

Mitsubishi HC Capital

ESG Data Book

2024

Karugamo-fufu no kyujitsu (A couple of spot-billed ducks on holiday) by Toshiro Ide, a recipient of the Mitsubishi HC Capital Special Award at the Artbility Awards

About Artbility:

A library of artworks created by artists with disabilities, operated by the social welfare corporation Tokyo Colony Association as an activity to support the social participation of artists with disabilities.



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

Basic Information

Corporate Information

Corporate Profile

Company name	Mitsubishi HC Capital Inc. (hereinafter “Company”)
Head office	5-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo, 100-6525, Japan 03-6865-3000 (representative number)
Paid-in capital	¥33,196,047,500
Date of incorporation	April 12, 1971
Fiscal year-end	March 31 (once per year)

Number of Employees

Number of employees Consolidated: 8,424, non-consolidated: 2,140 (as of March 31, 2024)

Group Companies (as of October 31, 2024)

Domestic Group Companies

Company Name	
DRS Company Limited	M-cast, Inc.
MHC Business Company Limited	U-MACHINE Inc.
MHC Eco Solutions Co., Ltd.	Mitsubishi HC Capital Estate Plus Inc.
MHC Insurance Company Limited	Mitsubishi HC Business Lease Corporation
MHC Triple Win Corporation	Mitsubishi HC Capital Energy Inc.
Mitsubishi HC Capital Trust Corporation	HSE Ltd.
Capital Insurance Corporation	HWP Ltd.
Mitsubishi HC Capital Servicer Corporation	Mitsubishi HC Capital Realty Inc.
Healthcare Management Partners, Inc.	Mitsubishi HC Capital Realty Advisers Inc.
JAPAN MEDICAL LEASE CORPORATION	Center Point Development Inc.

(Note) In addition to the companies above, Sekisui Leasing Co., Ltd. and Miyuki Building Co., Ltd., whose shares were transferred on June 3, 2024 and September 20, 2024, respectively, are included in the scope of reporting in the ESG Databook.

Overseas Group Companies

Europe

Country/Area	Company Name	
UK	Mitsubishi HC Capital UK PLC	
Poland	MHC Mobility Sp. z o.o.	
Ireland	Jackson Square Aviation Ireland Limited	Engine Lease Finance Corporation
Netherlands	MHC Mobility B.V.	
Germany	MHC Mobility GmbH	
Austria	MHC Mobility GmbH	

The Americas

Country/Area	Company Name	
US	Mitsubishi HC Capital America, Inc.	PNW Railcars, Inc.
	Jackson Square Aviation, LLC	Mitsubishi HC Capital Realty (U.S.A.) Inc.
	CAI International, Inc.	
Canada	Mitsubishi HC Capital Canada, Inc.	

China Region

Country/Area	Company Name	
China	Mitsubishi HC Capital (Shanghai) Co., Ltd.	Mitsubishi HC Capital Factoring (Shanghai) Co., Ltd.
	Mitsubishi HC Capital Leasing (Beijing) Co., Ltd.	
Hong Kong	Mitsubishi HC Capital Management (China) Limited	Mitsubishi HC Capital (Hong Kong) Limited

Asia & Oceania

Country/Area	Company Name	
Singapore	Mitsubishi HC Capital (Singapore) Pte. Ltd.	Mitsubishi HC Capital Asia Pacific Pte. Ltd.
Thailand	Bangkok Mitsubishi HC Capital Co., Ltd.	U-MACHINE (THAILAND) CO., LTD.
	Thai MHC Co., Ltd.	Mitsubishi HC Capital (Thailand) Co., Ltd.
Indonesia	PT. Mitsubishi HC Capital and Finance Indonesia	PT. Takari Kokoh Sejahtera
	PT. Manajemen Unggul Lestari	PT. Arthaasia Finance
Vietnam	Ho Chi Minh City Representative Office	
Malaysia	Mitsubishi HC Capital Malaysia Sdn. Bhd	

There are other consolidated subsidiaries, etc. in addition to those above.

Efforts on Sustainability

Basic Views on Sustainability

The Mitsubishi HC Capital Group (hereinafter “Group”) believes that 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 the Sustainability Committee in April 2021 to better contribute to the realization of a sustainable and prosperous future. The Sustainability Committee is positioned as an advisory body to the Executive Committee, and aims to lead and promote sustainability efforts in a way that is unified with the management strategies. The Sustainability Committee is chaired by the Head of Corporate & Strategic Planning Division, and its members consist of 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 areas, deliberating over new activities, and discussing non-financial indicators—and reports the results to the Executive Committee and the Board of Directors.

Please refer to the below for details:

► Efforts on Sustainability

<https://www.mitsubishi-hc-capital.com/english/sustainability/organization.html>

Sustainability Promotion Framework

Please refer to page 26 for more information.












Participation in Initiatives

Signature to the United Nations Global Compact	The United Nations Global Compact (UNGC) is the world's largest voluntary corporate sustainability initiative, bringing together the United Nations and private sector (companies and organizations) to build a healthy global society. Companies and organizations who sign the UNGC are required to support the Ten Principles in four areas of human rights, labor, environment and anticorruption, and to commit to make efforts to realize these principles. The Company will comply with UNGC's Ten Principles in four areas and contribute to the realization of a sustainable society by promoting sustainability initiatives.	
Support for TCFD	In November 2021, the Company announced its support for recommendations by the Task Force on Climate-related Financial Disclosures (TCFD) established by the Financial Stability Board (FSB). By announcing its support for the TCFD recommendations, the Company is further promoting business activities contributing to decarbonization, as well as enhancing the disclosure regarding climate change-related risk and opportunities.	
Signature to the Principles for Financial Action for the 21st Century	The Company has been a signatory to the Principles for Financial Action towards a Sustainable Society (Principles for Financial Action for the 21st Century), a proactive initiative by financial institutions, since it was formulated in November 2011. The Principles for Financial Action for the 21st Century consist of seven principles for financial institutions that want to take an active role and responsibility in the creation of a sustainable society and guidelines tailored to each sector to implement the principles. The Company will continue to make active efforts for the environment and society based on these principles.	
Participation in the GX League	The Company participates in the GX League, established by Japan's Ministry of Economy, Trade and Industry, which aims at transforming economic and social systems towards the realization of carbon neutrality. The Company will be actively involved in the development of future ecosystems by participating in discussions aimed at generating and sharing diverse business opportunities toward carbon neutrality. Furthermore, it will lead this initiative by providing solutions contributing to decarbonization and address GX, aiming to realize carbon neutrality by 2050 as well as social transformation. In this way, it will contribute to a sustainable and prosperous future. GX League official website (https://gx-league.go.jp/en/)	
Participation in Circular Partners	The Company participates in Circular Partners, a circular economy-related partnership between government, industries, and academia on a circular economy. Circular Partners website (https://www.cps.go.jp/home-english)	

Materiality

Mitsubishi HC Capital has identified the following six material issues as priority key challenges that must be addressed. Against a backdrop of megatrends on a global scale such as climate change driven by global warming, population growth, urbanization, and a scarcity of resources in recent years, not only our personal lives but also social environments have been drastically changing worldwide. Under such circumstances, companies are expected to make efforts to solve numerous issues, such as promoting a decarbonized society and building a circular economy. In our Group, we are committed to effective management and business activities to resolve issues based on an appropriate understanding of the material issues.

Materiality of the Group

Materiality	Why the Group Treats as Highly Material Challenges	Related SDGs
1 Promote a Decarbonized Society	Efforts to realize a decarbonized society have been globally recognized as an urgent issue and the Group can significantly contribute to solving this challenge through its services and solutions, such as renewable energy investment and EV promotion. It is quite a few impact on but is significant for the Group to distinct its business from the business not solving social issues.	 
2 Realize the Circular Economy	The Group aims to contribute to creating a circular economy by reducing waste, not only in the Group but also within society through maximizing the potential of assets as a leading leader in the leasing industry. The Group treats this challenge as material. The Group can also contribute to realizing a sustainable and prosperous society through strengthening the collaboration between partners.	   
3 Establish Resilient Social Infrastructure	Large parts of the infrastructure within Japan needs to be repaired. The Group also recognizes the business has huge potential opportunities to support the development of infrastructure in overseas countries with active collaboration between various partners and create a smart city. The Group will contribute to the business being diversified, enhanced and efficient through establishing the system and providing services for supporting the collaboration of various companies.	 
4 Realize Healthy Lifestyles that Promote Positive Wellbeing	It is vital for its stakeholders that the Group recognizes the importance of health, safety, mental and physical wellbeing for realizing the prosperous future. Valuable human resources are key. Personal development and attraction and retention of talent is significant for the Group members.	  
5 Create Businesses Utilizing the Latest Technologies	Both financing for the purpose of digital transformation of customers and providing solution by internal and external digital technologies urge to develop new business models. Including establishing supply chain with utilizing with new alternative energies, the Group identifies material one as the opportunity.	 
6 Collaborate with Partners Locally and Globally	Social issues differ by countries and regions. It is significant that the Group aims to solve these issues by collaborating with local partners to ensure the Group is meeting individual needs through local community-based communication. The Group can realize mutual benefits in developing society by utilizing the integrated capability in the Group.	 

How Materiality Relates to Our Mission and Our Vision



Material Issues Identification Process

1. Examination of important ESG issues from the Company's perspective

We made an exhaustive list of ESG issues based on ISO 26000, the Sustainable Development Goals (SDGs), and other relevant international guidelines and principles.

Subsequently, we conducted a survey of employees and internal interviews to identify candidates based on their importance in terms of both opportunities and risks related to our business.

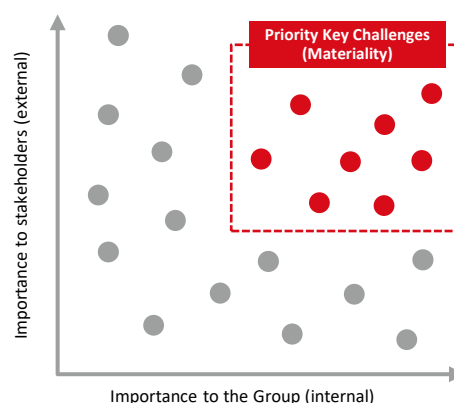
2. Consideration of important ESG issues from the perspective of external stakeholders

We confirmed the expectations and requests for the Group based on expertise and opinions obtained from interviews with external stakeholders, such as major customers and shareholders, and narrowed down the list of candidates.

3. Discussion and deliberation by management

Identified through discussions at the Sustainability Committee, Executive Committee, and Board of Directors meetings, based on the relationship between Our Mission, Our Vision, and the SDGs, as well as their relevance to each business.

How materiality was identified



Governance

Corporate Governance

Basic Views on Corporate Governance

While emphasizing initiatives to achieve sustainable corporate growth and improvement in corporate value over the medium- to long term, 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.

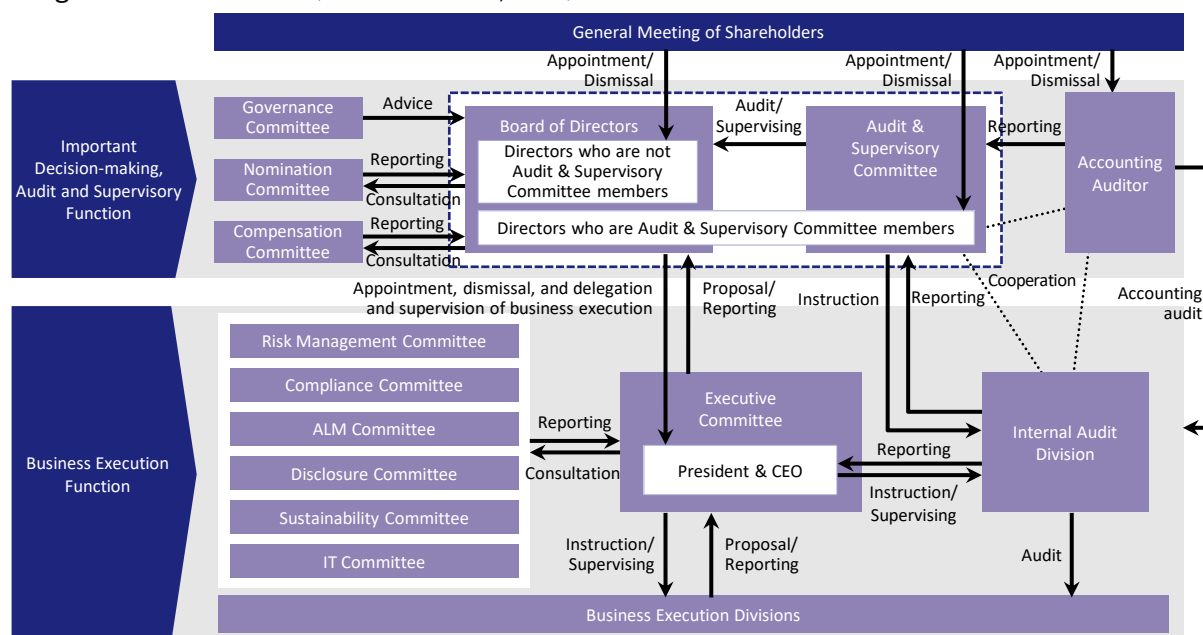
Corporate Governance Systems

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 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.

Corporate governance structure (as of October 1, 2024)



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, for maintaining and improving the effectiveness of the Board of Directors, we will not exclude candidates from the scope of appointment based on gender, nationality, race, etc., and will ensure that the Board of Directors has diverse perspectives and values.

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]

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

[Dismissal standards]

1. Director significantly damaged the value of MHC by neglecting their duties.
2. 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.
3. Director is deemed to not meet the selection standards for Directors.

Outside Directors' Independence Judgment Criteria

MHC shall judge the independence of Outside Directors by confirming if they fall under any of the following items (1) through (6) at any time in the past three fiscal years, and considering if the individual is independent objectively and substantially from multiple perspectives, assuming that they are meeting the requirements of Independent Directors/Auditors specified by financial instruments exchanges in Japan, such as the Tokyo Stock Exchange.

- (1) A major shareholder (i.e., a shareholder holding 10% or more of the total voting rights) of MHC or an executive thereof^{*1}
- (2) An executive of a lender of MHC that exceeds MHC's standard^{*2}
- (3) An executive of a business partner of MHC that exceeds MHC's standard^{*3}
- (4) A consultant, attorney-at-law, certified public accountant, or other person who provides professional services and who receives more than 10 million yen per fiscal year in monetary or other assets from MHC, excluding officers' remuneration
- (5) A representative partner or partner of MHC's accounting auditor

(6) A person who belongs to an association which receives donations from MHC exceeding a certain amount^{*4}

*1 An executive refers to an executive Director, Executive Officer, or other employee

*2 A lender that exceeds MHC's standard refers to a lender from whom the amount MHC has borrowed exceeds 2% of the consolidated total assets of MHC

*3 A business partner that exceeds MHC's standard refers to a business partner whose dealings with MHC have a value equal to more than 2% of the consolidated net sales of MHC or of the relevant business partner

*4 Donations exceeding a certain amount refers to donations exceeding 10 million yen per fiscal year

Even if a candidate qualifies under any of items (1) through (6) above, if there are special circumstances to designate the relevant candidate as an Independent Director/Auditor and he/she is judged to be substantially independent, and is to be registered as an Independent Director/Auditor with a financial instruments exchange in Japan, such as the Tokyo Stock Exchange, the reason for the candidate's eligibility shall be explained and disclosed at the time of registration and in the reference documents for a general shareholders meeting concerning the agenda of the election of the candidate as an Outside Director or Audit & Supervisory Committee member.

