation
Senior Vice President and Executive Officer, in charge of Corporate Business, Hitachi Group Business and Financial Services Business, Hitachi Capital Corporation
Senior Vice President, Executive Officer, and Chief Marketing Officer, Hitachi Capital Corporation
Senior Vice President, Executive Officer, Chief Marketing Officer, Head of Corporate Sales & Marketing Division, and Head of Service Business Division, Hitachi Capital Corporation
Representative Executive Officer, President & CEO, Hitachi Capital Corporation
Director, Representative Executive Officer, President & CEO, Hitachi Capital Corporation
Representative Director, Japan Credit Information Reference Center Corp.
Representative Director and Chairman, Mitsubishi HC Capital Inc. (current)



Representative Director, President & CEO

Takahiro Yanai

Born May 4, 1958

April 1982
May 2012
June 2015
May 2016
June 2017
April 2021

Joined The Mitsubishi Bank, Ltd. (current MUFG Bank, Ltd.)
Managing Executive Officer, The Bank of Tokyo-Mitsubishi UFJ Ltd.
Managing Officer, Mitsubishi UFJ Financial Group, Inc.
Managing Director, The Bank of Tokyo-Mitsubishi UFJ Ltd.
Managing Executive Officer, Mitsubishi UFJ Financial Group, Inc.
Senior Managing Executive Officer, The Bank of Tokyo-Mitsubishi UFJ Ltd.
President & CEO, Mitsubishi UFJ Lease & Finance Company Limited (current Mitsubishi HC Capital Inc.)
Representative Director, President & CEO, Mitsubishi HC Capital Inc. (current)



Representative Director, Deputy President

Kanji Nishiura

Born February 11, 1958

April 1980
January 2003
April 2009
April 2010
April 2011
April 2013
April 2015
April 2016
April 2018
June 2018
April 2019
April 2020
June 2020
April 2021

Joined Mitsubishi Corporation
Seconded to Metal One Corporation
General Manager of Metals Group CEO Office, Mitsubishi Corporation
Senior Vice President and General Manager of Metals Group CEO Office, Mitsubishi Corporation
Senior Vice President and Division COO of Non-Ferrous Metals Division, Mitsubishi Corporation
Senior Vice President, Division COO of Mineral Resources Investment Division A, and General Manager of MDP Department, Mitsubishi Corporation
Executive Vice President and Group COO of Metals Group, Mitsubishi Corporation
Executive Vice President and Group CEO of Metals Group, Mitsubishi Corporation
Executive Vice President, Corporate Functional Officer (Global Strategy & Coordination, Global Research, International Economic Cooperation, Logistics Management) and Regional CEO, Asia & Oceania, Mitsubishi Corporation
Member of the Board, Executive Vice President, Corporate Functional Officer (Global Strategy & Coordination, Global Research, International Economic Cooperation, Logistics Management) and Regional CEO, Asia & Oceania, Mitsubishi Corporation
Member of the Board, Executive Vice President, and Corporate Functional Officer (Global Strategy) Mitsubishi Corporation
Member of the Board, Mitsubishi Corporation
Corporate Advisor, Mitsubishi Corporation
Representative Director, Deputy President and Executive Officer, Mitsubishi HC Capital Inc. (current)



Director, Deputy President

Kazumi Anei

Born September 18, 1960

April 1985
April 2003
April 2005
April 2010
April 2011
October 2011
October 2014
April 2015
April 2016
April 2017
April 2018
April 2019
April 2020
April 2021
May 2021

Joined Hitachi Leasing Corporation (current Mitsubishi HC Capital Inc.)
General Manager of Sales Department II, Kansai Corporate Sales Branch, Kansai Sales Division, Hitachi Capital Corporation
Head of Kansai Corporate Sales Branch, Kansai Sales Division, Hitachi Capital Corporation
Head of Kanagawa Sales Division, Hitachi Capital Corporation
Head of Tokyo Sales Division III, Corporate Business Division, Hitachi Capital Corporation
Co-Head of Corporate Business Division, Hitachi Capital Corporation
Corporate Officer, Head of Corporate Business Division, and Co-Head of Account Sales Promotion Division, Hitachi Capital Corporation
Corporate Officer and Head of Corporate Business Division, Corporate Sales & Marketing Group, Hitachi Capital Corporation
Executive Officer, Head of Corporate Business Division, Corporate Sales & Marketing Group, and Head of Service Business Division, Hitachi Capital Corporation
Executive Officer, Corporate Sales & Marketing Group, in charge of Japan, and Head of Customer E&E Business Division, Hitachi Capital Corporation
Vice President and Executive Officer, Co-Head of Corporate Sales & Marketing Group, in charge of Japan, and Head of Environment & Energy Business Division, Hitachi Capital Corporation
Vice President and Executive Officer, Co-Head of Corporate Sales & Marketing Group, and Chief Executive for Japan, Hitachi Capital Corporation
Senior Vice President and Executive Officer, Chief Marketing Officer, and Head of Business Enhancement Division (in charge of Europe and the Americas), Hitachi Capital Corporation
Director, Senior Managing Executive Officer, Mitsubishi HC Capital Inc.
Director, Deputy President, Mitsubishi HC Capital Inc. (current)



Director, Senior Managing Executive Officer

Satoshi Inoue

Born April 13, 1959

April 1983
May 2009
May 2012
April 2013
April 2014
April 2016
April 2017
April 2019
April 2020
April 2021

Joined The Bank of Tokyo, Ltd. (current MUFG Bank, Ltd.)
General Manager of Corporate Banking Group No.2, Corporate Banking Division No.5, The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Superintendent, The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Senior Manager of Research Planning Group, Finance Department, Finance Division, Hitachi Capital Corporation (current Mitsubishi HC Capital Inc.)
Corporate Officer, Co-Head of Finance Group, Hitachi Capital Corporation
Corporate Officer, Co-Head of Finance Division, Management Bases Initiatives Group, and General Manager of Finance Department, Hitachi Capital Corporation
Executive Officer, Chief Financial Officer, Head of Finance Division, Management Bases Initiatives Group, and General Manager of Finance Department, Hitachi Capital Corporation
Vice President and Executive Officer, Chief Financial Officer, and Head of Finance Division, Management Bases Initiatives Group, Hitachi Capital Corporation
Senior Vice President and Executive Officer, Chief Financial Officer, and Head of Finance Division (in charge of Human Capital Division), Hitachi Capital Corporation
Director, Senior Managing Executive Officer, Mitsubishi HC Capital Inc. (current)



Director, Managing Executive Officer

Haruhiko Sato

Born June 19, 1965

April 1989
November 2002
January 2007
April 2009
March 2014
April 2019
April 2021

Joined Mitsubishi Corporation
Mitsubishi International GmbH
Moscow Office, Mitsubishi Corporation
Treasurer Office, Mitsubishi Corporation
Senior Vice President, Corporate Staff Section, and Chief Financial Officer, Mitsubishi Corporation (Americas)
General Manager of Power Solution Administration Department, Mitsubishi Corporation
Director, Managing Executive Officer, Mitsubishi HC Capital Inc. (current)



Director (Audit and Supervisory Committee Member)

Seichi Kishino

Born March 1, 1956

April 1978
June 2000
June 2004
April 2007
April 2010
April 2013
April 2016
April 2021

Joined Hitachi, Ltd.
Co-Director of Finance Department, Power & Industrial Systems Group, Hitachi, Ltd.
Director of Finance & Accounting Controls Department, Information & Telecommunication Systems Company, Financial Information Systems Division, Hitachi, Ltd.
General Manager of Financial Planning & Treasury Department, Finance Group, Hitachi, Ltd.
Corporate Officer, General Manager of Financial Planning & Treasury Department, Finance Group, Hitachi, Ltd.
Senior Vice President and Executive Officer, Head of Financial Solution Business Division, and Head of Corporate Strategy Division, Hitachi Capital Corporation (current Mitsubishi HC Capital Inc.)
Representative Executive Officer, Executive Vice President, and Head of Management Bases Initiatives Group, Hitachi Capital Corporation
Director (Audit and Supervisory Committee Member), Mitsubishi HC Capital Inc. (current)




