

Corporate Governance Report

Last Update: June 27, 2023

Mitsubishi HC Capital Inc.

President & CEO Taiju Hisai

Securities Code: 8593

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

The corporate governance of Mitsubishi HC Capital Inc. (“MHC”) is described below.

I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

For MHC’s basic views on corporate governance, please refer to Principle 3.1 (ii) “Disclosure Based on the Principles of the Corporate Governance Code.”

[Reasons for Non-compliance with the Principles of the Corporate Governance Code]

MHC regards the appropriate development and operation of the corporate governance framework as one of the most important challenges of its management, and has fulfilled all the principles of the Corporate Governance Code.

[Disclosure Based on the Principles of the Corporate Governance Code]

Principle 1.4

Strategic shareholdings

1. Policy for strategic shareholdings

Under the corporate policy for enhancing its corporate value, MHC holds listed shares (strategic shareholdings) for purposes other than pure investment (targeting gains primarily through fluctuations in the value of shares and the receipt of dividends), with a view toward developing stable and long-term relationships with business partners and promoting business, along with strengthening such relationships based on capital/business alliances, and creation of new business opportunities. In its strategic shareholding practice, MHC’s basic policy is to regularly examine if it is rational to hold each share and sell such strategic shares that are judged no longer rational to hold.

Even when it is judged rational to hold shares, MHC may sell such shares in consideration of the impact of the risk of mark-to-market valuation fluctuation of the shares on MHC’s finance, capital efficiency, etc.

2. Method for verifying the rationality of strategic shareholdings

- (i) A quantitative evaluation based on factors including the size of business transactions/profit, dividends received, and capital costs;
- (ii) A qualitative evaluation of the business activities to date; and,

(iii) Potential business opportunities in the future.

The Board of Directors verifies the rationality of strategic shareholdings effectively by adjusting the focus on each of the items above for each investee in accordance with the significance of holding each share and the benefits expected therefrom.

3. Verification of the rationality by the Board of Directors

The Board of Directors examined the listed shares using the manner in 2. above at the Board of Directors meeting for the fiscal year ending March 31, 2023. It was confirmed that shares subject to this examination and that were judged no longer reasonable to hold would be sold.

4. Basis for exercising of voting rights

MHC is dealing with the exercise of the voting rights of strategically held shares, in light of the aforementioned purposes of strategic shareholding (such as the development of stable and long-term relationships with business partners, as well as the promotion of business).

MHC is dealing with the exercise of voting rights that may affect the enhancement of its corporate value over the medium-to long-term, the corporate value of its business partners, or shareholder interests, after verifying the circumstances and the potential impact with particular care. MHC believes that the exercise of voting rights would have a potential impact on the corporate value and the shareholders' interests in MHC, as well as its business partners, insofar as such an exercise of voting rights concerns the following agendas:

- Agenda on the disposal of surplus
- Agenda on the election of directors and auditors
- Agenda on organizational restructuring, etc.

Principle 1.7

Related party transactions

When MHC engages in transactions with its own Directors or Audit & Supervisory Committee Members and with major shareholders (i.e., related party transactions), it establishes the following systems and procedures to ensure that such transactions do not harm the interests of MHC or the common interests of the shareholders:

- The Compliance Manual, which compiles the basic policies for promoting compliance by the Group, clearly prohibits transactions that constitute conflicts of interest and preferential transactions.
- When a transaction takes place between MHC and its Directors or Audit & Supervisory Committee Members, the appropriateness of the terms of the transaction, as well as the manner of determination thereof, are deliberated in advance at meetings of the Board of Directors before a decision is made.
- In view of the importance of MHC offering credit to major shareholders and to MHC's subsidiaries, when the amount of credit exceeds a certain percentage of total assets, based on the internal rules, the appropriateness of the amount of the credit offering, as well as the manner of determination thereof, are deliberated in advance at meetings of the Board of Directors before a decision is made regarding such credit offering.
- Funding from MHC's major shareholders and its subsidiaries is determined and reported at the Board of Directors' and other meetings, in accordance with the decision-making authority set forth in the internal rules.

- Regarding deliberations of the Board of Directors concerning transactions between MHC and a company in which MHC's Director concurrently serves as an officer, the fairness of the deliberations is guaranteed by requesting such Director to recuse from participating in such deliberations.
- The Audit & Supervisory Committee Members and the Accounting Auditor audit the status of transactions between related parties.

Supplementary Principle 2.4.1

Ensuring diversity in key personnel within the organization

<Views on ensuring diversity>

MHC has established the Diversity Promotion Office aiming to promote the participation of diverse talent, making use of individual attributes such as nationality, age, and gender, and is active in developing work environment where every employee can efficiently work with motivation and vigor as well as establishing systems to support a good balance between work and family.

<Women>

1. Voluntary and measurable goals and disclosure

MHC has actively promoted women's empowerment, such as obtaining 2-Star Eruboshi certification (certification for business owners based on the formulation of an action plan as per the Act on Promotion of Women's Participation and Advancement in the Workplace). In addition, per this Act, MHC formulated an action plan for general business owners with the scope term of the five years from April 1, 2021 to March 31, 2026, in which the numerical target of the percentage of women in managerial positions (Section Manager or above) is set at 20% as a minimum.

The percentage of female managers is currently 14.0% (non-consolidated basis). As female employees account for approximately 40% of MHC's employees, MHC will continue to set a numerical target for the ratio of female managers and actively implement initiatives to achieve the target, as a priority issue in diversity promotion.

2. Policies for talent development and improvement of work environment

In order for developing female employees in managerial positions, MHC has adopted training programs exclusively for female employees, external training programs with the purposes of exchange with female managers of other companies, training programs for developing and selecting managers, and others. MHC has also implemented career support measures including a system for career course changes according to capability, competence, and motivation for challenges, and various measures to support a good balance between work and child care such as a system to allow working from home and flexible working hours and a system to provide re-employment opportunities to employees who quit due to the overseas relocation of the spouse or childcare/elderly care. For the development of candidates for female managers in each office, the Human Resources Department interviews with the employee to exchange views on her career plan and establish a mindset. Interviews between the manager of the candidates and the Human Resources Management Department are also held for the regular monitoring of the status of talent development, career plan, status of job assignment, checks of work environment, etc. Thus, a solid talent development environment has been built by the head office and front offices working together.