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 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.

Areas of particular expertise held by MHC's Board of Directors (skill matrix)

(As of June 25, 2024)

Name	Title	Areas of Expertise					
		Overall Management	Finance	Treasury and Accounting	Legal Affairs, Compliance, and Risk Management	Global Business	IT and DX
Takahiro Yanai	Director, Chairman	●	●				
Taiju Hisai	Representative Director, President & CEO	●	●			●	
Aiichiro Matsunaga	Representative Director, Deputy President	●	●			●	
Kazumi Anei	Director, Deputy President	●	●				
Haruhiko Sato	Director, Managing Executive Officer		●	●		●	
Yuri Sasaki	Director (Outside Director) (Independent Director)		●				
Kayoko Kawamura	Director (Outside Director) (Independent Director)						●
Shota Kondo	Director (Outside Director)	●	●			●	
Yoshitaka Shiba	Director, Audit & Supervisory Committee member	●	●		●		
Hiroyasu Nakata	Director, Audit & Supervisory Committee member (Outside Director) (Independent Director)				●		
Hiroko Kaneko	Director, Audit & Supervisory Committee member (Outside Director) (Independent Director)			●			
Masayuki Saito	Director, Audit & Supervisory Committee member (Outside Director) (Independent Director)	●		●		●	

Changes in the composition of the Board of Directors

	Number of Directors	Non-executive Directors	Independent Outside Directors
April 2021 (at the time of business integration)	15	53%	33%
June 30, 2021	15	60%	33%
June 30, 2022	14	57%	36%
June 30, 2023	12	67%	42%
June 30, 2024	12	67%	42%

Number of officers and breakdown of compensation

(As of June 25, 2024)

Directors (total number of Directors)	12
Outside Directors	6
Female Directors	3
Executive Officers (total number of Executive Officers) (Note) Including Executive Officers concurrently serving as Directors	26
Female Executive Officers	0

(Results for FY2023)

Directors' Compensation (Directors)	563 million yen
Outside Directors	91 million yen

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 improving the function of the Board of Directors.

Response to fiscal 2022 issues and evaluation of the effectiveness of the Board of Directors in fiscal 2023 are as follows:

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	<p>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> <div> <div>February 2024 Governance Committee</div> <div>March 2024</div> <div>April and May 2024 Governance Committee</div> <div>May 2024 Board of Directors</div> </div> <ul style="list-style-type: none"> Decided to conduct a survey using a questionnaire (discussed questions for the questionnaire) Finalized questions based on the discussion in February All Directors answered the questionnaire Confirmed issues and discussed responses to the issues in the Governance Committee meetings in April and May based on the results of the survey Summarized the evaluation of the effectiveness in fiscal 2023
Results	<p>The major results of the assessment above are shown below:</p> <p>① It was determined that MHC's Board of Directors, etc. are sufficiently performing their roles.</p> <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. <p>② 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.</p>

[Members and details of MHC's Board of Directors and Committees]

(As of June 25, 2024)

Name	Title	Important Decision-making, Audit and Supervisory Function				
		Board of Directors	Audit & Supervisory Committee	Governance Committee	Nomination Committee	Compensation Committee
Takahiro Yanai	Director, Chairman	◎		◎	◎	
Taiju Hisai	Representative Director, President & CEO	○		○		◎
Aiichiro Matsunaga	Representative Director, Deputy President	○		○		
Kazumi Anei	Director, Deputy President	○				
Haruhiko Sato	Director, Managing Executive Officer	○				
Yuri Sasaki	Director (Outside Director) (Independent Director)	○		○	○	○
Kayoko Kawamura	Director (Outside Director) (Independent Director)	○		○	○	○
Shota Kondo	Director (Outside Director)	○		○	○	○
Yoshitaka Shiba	Director, Audit & Supervisory Committee member	○	◎	○		
Hiroyasu Nakata	Director, Audit & Supervisory Committee member (Outside Director) (Independent Director)	○	○	○	○	○
Hiroko Kaneko	Director, Audit & Supervisory Committee member (Outside Director) (Independent Director)	○	○	○	○	○
Masayuki Saito	Director, Audit & Supervisory Committee member (Outside Director) (Independent Director)	○	○	○	○	○

(Notes) ◎: Chairman/Chairperson, ○: Member

Board/Committee	Details
Board of Directors	<p>Unless otherwise provided by law or the Articles of Incorporation, the matters below shall be resolved:</p> <ul style="list-style-type: none"> • Matters regarding the General Meeting of Shareholders • Matters regarding the Company-wide management policy and important organizations, structures, and management • Matters regarding financial results • Matters regarding officers • Matters regarding important business transactions, investments, etc.
Audit & Supervisory Committee	<p>Unless otherwise provided by law or the Articles of Incorporation, the matters below shall be resolved:</p> <ul style="list-style-type: none"> • Matters regarding the appointment and dismissal of the chairman of the Audit & Supervisory Committee and full-time Audit & Supervisory Committee members • Matters regarding the appointment of Audit & Supervisory Committee members • Matters regarding the establishment of standards for auditing, etc. of the Audit & Supervisory Committee • Matters regarding the creation of an audit policy, plans, and reports • Matters regarding the dismissal and non-reappointment of accounting auditors • Matters regarding the approval by Directors of transactions that constitute conflicts of interest • Matters regarding opinions of the Audit & Supervisory Committee on the appointment and dismissal of Directors
Governance Committee	The committee extensively exchanges opinions on the improvement of effectiveness of the Board of Directors and other matters related to the Board of Directors as an advisory body for the Board of Directors.
Nomination Committee	The committee discusses the appointment (including reappointment) and dismissal of the President & CEO, nomination of Representative Director candidates, succession plans, etc., as an advisory body for the Board of Directors.
Compensation Committee	The committee discusses policies and other matters concerning officers' remuneration and other matters concerning officers' remuneration, as an advisory body for the Board of Directors.

[Members and details of advisory committees of the Executive Committee]

Name	Title	Business Execution Function					
		Risk Management Committee	Compliance Committee	ALM Committee	Disclosure Committee	Sustainability Committee	IT Committee
Taiju Hisai	Representative Director, President & CEO	○	○	○	○	○	○
Aiichiro Matsunaga	Representative Director, Deputy President	○	○	○	○	○	○
Kazumi Anei	Director, Deputy President	○	○	○	○	○	○
Haruhiko Sato	Director, Managing Executive Officer	○		◎	◎	◎	○
Hiroshi Ikebe	Managing Executive Officer	◎	◎	○	○	○	○
Shinji Tanaka	Managing Executive Officer	○	○			○	◎
Takashi Yamaguchi	Managing Executive Officer		○		○	○	
Kazunori Hamazaki	Managing Executive Officer	○	○		○		○

(Notes) ◎: Chairperson, ○: Member

The objective of each committee is to contribute to MHC's sound management as below:

Committee	Details
Risk Management Committee	This committee manages risks concerning overall management in a comprehensive and systematic manner. It specifically identifies the current situation and issues of credit risks, asset risks, investment risks, market risks, liquidity risks, country risks, and operational risks, and discusses or reports measures for those risks.
Compliance Committee	This committee takes appropriate measures to address compliance risks faced by the MHC Group.
ALM Committee	This committee manages liquidity risks, interest rate risks, etc. in a comprehensive and systematic manner. It identifies the current situation and issues of those risks and discusses policies to address them.
Disclosure Committee	Regarding reports that require a declaration from a Representative Director on the appropriateness of disclosed information, this committee discusses the appropriateness of information disclosures and the effectiveness of internal controls and procedures related to information disclosures to contribute to a declaration by a Representative Director. It also discusses important matters related to disclosure policy as well as the development and strengthening of frameworks in order to enhance the effectiveness of internal controls and procedures.
Sustainability Committee	This committee formulates the Group's long-term plans related to sustainability promotion, including materiality and environmental issues as well as non-financial KPI targets, and monitors the progress of each business division's efforts.
IT Committee	This committee discusses and reports policies for medium- to long-term IT strategies and initiatives as well as policies for information systems development.

Status of Activities of the Board of Directors and Each Committee

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.

Attendance by Directors in fiscal 2023 was as follows:

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

Audit & Supervisory Committee

Audit & Supervisory Committee meetings are held every month, in principle. Meetings were held 15 times in fiscal 2023, where the committee received reports on business execution mainly by business execution divisions, formulated annual audit policies, audit plans, and priority audit items, and deliberated and decided matters related to business reporting, financial results documents, etc.

Attendance by Directors in fiscal 2023 was as follows:

15/15 times (100%)	Akira Hamamoto, Koichiro Hiraiwa, Hiroko Kaneko, Masayuki Saito
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Governance Committee

Governance Committee meetings were held six times in fiscal 2023, and PDCA for effectiveness assessment was conducted by deliberating upon 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.

Attendance by Directors in fiscal 2023 was as follows:

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

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

Attendance by Directors in fiscal 2023 was as follows:

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

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

Attendance by Directors in fiscal 2023 was as follows:

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

Remuneration of Officers

[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.

[Remuneration system]

- In principle, executive Directors' and Executive Officers' 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).
- In fiscal 2023, MHC newly introduced the BIP (Board Incentive Plan) trust, which is closely linked to the medium- to long-term performance of MHC and high in both transparency and objectivity, replacing the existing stock option system of compensation with shares. The BIP trust is intended to further increase Directors' willingness to contribute to enhancing MHC's corporate value over the medium to long term, and to share the benefits and risks of stock price fluctuations with shareholders.
- 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.
- The amounts of remuneration for Directors who are Audit & Supervisory Committee members shall be decided by a consultation of the Directors who are Audit & Supervisory Committee members within the range resolved at the General Meeting of Shareholders.

Remuneration System for Executive Directors

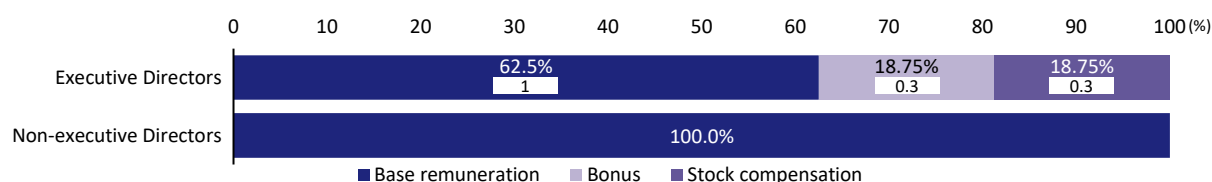
Type of Remuneration		Details of Remuneration	Percentage of Remuneration	KPIs for Evaluation/ Evaluation Weight			Range of Payment Coefficient Based on KPI Achievement
Fixed	Base Remuneration	• Fixed remuneration according to position	62.5% 1	-			-
Variation	Bonus (Short-term Incentive) Performance-based	• Amount determined based on the consolidated business performance of the previous fiscal year, etc. 1. KPIs for performance evaluation are set in line with MHC's remuneration targets 2. Regarding responsible duties, quantitative and qualitative evaluations are conducted from the perspective of performance and the level of contribution	18.75% 0.3	KPI/Position	Repre- sentative Director	Other	0-150%
				Net income attributable to owners of the parent ROA ^{*1} ROE ^{*2}	100%	70%	
	Stock (Medium- to Long-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	Responsible duties	-	30%	0-150%
				Net income attributable to owners of the parent ROA ^{*1} ROE ^{*2} TSR ^{*3} against TOPIX growth rate	100%		0-150%

*1 Return on assets

*2 Return on equity

*3 Total shareholder return

Composition of Remuneration



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

In the event that an executive Director, who is paid stock compensation, commits a material violation of the office regulations or internal regulations, resigns for personal reasons during the term of office against the will of MHC, is dismissed for justifiable reasons, gains employment at a competitor without MHC's permission, etc., 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 shall be reclaimed.

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

Risk Management

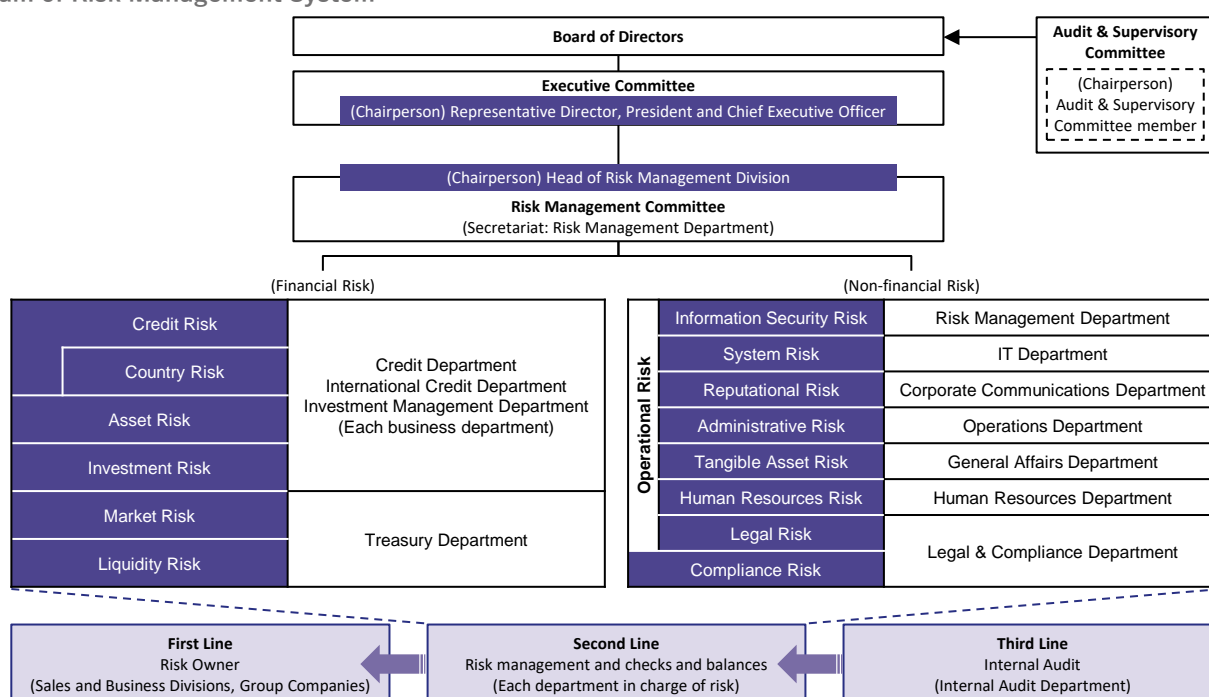
Risk Management System Overview

The Group identifies and recognizes various risks across the entire Group, and is structured to manage risks according to the risk category by the department in charge. The Risk Management Committee, chaired by the Head of Risk Management Division, comprehensively and systematically manages risks for the entire Group on a global basis, and reports important matters to the Executive Committee, chaired by the President & CEO, and the Board of Directors. The Board of Directors deliberates what is reported and regularly confirms the effectiveness of the entire process. In addition, the Group has introduced a “three-lines model”^{*1} process in line with the COSO Framework^{*2} to establish an effective risk management framework.