Director (Audit and Supervisory Committee Member)

Shuji Miake

Born April 27, 1961

April 1984
March 2006
June 2008
January 2010
May 2012
June 2012
July 2012
June 2014
May 2016
April 2017
June 2019
April 2021

Joined The Tokai Bank, Ltd. (current MUFG Bank, Ltd.)
General Manager of Nerima Branch, The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Deputy General Manager of Corporate Banking Business Promotion Division, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Special Appointment)
General Manager of Yasuodori Commercial Banking Office, The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Corporate Officer and Superintendent, The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Deputy General Manager of Business Promotion Department, Mitsubishi UFJ Lease & Finance Company Limited (current Mitsubishi HC Capital Inc.)
General Manager of Nagoya Business Department No. 1, Mitsubishi UFJ Lease & Finance Company Limited
Corporate Officer and General Manager of Nagoya Business Department No. 1, Mitsubishi UFJ Lease & Finance Company Limited
Executive Officer and General Manager of Nagoya Business Department No.1, Mitsubishi UFJ Lease & Finance Company Limited
Managing Executive Officer and Head of Central Japan Business Company, Mitsubishi UFJ Lease & Finance Company Limited
Managing Executive Officer and Head of Central Japan Area Company, Mitsubishi UFJ Lease & Finance Company Limited
Full-Time Audit & Supervisory Board Member, Mitsubishi UFJ Lease & Finance Company Limited
Director (Audit and Supervisory Committee Member), Mitsubishi HC Capital Inc. (current)



Director (Audit and Supervisory Committee Member, Independent Outside Director)

Teruyuki Minoura

Born October 5, 1943

April 1967
June 2003
June 2004
June 2005
June 2010
June 2012
June 2013
April 2021

Joined Toyota Motor Co., Ltd. (current Toyota Motor Corporation)
Senior Managing Director and Member of the Board, Toyota Motor Corporation
Executive Vice President, Daihatsu Motor Co., Ltd.
President, Daihatsu Motor Co., Ltd.
Chairman, Toyota Boshoku Corporation
Senior Advisor to the Board, Toyota Boshoku Corporation
Director, Mitsubishi UFJ Lease & Finance Company Limited (current Mitsubishi HC Capital Inc.)
Director (Audit and Supervisory Committee Member), Mitsubishi HC Capital Inc. (current)



Director (Audit and Supervisory Committee Member, Independent Outside Director)

Koichiro Hiraawa

Born January 2, 1950

April 1974
May 1997
January 2002
April 2004
June 2005
July 2008
March 2009
March 2015
June 2015
December 2017
June 2019
April 2021

Joined Bank of Japan
General Manager of Okayama Branch, Bank of Japan
General Manager of Kyoto Branch, Bank of Japan
Head of Business Planning Department, Financial Business Division, NTT DATA Corporation
Head of Financial Strategy Business Promoting Office, Financial Business Division, NTT DATA Corporation
Head of Financial Business Planning Office, Financial Business Planning and Administration Department, NTT DATA Corporation
President & Representative Director, The Kyoto Hotel, Ltd.
Director, Allied Telesis Holdings K.K.
Representative Director, Apua Consulting Inc.
Director, Hitachi Capital Corporation (current Mitsubishi HC Capital Inc.)
Representative Director, Dream Estate Tokyo Inc. (current)
Chairman, Hitachi Capital Corporation
Director (Audit and Supervisory Committee Member), Mitsubishi HC Capital Inc. (current)



Director (Audit and Supervisory Committee Member, Independent Outside Director)

Hiroko Kaneko

Born March 28, 1958

April 1980
October 1989
February 1993
May 2007
July 2010
April 2018
June 2018
June 2019
June 2020
February 2021
April 2021

Joined The Sapporo Television Broadcasting Co., Ltd.
Joined Ota Showa Audit Corporation (currently ERNST & YOUNG SHINNIHON LLC)
Registered as certified public accountant
Partner, ERNST & YOUNG SHINNIHON (currently ERNST & YOUNG SHINNIHON LLC)
Senior Partner, ERNST & YOUNG SHINNIHON LLC
Professor at Waseda Graduate School of Accountancy (current)
Audit & Supervisory Board Member, The Shoko Chukin Bank, Ltd. (current)
Director, Kanagawa Chuo Kotsu Co., Ltd. (current)
Audit & Supervisory Board Member of Mitsubishi UFJ Lease & Finance Company Limited (current Mitsubishi HC Capital Inc.)
Member of Business Accounting Council, Financial Services Agency (current)
Director (Audit and Supervisory Committee Member), Mitsubishi HC Capital Inc. (current)



Director (Independent Outside Director)

Hiroyasu Nakata

Born August 29, 1951

April 1977
April 1990
June 1993
April 1995
April 1999
April 2003
April 2008
April 2015
April 2017
June 2017
June 2018
April 2021

Completed legal apprentice course at the Legal Training and Research Institute of the Supreme Court of Japan
Admitted to the bar (Daini Tokyo Bar Association) (until March 1990)
Associate Professor at Faculty of Law and Economics, Chiba University
Professor at Faculty of Law and Economics, Chiba University
Professor at Faculty of Law, Hitotsubashi University
Professor at Graduate School of Law, Hitotsubashi University
Trustee of Hitotsubashi University
Professor at The University of Tokyo Graduate Schools for Law and Politics and The University of Tokyo Faculty of Law
Emeritus Professor at Hitotsubashi University
Professor at Waseda Law School (current)
Emeritus Professor at The University of Tokyo
Audit & Supervisory Board Member of Mitsubishi UFJ Lease & Finance Company Limited (current Mitsubishi HC Capital Inc.)
Director, Mitsubishi HC Capital Inc. (current)



Director (Independent Outside Director)

Yuri Sasaki

Born May 26, 1967

April 1995
April 1998
April 2001
April 2006
April 2007
June 2014
January 2015
November 2015
June 2018
April 2020
April 2021

Assistant, Hitotsubashi University (Faculty of Commerce and Management)
Assistant Professor at Faculty of Commerce, Takachiho University of Commerce (current Takachiho University)
Assistant Professor at Faculty of Economics, Meiji Gakuin University
Visiting Scholar at University of Washington
Professor at Faculty of Economics, Meiji Gakuin University (current)
Director, JBA TIBOR Administration (current)
Expert Committee Member of Financial System Council of Financial Services Agency (current)
Visiting Scholar at University of Washington
Director, Hitachi Capital Corporation (current Mitsubishi HC Capital Inc.)
Dean of Faculty of Economics, Meiji Gakuin University (current)
Director, Mitsubishi HC Capital Inc. (current)




Director (Outside Director)

Go Watanabe

Born September 19, 1958

April 1982
August 2007
April 2008
June 2009
July 2011
May 2012
June 2013
July 2013
July 2016
September 2020
June 2021

Joined The Mitsubishi Bank, Ltd. (current MUFG Bank, Ltd.)
General Manager of Corporate Banking Human Resources Division, The Bank of Tokyo-Mitsubishi UFJ, Ltd.
General Manager of European Planning Division, European Headquarters, The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Executive Officer, The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Deputy President and General Manager of Shanghai Branch, The Bank of Tokyo-Mitsubishi UFJ (China), Ltd.
Executive Officer and General Manager of Global Corporate Banking Division, The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Managing Executive Officer and General Manager of Nagoya Sales Headquarters, The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Managing Executive Officer and Chief Executive Officer of Asian and Oceanian Headquarters, The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Managing Officer, Mitsubishi UFJ Financial Group, Inc.
First Senior Vice President, Nidec Corporation
Chairman, MST Insurance Service Co., Ltd. (current)
Director, Mitsubishi HC Capital Inc. (current)