<Foreign nationals and mid-career hires>

1. Voluntary and measurable goals and disclosure

MHC continues hiring activities not bound by nationality, and there are approximately 20 foreign employees (non-consolidated basis). While there are currently no foreign employees working as managers, MHC will promote the appointment of foreign employees as managers through initiatives to develop diverse talent.

Meanwhile, mid-career hires account for about 30% of the managerial positions of MHC (non-consolidated basis). MHC will continue efforts for maintaining and raising the ratio of mid-career managers by actively developing mid-career hires.

2. Policies for talent development and improvement of work environment

MHC has recruited and hired persons with necessary attributes, capabilities, and experience according to the business environment as appropriate, regardless of nationality. After hiring foreign nationals or mid-career persons, MHC provides an environment necessary for such employees to demonstrate their abilities, such as opportunities for education and promotion (job-level training, training for selected employees, e-learning, etc.) equivalent to those for Japanese employees or new-hires.

MHC has developed internal environment which enables foreign employees to smoothly work, including from the perspective of language, such as the dispatch of Japanese employees to overseas group companies, active implementation of education programs to develop business-level English proficiency and global mindsets, and dispatch of important internal information translated into English simultaneously with the Japanese version.

Regular performance evaluation interviews with managers and HR interviews (one-on-one interviews with the staff of the Human Resources Management Department to confirm the career planning of each employee) have been conducted to facilitate appropriate support by hearing career plans and job-related worries.

The figures above are all current as of the end of March 2023 (non-consolidated basis).

Please refer to MHC website for details.

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

Principle 2.6

Roles of corporate pension funds as asset owners

Both of the pension plans of the former two companies that had been operated since before the business integration in 2021 are currently in use. Under this situation, MHC has constructed the system below so that their corporate pension plans will enhance the investment profession and fulfill the functions expected of an asset owner.

<The contract-type corporate pension plan>

- This pension plan defines a policy asset mix of pension assets in order to secure long-term returns, and such assets are managed through appropriately diversified asset allocation, with the aim of ensuring asset management that secures a stable source of benefits in the future.
- MHC established the “Basic Policy Concerning the Management of Pension Assets” to address the management of conflicts of interest between the beneficiaries of the corporate pension plan and MHC, with a view toward maximizing the interests of beneficiaries. In particular, in selecting an asset management institution, a rigorous screening is conducted based on evaluations by an evaluation body through “qualitative evaluation, primarily of business operations, reputation in society, and investment policies (stewardship code, policy on ESG

initiatives, etc.)” and “quantitative evaluation, primarily of experience and track record in investment and management.” A decision is then made based on the opinions of the Asset Management Committee.

- The members of the Asset Management Committee are selected from among persons with experience in corporate pension work. The selected members develop further knowledge by participating in training sessions and seminars conducted by asset management institutions and other organizations.

<The fund-type corporate pension plan>

- This pension plan invests the pension assets through the Mitsubishi HC Capital Corporate Pension Fund (the “Fund”).
- Since the stable investment of the corporate pension reserves will affect the company’s own financial status, in addition to ensuring future asset building of the employees, (i) from a personnel perspective, a person who has professional ability and knowledge of the pension investment will be appointed as an investment exercise director, and (ii) from an operations perspective, measures such as reporting the investment situation to the Asset Management Council established within MHC and the management team will be conducted.
- The Board of Representatives, which is a decision-making body of the Fund, consisting of the members selected by the business owner and the members selected by a mutual vote of the other participating members, will operate under a system which ensures appropriate management of conflicts of interest between MHC and a participating member who is a beneficiary.
- The situation of the investment and other operations shall be reported to the participating members regularly.

Principle 3.1 (i)

Basic Management Policy

MHC has established its Corporate Philosophy, which has been disclosed online at the following URL:

Corporate Philosophy

<https://www.mitsubishi-hc-capital.com/english/corporate/idea/index.html>

Medium-to Long-Term Management Direction

MHC has formulated the “medium-to long-term management direction” for achieving its Mission (what MHC aspires to be from a long-term perspective), which has been disclosed online at the following URL:

Medium-to long-term management direction

<https://www.mitsubishi-hc-capital.com/english/investors/library/report/index.html>

Medium-term Management Plan

MHC has disclosed a Medium-term Management Plan for the period from FY2023 to FY2025 (2025 MTMP) based on its medium-to long-term management direction at the following URL:

<https://www.mitsubishi-hc-capital.com/english/investors/managementplan/index.html>

Principle 3.1(ii)

Basic Views on Corporate Governance

<Basic Views>

MHC recognizes that it is one of its social responsibilities to ensure transparent and sound management, while emphasizing initiatives to achieve sustainable corporate growth and a medium-to long-term improvement in corporate value. Respecting the rights and interests of all of its stakeholders—shareholders, customers, local communities, and employees—MHC works to fulfill the trust they place in us, and aspire to contribute to a more prosperous society. To fulfill these social responsibilities, it engages in continuous initiatives to enhance corporate governance by boosting the activity of the Board of Directors, reinforcing the Audit & Supervisory Committee and the internal audit system, ensuring timely and appropriate disclosures of information, improving investor relations (IR), and related activities.

<Basic Policies>

[Appropriate collaboration with all stakeholders]

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

[Appropriate information disclosure and ensuring transparency]

MHC strives to conduct proactive and continuous information disclosure in order to be trusted and properly evaluated by each of its stakeholders. It also establishes and appropriately operates internal systems to facilitate the swift and impartial disclosure of accurate information regarding its management policies, business strategies, business activities, financial condition, etc. In addition to the items it is required to disclose pursuant to laws and regulations, it actively and voluntarily discloses non-financial information deemed useful to its stakeholders.

[Ensuring the rights and equality of shareholders]

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

[Dialogue with shareholders]

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

[Responsibilities of the Board of Directors]

All members of the Board of Directors, including Outside Directors, call upon their experience and insight as they engage in free and open discussions, contributing to active proceedings of the meetings of the Board of Directors. In this manner, they adequately fulfill their duties and responsibilities to achieve the sustainable growth of MHC, medium-to long-term improvement of

its corporate value, and enhancement of its earnings capacity and capital efficiency in an environment that supports appropriate risk-taking.