*1 A risk management framework with three lines of defense (First Line: sales and business divisions, Group companies Second Line: each department in charge of risk, and Third Line: Internal Audit Department).

*2 A world-standard internal control framework, released by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in the US.

Diagram of Risk Management System



Significant Risks to the Group

Credit Risk	Risk of an increase in credit costs due to deterioration in the financial condition of the party to whom credit for leases and other financial services is extended, etc.
Country Risk	Risk of incurring losses in global transactions due to political and economic conditions in the countries and regions with which we do business
Asset Risk	Risk of declines in the value of assets such as real estate, aircraft, marine containers, etc., or loss of revenue opportunities due to deterioration in economic or market conditions
Investment Risk	Risk of loss of revenue opportunities and reduced return on investments in projects and business investments due to deterioration of economic and market conditions
Market Risk	Risk that the cost of funds, etc. may rise due to significant fluctuations in market conditions or foreign exchange rates in fund procurement
Liquidity Risk	Risk of inability to raise sufficient funds due to sudden deterioration of financial conditions or turmoil in financial markets, etc.
Operational Risk	Risk of stagnation in business operations due to natural disasters, wars, system or administrative incidents within the Group, etc.
Compliance Risk	Risk of non-compliance with laws, various regulations, and internal rules, resulting in business restrictions or stoppages, or loss of public trust

Other important risks

In addition to the major risks listed on the previous page, we recognize the following risks as having a significant impact on management. Since these risks have an impact on multiple risk items, we are working to enhance our risk management through measures such as the formulation of policies in response to changes in the situation.

Conduct risks

- Risk of stakeholders being disadvantaged by actions of officers and employees of the Group that deviate from customer protection, market soundness, social norms, etc., resulting in a loss of trust in the Group

Risks related to expansion of operating base, strategic partnerships, M&A and others

- Risk of not achieving expected results in strategic alliances and M&As due to changes in domestic and international economic and financial conditions, changes in related laws and regulations, etc., or incurring goodwill and other expenses

Climate change risks

- Risk of not being able to respond to regulatory changes, technological innovations, business model changes, etc. associated with the transition to a decarbonized society
- Risk of response or disclosure of climate change risks being deemed inadequate, leading to a loss of corporate value

Risks related to securing human resources

- Risk that we may not be able to continuously secure and foster the competent human resources needed to maintain and strengthen the competitiveness of our various businesses in Japan and overseas

Risks associated with expansion of business areas

- Risks associated with expansion of business areas that exceed the scope of experience, knowledge, and risk assessment, and that unexpected risks may materialize, or business may not progress as expected

Human rights violation risks

- Risk of human rights violations at the Group or at business partners, in which the Group is deemed to have facilitated or been involved, leading to a loss of corporate value

► For more information, please visit the website.

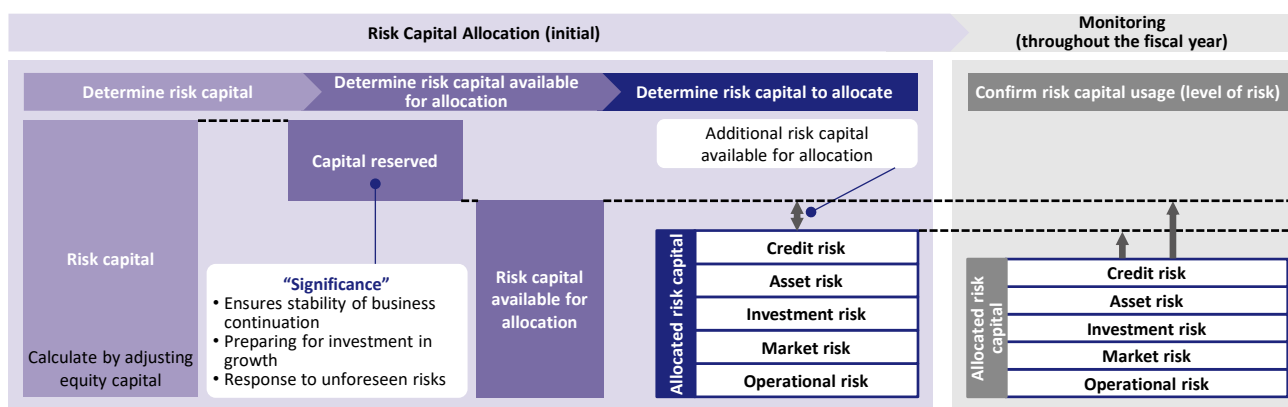
https://www.mitsubishi-hc-capital.com/english/sustainability/governance/risk_management.html

Risk capital management

The Group measures and quantifies the various risks it faces using statistical and other methods in the framework of integrated risk management on a uniform scale as much as possible. We then manage risk capital by adding up the figures for various risks and comparing it to our equity capital (\approx risk capital), which is our management strength.

Specifically, the Company sets maximum risk limits for each risk category (determined allocated risk capital) for credit risk, asset risk, investment risk, market risk, and operational risk, and is prepared to take risks within the limits of its risk tolerance. We regularly monitor and report to top management on the status of risk capital used and the status of the portfolio. Through such risk capital management, we maintain capital adequacy and ensure sound management.

Managing Risk Capital to Ensure Soundness



Stress tests

We conduct stress tests on a regular basis to understand the impact of risks that cannot be comprehended by statistical methods. Specifically, we analyze and verify the potential impact on the Group's periodic profit and loss and capital adequacy under stress conditions based on multiple scenarios, such as deterioration of the global economy, market fluctuations and credit conditions in each business field, and concentration of credit risk on large customers.

Through this multifaceted verification, we check whether our management and business plans are reasonable in their risk appetite and whether our risk endurance is sufficient.

BCP

Based on the experience of the Great East Japan Earthquake, we have developed a practical business continuity plan (BCP) and conduct periodic drills. Specifically, we have established a system infrastructure that allows for system redundancy and telecommuting, set up a response headquarters in the event of a disaster, conducted drills for debt fulfillment operations, and provided BCP training, etc.

Furthermore, in the last fiscal year, we held an in-house Disaster Prevention Workshop to identify issues after reaffirming our response procedures based on disaster scenarios, in an effort to improve the effectiveness of these procedures.

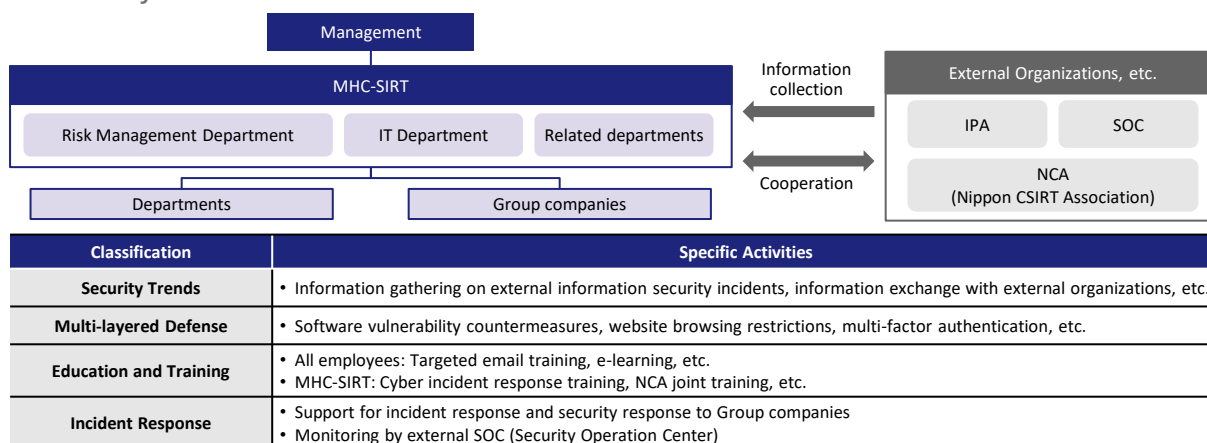
BCP Measures

Phase	Objectives	Items to Be Implemented	Main Concrete Measures
Initial Response	Ensuring employee safety	“Appropriate initial response” Confirming the safety of employees and directing the initial response policy	<ul style="list-style-type: none"> ○ Introduction of safety check systems ○ Diversifying communication means <ul style="list-style-type: none"> • Company iPhone, MCA radio, etc. ○ Dual information systems <ul style="list-style-type: none"> • Email, etc.
Business Continuity	Fulfillment of minimum social responsibilities	“Debt fulfillment” Payments to suppliers and repayments to financial institutions, etc.	<ul style="list-style-type: none"> ○ Periodic training/education <ul style="list-style-type: none"> • Safety check/communication check training • Disaster response headquarters start-up training • Debt fulfillment training • System switchover/recovery training • BCP training (e-learning), etc.
Restoration	Ensuring business infrastructure	“Normal operations” Establishing an infrastructure that enables the implementation of key system operations	<ul style="list-style-type: none"> ○ Redundant core systems <ul style="list-style-type: none"> • Core systems (main systems)

Information security

To protect all of its information assets from various security threats, the Group strives to establish an effective information security management framework and rules. We have also established a cross-organizational team, the MHC-SIRT (Security Incident Response Team), which is responsible for preventing cyberattacks, conducting periodic in-house education and training, and examining responses and investigating causes when incidents occur.

MHC-SIRT Activity Overview



Respect for intellectual property rights

We appropriately protect the rights in intellectual properties created by the Company (patents, trademarks, copyrights, and other similar rights) and respect the intellectual property rights held by third parties. In addition, each employee recognizes the brand as an essential corporate resource and strives to maintain and increase the value of the Group brand.

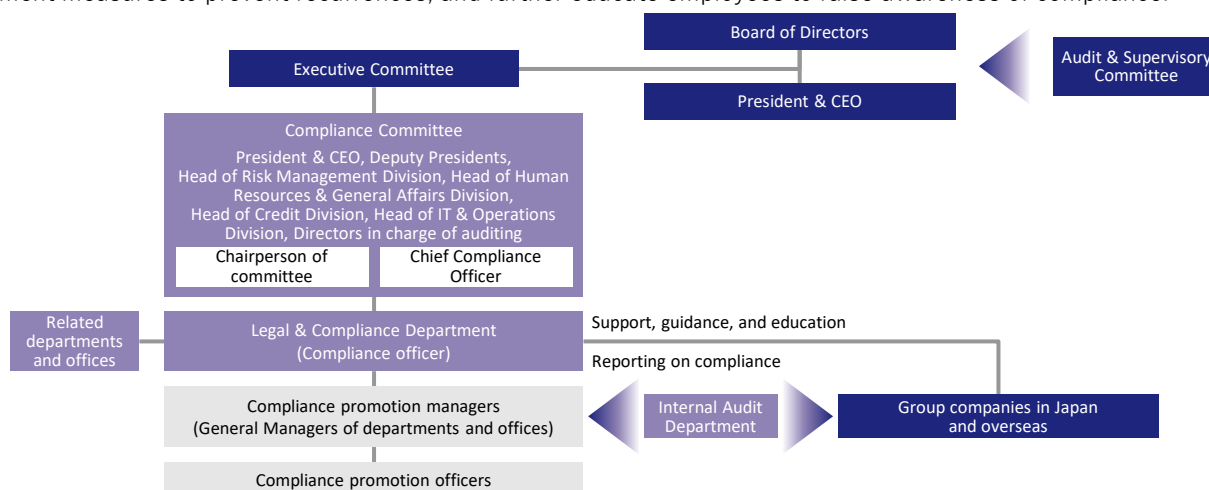
Compliance

Compliance Efforts

The Group strongly recognizes that the trust and confidence of its customers and society are the cornerstones of its existence and considers it of utmost importance to practice corporate activities based on a high sense of mission and ethics. From this perspective, we have established the Mitsubishi HC Capital Group Code of Ethics and Conduct as a guideline for Group officers and employees on our basic values and ethics regarding compliance. In addition, to ensure compliance with the Code of Ethics and Conduct, we have prepared a compliance manual with more specific and easy-to-understand explanations, which is available on the Company intranet for all Group officers and employees to access at any time for ongoing education. Furthermore, we continuously conduct Integrity Training to share the importance of “integrity” (maintain the highest standards of ethics and constantly return to the basics), which is an action principle of our Group, with all Group officers and employees.

Compliance management structure and system

Our Chief Compliance Officer (CCO) supervises a company-wide compliance management structure and system. Under the leadership of the CCO, the Legal & Compliance Department plans and manages internal structures and systems and provides guidance and supervision to each division and Group company, as well as guidance on the correction of compliance violations. In the event that a compliance violation is brought to light, our basic response policy is for the Legal & Compliance Department to ensure prompt reporting to management, the fulfilling of corporate social responsibility, and the prevention of further harm and recurrences. Depending on the nature of the compliance violation, a third-party organization may be involved in the investigation. We strive to investigate the cause of such incidents, formulate and implement measures to prevent recurrences, and further educate employees to raise awareness of compliance.



Compliance-related awareness and education

With regard to the various business laws (Money Lending Business Act, Installment Sales Act, Financial Instruments and Exchange Act, etc.) for which the Group is registered and licensed, the Company provides individual training and measures the level of understanding. In addition, the Group provides yearly education to all employees on the Code of Ethics and Conduct and other laws and regulations related to anti-corruption in general (anti-bribery, compliance with antitrust laws, prevention of fraud, prevention of insider trading, prevention of transactions with anti-social forces, prevention of money laundering, personal information protection, the Whistleblower Protection Act, security export control, understanding of anti-harassment, etc.). In addition to the training, we conduct periodic monitoring using compliance awareness surveys and self-checks to measure the level of understanding and confirm that understanding has penetrated the Company.

Code of Ethics and Code of Conduct

With the Mitsubishi HC Capital Group Code of Ethics and Code of Conduct as our foundation, we are working to ensure comprehensive compliance following clear policies established around each of the key issues facing the Group based on the regulatory regime of each country where we operate.

► Major related policies

Mitsubishi HC Capital Group Code of Ethics and Code of Conduct

https://www.mitsubishi-hc-capital.com/pdf/english/sustainability/various_policies/ethics.pdf

Compliance with the Code of Ethics and Code of Conduct and a Framework for Compliance Violation Investigation

The Group affirms our compliance with the Mitsubishi HC Capital Group Code of Ethics and Code of Conduct by periodically conducting a self-check. There was no material violation of compliance which needs to be disclosed in the recent investigation (for the period of April 1, 2023 to March 31, 2024).

In addition, there were no revisions to our Code of Ethics and Code of Conduct, as a result of the review conducted in March 2024. We will continue to comply with our Code of Ethics and Code of Conduct and regularly monitor the status of compliance.

Prevention of Fraud and Corruption

The Group complies with laws and regulations relating to prohibition of fraud, corruption, bribery, etc. applicable to countries and areas where the Group operates, and prohibits acts of fraud, entertainment and gifts, giving or receiving bribes, etc. that may invite suspicion or distrust from society.