Director (Outside Director)

Mitsumasa Icho

Born January 19, 1960

April 1982
April 2012
April 2014
April 2017
January 2018
June 2018
April 2019
June 2019
June 2019
June 2021

Joined Mitsubishi Corporation
General Manager of Machinery Group Administration Department, Mitsubishi Corporation
Senior Vice President and General Manager of Risk Management Department, Mitsubishi Corporation
Senior Vice President and General Manager of Business Investment Management Department, Mitsubishi Corporation
Executive Vice President, Corporate Functional Officer (Regional Strategy for Japan), and General Manager of Kansai Branch, Mitsubishi Corporation
Representative Director and Executive Vice President, Mitsubishi Corporation
Director, Executive Vice President and Group CEO, Urban Development Group, Mitsubishi Corporation
Executive Vice President and Group CEO, Urban Development Group, Mitsubishi Corporation (current)
Director, Mitsubishi UFJ Lease & Finance Company Limited (current Mitsubishi HC Capital Inc.)
Director, Mitsubishi HC Capital Inc. (current)

Executive Officers (excluding those concurrently serving as Directors)

Deputy President	Senior Managing Executive Officer
Taiju Hisai	Tsuyoshi Nonoguchi
	Kenji Yasuno
	Masashi Takeda
	Masao Takemoto
	Akira Hamamoto

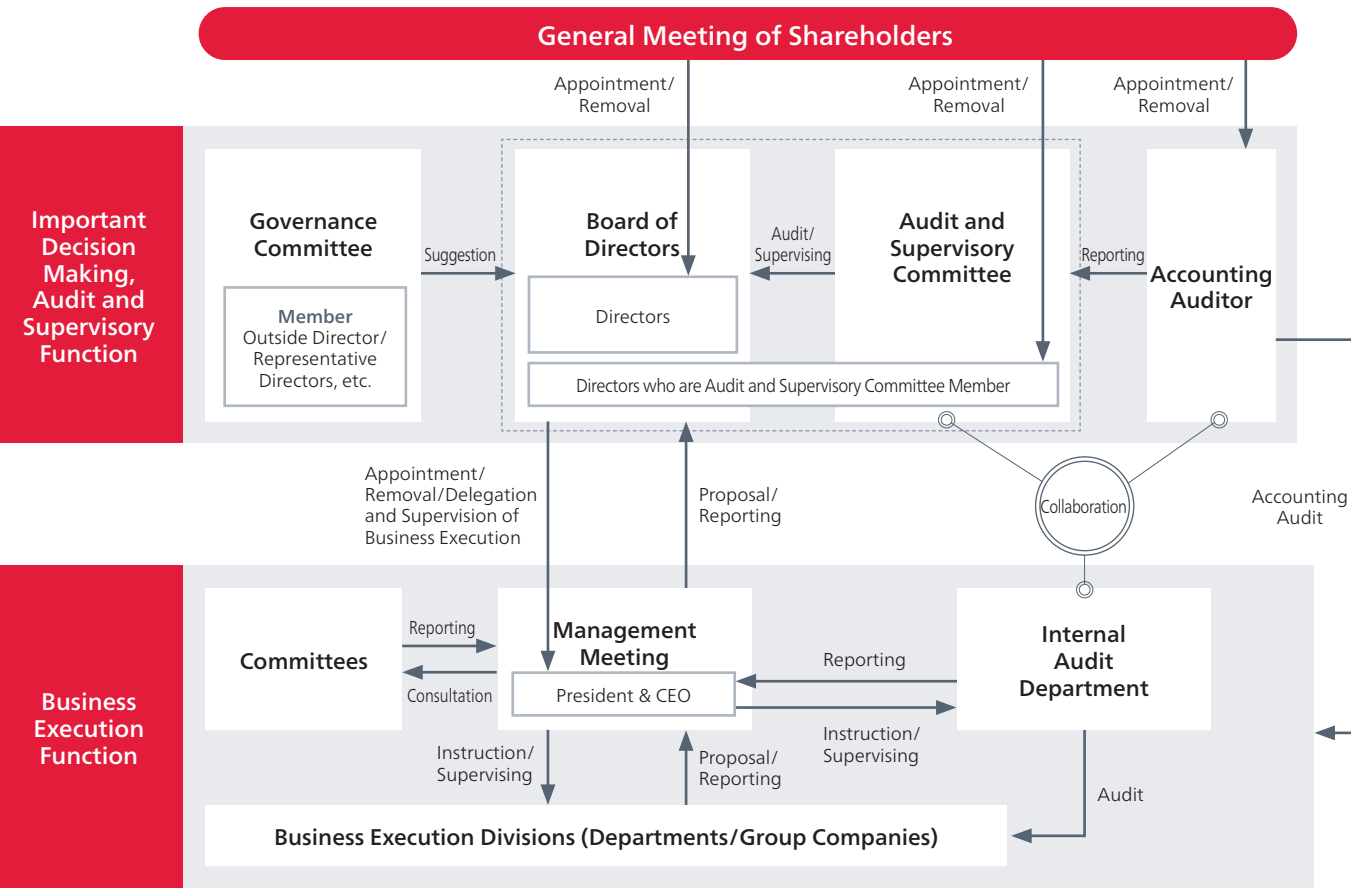
Managing Executive Officer	
Masaki Komoro	Kazuhiko Takeuchi
Hiroshi Nishikita	Shinji Tanaka
Hiroshi Mii	Takeo Nakai
Yoshikazu Ohashi	Kazunori Hamazaki
Masao Nishida	Yasuyuki Hirota
Masashi Nakano	Yukio Maruyama
Naoki Matsumuro	Junji Ogiuchi
Osamu Muramoto	Masao Kaneko
Hironori Shiozawa	Atsuyoshi Kanto
Kunihiro Sawada	Nozomu Naruse
Yasushi Okahisa	Hideki Matsuo



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.