Principle 3.1 (iii)

Policies and Procedures to Determine Remuneration of Directors

A policy relating to the Board of Directors' decisions concerning the amount of remuneration, etc. of the Directors (except Directors who are Audit & Supervisory Committee Members) has been disclosed in documents such as this report and the Securities Report. The amount of remuneration is determined based on prescribed standards resolved by the Board of Directors after discussion in advance by the Compensation Committee, of which Independent Outside Directors comprise the majority. Decisions relating to the amount of remuneration for each individual have been entrusted entirely to the Representative Director, President & CEO, and the fairness of such decisions is guaranteed by an ex-post verification of the specific amount to be paid by the Compensation Committee.

Principle 3.1 (iv)

Policies and Procedures for Selection and Dismissal of Directors

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

In addition, if 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. The Director significantly damaged the value of MHC by neglecting their duties.

2. The 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. The Director is deemed to not meet the selection standards for Directors.

Principle 3.1 (v)

Reasons for Selection, Dismissal and Nomination of Directors

The reasons for electing the candidates for Directors at the most recent Annual General Meeting of Shareholders are stated in the Notice of Convocation of the General Meeting of Shareholders. For details, please refer to the link below.

During the most recent fiscal year under review, no Directors or Executive Officers have been dismissed.

<https://www.mitsubishi-hc-capital.com/english/mul/investors/index.html>

[Details of the change of the President & CEO announced in February 2023]

- MHC discussed a succession plan for selecting the next President & CEO in the Nomination Committee which was established in April 2022.
- The Nomination Committee first specified selection standards for President & CEO, such as “strategic thinking,” “leadership,” and “ability to make decisions.” In addition, the committee discussed and identified expertise specifically required for the President & CEO of MHC, and defined evaluation criteria for candidates for the President & CEO, taking into account “attributes and ability,” “expertise and skills,” “global management experience,” etc.
- With these in mind, a series of Nomination Committee meetings discussed the selection of the President & CEO by creating a long list of president candidates, and then creating a short list based on the long list. As a result, they came to a conclusion that Mr. Taiju Hisai is the most suitable person to be the next President & CEO, and this was resolved at the Board of Directors meeting.

Supplementary Principle 3.1.3

Sustainability

1. Efforts on sustainability

MHC 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, MHC established a 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 the Corporate & Strategic Planning Division, and its members comprise Executive Officers in charge of business departments and the corporate center, including the President & CEO. The committee implements a wide range of activities—including checking the progress of activities and the level of achievement of targets in non-financial sectors, deliberating over new

activities, and discussing non-financial indicators—and reports the results to the Executive Committee and the Board of Directors.

MHC has identified the following six materiality issues as priority key challenges which must be addressed to achieve the sustainable development of the Group. In light of the significance of these materiality issues, the Group will proceed with effective management and business activities aimed at solving the issues.

<Materiality issues of the Mitsubishi HC Capital Group>

- (1) Advance toward a Carbon-free Society
- (2) Realize a Circular Economy
- (3) Build Resilient Social Infrastructure
- (4) Realize Healthy and Prosperous Lifestyles
- (5) Create Businesses Making Use of the Latest Technologies
- (6) Symbiosis with Each Region Worldwide

Please refer to MHC's website for details of the material issues and sustainability efforts.

<https://www.mitsubishi-hc-capital.com/english/sustainability/index.htm>

2. Investment in human capital and intellectual property, etc.

MHC's vision includes fostering of an open, creative, and engaging corporate culture that shapes each and every employee's motivation and pride. MHC established the Diversity Promotion Office with the aim to help diverse talent to play an active role by taking advantage of individual attributes such as nationality, age, and gender, as well as taking advantage of diverse values. MHC has actively worked on the development of work environment where every employee can efficiently work with motivation and vitality as well as the enhancement of the systems to support a good balance between work and family.

MHC's diversity promotion includes the promotion of work-life balance and the support for the development of the next generation, including women empowerment. MHC has also developed and promoted a healthcare system comprising "self-care", "care for the line by managers", and "care by internal healthcare staff (HR)", aiming to promote the health of employees.

MHC is also strategically making use of computerized information (software and database), innovative property (R&D and licenses), economic competencies (talent (human capital) and organization) and other intangible assets, regarding them as important for sustainable growth.

With the vision of the enhancement of corporate value by utilizing digital technology and data, MHC has been formulating medium-to long-term digital transformation strategies and promoting digital transformation initiatives.

At the same time, MHC is working to develop talent who are positive about digitalization by promoting self-development of employees, such as promoting the acquisition of related qualifications as a part of the education system.

3. Impact of climate change-related risks and revenue opportunities on MHC's business activities, revenue, etc.

MHC promotes its unique and advance business with consciousness of global environment to solve social issues. Especially, climate change exerts a grave impact on the global environment, including its ecosystems, as well as on people's lives and business activities. It believes climate change constitutes a major risk confronting the Mitsubishi HC Capital Group, and simultaneously, may also bring new business opportunities. To clearly specify its policy, it is supporting recommendations by the Task Force on Climate-related Financial Disclosure (TCFD).

Furthermore, recognizing the importance to disclose climate-related financial information, it also endeavors to play its part in the realization of international targets identified by the United Nations Sustainable Development Goals (SDGs) and the Paris Agreement. To this end, it will act in collaboration with other Group companies as well as a broad range of stakeholders, including government agencies, external business corporations, and industrial associations to realize society's transition with decarbonization.

MHC will address information disclosure in line with the four thematic areas (governance, strategy, risk management, metrics and targets) of the TCFD recommendations to enhance disclosure regarding climate change. At the same time, it will emphasize environmentally-conscious efforts through customers' business and the efforts to reduce greenhouse gas emissions of the Group. Please refer to MHC's Annual Securities Report for details.

Supplementary Principle 4.1.1

Disclosure of the scope of delegation to management

MHC establishes important matters that need to be resolved by the Board of Directors, in accordance with the Rules of the Board of Directors, and decisions regarding other matters are delegated to the Executive Directors and made at the Executive Committee. In order to ensure the proper implementation of the Rules of the Board of Directors, standards have been established for items to be submitted to the Board of Directors. Among those matters that need to be resolved by the Board of Directors, as provided in the Rules of the Board of Directors, specific standards requiring a resolution of the Board of Directors have been established for "the disposal of and acceptance of transfer of important assets" such as the buying and selling of receivables and assets, "borrowing of a significant amount" such as borrowings, and "the establishment, revision, or abolition of important internal rules."