In addition, all officers and employees of the Group will observe the following:

- Do not conduct any form of corruption such as money laundering, embezzlement, and obstruction of justice.
- Do not engage in any form of bribery, including illegal entertainment, gifts, or rewards, or favors for the purpose of obtaining improper benefits.
- Fully understand laws and regulations, and do not provide entertainment or gifts that may invite suspicion or distrust from society, or offer any money or other benefits for the purpose of gaining any unfair advantage to Japanese or foreign public officials or any other persons equivalent thereto.
- Maintain a firm stance against antisocial forces that threaten the order and safety of the civil society, and do not have any relationship whatsoever with them, including business relationships.
- Do not conduct any act that may violate insider trading regulations.
- Do not provide or accept entertainment or gifts to or from business partners that deviate from social norms or sound business practices.
- Do not take advantage of position and authority in the Company to make a demand to business partners, etc. for private profit.

Number of Compliance Violations

	FY2023
Corruption or Bribery	0
Discrimination or Harassment	3
Leakage of Personal Information (customers' privacy data)	0
Acts of Conflict of Interest	0
Money Laundering	0
Insider Trading	0

* Number of serious cases among violations resulting in disciplinary action

* The number of violations in our Group (consolidated)

Whistleblowing System

The Group has set up a compliance hotline system as a whistleblowing system for officers and employees to report and consult about misconduct and related issues including corruption (any real or suspected violation of laws, regulations, internal rules, or the Code of Ethics by officers, employees, etc.).

The compliance hotline system provides multiple points of contact within and outside the Company where officers and employees (including those already retired) can report and consult without hesitation and may do so anonymously.

Employees in managerial positions periodically receive education on the handling of reports and consultations regarding workplace bullying and harassment, violations of laws and regulations, etc.

What can be consulted or reported

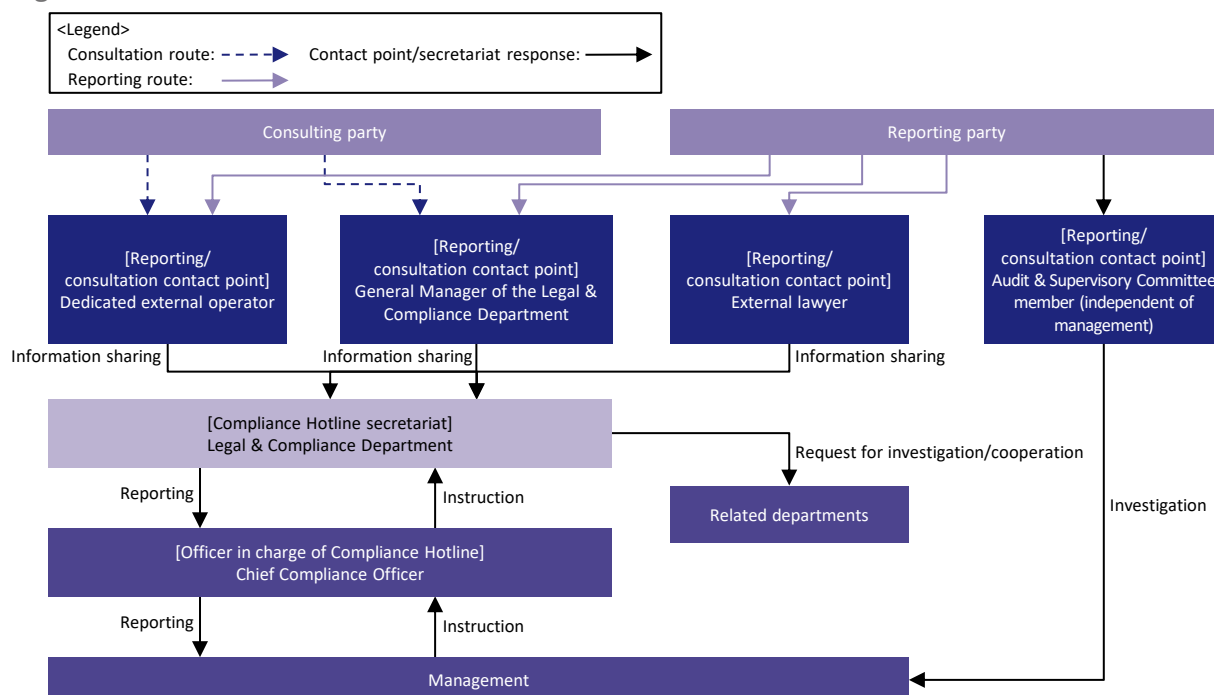
Any of the following acts engaged in by officers and employees in violation or suspected of being in violation of laws, regulations, internal rules, or the Code of Ethics can be consulted or reported.

- Acts affecting the protection of customer interests
- Acts impacting the protection of the environment
- Acts affecting fair competition, such as violations of antitrust laws
- Acts related to provision of bribes or other illegal benefits to government officials and the like both in Japan and overseas
- Other inappropriate acts in violation of laws, regulations, rules, or social justice

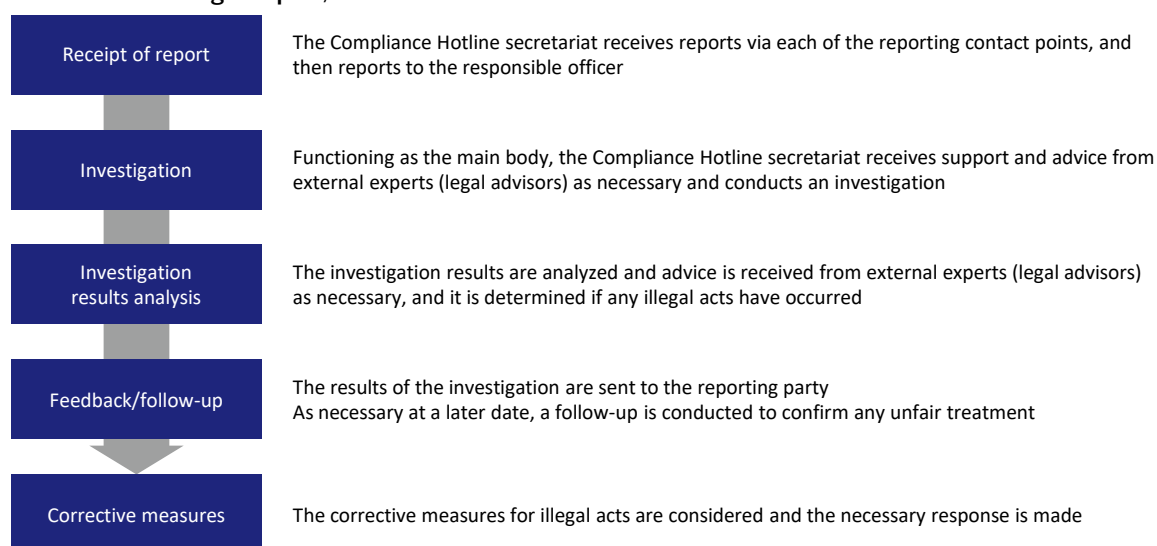
After receiving a report or consultation, we will carry out investigations with due care to thoroughly ensure confidentiality, the protection of whistleblowers' rights, and the elimination of conflicts of interest.

Officers and employees who report or consult shall receive no disadvantageous treatment whatsoever due to such reporting or consulting.

Reporting and Consultation Route



Response after receiving a report/consultation



Number of Internal Reports and Consultations

	FY2021	FY2022	FY2023
Number of internal reports and consultations	46	40	35
Breakdown			
Management	5	3	4
Harassment	27	22	24
Communication	3	4	1
Misconduct, etc.	5	6	3
Other	6	5	3
Number of cases deemed to be violations			
Management	0	0	0
Harassment	4	2	7
Communication	0	0	0
Misconduct, etc.	0	0	0
Other	0	0	0
Number of serious violations of laws and regulations			
Management	0	0	0
Harassment	0	0	0
Communication	0	0	0
Misconduct, etc.	0	0	0
Other	0	0	0

Amount of political contributions

No political contributions were made in fiscal 2023.

Tax amount by region

Region	FY2020 (100 million yen)	Percentage	FY2021 (100 million yen)	Percentage	FY2022 (100 million yen)	Percentage
Japan	302	81.7%	279	80.2%	415	81.4%
North America	25	6.9%	5	1.6%	60	11.8%
Europe and Middle East	23	6.3%	49	14.1%	32	6.3%
Asia & Oceania	18	5.1%	14	4.1%	2	0.5%
Other	0	0.0%	0	0.0%	0	0.0%
Total	370	100.0%	348	100.0%	510	100.0%

Environment

Environment Management

Environmental Policy

Basic philosophy

Mitsubishi HC Capital shall conduct business activities in harmony with the environment and society in order to contribute to the creation of a society that can conserve the global environment and achieve sustainable development.

Environmental action guidelines

1. We will provide innovative solutions to society and promote collaboration with stakeholders to solve environmental issues. Additionally, we will comply with relevant laws and regulations to conduct responsible corporate activities that consider people and the global environment.
2. We will pursue services and solutions that contribute to the reduction of environmental impact and the development of society, properly recognize the effects and impacts of these services and solutions on the environment and society, and endeavor to utilize environmentally friendly goods and services.
3. With the aim of becoming a society that is decarbonized and highly recycling-oriented as well as one that is in harmony with nature and contributes to the conservation of biodiversity, we will endeavor to reduce CO₂ emissions through the value chain, improve the efficiency of the use of water, resources, and energy, and minimize the impact on natural capital.
4. In order to build a relationship of trust with the local communities in Japan and overseas where we conduct business, we will work together with society to solve problems and create a society that can balance conservation of the global environment and sustainable development. If an issue should arise in our business activities, we will make it public in a timely and appropriate manner and promptly take measures to prevent recurrence.
5. As a good corporate citizen, we will raise awareness of environmental and social issues and promote environmental conservation activities as well as community/social contribution activities.

Established: April 1, 2021

Revised: May 13, 2022

Environmental Management System

Basic approach

Mitsubishi HC Capital has established the Sustainability Committee as an advisory body to the Executive Committee. We position environmental issues, most notably climate change, as one of our most important management issues and formulate and implement environmental plans accordingly.

Self-declaration of conformity with ISO 14001

Based on ISO 14001 standards, we introduced and have been operating our Environmental Management System (EMS) and improving our environmental performance continually since receiving third-party certification in 2001.

To formulate and implement a medium- to long-term management strategy in a timely manner by accurately understanding the recent global and social environmental changes, the Company shifted its EMS to self-declaration* of conformity in December 2023 and has confirmed the appropriate application of the system by monitoring the progress of environmental plans and responding to matters that must be complied with.

Incidentally, MHC Eco Solutions Co., Ltd. (formerly MHC Reuse Services Corporation) and Mitsubishi HC Capital UK PLC (formerly Hitachi Capital (UK) PLC) have been certified under ISO 14001: 2015 by third-party certification.

* Self-declaration is one of the formal options according to the ISO 14001 standard, for companies to evaluate and satisfy the requirements of ISO international standards by themselves on their own responsibility, without depending on third-party certification.

Compliance with Environmental Laws and Regulations

As a part of its compliance activities, the Mitsubishi HC Capital Group ensures that all officers and employees fully comply with applicable laws and regulations, including those related to the environment, and carries out regular compliance checks.

Category	FY2021	FY2022	FY2023
Violations of Environmental Laws and Regulations	0	0	0
Findings Made by External Parties Relating to the Environment (litigation, exposure, notification, etc.)	0	0	0

Addressing Climate Change

Information Disclosure Based on TCFD

The Group engages to resolve social issues to realize a prosperous and sustainable future society with customers and partners globally. Climate change is considered a significant social issue and exerts a grave impact on the global environment, peoples' lives, and business activities. The Group has identified “promote a decarbonized society” and “realize the circular economy” as priority key challenges (materiality) related to the environment.

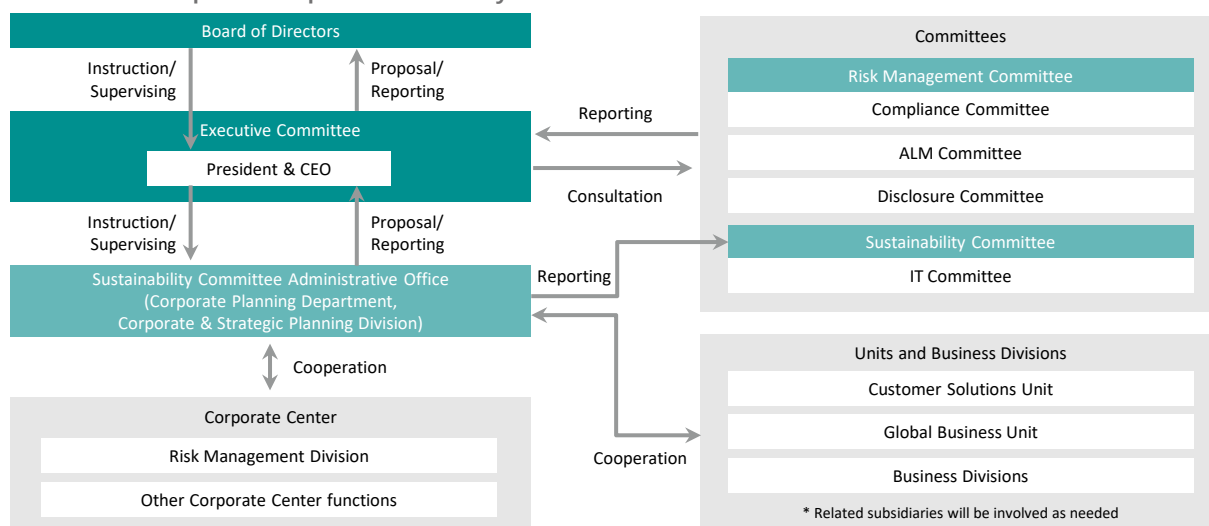
The Group expressed its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in November 2021, and is intensifying efforts to reduce its greenhouse gas (GHG) emissions. In addition, the Group will work to realize a decarbonized society by contributing to the decarbonization of customers through its business activities.

① Governance

Our Group established the Sustainability Committee in April 2021 to contribute to the realization of a sustainable and prosperous future. This committee is positioned as one of the advisory bodies to the Executive Committee and meets to discuss the climate change issue and other key challenges related to sustainability. The results are reported to the Executive Committee and the Board of Directors. “Promote a decarbonized society” and other materiality announced in December 2021 were identified through discussions at the Sustainability Committee, Executive Committee, and Board of Directors. Our Group will strengthen governance by promoting initiatives to understand and manage the impact of climate change on our business.

Supervision of the Board of Directors and the roles of top management

The Mitsubishi HC Capital Group's Sustainability Promotion Framework



Organizational Entities and Roles in the Sustainability Promotion Framework

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

② Risk management

Regulatory changes, technological innovation, and shifts in business models in line with the transition to a decarbonized society or extreme weather, etc. caused by global warming may affect our operating results and financial condition in the form of business failure of business partners due to earnings deterioration and other factors, the decline in value of assets owned by the Group, and in other ways. Our Group recognizes climate change risk as one of the critical risks in Company-wide risk management. It identifies, assesses, and manages climate change risk while recognizing it as a business opportunity and contributes to the realization of a decarbonized society.

a. Risk management system overview

The Group uses its integrated risk management framework to comprehensively manage risks that could have a substantial impact on investors' decisions.