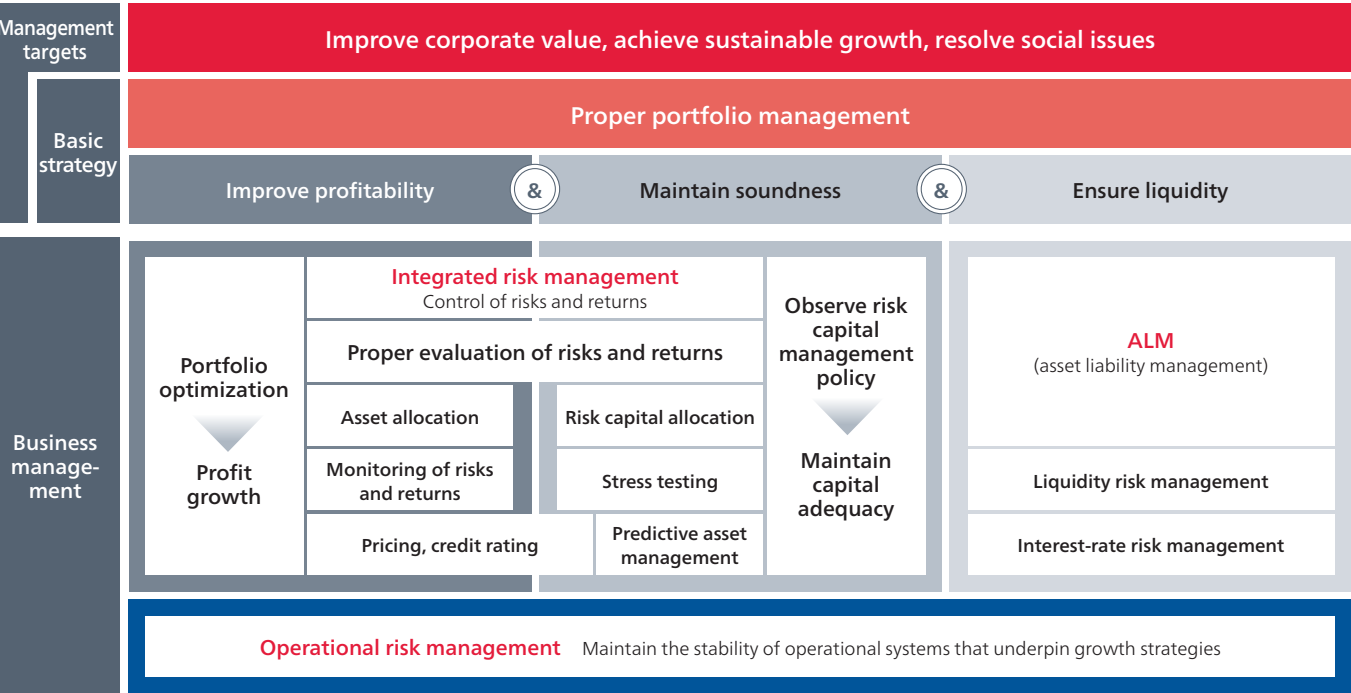
Risk Management

Risk Management System Overview

The Group uses the framework described in the first subsection below (“Integrated Risk Management”) to comprehensively manage risks to primary businesses that could have a substantial impact on investors’ decisions. The second subsection (“Important Risks Managed Within the Integrated Risk Management Framework”) presents an overview of the risks as well as specific details about efforts to address them. The Group has established a suitable system to manage these types of risks, and is making efforts to prevent them from manifesting and to minimize their impact.

Additionally, to manage envisaged risk factors, we operate a risk management system in which the departments that oversee specific risks monitor issues arising from developments in the external environment or other changes, regularly consider measures to address such risks, and then promptly report them to the Executive Committee, the consultative and decision-making body that controls the execution of business. Specifically, committees that discuss issues and countermeasures for each risk—including the Asset Liability Management (ALM) Committee, the Compliance Committee, and the J-SOX Disclosure Committee—as well as the Risk Management Committee, which comprehensively and systematically manages risks pertaining to overall management, deliberate and discuss policies for reporting and responding to the status of risks at meetings held each quarter and as necessary. The Board of Directors receives reports about, and deliberates over, important matters from each meeting.

Overview of Risk Management Framework



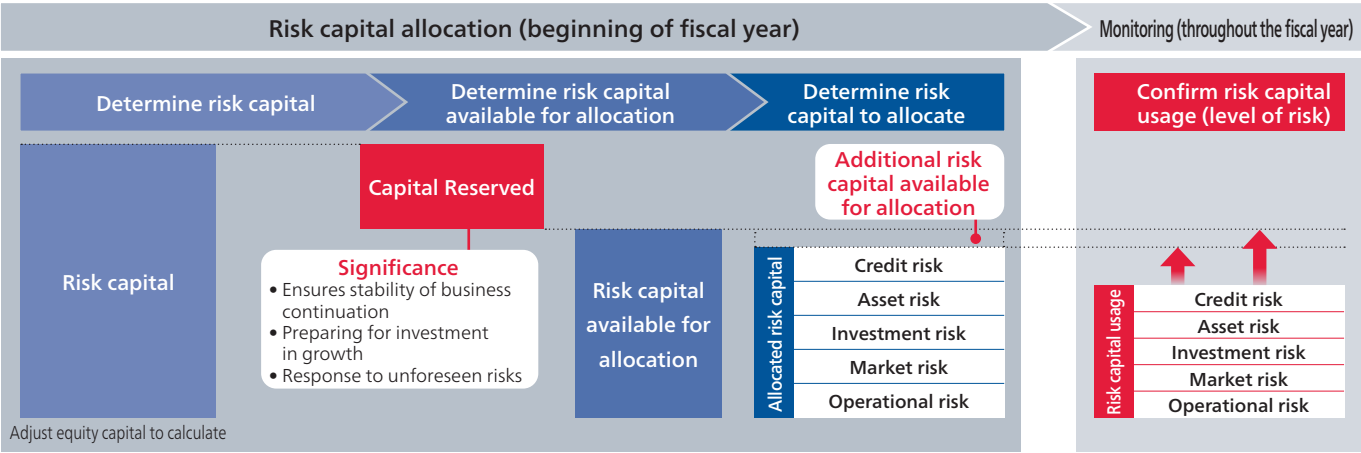
① Integrated Risk Management

The Company incorporates the framework of Integrated Risk Management into its implementation of business operations in an effort to achieve sustainable growth based on a balance between maintaining the soundness of management and improving profitability. The important risks managed under the framework include, but are not limited to, credit risks, asset risks, investment risks, market risks, liquidity risks, and operational risks; these risks are managed on a group-wide basis.

Specifically, within the framework, individual risks are quantified using methods of evaluation that correspond to the attributes of the assets and businesses, and the Company’s risk capital management policy guides decisions for allocating risk capital to each risk category and taking reasonable risks within the range of risk tolerance.

Within the framework, the circumstances under which risk capital is used and the status of the different portfolios are monitored on a regular basis. These are reported to and deliberated by the Risk Management Committee, the Executive Committee, and the Board of Directors in an effort to develop appropriate responses and improve internal communication about risks. The framework is designed such that the Board of Directors ascertains and supervises the status of risk management and the framework itself.

Managing Risk Capital to Ensure Soundness



② Important Risks Managed Within the Integrated Risk Management Framework

The Group engages in business activities around the world, and provides the capital investment and services that clients need for their businesses in the form of leases and the like. We hold a diverse array of assets for leasing and other transactions, from general movable assets such as office equipment and production facilities to assets used in specific industries, such as aircraft. Lease transactions decrease if demand for capital investment declines substantially because clients are facing deteriorating business environments as a result of economic slowdowns and recessions in Japan and elsewhere; this and other developments could negatively impact the Group’s business performance and financial circumstances.

Negative impacts to performance and circumstances could also materialize as a result of internal processes, people, or systems that are unsuitable or fail to function, or losses caused by the occurrence of events outside the Group.

Accordingly, these envisioned risks are included in the scope of the important risks the Company manages within the framework set out in the first subsection (“Integrated Risk Management”).

- Credit risk
 - Asset risk
 - Investment risk
- Market risk
 - Liquidity risk
- Risk pertaining to business base expansion, strategic partnerships, M&As, etc.
 - Operational risk

See Page 26 for details.

③ Other Important Risks

As explained in the second subsection (“Important Risks Managed Within the Integrated Risk Management Framework”), the Group manages reasonably envisioned risks within the integrated risk management framework. The Group is also aware of the following types of important risks that either exceed the scope of reasonably envisioned risks or are difficult to envision within the bounds of reason; when it is evident that these other important risks may materialize, we analyze their impact on the individual risk items managed under the framework as well as combined impacts spanning multiple risk items (including the status and outlook of the other important risks). Furthermore, we formulate policies for responding to other important risks, in addition to conducting stress testing and the like using new and combined scenarios as necessary to verify our capacity to withstand risk from many aspects.

