

Corporate Governance

Basic Views on Corporate Governance

While emphasizing initiatives to achieve sustainable corporate growth and a medium- to long-term improvement in corporate value, Mitsubishi HC Capital (MHC) aspires to contribute to a more prosperous society by respecting the rights and interests of all of its stakeholders—shareholders, customers, local communities, and employees—and fulfilling their trust in the Company.

With the recognition that it is one of its social responsibilities to ensure transparent and sound management, MHC continues to work on initiatives to enhance corporate governance by boosting the activity of the Board of Directors, reinforcing the Audit & Supervisory Committee and the internal audit system, ensuring timely and appropriate disclosures of information, and actively engaging in investor relations (IR) and other activities.

Basic policies

Fostering a sound corporate culture

In accordance with Our Mission, which guides all of MHC's activities, and the Mitsubishi HC Capital Group Code of Ethics and Code of Conduct, which serves as the standard for the decisions and behaviors of all employees, MHC strives to understand the diversity of its various stakeholders including shareholders, customers, local communities, and employees and foster a corporate culture that respects their rights and perspectives and sound corporate ethics.

Ensuring appropriate information disclosure and transparency

MHC conducts proactive and continuous information disclosure in order to be trusted and properly evaluated by each of its stakeholders. It also establishes and appropriately operates internal systems to facilitate the swift

Outline of Corporate Governance Systems

MHC is a company with an Audit & Supervisory Committee, and has established a Board of Directors to be responsible for important decision-making and supervisory functions, and an Audit & Supervisory Committee to be responsible for audit and supervisory functions.

In order to further enhance its corporate governance, MHC has also established a Nomination Committee and a Compensation Committee to serve as advisory bodies

and impartial disclosure of accurate information regarding its management policies, business strategies, business activities, financial condition, etc.

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

Ensuring the rights and equal treatment of shareholders

MHC takes appropriate steps to ensure that the rights of shareholders are secured and can be exercised effectively and all shareholders including minority shareholders and foreign shareholders are treated equally.

Constructive dialogue with shareholders

Through events such as the General Meeting of Shareholders, financial results briefings, and other domestic and overseas investor relations (IR) events, MHC pursues proactive and constructive dialogue with diverse shareholders. It thereby seeks to gain understanding from shareholders regarding matters such as its business strategies and further enhance corporate governance through dialogue.

Ensuring effectiveness of the Board of Directors

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

to designate the President & CEO and determine the remuneration, etc. of Directors. Further, MHC has established a Governance Committee to serve as an advisory body to the Board of Directors.

Alongside adopting an executive officer system, MHC has established an Executive Committee to serve as a body for deliberation and decision-making on important management matters.

Board of Directors and Audit & Supervisory Committee

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

In addition, for timely, appropriate, and smooth provision of information particularly to Outside Directors, the General Affairs Department serves as the secretariat for the Board of Directors, and the Audit & Supervisory Committee Office has been established to assist the duties of the Audit & Supervisory Committee.

Each year, all Directors conduct a review and evaluation of the Board of Directors over the previous year. In addition, discussions attended only by independent Outside Directors are held regularly, and in the event that an issue, etc. is raised there, it will be appropriately responded to and improved.

Governance Committee, Nomination Committee, and Compensation Committee

The Governance Committee, consisting of Outside Directors, Representative Directors, etc., exchanges a wide range of opinions on the improvement of the Board of Directors' effectiveness and other matters regarding the Board of Directors, in order to work on the improvement of the soundness, transparency, and

fairness of MHC's management.