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

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

b. Classification and examples of impacts of climate change risks

Climate change risks consist of transition risks associated with climate-related regulation tightening and technological innovation, etc. and physical risks associated with extreme weather and changes in climates. The TCFD recommendations classify these risks into the subcategories of policy and legal/technology/market/reputation, and acute/chronic, and present examples of impacts.

The Company recognizes that impacts of climate change risks occur over various time frames such as short, medium, and long term through broad transmission routes including existing risks such as credit risks, asset risks, and investment risks. Furthermore, in addition to direct impacts on the Company's business activities, the onset of indirect impacts through the Company's customers is also possible.

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

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

Classification and Examples of Impacts of Climate Change Risks

Major Risks	Timeframe ^{*1}	Transition Risks	Physical Risks
Credit Risk	Short to long term	<ul style="list-style-type: none"> Deterioration of customers' business environments and increases in MHC's credit costs due to policy and regulatory changes, technological innovations, changes to stakeholders, etc. 	<ul style="list-style-type: none"> Damage to lease assets, collateral assets, etc. and increases in MHC's credit costs due to extreme weather Deterioration of customers' business environments and increases in MHC's credit costs due to climate change (temperature rises, etc.)
Asset Risk	Short to long term	<ul style="list-style-type: none"> Assets becoming obsolete and less profitable or valuable due to policy and regulatory changes, technological innovations, changes to stakeholders, etc. 	<ul style="list-style-type: none"> Direct damage to assets due to extreme weather Deterioration of asset usage environments and utility value (decreased profitability, shorter useful life, etc.) and decline of usage opportunities due to climate change, etc.
Investment Risk	Short to long term	<ul style="list-style-type: none"> Business becoming less profitable or valuable due to policy and regulatory changes, technological innovations, changes to stakeholders, etc. 	<ul style="list-style-type: none"> Direct damage to business value due to extreme weather Deterioration of business environments, profitability, and value due to climate change
Market Risk	Short to long term	<ul style="list-style-type: none"> Impacts of the transition to a decarbonized society on companies and fluctuations in the values of securities, etc. held by MHC 	<ul style="list-style-type: none"> Disruption in financial markets, deterioration of the corporate management environment, fluctuations in the value of securities, etc. held by MHC due to extreme weather and climate change
Liquidity Risk	Short to long term	<ul style="list-style-type: none"> Deterioration of reputation among stakeholders and deterioration of fund procurement conditions due to delayed responses to the transition to a decarbonized society 	<ul style="list-style-type: none"> Disruption in financial markets and the fund procurement environment due to extreme weather and climate change
Operational Risk	Short to long term	<ul style="list-style-type: none"> Increase in regulatory compliance costs due to the tightening of GHG emissions reporting obligations, etc. 	<ul style="list-style-type: none"> Suspension of operations, etc. due to damage caused by natural disasters to business sites, data centers, etc.
Reputational Risk	Short to long term	<ul style="list-style-type: none"> Deterioration of reputation among stakeholders due to insufficient response and disclosure related to climate change 	
Strategic Risk	Medium to long term	<ul style="list-style-type: none"> Failure to achieve strategic targets due to inadequate business strategies related to the transition to a decarbonized society and the impacts of natural disasters and extreme weather 	

*1 Short term: until 2025, medium term: until 2030, long term: until 2050

(Reference) Classification and examples of impacts in the TCFD recommendations

Transition Risks: Risks Related to the Transition to a Lower-carbon Economy

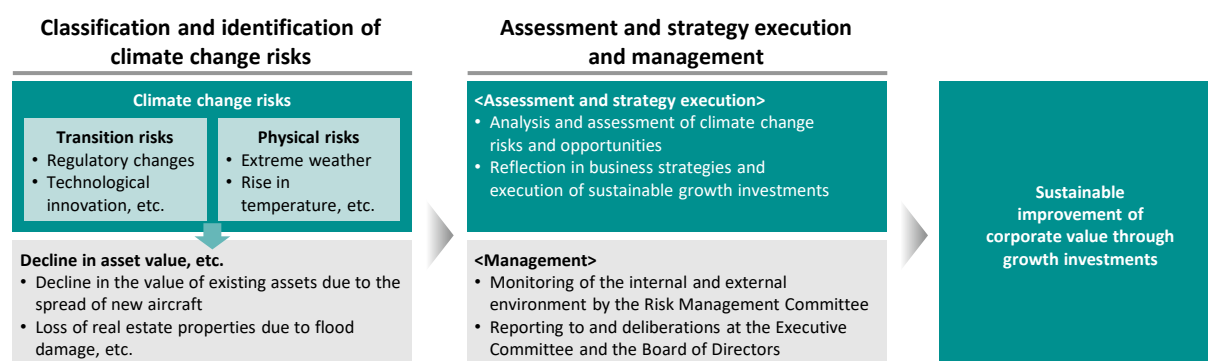
Type	Environmental Changes Brought by Climate Change	Impacts on Customers/MHC, etc.
Policy and Legal Risk	<ul style="list-style-type: none"> Introduction of carbon tax, etc. Tightening of regulations requiring reporting of GHG emissions Policy changes and regulatory tightening related to competitive power of assets and investment businesses Increase in climate-related litigations 	<ul style="list-style-type: none"> Increase in costs and deterioration of management conditions of customers, increase in MHC's credit costs Increase in regulatory compliance costs Declined value and profitability of assets and investment business Increase in litigation costs
Technology Risk	<ul style="list-style-type: none"> Shift to facilities, machinery, etc. that emit less GHGs Shift to low emission technologies (renewable energy, storage batteries, carbon capture and storage technologies, etc.) 	<ul style="list-style-type: none"> Decline of value and profitability of obsolete assets and investment business Failure of investment in new technology-related assets and businesses Increases in customers' transition costs and MHC's credit costs
Market Risk	<ul style="list-style-type: none"> Customers' behavioral changes Changes in demand-supply conditions in markets 	<ul style="list-style-type: none"> Decline of value and profitability of assets and investment business
Reputational Risk	<ul style="list-style-type: none"> Reputational damage due to delayed response to climate change, insufficient information disclosure, etc. 	<ul style="list-style-type: none"> Adverse impacts on fund procurement Adverse impacts on corporate activities and business activities

Physical Risks: Risks Related to Physical Changes Caused by Climate Change

Type	Environmental Changes Brought by Climate Change	Impacts on Customers/MHC, etc.
Acute Risk	<ul style="list-style-type: none"> Increase in natural disasters such as typhoons and floods 	<ul style="list-style-type: none"> Damage to assets and investment business due to natural disasters
Chronic Risk	<ul style="list-style-type: none"> Sea level rise along with increased average temperature, etc. 	<ul style="list-style-type: none"> Decline of value and profitability of assets and investment business due to climate change (temperature rise, etc.) Increase in credit costs due to changes in customers' business environments

c. Status of integration into overall risk management

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



③ Strategy

The Company identifies risks and opportunities to the Group brought by future climate change, and conducts scenario analysis on transition risks and physical risks for the purpose of appropriately disclosing information and considering future measures.

The scenario analysis was carried out based on limited information and data available at present. We will obtain more information and related data through careful interpretation of analysis results obtained this time and dialogue with stakeholders and strive to reflect this in appropriate disclosure by improving our analysis methods and expanding the businesses being analyzed.

a. Overview of the scenario analysis

Overview of Transition Risk Analysis

Target Sector and Main Segment	Target Sector	Main Segment
	Energy (oil, gas, coal, and electric utilities)	Environment & Energy
	Transportation (air freight and passenger air transportation)	Aviation
	Materials and buildings (real estate management and development)	Real Estate
	* Among MHC's segments, the Customer Solutions segment was included in the subject of analysis because it conducts business activities across target sectors, such as finance solutions business for companies and government agencies, sales financing business provided through collaboration with vendors, real estate leasing business, and financial service business, etc. with business bases located in Japan. Meanwhile, the Global Business segment was excluded from the subject because the business bases of overseas Group companies are located in multiple regions, such as Europe and the Americas, and therefore analysis would require significant work.	
Sector and Segment Selection Method	① Summarize the relationships between the sectors that have the potential to be significantly affected by climate change and the segments of the Group by referring to the Final Report of the Task Force on Climate-related Financial Disclosures (TCFD) and other information. ② Select target sectors and segments of analysis by comprehensively considering the asset balance, business characteristics, and amounts of GHG emissions of the Group's segments by sector as well as external professionals' opinions.	
Scenario	• Net Zero Emissions by 2050 Scenario (NZE scenario) and Stated Policies Scenario (STEPS scenario) published by the International Energy Agency (IEA)	
Analysis Method	• Identify opportunities and risks for a decarbonized society in target sectors and assess business impacts (qualitative analysis)	

Overview of Physical Risk Analysis

Analysis Subject	<ul style="list-style-type: none"> Assets for business possessed by the Environment & Energy Business Division, the Real Estate Business Division, and the Group's offices and branches
Scenario	<ul style="list-style-type: none"> Shared Socioeconomic Pathways (SSP5-8.5) published by the Intergovernmental Panel on Climate Change (IPCC)
Analysis Method	<ul style="list-style-type: none"> Assess business impacts of extreme weather and changes in climates that can occur at the locations of assets for business (qualitative analysis)

b. Results of the scenario analysis

Discussions about the impacts of climate change on our business were held with each division in charge of Environment & Energy, Aviation, Real Estate, and Customer Solutions, which are the segments targeted for scenario analysis, and with the Risk Management Department, which is the department in charge of risk management for the entire Company, to ensure consistency between scenario analysis results and existing strategic policies.

The Group endeavors to minimize risks and maximize opportunities by taking short- and long-term measures regarding risks and opportunities related to climate change. As a result of the transition risk analysis, we recognize the need to appropriately handle risks and opportunities associated with the expansion of renewable energy (Environment & Energy), the shift to low mileage aircraft and aircraft engines and low-carbon fuels such as SAF and hydrogen (Aviation), growing demand for low-carbon buildings (Real Estate), and other trends. Furthermore, as a result of the physical risk analysis, we anticipate risks including damage caused by disasters to power stations and deterioration of power generating facilities such as solar panels (Environment & Energy), loss in value of real estate due to intensification of natural disasters and increases in construction and operations expenses and renovation costs (Real Estate), damage caused by disasters to the Group's offices, and increases in operating expenses and insurance costs.

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

Results of the Scenario Analysis

Types of Risks/Opportunities			Timeframe*1	Details of Climate Change-related Risks and Opportunities	Measures to Address Risks/ Measures to Realize Opportunities
Risks	Transition Risk	Policy and Legal	Short to long term	<ul style="list-style-type: none"> Increased business management costs associated with the introduction of carbon tax and tightening of regulations requiring reporting of GHG emissions, etc. 	<ul style="list-style-type: none"> Reduce GHG emissions by promoting energy conservation, switching to renewable energy-based electricity, etc. at the Group's offices and branches
		Technology	Short to long term	<ul style="list-style-type: none"> Increased depreciation expense and residual value risk of existing assets such as aircraft and aircraft engines 	<ul style="list-style-type: none"> Mitigate impacts by increasing the percentage of new aircraft and aircraft engine models in the portfolio
		Market	Short to long term	<ul style="list-style-type: none"> Increased costs of renovating/repairing existing buildings and development Possibilities of price decline of non-low carbon properties owned by MHC Risk of losing earnings due to delayed response to the demand for low carbon buildings Decline in the electricity sales price due to intensified competition in the renewable energy market 	<ul style="list-style-type: none"> Consider mitigating impacts by passing the cost onto rent Reduce carbon emissions from maintenance and renovation processes (renewing equipment of aged properties (including logistics warehouses), installing power generation equipment such as solar panels, etc.) Introduce and enhance development functions to respond to a low carbon society Consider securing earnings by participating in the storage battery business, etc. while paying attention to the regulatory environment, etc.
		Reputation	Short to long term	<ul style="list-style-type: none"> Deterioration of reputation among overseas ESG investors and domestic financial institutions due to delayed response to climate change 	<ul style="list-style-type: none"> Promote reducing the emissions from MHC and relevant supply chains and proactively disclose activities based on the TCFD recommendations, etc.
	Physical Risk		Short to long term	<ul style="list-style-type: none"> Increase in temporary suspension of operations and operation costs Damage to real estate value, increase in operation costs, and prolonged construction periods Damage to power generation plants and reduced efficiency of power generation using solar panels and other equipment due to storms, etc., and the impacts on wind power generation business due to changes in wind conditions 	<ul style="list-style-type: none"> Enhance the capabilities to respond to natural disasters by formulating a BCP for minimizing damage Strengthen resilience by taking measures to deal with natural disasters (detailing risks related to leasing, investment, and financing, installing or renovating disaster management equipment, etc.) Consider measures for enabling early recovery by strengthening the management framework for MHC's power generation plants
Opportunities	Products and Services		Short to long term	<ul style="list-style-type: none"> Expansion of opportunities for low-carbon building leasing, investment, and financing businesses and increase in prices and unit rent prices of owned or managed low-carbon buildings 	<ul style="list-style-type: none"> Introduce and strengthen development functions to respond to a low-carbon society
	Markets	Short to long term		<ul style="list-style-type: none"> Expansion of leasing opportunities for energy conservation equipment Increase in leasing opportunities for new models associated with aviation companies' demand for switching aircraft and aircraft engines Increase in leasing opportunities associated with demand for switching airport equipment Expansion of earning opportunities associated with increased demand for renewable energy Expansion of opportunities for renewable energy businesses 	<ul style="list-style-type: none"> Consider increasing the procurement of energy conservation equipment Capture demand by increasing transaction volume of new aircraft and aircraft engine models Offer leasing services in line with customers' demand for switching heat source equipment, etc. Expand renewable energy generation business in Japan and overseas Expand battery storage and aggregation businesses
		Long term		<ul style="list-style-type: none"> Increased leasing opportunities associated with the spread of hydrogen-compatible aircraft Possibilities of gaining earnings from new SAF/hydrogen-related businesses 	<ul style="list-style-type: none"> Capture demand associated with increased transaction volume of hydrogen-compatible aircraft Participate in and support the hydrogen value chain including storage, transportation, production, and filling facilities and clean energy supply and consider initiatives for SAF-related businesses

*1 Short term: until 2025, medium term: until 2030, long term: until 2050

④ Metrics and targets

Based on the recognition that efforts to realize a decarbonized society are an urgent issue, we will set the Group's GHG reduction targets pursuant to the Paris Agreement, and we see the transition to a decarbonized society as an opportunity and actively promote the transition.

In the case such as where GHG emissions increase significantly in the future due to efforts for new businesses, or where numerical values change as the calculation of GHG emissions of the entire Group including supply chains are sophisticated, the established targets may be revised if necessary, but we plan to set the targets so that any targets are in line with the level of the Paris Agreement, just as the targets currently being established.

a. The Group's targets for the reduction of GHG emissions

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

b. Future efforts

We calculated GHG emissions and obtained third-party assurances for certain building lease transactions, aircraft lease transactions (Category 13 – Downstream leased assets), and real estate investment transactions (Category 15 – Investments), which are considered to be high GHG emission transactions in our Group.