- Global pandemic risk
 - Climate change risk
 - Risk associated with expanding business fields
- Intensification of competition
 - Risk pertaining to securing human resources
- Risk pertaining to labor/employment management

④ Stress Testing

In the course of executing management strategies, we take steps to ascertain the level of impact during stress periods caused by various risk events that could impact the Group’s business, including, but not limited to, economic downturns, market fluctuations, and deteriorating market conditions. Specifically, we design multiple scenarios envisioning intense stressors (e.g. market fluctuations in business sectors, worsening credit, simultaneous materialization of multiple major risks), in addition to scenarios in which the global economy is deteriorating, and analyze and verify the extent to which periodic performance and equity capital could be impacted under stress.

This multifaceted verification allows us to confirm the capacity of our management plans to withstand risk (e.g. ensuring an appropriate appetite for risk).

Major Risks and Management Systems

Risk category		Details of risk	Primary efforts to counter risk
Credit risk		We engage in the business of providing credit over the medium and long term by providing financial services tailored to the formats of leasing and installment sales, cash loans, and the like. Trends in the economy and changes in financial conditions could erode the credit standing of companies, increasing the amount of bad debt and necessitating actions such as transferring additional allowances for doubtful receivables, which could negatively impact the Group's business performance and financial circumstances. Also, because we engage in business around the world, we are exposed to country risk—losses caused by political, economic, or other circumstances of the countries and regions in which we have clients or targets of investment.	<ul style="list-style-type: none">• We closely examine the credit standing of our clients and conduct comprehensive evaluations based on factors such as country risks and the values of properties for lease.• We continuously check the credit standing of our clients, even after commencing transactions.• We manage credit based on diversification of risk to avoid concentration of credit with specific clients, industries, countries, regions, etc.• We regularly measure and monitor the level of credit risk in our portfolios.
Asset risk	Global assets	We hold, and engage in the business of leasing aircraft, aircraft engines, ships, containers, railcars, and other global assets inside and outside Japan. These assets are exposed to price fluctuation risk in addition to the credit risk described previously. In addition to leasing income from clients, we also sell assets after leases end in an effort to recover capital. Additionally, in circumstances such as when a client's business collapses, we salvage the assets and then lease them to other clients or sell them in an effort to recover capital. Trends in the economy and changes in financial conditions, as well as major accidents stemming from technical problems, obsolescence resulting from technical innovations, amendments to laws and regulations, the spread of global pandemics, escalating fear of terrorism, natural disasters, and geopolitical risk could also trigger fluctuations in the selling prices of assets, and other developments such as the booking of impairment losses and higher costs incidental to property management could negatively impact the Group's business performance and financial circumstances.	<ul style="list-style-type: none">• We comprehensively investigate matters such as future asset liquidity in addition to matters for confirmation during transactions involving movable property.• We establish and enforce investment criteria for maintaining portfolios based on the diversification of risks (e.g. target models, regions/timing of expiration).• We continuously check the credit standing of our clients and industry trends, even after commencing transactions.• We regularly hold predictive management meetings to investigate indications that could impact trends in target industries and asset value fluctuations.• We regularly measure and monitor the credit risk of our clients and the level of asset value fluctuation risk in our portfolios.
	Real estate	We invest in commercial real estate (e.g. offices, housing units, commercial facilities, distribution facilities, hotels) and engage in rental business and operational management, utilizing real estate owned; these assets are exposed to income and price fluctuation risk. In addition to rental income from tenants, we also sell assets at appropriate times in an effort to recover capital. Income from rental fees and asset sales fluctuates as a result of trends in the economy, changes in financial conditions, and market environments—namely the rental markets in the locations of our assets—which could negatively impact the Group's business performance and financial circumstances.	<ul style="list-style-type: none">• We carefully examine factors such as future asset values and liquidity, and make decisions in a comprehensive manner.• We continuously check the status of asset deployment, trends in prices, and industry trends, even after commencing efforts.• We regularly hold predictive management meetings to investigate indications that could impact asset value fluctuations and industry trends.• We regularly measure and monitor the level of asset value fluctuation risk in our portfolios.
Investment risk		We engage in investment and lending activities in various businesses, including investing in, and financing, projects. These investment activities involve a wide array of risks—including risk associated with economic fluctuation, declining demand, and other changes in the business environment; risk of profits failing to meet expectations and the decreased likelihood of recovering investments stemming from factors such as lackluster performance by partners and investment targets; risk of investment target share prices falling below a certain level; and the risk of prolonged share price declines due to factors such as rapid changes in economic and financial circumstances and turbulence in financial markets—and there are cases where we lose all or a portion of our investments or are required to contribute additional funds. Further risks include the risk of the Group being unable to withdraw from or reorganize businesses using preferred methods or at the desired times, and the risk of unprofitability due to the inability to obtain proper information from investment targets; risks in these cases may negatively impact the Group's business performance and financial circumstances.	<ul style="list-style-type: none">• We host investment meetings in response to factors such as the severity of risks and investment amounts in individual projects.• We carefully examine factors such as future investment values and liquidity from a broad perspective, and make decisions in a comprehensive manner.• We continuously check the status of investment management and industry trends, even after commencing efforts.• We regularly measure and monitor the level of investment value fluctuation risk in our portfolios.
Market risk	Interest-rate fluctuation risk	Lease fees and installments from leasing and installment sales generally do not fluctuate during the respective contract terms. However, regarding funds acquired from leased properties and the like, although we strive for a balance of procurement between fixed and variable interest rates in an effort to diversify sources of funding and reduce financing costs, financial expenses are subject to fluctuations in the market interest rate. Accordingly, cases such as when the market interest rate increases rapidly may have a negative impact on the Group's business performance and financial standing.	<ul style="list-style-type: none">• Asset liability management (ALM) allows us to monitor mismatches in exchange and interest rates between asset management and capital procurement as necessary.• We consider interest rate trends and conduct hedge operations as appropriate to manage interest rate risk.• In response to exchange rate risk, we procure capital in currencies that match our operating assets in foreign currencies as a general rule to minimize losses and gains on the valuation of foreign exchange.• We regularly measure and monitor levels of risk quantified using statistics of past performance to determine how likely we are to suffer losses—and the extent of those losses—at a certain probability over certain periods of time on our portfolio positions.• We hold ALM Committee meetings each quarter or as necessary depending on the circumstances.
	Exchange rate fluctuation risk	We are proactively expanding our business outside of Japan and accordingly our assets in foreign currency are increasing, as is their ratio of consolidated operating assets. In principle, our overseas consolidated subsidiaries procure capital in the same currency as their assets; however, because the figures in each company's financial statements are expressed in the local currency, substantial fluctuations in exchange rates could negatively impact the Group's business performance and financial standing when the figures are converted to Japanese yen.	