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

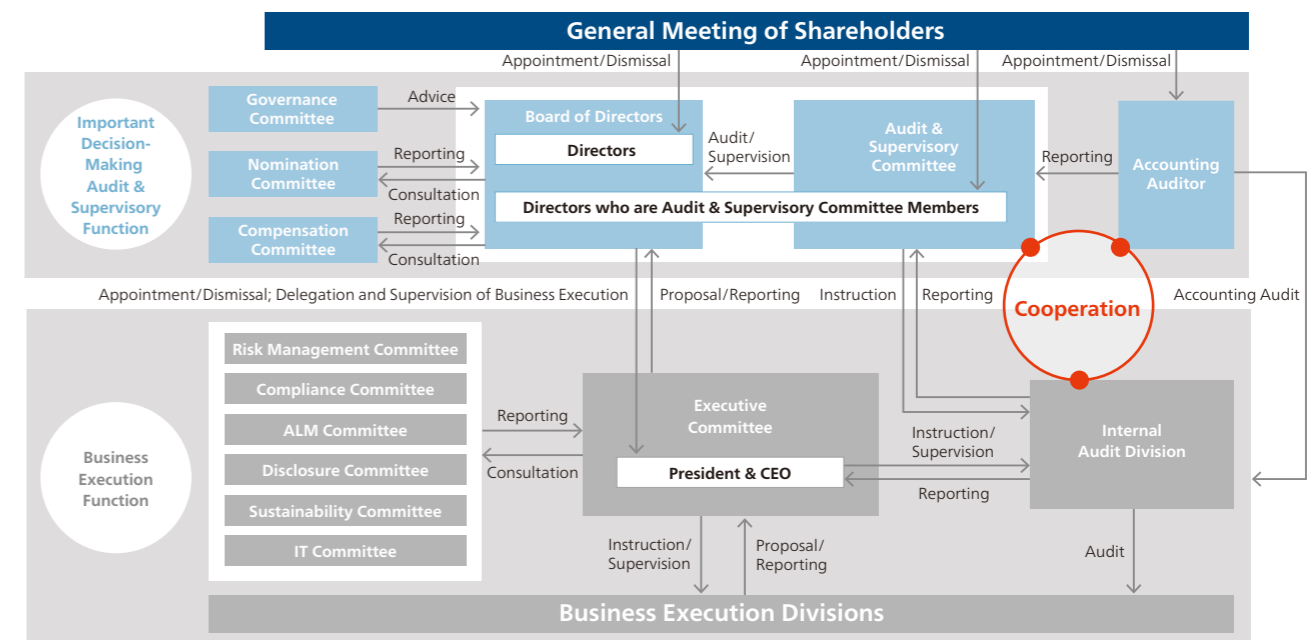
The Compensation Committee regularly monitors the Directors' remuneration system of MHC in comparison with the market standard by using an external specialized agency, and discusses policies, etc. concerning the systems, standards, etc. for Directors' remuneration.

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

Business Execution

As a company with an Audit & Supervisory Committee, MHC delegates business execution decisions to the Executive Committee—a body which will deliberate and decide on important management matters—within an appropriate scope, and expedites the decision-making process, with the aim of strengthening the supervisory functions of the Board of Directors. In addition, MHC has adopted an executive officer system, in order to further

Corporate Governance Structure (as of June 25, 2024)



Corporate Governance

enhance and invigorate the functions of the Board of Directors by clarifying the responsibilities related to the execution of business.

The Executive Committee is composed of the President & CEO, Deputy President(s), and Executive Officers separately specified by the President & CEO. The committee shall hold deliberations and make decisions

Structure of the Board of Directors

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

MHC assumes that the Board of Directors shall possess skills in "overall management," "finance," "treasury and accounting," "legal affairs, compliance, and risk management," "global business," "IT and DX," and other areas, in view of the business lineup.

MHC recognizes that diversity of Directors is important for the purposes of strengthening the function of the Board of Directors, and that gender, nationality, and race are factors which should be considered.

On the other hand, MHC believes that it is not necessarily desirable, for the purposes of strengthening the functions of the Board of Directors, to elect a Director with a certain attribute merely to comply with formal and external diversity requirements even when they lack the qualities and abilities that are required for the role.

Therefore, MHC believes, as a desirable way of achieving diversity within MHC, that it is necessary to consider whether it can be expected that such a Director can perform the necessary skills and possesses the ability in light of the respective management environment as a top priority, and elect a desirable person without restrictions on gender, nationality, race, age, career, etc. Based on such a view, MHC will continue to determine the appropriate composition of the Board of Directors.

Currently, it is assumed that MHC's Board of Directors

on important matters, including the business management of the Group, in addition to conducting preliminary deliberations on matters that are to be submitted to the Board of Directors to facilitate decision-making by the Board of Directors.

As of June 25, 2024, there are 26 Executive Officers, including four concurrently serving as Directors.

consists of Directors from a variety of business categories and industries, and has an appropriate number of members to ensure a balanced composition of appropriate skills and diversity.

Although no foreign Director has been elected, MHC acknowledges that the Board of Directors has been performing a sufficient supervisory function, as it has elected several Directors who possess a wealth of international business experience, and has received valuable opinions on global business development.

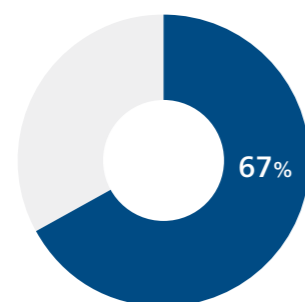
Training policy for Directors

MHC provides briefings on matters including the corporate mission, business conditions, and corporate governance to newly appointed Outside Directors. After taking office, Directors are given information on training opportunities such as seminars held by external organizations on the latest corporate governance trends, DX, and sustainability.