If specific standards requiring a resolution of the Board of Directors are to be set by reference to monetary amounts, a standard amount is determined based on the amount of total assets.

Principle 4.9

Independence standards for Outside Directors and selection of Outside Directors

Please refer to II 1. "Independent Directors" in this report.

Supplementary Principle 4.10.1

Establishment of independent Nomination Committee and Compensation Committee

MHC has established the Nomination Committee and Compensation Committee as advisory bodies to the Board of Directors, of which Independent Outside Directors comprise the majority. Please refer to II 1. [Establishment of Voluntary Committees] and II "2. Matters on Functions of Business Execution, Auditing, Oversight, Nominating and Remuneration Decisions, etc. (Overview of Current Corporate Governance Systems)" of this report for details.

Supplementary Principle 4.11.1

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

MHC assumes that the Board of directors shall possess skills in "general corporate management," "financing," "financial accounting," "legal, compliance and risk management," "international business" and other areas, in view of the business lineup.

MHC recognizes that diversity of Directors is important for 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 purposes of strengthening the functions of the Board of Directors, to elect a Director with a certain attribute merely to comply with formal and external diversity requirements even when they lack the qualities and abilities that are required for the role. Therefore, MHC believes, as a desirable way of achieving diversity within MHC, that it is necessary to consider whether such Director is expected to perform the necessary skills and possesses the ability in light of the respective management environment as a top priority, and electing a desirable person without restrictions on gender, nationality, race, age, career, etc. Based on such a view, MHC will continue to determine the appropriate composition of the Board of Directors.

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

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

Please refer to Principle 3.1 (iv) for the policies and procedures for selection and dismissal of directors. The skill matrix is published on MHC's website.

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

Supplementary Principle 4.11.2

Information on Directors and Audit & Supervisory Committee Members who have concurrent posts

Regarding the nomination of Director candidates, MHC makes a decision after consideration of the situation surrounding the concurrent posts, and consideration of whether such candidate could sufficiently perform their expected duties as Company Director.

MHC determines whether current Directors put sufficient time and effort into their work to fulfill their respective roles and responsibilities appropriately.

Information on Directors and Audit & Supervisory Committee Members who have concurrent posts has been included in the Business Report posted on the corporate website, which can be viewed at the link below:

<https://www.mitsubishi-hc-capital.com/english/investors/meeting/index.html>

Supplementary Principle 4.11.3

Assessment of the Board of Directors and disclosure of the results thereof

1. Policies for effectiveness assessment of the Board of Directors

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

2. Assessment manner for FY2022

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

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

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

3. Results of effectiveness assessment

Major results of the assessment above are as follows.

- ① It was determined that the Board of Directors, etc. of MHC are sufficiently performing their roles.
 - Because sufficient prior explanations of important agenda items mainly focusing on key topics such as the medium-to long-term management direction and the new Medium-term Management Plan had been provided to Directors, understanding of the agenda items was deepened and the efficiency of the Board of Directors improved. In addition, measures to solve the issues recognized in the previous effectiveness assessment have been steadily implemented and the operation of the Board of Directors has been improved. For instance, communication and mutual understanding among the Directors has significantly improved.
 - Each Committee meeting was carried out in a timely and appropriate manner, and had highly-transparent and fair discussions on the changeover of the President & CEO and the remuneration of the Directors.
- ② Meanwhile, issues that should be addressed in order to further enhance the effectiveness of the Board of Directors, etc. have been recognized.
 - It is necessary to allocate time for deliberation according to the significance of the agenda items and to further improve prior explanations on key agenda items in order to secure enough time for deliberation.
 - There is a need for efforts to further promote Outside Directors' understanding of the overall global business of MHC.

4. Initiatives for FY2023

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

Supplementary Principle 4.14.2

Disclosure of the training policy for Directors and Audit & Supervisory Committee Members

- MHC provides briefings on matters including the corporate mission, business conditions, and corporate governance to newly-appointed Outside Directors.
- MHC provides information on training opportunities to Directors, for example, by adopting seminars held by external organizations on the latest corporate governance trends, digital transformation, sustainability, etc. In addition, Outside Directors have fostered cooperation by exchanging and sharing a variety of information through opinion exchange meetings, in which only the Governance Committee, which serves as an advisory body to the Board of Directors, and Outside Directors participate.

- MHC bears the full cost related to the training of Directors.
- Please refer to II 1 [Supporting System for Outside Directors (Outside Audit & Supervisory Committee Members)] for the supporting system for Outside Directors.

Supplementary Principle 5.1

Policies for constructive dialogue with shareholders

MHC strives to engage in proactive dialogue with shareholders, with the recognition that conducting transparent and sound management is one of its social responsibilities, while focusing on sustainable growth and enhancement of its medium-to long-term corporate value.

The Corporate Communications Department and the General Affairs Department serve as the primary point of contact, implementing a system for coordination with the Corporate & Strategic Planning Department, Accounting Department, etc.

MHC takes the following initiatives:

- Financial results briefings are held twice each year, after the announcement of full-year financial results and second quarter financial results, in which MHC's management provides explanations and also answers any questions that are asked.
- MHC's management (including Outside Directors), the Corporate Communications Department, and the General Affairs Department conduct individual interviews with domestic and foreign institutional investors, and IR and SR activities, such as participation in briefings and various conferences.
- MHC provides a wide range of information such as the movies of financial results briefings and materials with scripts, and summaries of Q&A sessions on the corporate website to investors including individual investors. In conjunction with this, MHC participates in IR events and various briefings for individual investors which are organized by securities companies and stock exchanges.

Opinions and concerns expressed in the dialogue with shareholders are promptly reported to MHC's management. In addition, those are regularly reported to the Board of Directors so that the information is shared with Independent Outside Directors as well.