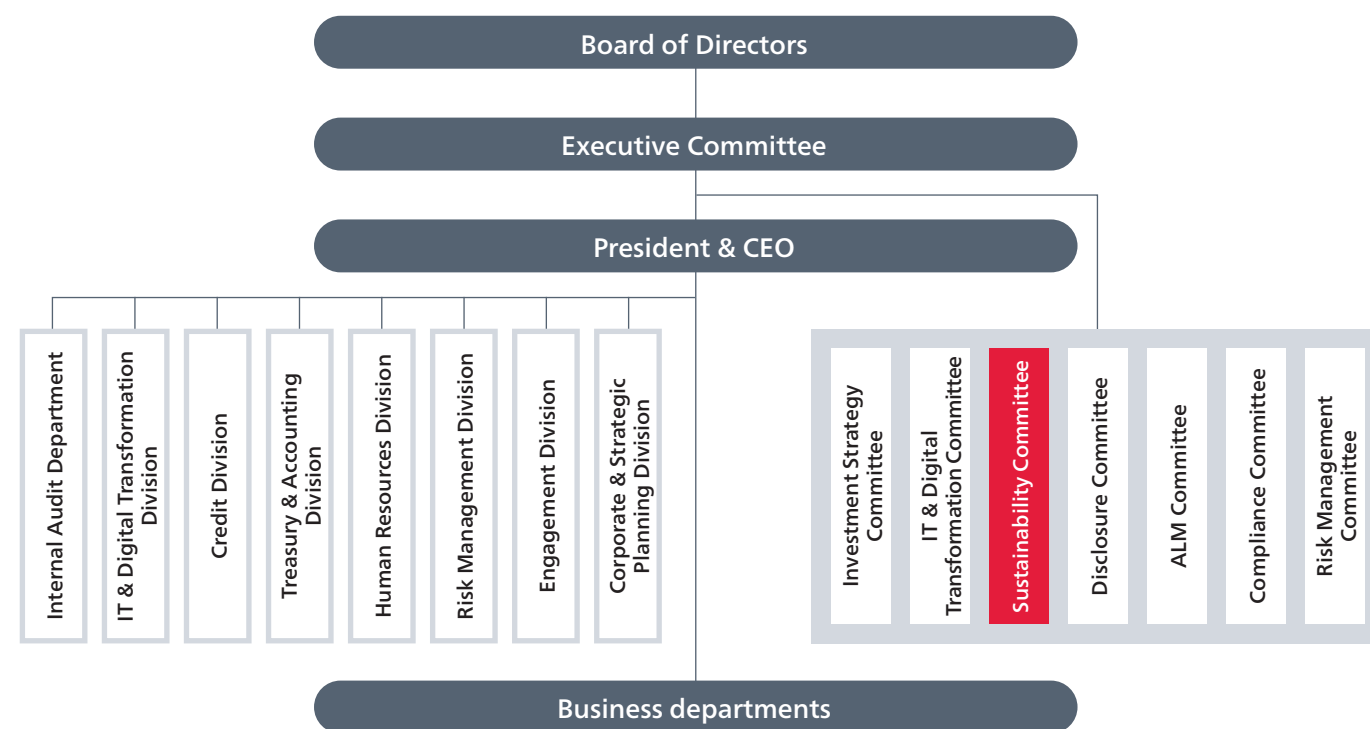
Risk category		Details of risk	Primary efforts to counter risk
Liquidity risk		We are procuring extensive funds in the course of acquiring properties for leasing and engaging in businesses such as installment sales and cash loans. Cases where it becomes difficult to ensure sufficient funds due to heightened risk aversion among financial institutions and investors as a result of factors such as rapid changes in economic and financial circumstances and turbulence in financial markets or the lowering of the Group's creditworthiness could have a negative impact on the Group's business performance and financial standing.	<ul style="list-style-type: none">• We diversify by procuring funds directly from the market (e.g. issuing corporate bonds and commercial paper, securitizing lease receivables) in addition to borrowing.• We ensure capital liquidity by taking measures to enhance liquidity during emergencies (e.g. acquiring commitment lines).• We manage capital liquidity in stages and check the status of liquidity to ensure the necessary capital even when the procurement environment has deteriorated, and report to the ALM Committee.• The ALM Committee analyzes interest rate sensitivity and credit in addition to comprehensively investigating factors such as the impact of profits and losses and state of market and capital liquidity risks under stress from financial markets and the like, and determining fundraising strategies and policies for responding to risk. The ALM Committee also cooperates with the Risk Management Committee.• As part of efforts to rebuild regional financial hubs, we are staffing our corporation in New York in addition to equipping it to provide financial services and establishing a Group Finance Framework for North America. We also share knowledge and information throughout the Group to strengthen our ability to monitor financial circumstances.
Risk pertaining to business base expansion, strategic collaboration, M&As, etc.		In pursuit of sustained growth through business base expansion, we strive not only for our own expansion in Japan and the rest of the world, but also to diversify and improve our business portfolios through M&As and strategic collaboration with outside entities. These efforts may not deliver the expected results due to factors such as changes in economic and financial circumstances, intensification of competition, and changes to partners' business environments or strategies; similarly, we may need to record additional expenses, for example if we are pressed to book goodwill impairment in the course of M&A. Cases like these could negatively impact the Group's business performance and financial standing.	<ul style="list-style-type: none">• The relevant departments conduct investigations in response to factors such as the amount of investment and severity of risk of individual investments, and enlist the help of outside experts to carefully examine factors such as future investment effects from a broad perspective, and make decisions in a comprehensive manner.• We establish systems to ensure that the Group's rules and the like are applied, and that operations are managed properly after M&As are executed.• We monitor business plans, performance management, and the like, and establish systems for undertaking the necessary measures in a timely manner.
Operational risk	Risk pertaining to earthquakes, natural disasters, infectious diseases, terrorism, etc.	Earthquakes and other natural disasters, infectious diseases, terrorism, and other sudden events could damage our premises, systems, and the like, and also directly harm employees or prevent them from reporting to work, which in turn could limit our activities or make management difficult and interfere with business activities. Additionally, factors such as the extent of damage and protraction of sudden events could necessitate extensive amounts of time and money for restoring business activities, systems, and other facilities, which in turn could negatively impact the Group's business performance and financial standing.	<ul style="list-style-type: none">• In crisis situations, we establish headquarters for countermeasures and systems for taking action.• We formulate business continuity plans (BCP).• We take redundancy measures for core systems.• We establish systems and infrastructure that enable telecommuting for the purpose of business continuity.• We take measures such as having people report to work in alternating shifts after limiting operations to those necessary to continue business.
	Information system risk	We use various information systems to conduct accounting, manage contracts and clients, and conduct asset management for properties for leasing in addition to using email and other tools. Cases where these information systems shut down or malfunction due to factors such as insufficient maintenance or improper development interrupt our operations (e.g. contracts, collection) and the provision of services to clients, which hobble business activities and cause economic losses that could negatively impact the Group's business performance and financial standing.	<ul style="list-style-type: none">• The Company and its contractors collaborate to establish and operate robust maintenance and management systems.• When malfunctions occur, we promptly share information and take action in response to the causes.• We establish a series of systems for responding, including formulating and implementing measures to prevent recurrence.• We implement IT control on a group-wide basis.
	Cybersecurity/information security risk	We use various information systems to conduct accounting, manage contracts and clients, and conduct asset management for properties for leasing in addition to using email and other tools. These information systems are exposed to risk in the form of cyberattacks (e.g. fraudulent business emails, computer viruses, unauthorized access by outsiders). Cases where systems shut down or malfunction, financial damage occurs, or confidential information or information belonging to clients is leaked or used without authorization due to factors such as unauthorized access by outsiders, computer viruses, human error, misconduct, or fraud could hobble business activities by interrupting our operations (e.g. contracts, collection) or the provision of services to clients, cause economic losses, or undermine our credibility in society (in the case of leaking critical information). All of these could negatively impact the Group's business performance and financial standing.	<ul style="list-style-type: none">• We install an organization-wide Security Incident Response Team (MHC-SIRT).• We update software and develop control systems to prevent trouble by detecting unauthorized access by outsiders, computer viruses, and cyberattacks.• We establish a system of internal and external collaboration to respond to incidents, and conduct training.• We continuously conduct drills for recognizing targeted email attacks and internal training on information security for all employees.
	Compliance risk	We must comply with the laws and regulations of Japan (e.g. the Companies Act, tax law, the Financial Instruments and Exchange Act, the Anti-monopoly Act, the Personal Information Protection Act, the Money Lending Business Act, the Installment Sales Act, the Act on Prevention of Transfer of Criminal Proceeds, and environmental laws and regulations). Outside Japan, we are supervised by regulatory authorities and subject to the laws and regulations of different countries and regions. Failure to comply with laws and regulations, social norms, internal rules, or the like could cause operations to be restricted or shut down, prompt clients and others to seek damages, and undermine our credibility in society, all of which could negatively impact the Group's business performance and financial standing.	<ul style="list-style-type: none">• We continuously conduct training on compliance.• We prevent money laundering, financing of terrorism, and other misconduct.
	Institutional change risk	We are subject to laws and regulations, accounting and tax systems, and other systems inside and outside Japan. If we are unable to properly deal with substantial changes or revisions to the systems most relevant to our operations, we could face penalties for failure to comply with the systems, become unable to sell products, face restrictions to operations, experience reduced sales in terms of accounting, and more, all of which could negatively impact the Group's business performance and financial standing.	<ul style="list-style-type: none">• We continuously monitor systems for revisions and changes.• We proactively enlist the help of outside experts to reinforce our monitoring.• We promptly gather information about changes and revisions and swiftly implement measures.
	Administrative risk	We implement various administrative management for each of the different types of transactions we handle. If improper administrative management resulting from human error or misconduct interrupts our operations (e.g. contracts, collection) and the provision of services to clients, hobbling business activities and undermining our credibility, this could negatively impact the Group's business performance and financial standing.	<ul style="list-style-type: none">• We set out rules for administrative management for each transaction, and execute operations according to those rules.• We revise the rules as necessary.• We establish a system for swiftly responding and making reports about accidents when they occur, identifying the causes of the accidents, and formulating and implementing measures to prevent recurrence.