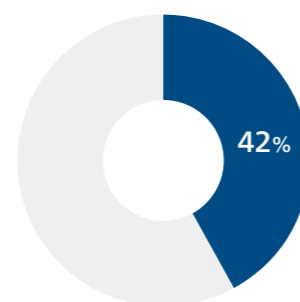
In addition, Outside Directors have fostered cooperation by exchanging and sharing a variety of information through opinion exchange meetings, in which only the Governance Committee, which serves as an advisory body to the Board of Directors, and Outside Directors participate.

MHC bears the full cost related to the training of Directors.

Ratio of Non-executive Directors



Ratio of Outside Directors



Composition of the Board of Directors and reasons for appointment and expertise of each Director

Name	Title	Reason for Appointment and Expected Role	Areas of Expertise*2					
			Management	Finance	Treasury	Legal	Global	DX
Takahiro Yanai	Director, Chairman	Since 2017, Mr. Takahiro Yanai has served as the President & CEO of Mitsubishi UFJ Lease & Finance based on his management experience at a major Japanese financial institution. He has a wealth of experience as the chief of business execution leading the management of the Company as it expands globally. By using deep knowledge based on his experience, he has been in charge of supervision of management as a non-executive Director and Chairman since April 2023. We have deemed him to be the best candidate to aim for further improvement of the soundness of the management of the Company and enhancement of corporate value over the medium to long term. We have therefore appointed him as a candidate for Director.	●	●				
Taiju Hisai	Representative Director, President & CEO	Since 2021, Mr. Taiju Hisai has served as a Deputy President and an Executive Officer of the Company and has led the overall business of the Company based on a wealth of management experience at a major Japanese financial institution. He has served as the Representative Director, President & CEO, and an Executive Officer acting as the chief of business execution since April 2023. He has sufficient experience and knowledge to assume business management of the Company as it expands globally. We have deemed him to be the best candidate to take command of business as the Representative Director, President & CEO, and an Executive Officer and to aim for the Company's sustainable growth and improvement of corporate value over the medium to long term. We have therefore appointed him as a candidate for Director.	●	●			●	
Aiichiro Matsunaga	Representative Director, Deputy President	Since April 2024, Mr. Aiichiro Matsunaga has served as a Deputy President, and Executive Officer of the Company. With his wealth of management experience at a major Japanese general trading company, he has managed the overall operations to assist the President & CEO. He has sufficient experience and knowledge to assume business management of the Company as it expands globally. We expect him to contribute to the Company's sustainable growth and improvement of corporate value over the medium to long term as an Executive Director, and we have therefore appointed him as a candidate for Director.	●	●			●	
Kazumi Anei	Director, Deputy President	Mr. Kazumi Anei has served as an Executive Officer and the CMO*1 of Hitachi Capital Corporation since 2016 and 2020, respectively, and since 2021, he has led the overall business of the Company as a Director, Deputy President, and an Executive Officer of the Company. He has sufficient experience and knowledge to assume business management of the Company as it expands globally. We expect him to contribute to the Company's sustainable growth and improvement of corporate value over the medium to long term as an Executive Director, and we have therefore reappointed him as a candidate for Director.	●	●				
Haruhiko Sato	Director, Managing Executive Officer	Mr. Haruhiko Sato is currently the Head of the Corporate & Strategic Planning Division and CFO, serving as the Director, Managing Executive Officer of the Company. He has a wealth of experience at a major Japanese general trading company, as well as experience and knowledge in the corporate division, which he has cultivated while engaged in the business management of the Company as it expands globally. We expect him to utilize this background and contribute to the Company's sustainable growth and improvement of corporate value over the medium to long term as an Executive Director. We have therefore reappointed him as a candidate for Director.		●	●		●	
Yuri Sasaki	Director (Outside Director) (Independent Director)	Ms. Yuri Sasaki has been contributing to appropriate decision-making and supervision of overall management by the Board of Directors as an independent Outside Director based on her academic knowledge as a university professor as well as outstanding knowledge and a wealth of experience as an international finance researcher. We have therefore appointed her to a Director position. We expect her to use her knowledge and expertise to contribute to appropriate decision-making and supervision of overall management by the Board of Directors as an independent Outside Director from an objective perspective independent of executive management responsible for executing business and to contribute to the improvement of the soundness, transparency, and fairness of the management of the Company as a member of the Governance Committee, Nomination Committee, and Compensation Committee.		●				
Kayoko Kawamura	Director (Outside Director) (Independent Director)	Ms. Kayoko Kawamura has a wealth of experience and knowledge in DX, having previously served as a systems engineer and head of application development for financial institutions among other positions at IBM Japan, and is currently primarily responsible for supporting DX for customer companies. In addition, since she has experience in the management of corporate organizations as a part-time officer, we have determined that she can contribute to appropriate decision-making and supervision of overall management by the Board of Directors as an independent Outside Director and are therefore appointing her as a new candidate for Director. We expect her to use her knowledge to advise us on the promotion of DX, one of our important measures, to contribute to appropriate decision-making and supervision of overall management by the Board of Directors as an independent Outside Director from an objective perspective independent of executive management responsible for executing business and to contribute to the improvement of the soundness, transparency, and fairness of the management of the Company as a member of the Governance Committee, Nomination Committee, and Compensation Committee.						●