Going forward, we will promote the reduction of GHG emissions of the entire Group including supply chains, through the expansion of transactions with GHG emissions calculated, formulation of a policy for sectors with high GHG emissions and the transaction plan, and other means.

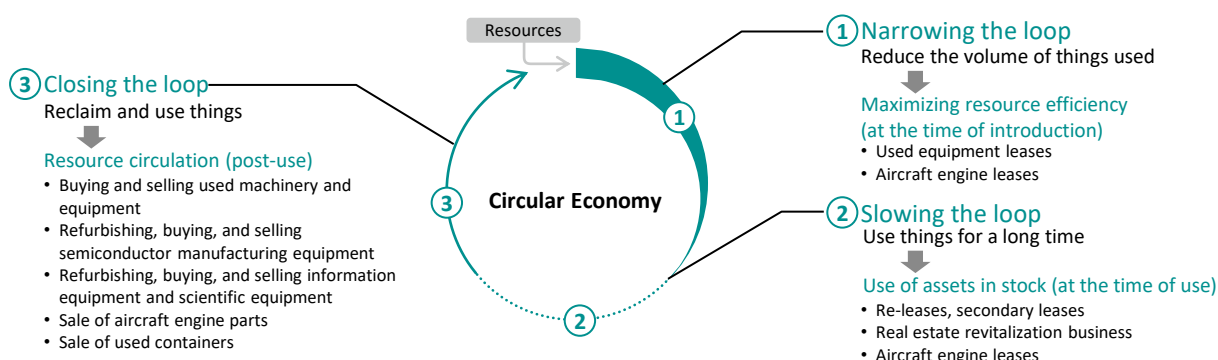
Efforts toward a Circular Economy

Major initiatives

Our Group contributes to the realization of a circular economy through a variety of businesses.

Due to the nature of its business model, leasing, which is our founding business, has a high affinity with the circular economy, and our Group has a variety of value propositions and solutions that maximize the value of the facilities and equipment covered by our contracts. As shown in the chart below, our Group's circular economy-related businesses are linked to various factors for realizing a circular economy. Although this page covers representative examples, we are working on businesses related to a circular economy in many areas other than those mentioned.

Social interest is also increasing, and we will continue to expand the functions we provide and work with our customers and partners to realize a circular economy.



References: Tomohiro Tasaki, "Transformation and information dissemination towards the realization of a circular economy (2024)," *Ad Studies*, Vol.87, 2024.
 Bocken, N.M.P., de Pauw, I., Bakker, C., van Der Grinten, B (2016). "Product design and business model strategies for a circular economy." *Journal of Industrial and Production Engineering*, 33(5): 308–320

Value and solutions provided by our group at the lifecycle stages of things

Our Group provides solutions at each lifecycle stage, from introducing things to terminating the use of things, and we achieved many results in fiscal 2023 as well.

① Time of introduction: maximizing resource efficiency—narrowing the loop

We provide the appropriate things that meet customers' needs, such as equipment that promotes decarbonization and energy conservation and engines that contribute to improving the utilization rate of aircraft. We also provide a wide range of financing functions such as operating leases, sharing, and rentals to fulfill customers' needs for use (as opposed to ownership).

② Time of use: use of assets in stock—slowing the loop

In a lease contract, when the lease contract period expires, we provide two options: "release contract" (usually a one-year extension contract) and "return." If "release contract" is chosen, the initial contract period will be extended. This allows for extended use every year at a lower cost than the initial contract period. In addition, residual value-setting leases support the reassembly of leases (secondary leases) based on residual value.

In an effort to encourage the use of assets in stock, in the real estate revitalization business, we acquire old offices and other facilities, and carry out projects to revitalize their real estate value, such as updating their equipment and renovating their common areas. In addition, in the aircraft engine leasing business, we maintain and improve the asset value of engines through timely and appropriate maintenance, making it possible to use them for long periods of time.

③ Post-use: resource circulation—closing the loop

In the field of resource recycling, we are developing our business targeting a variety of things. If "return" is selected when

the lease contract expires, the returned property will be used for secondary use by new customers. Leveraging our Group's strengths such as our expertise and network, we work in multiple areas, purchasing not only equipment and instruments returned by customers, but also idle assets and equipment of customers, leasing them to other customers, and engaging in the refurbishing and reuse business. For example, after a lease expires in the marine container leasing business, those containers are used for stationary warehouses on land.

We are also pursuing the possibility of reuse and recycling of aircraft engines and information equipment, which are difficult to reuse as facilities and equipment, by dismantling and maintaining them and developing a sales business for parts that can be used as spare parts. Ultimately, we contribute to the realization of a circular economy by properly disposing of items that are difficult to reuse and recycle.

Results Related to Resource Circulation (post-use) (fiscal 2023)

Items	Description	FY2023
Sales Value of Used Machinery and Equipment	Total sales amount of used machinery and equipment for industrial machine tools, semiconductor manufacturing equipment, scientific equipment, construction equipment, medical equipment, and information equipment for the Customer Solutions Unit	15 billion yen
PCs Refurbished and Sold	Purchase properties returned at lease expiration and customers' idle assets, and conduct appropriate refurbishing, including data erasure, to develop the reuse business	Over 470,000 units

Target related to the resource circulation for plastics

The MHC Group has set a target to reduce plastic waste generated from operating assets such as leased assets in response to the Act on Promotion of Resource Circulation for Plastics.

<Target>

Effective utilization^{*1} of plastic waste^{*2} generated from operating assets, such as leased assets, by fiscal 2030: 100%

*1 Target companies: Group companies with large amounts of waste (Mitsubishi HC Capital Inc. and MHC Eco Solutions Co., Ltd., which generate more than 250 tons of plastic waste)

*2 The percentage of the plastic waste processed through material, chemical, or thermal recycling

Percentage of Plastic Waste Generated from Operating Assets Such as Leased Assets Processed Using Material, Chemical, or Thermal Recycling

Target companies	FY2022	FY2023
Mitsubishi HC Capital Inc.	92.1%	95.2%
MHC Eco Solutions Co., Ltd.	95.7%	97.1%

Stakeholder engagement

MHC closed a capital and business alliance agreement with ZERO CO., Ltd. (hereinafter "ZERO"), and is working to reduce food loss and CO₂ emissions in Japan by providing sales support, financing for installation, and operational support for unmanned vending machines known as "Food Loss Reduction Box ZERO" provided by ZERO.

MHC, as a service user, introduced and installed the vending machines at its Marunouchi Office, Nishi-Shimbashi Office, Nagoya Office, and Osaka Office, enabling its employees to buy foods that are safe to eat but cannot be distributed due to their short shelf life, seasonal packaging, damaged packaging, etc.



Environmental Performance

Consumption Volume by Energy Type

Category/Energy Source (Unit)		FY2019	FY2020	FY2021	FY2022	FY2023
Direct Energy Consumption	Gasoline (kl)	1,034	741	744	885	754
	Light oil (kl)	106	264	108	146	218
	Kerosene (kl)	55	51	29	28	0
	Heavy oil (m³)	-	-	-	-	38
	Urban gas (LNG) (m³)	340,013	383,750	398,229	306,837	323,646
	LPG (m³)	148	0	0	3,936	4,473
Indirect Energy Consumption	Energy consumption (kWh)	13,402,086	13,169,420	14,168,540	13,424,687	13,144,817
	Renewable energy consumption (kWh)	-	-	3,308,174	4,450,646	5,154,773
	Percentage of renewable energy	0	0	23.3%	33.2%	39.2%
	Purchased steam, hot water, and cooling water (GJ)	4,421	9,386	10,601	814	1,006

(Note) The above figures pertain to the Mitsubishi HC Capital Group (consolidated basis)

Consumption Volume by Energy Type (calorific value)

Category/Energy Source (Unit)		FY2019	FY2020	FY2021	FY2022	FY2023
Direct Energy Consumption	Gasoline (GJ)	35,764	26,750	25,733	30,618	25,167
	Light oil (GJ)	9,553	23,854	10,665	5,519	8,280
	Kerosene (GJ)	2,010	1,864	1,060	1,039	0
	Heavy oil (GJ)	-	-	-	-	1,487
	Urban gas (LNG) (GJ)	15,353	17,244	17,881	13,746	12,946
	LPG (GJ)	16	0	0	437	446
	Total	62,696	69,712	55,339	51,359	48,326
Indirect Energy Consumption (GJ)		138,039	140,685	151,716	134,658	132,060
Total (GJ)		200,735	210,397	207,055	186,017	180,386

(Note) The above figures pertain to the Mitsubishi HC Capital Group (consolidated basis).

Volume of GHG Emissions (Scope 1 and 2): Targets vs. Results

Short-term GHG Emissions Reduction Target	Energy usage in Japan: -1% compared to the prior fiscal year				
Energy Consumption of Domestic Group Companies on a Consolidated Basis (GJ)	FY2022 (base year)	FY2023 result		Rate of reduction from FY2022	
	87,300	83,681		-4.1%	
Medium- to Long-term GHG Emissions Reduction Target	2030: -55% compared to fiscal 2019 2050: Net zero				
Scope 1 and 2 GHG Emissions of the Group on a Consolidated Basis (market basis) (t-CO ₂ e)	FY2019 (base year)	FY2023 result	Rate of reduction from FY2019	FY2030 target	FY2050 target
	11,292	6,574	-41.8%	5,081	0

Scope 1 and 2 (unit: t-CO₂e)

Category	FY2019	FY2020	FY2021	FY2022	FY2023
Scope 1	4,277	3,336	3,449	3,211	3,092☑
Scope 2 (location basis)	6,951	6,604	7,880	6,786	5,777☑
Scope 2 (market basis)	7,015	7,189	6,606	4,546	3,482☑
Total of Scope 1 and 2 (market basis)	11,292	10,525	10,055	7,757	6,574

Environmental data marked with ☑ have received limited assurance from SOCOTEC Certification Japan.

(Note) The above figures pertain to the Mitsubishi HC Capital Group (consolidated basis).

Scope 3 (unit: t-CO₂e)

Category	FY2019	FY2020	FY2021	FY2022	FY2023
Category 1 Purchased goods and services	8,547	7,844	9,295	7,451	7,135☑
Category 2 Capital goods	43,694	40,075	4,909	5,837	15,245☑
Category 3 Fuel and energy related activities not included in Scope 1 or Scope 2	1,758	1,672	1,464	1,329	1,586☑
Category 4 Transportation and distribution (upstream)	Not applicable				
Category 5 Waste generated in operations	169	73	118	71	5,123☑
Category 6 Business travel	1,066	48	286	1,096	1,095☑
Category 7 Employee commuting	2,579	3,062	2,492	2,518	2,431☑
Category 8 Leased assets (upstream)	Not applicable				
Category 9 Transportation and distribution (downstream)	Not applicable				
Category 10 Processing of sold Products	Not applicable				
Category 11 Use of sold products	Emissions in this category will be considered for accounting going forward				
Category 12 End-of-Life Treatment of Sold Products	Not applicable				
Category 13 Leased assets* ¹ (downstream)	-	-	-	-	6,570,471☑
Category 14 Franchise	Not applicable				
Category 15 Investment* ²	248	-	-	-	41,141☑
Total of Scope 3	58,061	52,774	18,564	18,302	6,644,227☑

Environmental data marked with ☑ have received limited assurance from SOCOTEC Certification Japan.

*1 Pertaining to certain building leasing and aircraft leasing transactions

*2 Pertaining to certain real estate investment transactions

(Note) For categories 2, 5, 13, and 15, the calculation method was changed from FY2023 in the process of acquiring assurance.

(Note) The above figures pertain to the Mitsubishi HC Capital Group (consolidated basis).

Output from Renewable Energy Generation Facilities in Operation (unit: MW)

Item	FY2020	FY2021	FY2022	FY2023
Solar	907	907	1,020	920
Wind	228	298	340	343
Other	-	-	4	29
Total	1,136	1,205	1,366	1,293

(Note) Data calculated for managerial accounting purposes, including the balance of equity-method investment.

The above figures exclude financing projects and comprise output from the solar and wind power generation business, solar power generation under the Power Purchase Agreement (PPA) scheme, and the Virtual Power Plant (VPP) verification business.

Social

Human Rights Initiatives

Basic Policy on Human Rights

The MHC Group Code of Ethics and Conduct includes sections on “Respect for Human Rights and the Environment,” and the Code of Conduct states, under “Human rights” that “Consistent with the fundamental spirit of respect for humanity, no employee engages in any discriminatory action or human rights violation on the ground of gender, sexual orientation, age, nationality, race, ethnicity, political opinion, beliefs, religion, social status, lineage, illness, or disability.”

Furthermore, we support and respect international norms concerning human rights, labor, the environment and anti-bribery, including the Universal Declaration of Human Rights, the International Covenants on Human Rights (International Covenant on Civil and Political Rights; International Covenant on Economic, Social and Cultural Rights), the UN Guiding Principles on Business and Human Rights (Ruggie Principles), the ILO Declaration on Fundamental Principles and Rights at Work, and the Children’s Rights and Business Principles. We strive to respect the human rights of all stakeholders under these basic principles on human rights.

The Group’s compliance manual states, under “Respect for human rights and the prohibition of discrimination,” that “All Group employees must respect basic human rights and must not engage in any discriminatory action or human rights violation on the ground of gender, sexual orientation, age, nationality, race, ethnicity, political opinion, beliefs, religion, social status, lineage, illness, or disability.” Within this section, under “Eliminating harassment,” it further states, “All Group employees should respect one another as professional partners and must work to eliminate all forms of harassment, including sexual harassment, harassment related to pregnancy, and abuse of power.” We also respect the basic rights of workers to organize and to bargain and act collectively.

Human rights policy

We at the Mitsubishi HC Capital Group recognize that conducting business with the utmost respect of human rights is a major challenge, and we will fulfill our responsibilities in this matter across all our business activities.

Through dialogue and collaboration with relevant stakeholders, we will exclude exploitative labor practices such as modern slavery, forced labor, human trafficking, and child labor, from the Group’s businesses and supply chains.

We will address human rights risks relevant to our businesses earnestly and appropriately to fulfill our obligations to respect human rights in a manner expected of global companies, aiming to realize a society that respects human rights.

We will realize a flexible working style and respect a diversity of values, and strive to create a comfortable environment in which each and every individual can demonstrate their maximum potential. (excerpt)

Established: September 22, 2022

► Please refer to the below for details:

https://www.mitsubishi-hc-capital.com/pdf/english/sustainability/variou s_policies/human_rights_policy.pdf

Human rights due diligence

The Group began conducting human rights due diligence in 2023, targeting customers and suppliers of credit transactions and outside contractors. This was the result of a Company-wide, cross-segment Human Rights Project, which took approximately one year of discussions and system design.

We expanded the scope of our efforts by adding purchase transactions in April 2024 and adding investment transactions in October 2024. In addressing human rights due diligence, the following two elements are incorporated in the design of the system.