MHC appropriately and carefully manages insider information, in accordance with MHC's internal rules, and also discloses such information in accordance with the information disclosure policy. Please refer to the corporate website for the information disclosure policy:

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

[Initiatives for Achieving Management with Awareness of Capital Cost and Share Price]

The Group believes that management with awareness of return on capital is important in order to achieve sustainable growth and the enhancement of medium- to long-term corporate value. Based on this, MHC will move forward with investment in research and development which leads to the creation of intellectual property and intangible assets, investment in human capital and facilities, sustainability transformation (SX), digital transformation (DX), business portfolio transformation, and other efforts. Through these initiatives, MHC will realize the appropriate allocation of its management resources. In addition, it will aim to enhance its medium- to long-term corporate value by achieving an optimal balance sheet based on well-balanced growth potential, return on capital, and financial soundness.

Following its business integration in April 2021, MHC has formulated the Medium- to Long-term Management Direction (announced on May 16, 2022) and the Medium-term Management Plan

for FY2023-FY2025 (“2025 MTMP”) (announced on May 15, 2023), through discussions at internal meetings and Board of Directors meetings.

With the understanding that it is essential to achieve profitability which constantly exceeds capital cost for the improvement of its market evaluation, including PBR, the Board of Directors discussed the level of ROE which MHC aims to achieve in the medium- to long-term as part of Our 10-year Vision. In terms of financial strength, MHC has discussed a balance sheet necessary for the “achievement of the goal of continuing to increase ROE, while increasing absolute revenue,” rather than simply from the perspective of profit and loss statements, and has also had discussions on non-financial capital. Based on these discussions, it set a minimum goal of an ROE of approximately 10% for the end of FY2025. The 2025 MTMP is positioned as the “hop” plan of the three Medium-term Management Plans (“hop,” “step,” and “jump”) toward Our 10-year Vision (“Together we innovate, challenge and explore the frontiers of the future”) in the Medium- to Long-term Management Direction. MHC will address the management plan with “sowing seeds” and “gaining a solid foothold” leading to a leap to the “step” and “jump” plans as keywords.

Considering that theoretically, $PBR = \text{expected ROE} \times \text{expected PER} = \text{expected ROE} \times \frac{1}{(r-g)}$ (r: ratio of the cost of shareholder equity, g: perpetual growth rate), MHC’s management strategy to achieve a PBR of one or higher is as follows.

First, MHC will “foster expectations of growth from the market” by “achieving the goal of constantly increasing ROE, while increasing absolute revenue.” This will heighten expectations for the increase of its share price. And, by maintaining these expectations, MHC will continue to increase its PER.

Next, it will further increase PER by “expanding financial capital through the accumulation of non-financial capital,” “reducing the cost of shareholder equity by an appropriate engagement strategy,” etc. Because these factors are mutually related, it will promote the efforts above in a unified manner to continue to increase its PBR.

This management plan, incorporating the targets and specific initiatives for the improvement of its market evaluation, including PBR, is posted on MHC’s website. The progress of the management plan will be disclosed periodically.

Medium-term Management Plan for FY2023-FY2025 (“2025 MTMP”)

[Medium-term Management Plan | Mitsubishi HC Capital \(mitsubishi-hc-capital.com\)](https://mitsubishi-hc-capital.com)

The following are items contained in the 2025 MTMP that are related to the initiatives being discussed.

- Statements regarding “achieving the goal of constantly increasing ROE, while increasing absolute revenue” and “fostering expectations of growth”.

Page 6: 2-1. Management Plan (Financial Targets)

Page 14: 4-1. Business Strategies (for the Evolution and Layering of Business Models)

Page 15: 4-2. Business Strategies (Vision of the Evolution and Layering of Business Models)

Page 16: 4-3. Premise for Business Strategies (Financial Strategies that Support the Evolution and Layering of Business Models)

Page 17: 4-4. Business Strategies by Segment

Page 19: 4-5. Business Strategies (Key Themes across segments)

Page 23: 6. Frameworks to Promote Transformation

- Statements regarding “expanding financial capital through the accumulation of non-financial capital”.

Page 7: 2-2. Non-Financial Targets

Page 11: 3-3. Value Creation Process (Expansion of Financial Capital through the Accumulation of Non-Financial Capital)

Page 21: 5. Corporate Functions Strategies

- Statements regarding “fostering expectations of growth” and “reducing capital costs for shareholder equity by an appropriate engagement strategy”.

Page 21: 5. Corporate Functions Strategies

Page 23: 6. Frameworks to Promote Transformation

[Status of Dialogues with Shareholders]

1. Key figures in dialogues with MHC’s shareholders and an overview of the shareholders

As described in MHC’s policy regarding constructive dialogues with shareholders, members of MHC’s management including the President & CEO, as well as the Corporate Communications Department and General Affairs Department, often engage in these dialogues with its shareholders and investors. The following are the major initiatives undertaken in FY2022.

- Following the announcement of MHC’s second-quarter and full-year financial results, the President & CEO and the CFO held two briefings, which included question and answer sessions with investors.
- The President & CEO engaged in individual dialogues with domestic and overseas shareholders.
- By participating in a variety of conferences held by securities companies, MHC’s officers responsible for investor relations were able to engage in dialogues with institutional investors.
- Throughout the year, the Corporate Communications Department and General Affairs Department engage in individual interviews with domestic and overseas shareholders. These shareholders are domestic and international investors who are active in both growth and value stock investments, as well as domestic passive investors, including fund managers, ESG representatives, those responsible for executing voting rights, etc.

2. Major Themes of Dialogues

The following are the major themes of the dialogues, including items which are of particular concern to MHC’s shareholders, etc.

- MHC’s management strategy based on the Medium- to Long-term Management Direction announced in May 2022.
- The status of the formulation of the 2025 MTMP.
- Initiatives to improve ROA and ROE.
- MHC’s stance regarding shareholder returns, including its policy for distributing dividends and stock buy-backs going forward.
- The recovery of the Aviation Business from the COVID-19 crisis, and the business conditions, etc. of a marine container leasing company acquired in November 2021.
- The status of progress on the integration of management following the merger in April 2021, and the emergence of integrated synergies.

3. Items Introduced in Light of the Dialogues

MHC formulated the Medium-Term Management Plan, announced in May of this year, having taken into account the concerns of its shareholders and investors. Further, in consideration of the valuable opinions MHC received regarding the disclosure of financial results-related information, it has improved its reporting in Financial Results statements by choosing to disclose occurrences

deserving special mention by segment, among other improvements, making the actual performance of each segment easier to understand.