*1 Chief Marketing Officer

*2 Management: overall management; Finance: finance; Treasury: treasury and accounting; Legal: legal affairs, compliance, and risk management; Global: global business; DX: IT and DX

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Name	Title	Reason for Appointment and Expected Role	Areas of Expertise					
			Management	Finance	Treasury	Legal	International	DX
Shota Kondo	Director (Outside Director)	Mr. Shota Kondo has a wealth of management experience at a major Japanese general trading company, as well as a deep knowledge of Japanese and international businesses. We have determined that he can use his experience and knowledge from a practical perspective to contribute to appropriate decision-making and supervision of overall management by the Board of Directors as an Outside Director. We have therefore appointed him to a Director position. As Mr. Kondo concurrently serves as the Executive Vice President of Mitsubishi Corporation, a major shareholder of the Company, he is not designated as an independent Director. Mitsubishi Corporation is an important business partner for the Company to work together with to aim for the improvement of corporate value. Among other positions, including overseas assignments in the U.S., he had served as the General Manager of the Natural Gas Group CEO Office and the General Manager of the Corporate Strategy & Planning Department. Currently, he serves as the Group CEO of the S.L.C. (Smart-Life Creation) Group. We expect to utilize Mr. Kondo's management experience and extensive knowledge of overall Japanese and international businesses for the Company's management and effectively utilize advice from him, having served as a chief of business areas of collaboration between Mitsubishi Corporation and the Company. We deem that this will lead to the improvement of the Company's corporate value and contribute to the enhancement of the interests of all shareholders, including minority shareholders. Mr. Kondo has indicated his intention to perform his duties as a Director for the benefit of the Company and not for any specific shareholder. If any item of business posing a conflict of interest between Mitsubishi Corporation and the Company is submitted to the Company's Board of Directors, he will participate in neither the resolutions nor the deliberations. We expect him to use his knowledge to contribute to appropriate decision-making and supervision of overall management by the Board of Directors as an Outside Director and to contribute to the improvement of the soundness, transparency, and fairness of the management of the Company as a member of the Governance Committee, Nomination Committee, and Compensation Committee.	●	●			●	
Yoshitaka Shiba	Director, Audit & Supervisory Committee Member	Mr. Yoshitaka Shiba has experience as the Group Chief Audit Officer (CAO) and the General Manager of the Internal Audit Division in addition to his management experience at a major Japanese financial institution. We have appointed him as a Director with the expectation that, by exercising his knowledge and expertise, he will contribute to ensuring the sound management of the Company as a Director who is also an Audit & Supervisory Committee member.	●	●		●		
Hiroyasu Nakata	Director, Audit & Supervisory Committee member (Outside Director) (Independent Director)	Mr. Hiroyasu Nakata has contributed to appropriate decision-making and supervision of overall management by the Board of Directors as a Director who is not an Audit and Supervisory Committee member. We have determined that, based on his deep knowledge as a legal expert, Mr. Nakata can contribute to the Board of Directors' appropriate decision-making and overall management supervision as an independent Outside Director, and to neutral and objective audits, and therefore appointed him as a Director. We expect that he will contribute to ensuring the sound management of the Company as an independent Outside Director and contribute to improving the soundness, transparency, and fairness of management as a member of the Governance Committee, the Nomination Committee, and the Compensation Committee, based on the above knowledge and from an objective perspective independent from the management team that executes business.				●		
Hiroko Kaneko	Director, Audit & Supervisory Committee member (Outside Director) (Independent Director)	Based on her extensive experience at major audit firms and as a university professor, as well as her in-depth knowledge as an accounting expert, Ms. Hiroko Kaneko has contributed to the Board of Directors' appropriate decision-making and overall management supervision as an independent Outside Director and to neutral and objective audits, and has therefore been reappointed as a Director. We expect that she will contribute to ensuring the sound management of the Company as an independent Outside Director, and contribute to improving the soundness, transparency, and fairness of management as a member of the Governance Committee, the Nomination Committee, and the Compensation Committee, based on the above knowledge and from an objective perspective independent from the management team that executes business.			●			
Masayuki Saito	Director, Audit & Supervisory Committee member (Outside Director) (Independent Director)	Based on his extensive management experience at a leading Japanese manufacturer and his extensive knowledge in the finance and accounting fields, Mr. Masayuki Saito has been contributing to the Board of Directors' appropriate decision-making, overall management supervision, and neutral and objective audits as an independent Outside Director. We have therefore appointed him as a Director. We expect that he will contribute to ensuring the sound management of the Company as an independent Outside Director and contribute to improving the soundness, transparency, and fairness of management as a member of the Governance Committee, the Nomination Committee, and the Compensation Committee, based on the above knowledge and from an objective perspective independent from the management team that executes business.	●		●		●	