1. Screening business partners based on information regarding concerns about human rights violations

We have established a mechanism for identifying clients, suppliers, and other business partners where information

exists regarding concerns about human rights violations in areas of critical risk.

2. Eliminating the risk of human rights violations through dialogue with business partners (engagement)

Where concerns have been identified through screening, we open a dialogue (engagement) with the business partners and, by confirming the actual situation and their responses, we encourage them to respect human rights initiatives.

The main objective of human rights due diligence is to prevent and reduce human rights risk in our corporate activities by using dialogue to improve and enhance human rights awareness at our business partners. Through repeated dialogue with business partners, we gain experience in how to handle human rights due diligence and effectiveness.

*Identifying areas of critical risk

In order to ensure effective responses to various types of human rights issues, we have determined the following areas of critical risk as preconditions for human rights due diligence in light of the principles of the UN Global Compact.

Occupational Health
and Safety

Forced Labor and
Human Trafficking

Child Labor

Discrimination
and Gender

Impacts on
Surrounding Areas

Status of human rights due diligence for business partners (November 2023-March 2024)

Identified Area of Critical Risk	Number	Response to Issues	Number
Occupational health and safety	1	Confirmed appropriate response and recurrence prevention measures	1
Forced labor and human trafficking	0	Did not conduct the transaction	0
Child labor	0	Occurrence of the incident and the business partner's response currently being confirmed	0
Discrimination and gender	0		
Impacts on surrounding areas	0		
Total	1	Total	1

Respect for freedom of association and collective bargaining

The Company respects the ILO Declaration on Fundamental Principles and Rights at Work, which states that member countries have obligations to respect, promote, and realize the effective recognition of the freedom of association and collective bargaining. Our Human Rights Policy includes the following declaration in 1. "Global Standards to be Respected and Upheld."

We respect the human rights described in the Universal Declaration of Human Rights, the International Bill of Human Rights (International Covenant on Civil and Political Rights and the International Covenant on Economic Social and Cultural Rights), and the ILO Declaration on Fundamental Principles and Rights at Work which stipulates core labor standards.

Human Rights Training

The Group educates and raises awareness among all employees about human rights in order to ensure respect for human rights.

In fiscal 2023, in conjunction with the introduction of human rights due diligence, we conducted an e-learning course (including a comprehension test) on the basics of human rights, including business and human rights, the Group's Human Rights Policy and response to human rights, and strengthening prevention of workplace harassment, which was taken by all of our approximately 5,000 employees in Japan. In addition, we have conducted human rights courses for mid-career hires and e-learning courses on compliance, diversity, people with disabilities, and sustainability, with a total of approximately 27,500 employees learning about human rights.

Furthermore, 14 group training sessions have been held, including a human rights course for new employees, training for managers including harassment prevention, and diversity training, with a total of approximately 400 employees attending.

Human Capital Initiatives

Basic Policy for Talent

The Group recognizes that the accumulation and utilization of human capital is an important issue in enhancing corporate value through the realization of the Basic Management Policy and the medium-to long-term management direction. In particular, we will secure and utilize the necessary human capital, both in terms of quality and quantity, to achieve the SX/DX and business portfolio transformation outlined in the medium- to long-term management direction and to realize the vision of our Group.

Themes that we want to accomplish

In securing and utilizing human capital (qualitative shift in human resources and securing of the quantity of human resources), we uphold two themes to be accomplished in the medium to long term.

What We Want to Accomplish (a) Fulfillment of a Talent Portfolio Develop and Secure Human Resources Contributing to the Group's Realization of Strategies (quality and quantity)	We define quality and quantity of human resources necessary to realize the medium- to long-term management direction and visualize a talent portfolio. We identify any gap between necessary human resources and current human resources in terms of quality and quantity, and implement measures for filling the gap to supplement necessary human resources.
What We Want to Accomplish (b) Maintaining and Improving MHC Engagement	The Group defines "MHC engagement" as a situation in which employees work together in pursuit of value creation. We will work to maintain and improve spontaneity (a situation in which employees can work using their own discretion), diversity (a situation in which diversity among employees leads to cross-fertilization of ideas), and a positive workplace environment (in which employees can exercise their spontaneity and diversity to the full), which are the three elements comprising MHC engagement.

Details of initiatives

The two themes that we want to accomplish as priorities are the reconstruction of the human resource management base, and the creation of a system for maintaining and improving MHC engagement.

Reconstruction of the Human Resource Management Base	The Group has collected and accumulated information on human resources and used it for utilization of human resources (allocation and development) to date. Going forward, for "What we want to accomplish (a) Fulfillment of a talent portfolio," we will reconstruct the human resource management base, define types of human resources necessary to realize the medium- to long-term management direction, and then further understand human resources and conduct human resource development that contributes to qualitative shift. In understanding human resources, we handle qualitative factors such as experience, knowledge, skills, and competency in addition to the quantitative perspective including the number of employees. In human resource development (qualitative shift), we identify qualitative issues to fulfill a talent portfolio and take measures for capacity development. Moreover, we will improve the accuracy of matching between human resources and jobs by also systematically putting in place information on jobs, in addition to information on human resources, to further ensure that the right people are placed in the right jobs.
Creation of a System for Maintaining and Improving MHC Engagement	The Group has identified current issue areas through an engagement survey, and implemented improvement activities to date. Going forward, we will quantify MHC engagement and work to maintain and improve it. Maintaining MHC engagement for the Group as a whole at a high level will also result in securing the desired number of human resources.

Indicators and targets

The non-financial targets of the Medium-term Management Plan for FY2023-FY2025 are to visualize the level of fulfillment of the talent portfolio and to enhance the analysis of the results of the engagement survey. The Company plans to disclose quantitative targets for the fulfillment level of the talent portfolio and the results of the engagement survey at the time of the announcement of financial results for fiscal 2025 and fiscal 2024, respectively.

Basic Policy for Labor Practices

Through dialogue and collaboration with relevant stakeholders, our Group will exclude exploitative labor practices, such as modern slavery, forced labor, human trafficking, and child labor, from the businesses and supply chains of the Mitsubishi HC Capital Group.

Compliance with labor laws

We respect the ILO Declaration on Fundamental Principles and Rights at Work and comply with labor laws.

Development of labor-management relations and labor relations

We will promote mutual cooperation between employees and between employees and the Company, and strive for the sound development of the Company's business. We are working to maintain and develop appropriate labor-management relations by organizing an employee association for the purpose of improving the economic standing of employees through the maintenance and improvement of labor conditions.

Basic Policy on Promoting Diversity, Equity, and Inclusion

We position the promotion of diversity, equity, and inclusion (DEI) as an important management strategy for the further expansion of the Group's business domains and global operations. One of our action principles is "Diversity: Embrace diversity and respect each other." With this as the foundation, we aim to realize a vibrant organization that can create new value by bringing together a diverse group of human resources who represent a broad range of individual attributes such as nationality, age, and gender as well as differences in life stage, experience, and values, and who can leverage one another's strengths and bring out the most out of each person's motivation and talents.

Specific initiatives

We have implemented various initiatives so that employees with diverse attributes and values can play active roles. Please refer to the below for specific initiatives:

► DEI Promotion Initiatives

https://www.mitsubishi-hc-capital.com/english/sustainability/social/employees_and_families.html

Basic Views on Human Resources and the Employee Welfare Benefits System

Our human resources system gives greater importance to job duties and rewards employees with heavier job responsibilities. Excluding junior employees who are in the initial stage of development (those who are in their first to sixth years since being hired as new graduates), grades and remunerations of non-managers as well as managers vary according to the job responsibilities to be assumed. The objective is to develop and enhance human resources while maximizing the performance of the entire organization by placing the right person in the right place, regardless of the year they entered the Company and their experience. The employee welfare benefits system offers company housing, allowances for employees posted away from their family, work from home, and child-rearing/daycare subsidies, aiming to support employees' lives and child-rearing.

Employees

Item		FY2019	FY2020	FY2021	FY2022	FY2023
Number of Employees (Persons)	Total	2,290	2,342	2,235	2,182	2,140
	Male	1,435	1,460	1,361	1,307	1,261
	Female	855	882	874	875	879
Number of Employees: Male-to-female Ratio	Male	63%	62%	61%	60%	59%
	Female	37%	38%	39%	40%	41%
Number of Temporary and Non-permanent Employees (Persons) Breakdown by Gender of Senior Temporary Employees (Excl. Dispatched Employees)	Total	263	283	271	284	272
	Male	77	96	102	104	104
	Female	38	35	33	37	32
Composition of Employees (by Country/Region)	Total	2,290	2,342	2,235	2,182	2,140
	Japan	2,280	2,335	2,229	2,174	2,130
	Europe	1	0	0	0	0
	Americas	7	6	4	5	7
	China	0	0	0	0	0
	ASEAN	2	1	2	3	3
Number of Non-Japanese Employees (Persons)	Total	-	-	-	20	20
Percentage of Employees by Age Group	Under 30	19.1%	19.4%	18.5%	16.9%	16.6%
	30-39	31.1%	29.5%	31.7%	31.3%	30.9%
	40-49	28.0%	27.5%	28.1%	28.5%	28.6%
	50-59	19.7%	20.8%	20.4%	21.9%	22.4%
	60 or higher	2.1%	2.9%	1.3%	1.6%	1.5%
Average Service Time (Years)	Total	15.1	15.6	15.5	15.8	15.5
	Male	16.5	17.1	16.5	16.7	16.5
	Female	12.7	13.2	13.8	14.4	14.2
Average Age (Years)	Total	40.1	40.9	40.4	41.0	41.3
	Male	41.9	42.8	41.8	42.4	42.6
	Female	37.2	37.8	38.2	38.9	39.4

Managers

Item		FY2019	FY2020	FY2021	FY2022	FY2023
Number of Managers (Persons)	Total			458	421	375
	Male	-	-	394	362	315
	Female	-	-	64	59	60
Percentage of Female Managers	Total	-	-	14.0%	14.0%	16.0%
	Profit-earning Divisions	-	-	-	-	17.7%
	Corporate Center Divisions	-	-	-	-	11.8%
Percentage of Mid-career and Non-Japanese Managers	Mid-career	-	-	-	24.9%	23.5%
	Non-Japanese	-	-	-	-	0

Managers in Positions Equivalent to Subsection Chief (Team Leader) (Persons)	Total					927
	Male					562
	Female				363	365
Percentage of Female Managers in Positions Equivalent to Subsection Chief (Team Leader) (Persons)	Total	-	-	-	-	39.4%
Number of Managers in Profit-earning Divisions (Persons)	Male	-	-	288	254	218
	Female	-	-	40	45	47

Salaries and Remunerations

Item		FY2019	FY2020	FY2021	FY2022	FY2023
Average Annual Salary (All Employees, Million Yen)	Total	8.0	8.3	8.7	9.2	9.8
Gender Wage Gap of Regular Employees (Average Wage of Females/Average Wage of Males)	Total	-	-	-	64.9%	64.6%
Average Annual Pay by Position and Gender (Million Yen)	Managers					
	Male	-	-	-	13.6	14.9
	Female	-	-	-	10.2	10.9
	Non-managers					
	Male	-	-	-	9.5	10.1
	Female	-	-	-	6.6	7.0
Initial Wage in FY2023	Bachelor	293,000 yen/month (career-track positions, entered in Apr. 2024)				
	Master	313,000 yen/month (career-track positions, entered in Apr. 2024)				
Ratio of Standard Salary of New Hires to the Minimum Wage of Tokyo/Weighted National Average * Neither of the career paths has a gender requirement. There is no difference in wages between regions of hiring	Career-track positions	Tokyo (as of October 1, 2024): 168% Weighted national average: 185%				
	Business professionals	Tokyo (as of October 1, 2024): 135% Weighted national average: 149%				

Hiring and Employment

Item		FY2019	FY2020	FY2021	FY2022	FY2023
Number of New Hires by Age (Total of New Graduates and Mid-career Hires, Persons)	20-29	-	-	61	32	50
	30-39	-	-	13	11	27
	40-49	-	-	8	8	10
	50-59	-	-	1	1	2
Number of New Graduates Hired (Persons)	Total	75	72	58	30	46
Percentage of Mid-career Hires	Total	40.5%	44.2%	37.0%	49.2%	56.6%
Percentage of Female New Graduate Hires for Career-track Positions	Total	-	-	43.1%	56.7%	46.5%
Percentage of Female Hires	Total	-	-	33.8%	48.9%	41.3%
Number of People with Disabilities Employed (March, Persons)	Total	52	59	62	70	74
Percentage of People with Disabilities Employed (Annual Average)	Total	2.2%	2.2%	2.4%	2.5%	2.7%
Number of People Reemployed (Persons)	Total	30	41	54	54	55
	Male	30	39	48	48	51
	Female	0	2	6	6	4
Turnover Rate (Voluntary)	Total	3.0%	2.4%	3.4%	2.4%	2.4%
Total Turnover Rate	Total	-	-	-	-	2.9%
	Male	-	-	-	-	3.2%
	Female	-	-	-	-	2.5%
	20-29	-	-	-	-	1.7%
	30-39	-	-	-	-	3.1%
	40-49	-	-	-	-	2.0%
	50-59	-	-	-	-	2.9%
	60-69	-	-	-	-	-

Use of Various Systems

Item		FY2019	FY2020	FY2021	FY2022	FY2023
Percentage of Maternity and Parental Leave Taken	Total	100%	100%	100%	100%	100%
Number of Employees Taking Reduced Working Hours (Persons)	Total	133	131	163	161	182
Number of Employees Taking Childcare Leave (Persons)	Total	118	94	82	105	112
Percentage of Employees Taking Childcare Leave (Males)	Total	104.7%	62.0%	82.3%	97.1%	113.0%
Percentage of Employees Taking Childcare Leave (Females)	Total	106.3%	96.2%	103.3%	97.4%	103.0%
Return-to-work Percentage after Childcare Leave (Females)	Total	-	-	100%	97.8%	97.5%
Number of Employees Taking Family Care Leave/Time off (Persons)	Total	3	0	17	9	15
Total Days of Family Care Leave Taken by Employees Who Took Leave (Days)	Total	-	-	-	25	38

Working Hours and Holidays

Item		FY2019	FY2020	FY2021	FY2022	FY2023
Total Working Hours per Employee (Annual, Hours)	Total	-	-	-	1945.5	1962.6
Working Hours Exceeding the Statutory Limit per Employee (Annual, Hours)	Total	-	-	-	232.6	225.6
Monthly Average Overtime Working Hours per Employee (Hours)	Total	-	-	-	19.4	18.8
Percentage of Annual Paid Holidays Taken	Total	66.1%	59.2%	63.7%	68.7%	74.4%
Number of Annual Paid Holidays Granted (Days)	Total	-	-	-	19.8	19.8
Number of Annual Paid Holidays Taken (Days)	Total	-	-	-	13.6	14.7

* The data of the tables in pages 41 to 43 are those of the total of the former Mitsubishi UFJ Lease & Finance and the former Hitachi Capital for FY2019 to FY2020, and those of MHC for FY2021 to FY2023

Various systems for realizing work-life balance

We have created an environment that enables flexible working styles, such as flexible working without core time, work from home, and satellite offices.