4. An Update on Management and the Board of Directors

In August 2022 and March 2023, MHC provided an update on the Executive Committee and the Board of Directors regarding the status of dialogue between MHC's management, etc. and its shareholders and investors.

2. Capital Structure

Percentage of Foreign Shareholders	From 10% to less than 20%
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[Status of Major Shareholders]

Name / Company Name	Number of Shares Owned (Shares)	Percentage (%)
Mitsubishi Corporation	264,044,396	18.00
Mitsubishi UFJ Financial Group, Inc.	208,345,981	14.20
The Master Trust Bank of Japan, Ltd. (Trust account)	112,341,200	7.65
Custody Bank of Japan, Ltd. (Trust account)	65,391,700	4.45
Hitachi, Ltd.	59,152,180	4.03
MUFG Bank, Ltd.	50,348,620	3.43
Mitsubishi UFJ Trust and Banking Corporation	28,431,000	1.93
Meiji Yasuda Life Insurance Company	27,990,390	1.90
JPMorgan Securities Japan Co., Ltd.	22,807,730	1.55
STATE STREET BANK WEST CLIENT-TREATY 505234	11,543,563	0.78

Controlling Shareholder (Except for Parent Company)	-
Parent Company	-

Supplementary Explanation	-
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3. Corporate Attributes

Listed Stock Markets and Market Sections	Tokyo Stock Exchange/Prime, Nagoya Stock Exchange/Premier
Fiscal-Year End	March
Type of Business	Other Financing Business
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Sales (Consolidated) as of the End of the Previous Fiscal Year	¥1 trillion or more
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 100 to less than 300

4. Policy on Measures to Protect Minority Shareholders when Conducting Transactions with Controlling Shareholder

-

5. Other Special Circumstances which may have Material Impact on Corporate Governance

-

II Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Matters Concerning Organizational Composition and Operation

Organization Form	Company with Audit & Supervisory Committee
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[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	22 persons
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	Chairman
Number of Directors	12 persons
Appointment of Outside Directors	Appointed
Number of Outside Directors	6 persons
Number of Outside Directors who are designated as Independent Directors	5 persons

Outside Directors' Relationship with MHC (1)

Name	Attribute	Relationship with MHC (*)										
		a	b	c	d	e	f	g	h	i	j	k
Hiroyasu Nakata	Scholar											
Yuri Sasaki	Scholar											
Takuya Kuga	From another company							○	○			
Koichiro Hiraiwa	From another company								△			
Hiroko Kaneko	Certified Public Accountant											
Masayuki Saito	From another company								△			

* Categories for "Relationship with MHC"

* "○" when the Director presently falls within or has recently fallen into the category

"△" when the Director fell within the category in the past

* "●" when a close relative of the Director currently falls within or has recently fallen into the category

"▲" when a close relative of the Director fell into the category in the past

a. Executive of MHC or its subsidiaries

b. Non-executive director or executive of a parent company of MHC

c. Executive of a fellow subsidiary company of MHC

d. A party whose major client or supplier is MHC or an executive thereof

e. Major client or supplier of MHC or an executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from MHC in addition to remuneration as a Director/Audit & Supervisory Committee Member

g. Major shareholder of MHC (or an executive of the major shareholder if the relevant shareholder is a legal entity)

- h. Executive of a client or supplier of MHC (which does not correspond to any of d, e, or f) (the Director himself/herself only)
- i. Executive of a company, between which and MHC's Outside Directors/Audit & Supervisory Committee Members are mutually appointed (the Director himself/herself only)
- j. Executive of a company or organization that receives a donation from MHC (the Director himself/herself only)
- k. Other

Outside Directors' Relationship with MHC (2)

Name	Audit & Supervisory Committee Member	Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Hiroyasu Nakata		○	-	Because Mr. Nakata has contributed to the appropriate decision-making and supervision of overall management by the Board of Directors as an Outside Director by utilizing his deep knowledge of the law, MHC decided to request him to continue serving in the Director position. MHC expects him to contribute to appropriate decision-making and supervision of overall management by the Board of Directors as an Outside Director based on his objective perspective, independent from MHC's management team engaged in the execution of business, and also to contribute to the enhancement of the soundness, transparency, and fairness of management as a member of the Governance Committee, Nomination Committee, and Compensation Committee. (Reasons for designation as an Independent Director) MHC has determined that Mr. Nakata fulfills the independence standards, and has no risk of conflicts of interest with general shareholders, after comprehensively taking into consideration his current status, past career, and other factors. MHC has therefore designated him as an Independent Director.
Yuri Sasaki		○	-	Because Ms. Sasaki has contributed to the appropriate decision-making and supervision of overall

				management by the Board of Directors as an Outside Director by utilizing her academic expertise as a university professor and excellent knowledge and wealth of experience as an international finance researcher, MHC decided to request her to continue to serving in the Director position. MHC expects her to contribute to the appropriate decision-making and supervision of overall management by the Board of Directors by utilizing the above knowledge, and also to contribute to the enhancement of the soundness, transparency, and fairness of management as a member of the Governance Committee, Nomination Committee, and Compensation Committee. (Reasons for designation as an Independent Director) MHC has determined that Ms. Sasaki fulfills the independence standards, and has no risk of conflicts of interest with general shareholders, after comprehensively taking into consideration her current status, past career, and other factors. MHC has therefore designated her as an Independent Director.
Takuya Kuga			Mr. Kuga is currently an Executive Vice President of Mitsubishi Corporation, which is MHC's major shareholder. There is a transactional relationship, including lease contracts, between Mitsubishi Corporation and MHC.	MHC decided to request Mr. Kuga to continue to serving in his Director position because he has contributed to the appropriate decision-making and supervision of overall management by the Board of Directors as an Outside Director based on his practical perspective, by utilizing a wealth of management experience at a major general trading company in Japan and deep knowledge of domestic and overseas businesses. As Mr. Kuga concurrently serves as an Executive Vice President of Mitsubishi Corporation, a major shareholder of MHC, he is not designated as an Independent Director. Mitsubishi Corporation is an important business partner for MHC, with whom it can work