Our Efforts Toward Sustainability

Basic Views

Efforts toward sustainability—among them, protecting the global environment, respecting human rights, and embracing diversity—are an essential responsibility to society that corporations should fulfill. To continue to survive, corporations must pursue long-term growth while gaining the trust of their stakeholders by engaging in business activities that seek to resolve environmental, social, and economic issues.

With this fundamental understanding, and to lead and promote sustainability-based management, the Company established a Sustainability Committee in April 2021 to serve as an advisory body to the Executive Committee. By doing so, we aim to better contribute to the realization of a sustainable and prosperous future.



Structure and Activities of the Sustainability Committee

The Sustainability Committee is chaired by the Head of the Engagement Division, and generally meets every six months. Its members comprise Executive Officers in charge of business departments and the corporate center, including the President & CEO.

The committee implements a wide range of activities—including checking the progress of activities and the level of achievement of targets in non-financial sectors, deliberating over new activities, and discussing non-financial indicators—and reports the results to the Executive Committee and the Board of Directors.

At the first meeting of the Sustainability Committee in May 2021, information about the latest trends in sustainability, steps to promote sustainability, and the sustainability efforts of the two former companies were shared to further the understanding of attendees. At the second meeting, we plan to work on building a foundation for company-wide sustainability promotion ahead of the formulation of our next Medium-term Management Plan, including discussions about identifying material issues.

Message from the Director in Charge of Non-Financial Performance

Accepting the Challenge to Provide Greater Value by Leveraging the Ecosystem

Senior Managing Executive Officer
Head of the Engagement Division

Masashi Takeda



We understand that corporations cannot continue their business activities unless the environment and society are sustainable, and thus believe we have entered an era in which people expect corporations to go beyond being considerate of the environment and society to engage in business activities that inherently contribute to the creation of a sustainable environment and society.

To realize Our Vision of providing solutions to social issues, achieving sustainable growth, and enhancing corporate value, we must incorporate a vision of long-term sustainability and efforts to address material issues (key issues concerning sustainability) into our business strategies. Our aim must be to engage in business activities that inherently create environmental and social value first and foremost, and also create profits, profitability, and other forms of economic value.

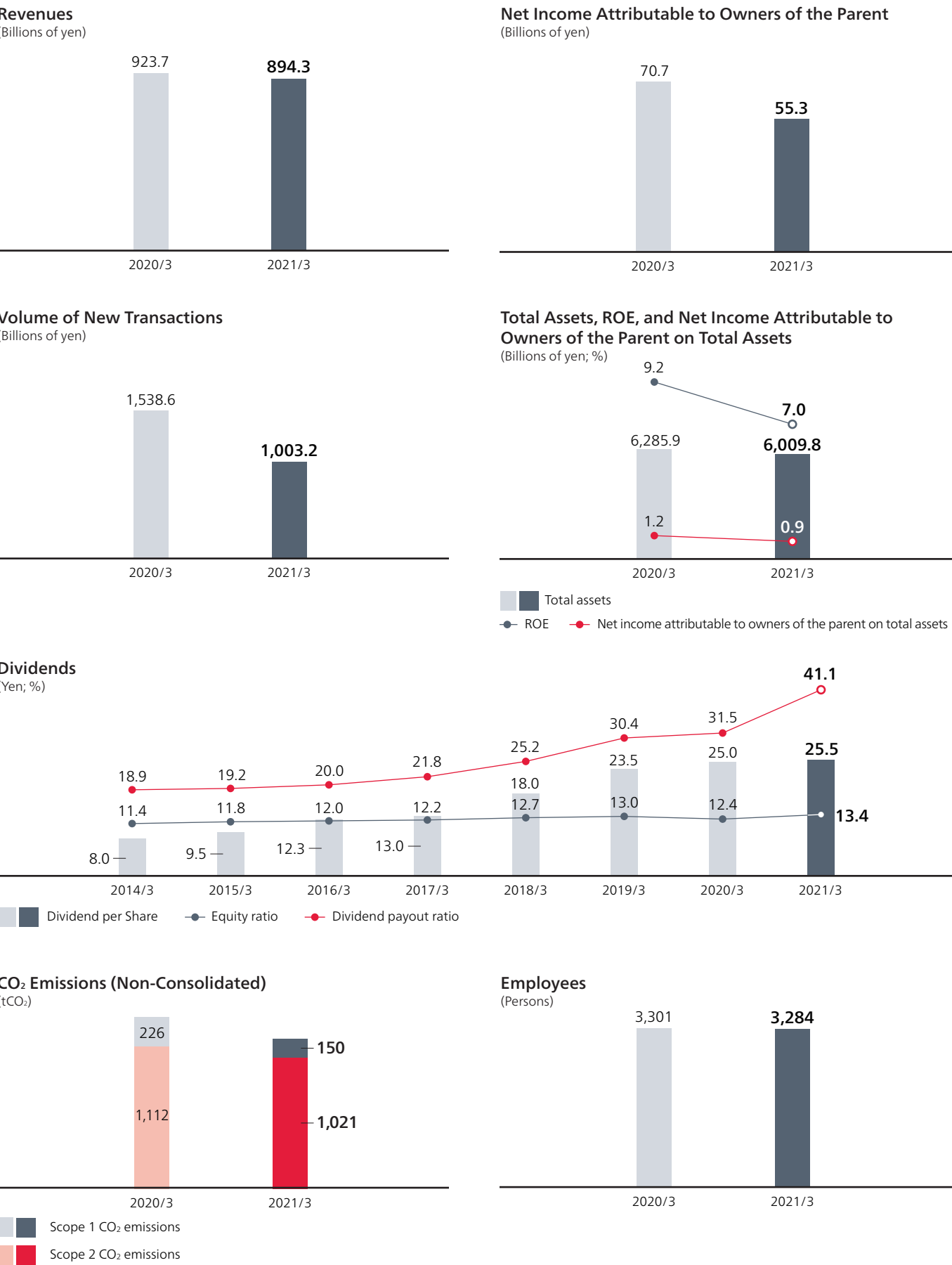
Corporations that fail to incorporate the elements of sustainability into their businesses will eventually be weeded out, and as a result they will be unable to consistently create economic value. However, corporations that make efforts toward sustainability but do not produce sufficient economic value will not be able to continue their activities, either. In other words, striving for environmental and social value as well as economic value has become the norm for sustainable management.