In addition, we are working to reduce working hours by improving work using DX, and we are working to achieve a more fulfilling work-life balance by setting recommended “leave work early” days and encouraging more balanced work styles.

Overview of performance evaluation system

We conduct (1) a performance evaluation to evaluate the results of the fiscal year and (2) a competency evaluation to evaluate behavioral characteristics once a year, respectively, aiming to maximize the performance and promote the growth of every employee as well as optimizing their treatment based on fair evaluation. Both evaluations are based on the processes of self-evaluation and evaluation by managers. Evaluation results are communicated to the employee from their managers in interviews or other opportunities, and both parties confirm both positive points and negative points.

Training system

We have four main themes for human resource development: rank-based, global, DX, and diversity training. In addition, amidst a rapidly changing environment, we believe that human resource development tailored to the career development of each individual employee is important to stimulate each employee to meet the challenges of the future, so we have greatly expanded our training programs in the form of open-application training. We will continue to strive to provide opportunities for our employees to develop and realize their own careers.

Main Human Resource Education, Training, and Support Systems (FY2023, non-consolidated basis)

Theme	Contents	Number of Sessions	Number of Participants	Training Time (h)		Training Cost	
				Total	Per person	Total (million yen)	Per person (yen)
Rank-based	Programs related to the skills required for each rank: junior, mid-level, and management-level	41	1,820	30,453.0	14.2	182.6	85,334
Global	Programs for both mindset and skills	12	357	9,990.9	4.7	50.5	23,603
DX	Programs according to the results of the DX assessment	12	9,590	18,195.9	8.5	79.9	37,319
Diversity	Programs on the themes of women's participation and advancement, career development, and corporate culture	9	382	2,265	1.1	11.2	5,254
Self-development, etc.	Financial support mainly for the self-development and professional development of each department	13	81	1,939.5	0.9	61.5	28,720
Total		87	12,230	62,844.3	29.4	385.7	180,230

Training and Support for Acquisition of Qualifications (non-consolidated basis)

Item		FY2021	FY2022	FY2023
Average Hours of Training per Employee (Annual, Hours)	Average	-	30.1	29.4
	20-29	-	60.9	65.9
	30-39	-	23.9	19.4
	40-49	-	21.4	16.8
	50-59	-	24.5	20.4
	60-69	-	55.7	43.9
	Male	-	30.6	30.1
	Female	-	29.3	22.3
	Managers	-	18.9	29.8
	Non-managers	-	32.8	26.3
Average Days of Training per Employee (Days)	Total	-	4.1	4
Average Cost of Training per Employee (Annual, Yen)	Average	-	99,407	180,230
	20-29	-	214,446	360,030
	30-39	-	83,193	95,589
	40-49	-	67,280	70,822
	50-59	-	75,823	81,519
	60-69	-	94,827	36,926
	Male	-	107,044	149,421
	Female	-	87,999	97,641
	Managers	-	72,387	156,003
	Non-managers	-	105,866	122,235
Percentage of Employees Who Took Training	Total	-	99%	91%
Total Hours of Training (Hours)	Total	-	68,474	62,844
Types of Training (Types)	Total	-	3	3
Training Participants (Persons)	Total	-	2,157	1,955
Participants in the Next-generation Leader Development Program (Persons) (Participants in FY2023/Participants Who Were Appointed to Managers in FY2023)	Total	-	10/3	30/3
Employees Who are Eligible for Incentives for Acquiring Official Qualifications and Acquired Qualifications (Persons)	Total	-	670	912

Employee Satisfaction Regarding Talent Development (MHC)

Item	FY2021	FY2022	FY2023
Employee Satisfaction Regarding Talent Development Systems (pt)	64.6	65.0	61.7

Employees eligible for the shareholding system for employees

Employees and senior temporary employees of Mitsubishi HC Capital Inc. and its domestic subsidiaries are eligible for enrolling in the employee stock ownership plan.

Occupational Health and Safety

Basic Views on Occupational Health and Safety

We have defined the Basic Policy for Health and Safety Management as below:

Based on the unchanging basic principle of ensuring the health and safety of all employees above all else, we will actively implement health and safety initiatives to encourage every employee to always prioritize health and safety, ensure safe activities, and reduce risks autonomously. Thus, we will establish a comfortable work environment in which every employee can work in active roles.

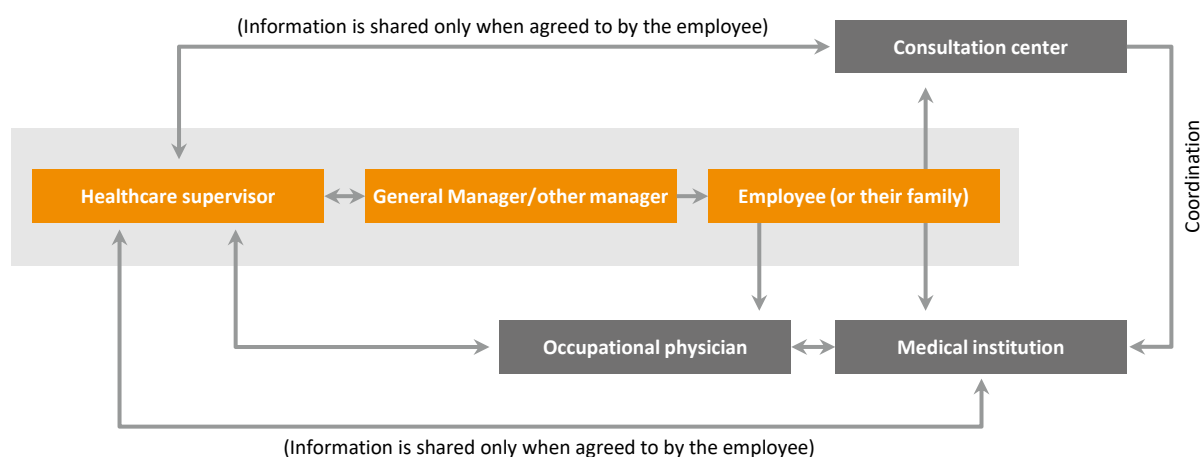
Furthermore, we have defined priority items in the Health and Safety Activity Guidelines as below:

- (1) Sharing of the basic principle and policy for health and safety in each workplace
- (2) Ensuring legal compliance and basics and ethics
- (3) Ensuring safety when natural disasters occur
- (4) Promoting health and productivity management
- (5) Further improvement of mental healthcare
- (6) Promoting efforts for eliminating vehicle accidents
- (7) Improving health and safety standards on a global basis

Health and safety activity promotion framework

Health Committee members are appointed as representatives of employees and attend monthly Health Committee meetings. The Basic Policy for Occupational Health and Safety Management is instilled in each workplace via the committee members in order to raise awareness the of health and safety of all employees. In Health Committee meetings, agenda items are appropriately set and discussed, based on advice and instructions from occupational physicians. In addition, by assigning healthcare supervisors to each office, we are aiming to adequately manage stress and maintain the physical and mental health of each employee, and to improve the wellness and performance of our workplace.

Health and Safety Activity Promotion Framework



Maintenance and promotion of health

Our Vision states that we aspire to “Foster an ‘open, creative and engaging’ corporate culture that shapes each and every employee’s motivation and pride.” Based on this vision, we strive to help employees reduce their risk of illness and maintain and improve their health, which we believe is crucial to ensuring that they can exercise their abilities to the fullest. We have developed a healthcare system composed of self-care, line care overseen by supervisors, and care provided by internal healthcare staff (human resources representatives) that incorporates industrial physicians, public health nurses, outside counseling services, and other specialized organizations. Through this system, we aim to help all employees maintain and improve their health.

Please refer to the below for details:

► Health Improvement Measures

https://www.mitsubishi-hc-capital.com/english/sustainability/social/employees_and_families.html

Occupational Safety and Health Data

Item		FY2022	FY2023
Percentage of Getting Regular Checkups	Total	100%	100%
Number of Serious Accidents	Total	0	0
Number of Industrial Accidents	Total	6	4
Number of Fatalities Related to Industrial Accidents	Total	0	0
Industrial Accident Frequency Rate	Total	0%	0%
Annual Industrial Accidents Rate per 1,000 Workers	Total	0%	0%
Number of Lost Time Accidents	Total	0	0
Lost Time Accident Severity Rate	Total	0%	0%
Cases of Telephone Health Counseling Service Being Used	Total	47	86

Health Risks

Item		FY2022	FY2023
Mental Health Issues (Persons)	Total	31	27
Mental Health Issues (Percentage)	Total	0.98%	0.85%
Percentage of Workers Feeling Stressed	Total	9.0%	11.8%
Percentage of Workers on Leave of Absence	Total	-	1.04%

Social Contribution

Together with Local Communities

In line with our Social Contribution Activity Policy, we place importance on the environment, human development, welfare and health, safety and security, and regional contribution, and we continuously conduct activities that allow us as a corporate citizen to contribute to the local community in regions worldwide, such as charity and volunteer work.

FY2023 Major Social Contribution Programs and the Number of Participants and Hours of Activities (Japan)

Date	Activity	Number of Participants	Breakdown		Per Person	Notes
			MHC	Group Company	Hours (H)	
June 6 and October 11, 2023 January 12, 2024	LTA (Learn, Think, Action) Project*	98	83	15	1.00	
June 12 and 13, 2023	Internal sales event of fair trade products	11	11	-	3.00	Number of participants represents that of event volunteers
June 14, 2023-February 29, 2024	Charity blood donation	67	21	46	1.00	
July 3-14, 2023	Support for artists with disabilities Artbility	440	-	-	0.08	Number of participants represents that of persons who cast a vote for the Mitsubishi HC Capital Special Award. The breakdown is unknown as participants were anonymous
October 14, 2023	The Forest of Mitsubishi HC Capital Group	19	18	1	4.50	
December 10, 2023 (online: November 6-December 3, 2023)	FIT for Charity Run	149	92	57	3.00	
January 26-27 and February 2-3, 2024	Volunteer snow removal	-	-	-	-	Cancelled because there was little snowfall
April 1, 2023-March 31, 2024	Cleanup activity (various locations)	74	15	59	1.00	
Total		858	240	178	-	

* The purpose is so that employees are able to participate in volunteer activities with a full understanding of the meaning of social contribution activities, etc. Participants learn, think, and act regarding actual social issues related to the activity by participating in lectures and workshops held by experts.

[Results/achievements/benefits of community and social contribution activities]

The Forest of Mitsubishi HC Capital Group

<Overview>

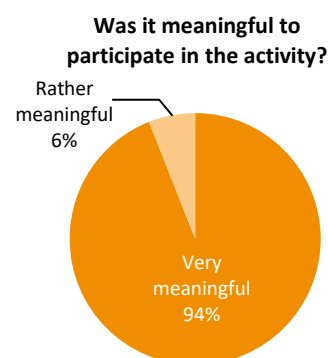
We have participated in a project led by the Tokyo Development Foundation for Agriculture, Forestry, and Fisheries to foster forests that produce less pollen through corporate partnerships since FY2019. This project aims to gradually replace varieties of Japanese cedar and cypress that release a great deal of airborne pollen with varieties of cedar and other trees that produce less pollen in the man-made forests of Tokyo's Tama region. In the first year, we replanted around 700 Japanese cedar and cypress tree saplings, and after that, we have been continuing with our forestation work, such as weeding.

<FY2023 activity details>

- Date: October 14, 2023
- Location: Kurabonesawa, Kamiongatamachi, Hachioji City, Tokyo
- Number of participants: 19 officers and employees of the Group
- Amount of donation: 2,000,000 yen (forest maintenance cost)
- We obtained the Forest Management Support Certification of the Tokyo Forestation Contribution Certification System of Tokyo Metropolitan Government, because our contribution to forestation and 221.13t of carbon absorption through our forestation activity were highly evaluated.

<Comments from participants>

- It was a very meaningful activity where I could learn from the lectures of the foundation's representatives, foresters who taught us how to weed, and other experts, while working with staff from various departments. I could experience the joy of witnessing the growth of trees since they were planted in 2019. I would definitely like to participate in this project going forward.
- I understood the importance of forests through the seminar of the LTA (Learn, Think, and Action) project in advance, so I was able to participate with even more enthusiasm.
- I was able to learn the historical background of the mass planting of cedar trees and why trees need to be cultivated through actual experience. I enjoyed socializing with other participants. It was a really fulfilling day.

**FIT for charity run**

<Overview>

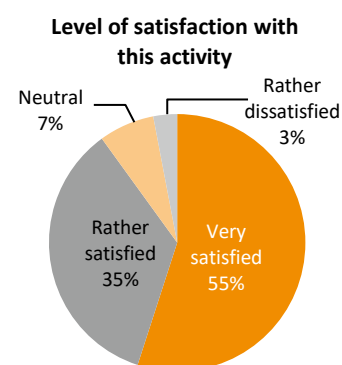
This charity run event raises money for charitable organizations, which have only limited fund-raising capabilities, through sponsorship money and entry fees from participants. It has been held since 2005 by like-minded individuals in the financial industry and is intended to be a powerful expression of the industry's collective commitment to making a positive contribution to the community.

<FY2023 activity details>

- Date: November 6-December 3 and December 10, 2023
- Location: Meiji Shrine Outer and online
- Number of participants: 149 officers and employees of the Group
- Amount of donations: 1,394,000 yen

<Comments from participants>

- There was a vote to decide which organization to support in advance. It was a very transparent and nice charity event that gave me a sense of participation. I hope that many more people, including MHC employees, participate and liven up the event.
- I participated in the online walking session. It was a good experience, and I was motivated to exercise regularly. The event is over, but I would like to keep making records and maintain good health.
- I had a great time talking with people from other departments and group companies who I don't usually meet. There were many types of events that I could join casually, and I was able to spend a healthy day.

**Social Contribution Activity-related Expenses of the MHC Group**

Category	Figure	FY2020	FY2021	FY2022	FY2023
Environment	Expenses (yen)	3,920,000	5,005,829	5,571,519	18,769,489
	Percentage	8.0%	4.8%	4.6%	15.5%
Human Development	Expenses (yen)	2,940,000	2,464,615	2,524,900	14,779,203
	Percentage	6.0%	2.4%	2.1%	12.2%
Welfare and Health	Expenses (yen)	30,870,000	11,530,120	66,040,491	19,355,276
	Percentage	63.0%	11.0%	54.7%	16.0%
Safety and Security	Expenses (yen)	9,800,000	62,887,196	40,444,944	25,985,579
	Percentage	20.0%	60.1%	33.5%	21.4%
Regional Contribution and Other	Expenses (yen)	1,470,000	22,800,851	6,106,530	42,271,806
	Percentage	3.0%	21.8%	5.1%	34.9%
Total (yen)		49,000,000	104,688,611	120,688,384	121,161,353

Expanding Access to Finance

Introduction of Mobile Applications and Diversification of Distribution Channels

MHC provides MileOn, a service which enables customers to complete a series of lease-related transactions online from requesting estimation, applying for credit, closing contracts, and the management during a contract period. Wide-ranging customers including corporations and sole proprietors can use this service.

Please refer to the below for details (Japanese only):

► MileOn

<https://www.mitsubishi-hc-capital.com/lp/mileon/>

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