Status of Activities of the Board of Directors and Committees

Board of Directors

Board of Directors meetings are held every month, in principle. The meetings were held 15 times in fiscal 2023, where important management matters such as the Medium-term Management Plan, major investment projects, business strategies of each business division, and IR activities were deliberated and decided. In addition, the rationality of cross-shareholdings was verified. Furthermore, the status of audit is reported from the Audit & Supervisory Committee in a timely manner.

The content of matters deliberated on by the Executive Committee and its advisory committees regarding risk management, compliance, sustainability, etc. at MHC is regularly reported to the Board of Directors. Important policies and other matters are deliberated upon by the Board of Directors.

Aiming to further accelerate the management

decision-making process and secure more time for the Board of Directors to deliberate important matters, MHC reviewed the standards for items to be submitted to and authorized by the Board of Directors and expanded the scope of matters delegated to the Executive Committee, etc. as of October 1, 2023, after having multiple discussions with independent Outside Directors at the Governance Committee.

15/15 times (100%)	Takahiro Yanai, Taiju Hisai, Kazumi Anei, Haruhiko Sato, Hiroyasu Nakata, Yuri Sasaki, Akira Hamamoto, Koichiro Hiraiwa, Hiroko Kaneko
14/15 times (93%)	Masayuki Saito
13/15 times (87%)	Takuya Kuga

Governance Committee

Committee meetings were held six times in fiscal 2023, and PDCA was conducted for effectiveness assessment by deliberating the manner of effectiveness assessment for the Board of Directors and the analysis of the assessment results. Also, the standards for items to be submitted to and authorized by the Board of Directors were reviewed in order to secure more time for the Board of Directors to deliberate important matters. In addition, deliberation was made on the establishment of guidelines regarding the holding of MHC's shares by Directors so that profits are appropriately shared between Directors and other stakeholders including shareholders.

6/6 times (100%)	Takahiro Yanai, Taiju Hisai, Hiroyasu Nakata, Takuya Kuga, Akira Hamamoto, Koichiro Hiraiwa, Hiroko Kaneko, Masayuki Saito
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Nomination Committee

Committee meetings were held six times in fiscal 2023, which deliberated succession plans for the President & CEO and Representative Director candidates, skills that the Directors should have (skill matrix), etc.

6/6 times (100%)	Takahiro Yanai, Hiroyasu Nakata, Yuri Sasaki, Takuya Kuga, Koichiro Hiraiwa, Hiroko Kaneko, Masayuki Saito
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Compensation Committee

Committee meetings were held seven times in fiscal 2023, which deliberated the Directors' remuneration scheme and standards, verified the amounts paid as performance-based compensation, and deliberated the adoption of a performance-based stock compensation plan.

7/7 times (100%)	Taiju Hisai, Hiroyasu Nakata, Yuri Sasaki, Takuya Kuga, Koichiro Hiraiwa, Hiroko Kaneko
6/7 times (86%)	Masayuki Saito

Corporate Governance

Evaluation of the Effectiveness of the Board of Directors

MHC has continued efforts to further improve the effectiveness of the activities of the Board of Directors based on reviews and assessments by all of the Directors on their activities throughout the year for the purpose of maintaining and enhancing the functions of the Board of Directors.