To realize this ideal, we believe it is vital to intensify collaboration with our partners and provide greater value. True to our standing as a leasing company, we do business with clients from many different lines of business. Even for social issues that are too difficult to resolve on our own, we can combine forces with clients to build ecosystems that enable us to discover breakthroughs and create new value. We also have a wealth of knowledge from our specialty of adding value to anything and everything, whether it is real estate or other kinds of assets. Recently, we have combined hardware with software to perform functions such as keying digital transformations and analyzing data using AI and IoT, thus providing greater value to clients and local communities than ever before. In terms of the methods we offer, we have expanded far beyond our established forte of finance to provide solutions centered on investment and business operations. We aim to translate these efforts into a distinctive strength toward putting sustainability management into practice.

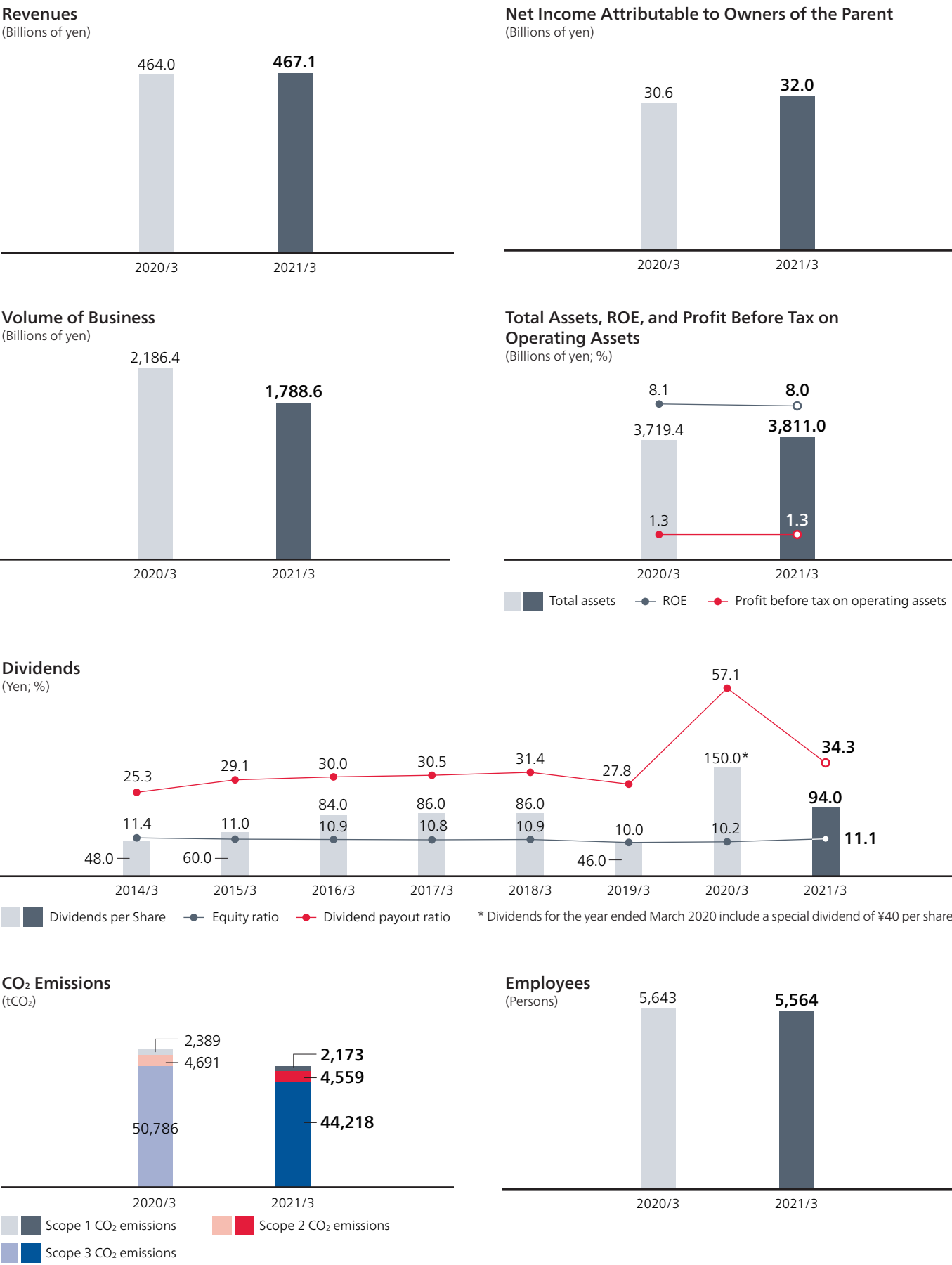
We intend to continue working to improve our corporate value by utilizing our efforts toward sustainability to spark dialogue with our stakeholders, and to disclose information about our efforts more appropriately and in a timely manner.

Financial and Non-Financial Highlights

Mitsubishi UFJ Lease & Finance (J-GAAP)



Hitachi Capital (IFRS)



Corporate Information

Corporate Profile (As of April 1, 2021)

Company Name	Mitsubishi HC Capital Inc.
Head Office	5-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo, 100-6525, Japan
Date of Incorporation	April 12, 1971
Paid-in Capital	¥33,196,047,500
Representative Director, President & CEO	Takahiro Yanai
Number of Employees	8,645 (As of June 30, 2021)
Fiscal Year-End	March 31



Important Business Integration Procedures

As announced in the September 24, 2020 news release “Notice concerning Conclusion of Agreement on Business Integration through Merger between Mitsubishi UFJ Lease and Hitachi Capital,” based on resolutions of extraordinary general meetings of shareholders of the two companies on February 26, 2021, the two companies carried out a business integration in the form of an absorption-type merger, in which Mitsubishi UFJ Lease & Finance was the surviving company and Hitachi Capital was the merged company, with an effective date of April 1, 2021. Also effective April 1, 2021, the trade name of the new integrated company was changed to Mitsubishi HC Capital Inc.



November 24, 2020	Business integration agreement and merger agreement formed
December 31, 2020	Record date of the extraordinary general meetings of shareholders (both companies)
February 26, 2021	Extraordinary general meetings of shareholders (both companies)
April 1, 2021	Launch of Mitsubishi HC Capital (new integrated company)

Stock Information (As of April 1, 2021)

Shares	Authorized shares: 4,800,000,000 Issued shares: 1,466,912,244
Stock Listings	First Section of the Tokyo Stock Exchange (TSE) First Section of the Nagoya Stock Exchange (NSE) Security code: 8593
Transfer Agent	Mitsubishi UFJ Trust and Banking Corporation 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8212, Japan
Accounting Auditor	Deloitte Touche Tohmatsu LLC

Major Shareholders

Name	Shares held	Ownership (%)
Mitsubishi Corporation	240,528,696	16.39
Mitsubishi UFJ Financial Group, Inc.	208,345,981	14.20
Hitachi, Ltd.	199,062,180	13.57
MUFG Bank, Ltd.	50,348,620	3.43
The Master Trust Bank of Japan, Ltd. (Trust account)	50,068,510	3.41
Custody Bank of Japan, Ltd. (Trust account)	49,414,500	3.36
Meiji Yasuda Life Insurance Company	31,100,390	2.12
Mitsubishi UFJ Trust and Banking Corporation	28,431,000	1.93
JPMorgan Securities Japan Co., Ltd.	16,750,123	1.14
Custody Bank of Japan, Ltd. (Trust account)	12,364,220	0.84

Distribution of Shareholders



* Treasury stock is included in “private investors, etc.”

External Credit Ratings

Rating Agency	Long-term	Short-term
Japan Credit Rating Agency, Ltd. (JCR)	AA	J-1+
Rating and Investment Information, Inc. (R&I)	AA-	a-1+
Moody's	A3	—
S&P	A-	A-2



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MITSUBISHI HC CAPITAL