				together to aim for the improvement of corporate value. Among other positions, including overseas assignments in the U.S., he has served as the Division COO, Real Estate Business Division and Division COO, Urban Development & Infrastructure Division. Currently, he serves as the Group CEO of the Urban Development Group. MHC expects to utilize Mr. Kuga's management experience and extensive overall knowledge in Japanese and international businesses for MHC's management and effectively utilize his advice as someone who has served as a chief of business areas of collaboration between Mitsubishi Corporation and MHC. MHC has deemed that this will lead to the improvement of MHC's corporate value and contribute to the enhancement of the interests of all shareholders including minority shareholders. Mr. Kuga has indicated his intention to perform his duties as a Director for the benefit of MHC, not for any specific shareholder. If any item of business posing a conflict of interest between Mitsubishi Corporation and MHC is submitted to MHC's Board of Directors, he will participate neither in its deliberations or resolution. MHC expects him to use his knowledge to contribute to the appropriate decision-making and supervision of overall management by the Board of Directors as an Outside Director, and also to contribute to the enhancement of the soundness, transparency, and fairness of management as a member of the Governance Committee, the Nomination Committee, and the Compensation Committee.
Koichiro Hiraiwa	○	○	Mr. Hiraiwa was previously the President of THE KYOTO HOTEL, LTD.	MHC decided to request Mr. Hiraiwa to continue serving in the Director position (Audit & Supervisory Committee Member) as he has contributed to the appropriate decision-making and supervision of

			There is a transactional relationship, including lease contracts between THE KYOTO HOTEL, LTD. and MHC; however, the amount is less than 1% of the consolidated net sales of THE KYOTO HOTEL, LTD. and MHC for FY2022.	overall management by the Board of Directors and neutral and objective auditing as an Outside Director by utilizing a wealth of knowledge gained through experience at the Bank of Japan and a leading telecommunications company in Japan. MHC expects him to contribute to ensuring the soundness of MHC's management as an Outside Director from an objective perspective, independent from the management members who engage in business execution, by utilizing the aforementioned knowledge. MHC also expects him to contribute to the enhancement of the soundness, transparency, and fairness of management as a member of the Governance Committee, Nomination Committee, and Compensation Committee. (Reasons for designation as an Independent Director) MHC has determined that Mr. Hiraiwa fulfills the independence standards, and has no risk of conflicts of interest with general shareholders, after comprehensively taking into consideration his current status, past career, and other factors. MHC has therefore designated him as an Independent Director.
Hiroko Kaneko	○	○	-	MHC decided to request Ms. Kaneko to continue serving in the Director position (Audit & Supervisory Committee Member) as she has contributed to the appropriate decision-making and supervision of overall management by the Board of Directors and neutral and objective auditing as an Outside Director by utilizing a wealth of experience as a partner at a major audit corporation and a university professor as well as extensive knowledge of accounting as a professional accountant. MHC expects her to contribute to ensuring the soundness of its management as an Outside Director from an objective perspective,

				independent from the management members who engage in business execution, by utilizing the above knowledge. MHC also expects her to contribute to the enhancement of the soundness, transparency, and fairness of management as a member of the Governance Committee, Nomination Committee, and Compensation Committee. (Reasons for designation as an Independent Director) MHC has determined that Ms. Kaneko fulfills the independence standards, and has no risk of conflicts of interest with general shareholders, after comprehensively taking into consideration her current status, past career, and other factors. MHC has therefore designated her as an Independent Director.
Masayuki Saito	○	○	Previously, Mr. Saito was the Representative Director & Executive Vice President of DIC Corporation. There is a transactional relationship, including lease contracts between DIC Corporation and MHC; however, the amount is less than 1% of the consolidated net sales of DIC Corporation and MHC for FY2022.	MHC newly appointed Mr. Saito to a Director position (Audit & Supervisory Committee Member) as it expects him to contribute to the appropriate decision-making and supervision of overall management by the Board of Directors and neutral and objective auditing as an Outside Director by utilizing a wealth of management experience and deep knowledge of treasury and accounting divisions at a major manufacturer in Japan. MHC expects him to contribute to ensuring the soundness of MHC's management as an Outside Director from an objective perspective, independent from the management members who engage in business execution, by utilizing the above knowledge. MHC also expects him to contribute to the enhancement of the soundness, transparency, and fairness of management as a member of the Governance Committee, Nomination Committee, and Compensation Committee. (Reasons for designation as an Independent Director) MHC has determined that Mr. Saito fulfills the independence standards,

				and has no risk of conflicts of interest with general shareholders, after comprehensively taking into consideration his current status, past career, and other factors. MHC has therefore designated him as an Independent Director.
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[Audit & Supervisory Committee]

Breakdown of members and attribution of Chairman

	All members	Full-time members	Inside Directors	Outside Directors	Chairman
Audit & Supervisory Committee	4	1	1	3	Inside Director

Directors and employees who should support the duties of the Audit & Supervisory Committee	Appointed
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Matters relating to the independence of the Directors and the employees from the Executive Directors

The Audit & Supervisory Committee Office was established to support the Audit & Supervisory Committee. The Office is not subject to instructions from business execution divisions, and its appointed employees support the duties of the Audit & Supervisory Committee.

To secure the effectiveness of instructions given by the Audit & Supervisory Committee to such employees, the prior consent of the Audit & Supervisory Committee is necessary for personnel transfers of such employees or disciplinary action against such employees. With respect to the decisions of personnel evaluations or remuneration, etc. relating to such employees, it is necessary to obtain the prior consent of full-time members of the Audit & Supervisory Committee elected by the Audit & Supervisory Committee.

Cooperation between Audit & Supervisory Committee, Financial Auditors, and Internal Audit Department

The Audit & Supervisory Committee works on the improvement and operation of a system for effective and efficient auditing, while remaining cautious in so-called three-pillar auditing; that is, auditing by the Audit & Supervisory Committee, auditing by the Accounting Auditor, and internal auditing by the Internal Audit Department.

MHC is closely cooperating with the Accounting Auditor by regularly receiving reports on audit plans, audit results, the status of priority audit areas, and the status of internal control concerning financial reports, as well as frequently exchanging opinions and information about matters of common interest.