Response to Fiscal 2022 Issues

Issues in Fiscal 2022	Response to Issues
Securing time for deliberation according to the level of importance of each agenda item	<ul style="list-style-type: none"> Review the standards for items to be submitted to the Board of Directors and appropriately change the frequency of reports from each advisory committee of the Executive Committee Enhance preliminary explanations of important agenda items Start a system for Directors to submit questions in advance and for relevant departments to answer them
Improving explanations of agenda items	<ul style="list-style-type: none"> Thoroughly clarify the points of materials, simplify them, unify their formats, etc. Bring forward the deadline for providing materials
Promoting understanding of business	<ul style="list-style-type: none"> Conduct ongoing reporting of the current status of each unit and each business division Provide ongoing explanations of business details from each Division Head at the Corporate Center to Outside Directors at the Audit & Supervisory Committee Visit domestic sites and investee facilities Conduct interviews between Outside Directors and overseas Group companies' management and visits to overseas sites
Enhancing communication	<ul style="list-style-type: none"> Continue to hold meetings of independent Outside Directors only Hold meetings for the exchange of opinions between independent Outside Directors, the Chairman, and the President & CEO
Providing opportunities for self-development	<ul style="list-style-type: none"> Enhance opportunities for obtaining information on currently appropriate themes such as DX and sustainability

Evaluation of the Effectiveness of the Board of Directors in Fiscal 2023

Assessment Manner	<ul style="list-style-type: none"> Having confirmed the validity of the self-assessment method used for fiscal 2022, MHC decided to conduct a survey of all Directors on the effectiveness of the Board of Directors, Governance Committee, Nomination Committee, and Compensation Committee, for fiscal 2023 as well. <p>The diagram shows a four-stage process: <ul style="list-style-type: none"> February 2024 Governance Committee: Decided to conduct a survey using a questionnaire (discussed questions for the questionnaire) March 2024: Finalized questions based on the discussion in February. All Directors answered the questionnaire. April and May 2024 Governance Committee: Confirmed issues and discussed responses to the issues in the Governance Committee meetings in April and May based on the results of the questionnaire. May 2024 Board of Directors: Summarized the evaluation of the effectiveness in fiscal 2023. </p>
Results	<ul style="list-style-type: none"> The major results of the assessment above are shown below: <ol style="list-style-type: none"> It was determined that MHC's Board of Directors, etc. are sufficiently performing their roles. <ul style="list-style-type: none"> Following the review of the standards for items to be submitted to the Board of Directors in October 2023, lively discussions were held in the latter half of the fiscal year because it became possible to use more time for deliberation over important agenda items. This led to fostering mutual understanding and common awareness among Directors. Information has been provided to Outside Directors in various forms, and opinions have been exchanged in an atmosphere where it is easy to exchange questions and opinions. Effective measures have been implemented to solve all of the issues that were recognized in the previous effectiveness assessment. For example, Directors' understanding of business was enhanced through meetings of independent Outside Directors only, visits to domestic and overseas offices, etc. Substantial deliberation has been conducted with the Governance Committee, Nomination Committee, and the Compensation Committee based on appropriate provision of information. Meanwhile, it has been recognized that there is room for improvement in matters (themes) to be discussed in the Board of Directors, Governance Committee, Nomination Committee, and the Compensation Committee, the contents of materials and explanations to further enhance the effectiveness of the Board of Directors, etc., information provision frameworks, further enhancement of communication, and other matters. We will address the further enhancement of corporate governance by steadily implementing efforts to resolve every issue.

Appointment and Dismissal of Directors

The Board of Directors resolves to appoint candidates to serve as Directors after the Nomination Committee, of which independent Outside Directors comprise the majority, holds discussions in advance based on the selection standards described below. The Board of Directors also resolves to appoint candidates to serve as Directors who are also Audit & Supervisory Committee

members after the Nomination Committee discusses it and the Audit & Supervisory Committee agrees to it.

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

Selection standards

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

Dismissal standards

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

Remuneration of Directors

Basic policy

- MHC officers' remuneration 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 remuneration is appropriate with respect to the roles and responsibilities of each officer, and is also based on market levels, from the viewpoints of increasing corporate value over the medium to long term and improving short-term business performance.

According to the basic policy above, MHC's Board of Directors has resolved the policies on the remuneration, etc. of individual Directors (excluding persons who are Audit & Supervisory Committee members).

Remuneration system

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

With a view toward maintaining a sound performance-based ratio, the ratio of fixed remuneration (base remuneration) to floating compensation (bonus and stock compensation) is generally set at 1:0.6 (the ratio of base remuneration to bonus to stock compensation is generally set at 1:0.3:0.3).

Bonuses and stock compensation, which represent incentive compensation, are not paid to non-executive Directors (excluding persons who are Audit & Supervisory Committee members) from the standpoint of ensuring the effectiveness of their supervisory functions, and to Directors who are Audit & Supervisory Committee members from the standpoint of ensuring the fairness of audits.

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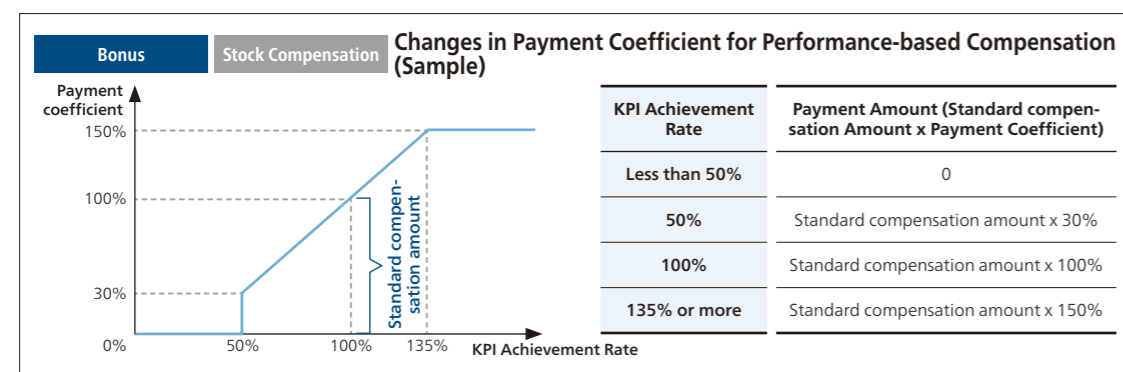
Remuneration System for Executive Directors

Type of Remuneration	Details of Remuneration	Remuneration Ratio	KPIs for Evaluation/Evaluation Weight	Range of Payment Coefficient Based on KPI Achievement									
Fixed	<ul style="list-style-type: none"> Basic Remuneration Fixed remuneration according to position 	62.5% 1	—	—									
Variation	<ul style="list-style-type: none"> Bonus (Short-term Incentive) Performance-based Amount determined based on the consolidated business performance of the previous year, etc. <ol style="list-style-type: none"> KPIs for performance evaluation are set in line with MHC's numerical targets Regarding responsible duties, quantitative and qualitative evaluations are conducted from the perspective of performance and the level of contribution 	18.75% 0.3	<table border="1"> <thead> <tr> <th>Position</th> <th>Representative Director</th> <th>Other</th> </tr> </thead> <tbody> <tr> <td>KPI</td> <td>100%</td> <td>70%</td> </tr> <tr> <td>Responsible Duties</td> <td>—</td> <td>30%</td> </tr> </tbody> </table>	Position	Representative Director	Other	KPI	100%	70%	Responsible Duties	—	30%	0-150%
	Position	Representative Director	Other										
KPI	100%	70%											
Responsible Duties	—	30%											
<ul style="list-style-type: none"> Stock (Medium-term Incentives) Performance-based Amount determined based on the level of achievement during the three-year period of the Medium-term Management Plan 	18.75% 0.3	<table border="1"> <tbody> <tr> <td>Net income attributable to owners of the parent ROA*¹ ROE*² TSR against TOPIX growth rate*³</td> <td>100%</td> </tr> </tbody> </table>	Net income attributable to owners of the parent ROA* ¹ ROE* ² TSR against TOPIX growth rate* ³	100%	0-150%								
Net income attributable to owners of the parent ROA* ¹ ROE* ² TSR against TOPIX growth rate* ³	100%												

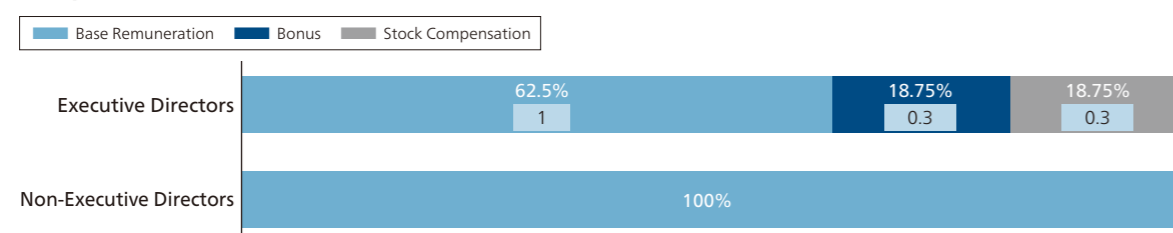
*1 Return On Assets

*2 Return On Equity

*3 Total Shareholder Return



Composition of Remuneration



Fixed Remuneration

The amount of fixed remuneration is determined based on the amount corresponding to the position and comprehensive consideration of the roles, responsibilities, and other factors of each Director.

Floating Compensation

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

• Bonuses

(1) The net income attributable to owners of the parent, (2) ROA, and (3) ROE, which have been set as MHC's numerical goals, are set as KPIs for the Company-wide performance evaluation.

The bonuses of Representative Directors are fully linked to the Company-wide performance evaluation, while the bonuses for other executive Directors is based 70% on the Company-wide performance evaluation and 30% on the evaluation of the duties for which each individual is responsible. For both positions, the amounts of bonuses to be paid are determined within the range of 0% to 150% of the standard amount based on the achievement rate of KPIs.

For the portion based on the responsible duties, quantitative and qualitative evaluations are conducted by the President & CEO, using a standard evaluation sheet, from the perspective of performance and the level of contribution regarding the duties handled by the relevant executive Director. The purpose is to enhance the incentive of each Director by appropriately evaluating not only the level of achievement of performance targets, but also results, such as the level of contributions, which cannot be evaluated by quantitative means alone.

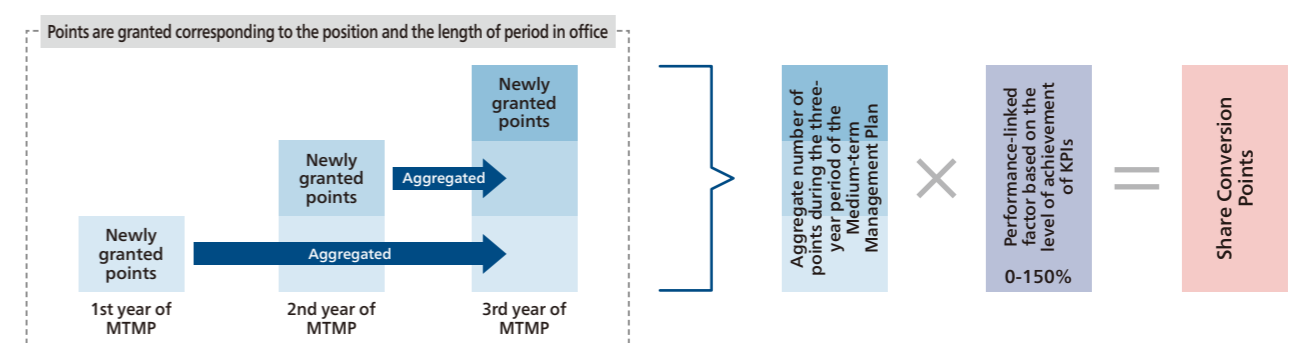
• Stock compensation

From the perspective of increasing its corporate value over the medium to long term, (1) net income attributable to owners of the parent, (2) ROA, (3) ROE, and (4) TSR against TOPIX growth rate, which MHC has set as numerical goals, etc. in the Medium-term Management Plan, are set as indicators (KPIs) for the performance evaluation.

By using a trust framework, MHC's shares, etc. corresponding to share conversion points, which are calculated using the following formula, are provided. Specifically, one share of MHC and a corresponding amount of cash per point is delivered. In principle, the portion of MHC's shares possessed in the trust are converted into cash value therein, and compensation is provided in the form of Company shares and cash at a percentage of 50:50.

Share conversion points = the number of points granted corresponding to the position and the number of months in office of the relevant person (the aggregate number of points during the three-year period of the Medium-term Management Plan) multiplied by the performance-linked coefficient based on the level of achievement of KPIs (ranging from 0 to 150%)

Stock compensation Overview of the Calculation of Share Conversion Points



(Malus and claw-back clause for stock compensation and shareholding policy)

As for stock compensation, the points or share conversion points that have already been granted can be confiscated, or money equivalent to MHC's shares, etc. that have already been delivered reclaimed, in the case of a material violation of the office regulations or internal regulations, resignation for personal reasons during the term of office against the will of MHC, dismissal for justifiable reasons, gaining employment at a competitor without MHC's permission, etc.

MHC recommends the holding of its shares by its Directors. Further, in principle, Directors shall continue to hold MHC's shares obtained during the term of their office until the time of their resignation, regardless of the number of shares held.

Other Compensation

When it is necessary for Directors (excluding Outside Directors and those who are Audit & Supervisory Committee members) to reside in an area away from home due to a transfer resulting from a change of duties or place of assignment, MHC provides such Directors with appropriate company housing. The company housing shall be properties of a general and standard level,

and the upper limit of rent by title and region shall be established beforehand. The company housing rent to be calculated based on the predetermined rate (when the total rent exceeds the limit, all of the excess amount is added to the amount for collection) shall be collected from Directors as their own expenses. (Currently, company housing is not provided to anyone eligible for this compensation.)