Regarding cooperation with the Internal Audit Department, MHC regularly receives reports on audit plans, the status and results of audits, and give instructions as needed. It also cooperates with them by discussing risk awareness, priority audit items, etc. In addition, the Audit & Supervisory Committee exchanges information and opinions with the Internal Audit Department on a daily basis in the course of executing audit operations.

[Establishment of Voluntary Committees]

Establishment of voluntary committee(s) equivalent to a nominating committee or compensation committee	Established
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Status of Establishment of Voluntary Committees, Member Composition, and Attributes of the Chairperson

	Committee	Total Count	Full-time members	Inside Directors	Outside Directors	External Experts	Other	Chairperson
Voluntary Committee Equivalent to Nomination Committee	Nomination Committee	7	0	1	6	0	0	Inside Director
Voluntary Committee Equivalent to Compensation Committee	Compensation Committee	7	0	1	6	0	0	Inside Director

(Supplementary Explanation)

MHC, based on the understanding that appropriate involvement of Independent Outside Directors is extremely important for resolutions related to nomination and remuneration, has established the Nomination Committee and Compensation Committee, of which Independent Outside Directors comprise the majority.

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

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

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

Furthermore, MHC has established the Governance Committee which serves as an advisory body for the Board of Directors in order to extensively exchange opinions on the improvement of effectiveness of the Board of Directors and other matters related to the Board of Directors. The Committee strives to increase the soundness, transparency, and fairness of MHC's management.

Nomination Committee

<Members> (as of June 27, 2023)

Chairperson:

Inside Director Takahiro Yanai (Director, Chairman)

Members:

Outside Directors Hiroyasu Nakata, Yuri Sasaki, Takuya Kuga, Koichiro Hiraiwa, Hiroko Kaneko, Masayuki Saito

Compensation Committee

<Members> (as of June 27, 2023)

Chairperson:

Inside Director Taiju Hisai (Representative Director, President & CEO)

Members:

Outside Directors Hiroyasu Nakata, Yuri Sasaki, , Takuya Kuga, Koichiro Hiraiwa, Hiroko Kaneko, Masayuki Saito

Governance Committee

<Members> (as of June 27, 2023)

Chairperson:

Inside Director Takahiro Yanai (Director, Chairman)

Members:

Outside Directors Hiroyasu Nakata, Yuri Sasaki, Takuya Kuga, Koichiro Hiraiwa, Hiroko Kaneko, Masayuki Saito

Inside Directors Taiju Hisai (Representative Director, President & CEO), Kanji Nishiura (Representative Director, Deputy President), Akira Hamamoto (Director, Audit & Supervisory Committee Member)

[Independent Directors]

Number of Independent Directors	5 persons
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Other matters relating to Independent Directors

The “Outside Directors’ independence decision criteria” prescribed by MHC are as follows:

“Outside Directors’ independence decision 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 (Note 1);
- (2) An Executive of a lender of MHC that exceeds MHC’s standard (Note 2);
- (3) An Executive of a business partner of MHC that exceeds MHC’s standard (Note 3);
- (4) A consultant, attorney-at-law, certified public accountant, or other person who provides professional services, 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 (Note 4).

Note 1 An Executive refers to an Executive Director, Executive Officer, or other employee.

Note 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.

Note 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;

Note 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.

[Incentives]

Implementation of Incentive Policies for Directors	Performance-based compensation plan
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Supplementary Explanation

- MHC introduced a performance-based stock compensation plan using a trust as a new medium-term incentive plan, in place of the previous stock option plan. For details, please refer to II 1. "Disclosure of Policy on Determining Remuneration Amounts and Calculation Manners" in [Remuneration of Directors] of this report.

Recipients of Stock Options	
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Supplementary Explanation

MHC

[Remuneration of Directors]

Disclosure (of Individual Directors' Remuneration)	Individual remuneration is partially disclosed
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Supplementary Explanation

1. Total amount of remuneration, etc. for each Director category, total amount of remuneration, etc. by remuneration type, and the number of applicable Directors
- (1) Directors who are not Audit & Supervisory Committee Members (excluding Outside Directors): 519 million yen in total/7 Directors
(Breakdown) Base remuneration: 329 million yen
Bonus: 95 million yen

Stock options: 95 million yen

(2) Directors who are Audit & Supervisory Committee Members (excluding Outside Directors): 61 million yen in total (base remuneration only)/3 Directors

(3) Outside Directors: 101 million yen in total (base remuneration only)/9 Directors

2. Total amount of consolidated remuneration, etc. by Director

(1) Seiji Kawabe (Representative Director, Chairman) Total amount of consolidated remuneration, etc.: 120 million yen

(Breakdown) Base remuneration: 74 million yen

Bonus: 23 million yen

Stock options: 22 million yen

(2) Takahiro Yanai (Representative Director, President & CEO) Total amount of consolidated remuneration, etc.: 114 million yen

(Breakdown) Base remuneration: 74 million yen

Bonus: 17 million yen

Stock options: 22 million yen

* Only Directors whose consolidated remuneration, etc. is 100 million yen or more in total are described here.

* Roles are as of the end of March 2022.

Policy on Determining Remuneration Amounts and Calculation Manners	Established
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Manners

(i) Basic policy

- MHC's 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 medium- to long-term corporate value and improving short-term business performance.

(ii) Policy for determining the remuneration, etc. of individual Directors (excluding persons who are Audit & Supervisory Committee Members)

(a) Remuneration system

- In principle, Executive Directors' remuneration, etc., consists of base remuneration (fixed remuneration), annual incentive compensation (performance-based monetary compensation), and medium-to long-term incentive compensation (performance-based stock compensation). As annual incentive compensation, cash is paid as a bonus, while medium-to long-term incentive compensation is paid as provision of MHC's shares, etc. in a trust framework.
- MHC has established a payment ratio for performance-based compensation and non-performance based compensation, with a view toward maintaining a sound performance-based ratio. In addition, MHC has also established appropriate short-term and medium-to long-term incentive ratios under this remuneration system, in order to enhance not only short-term business performance, but also medium-to long-term corporate value.

- Specifically, the ratio of non-performance-based compensation (base remuneration) to performance-based compensation (bonus and stock compensation) is generally set at 1:0.6 (the ratio of base remuneration to bonus to stock compensation is generally set at 1:0.3:0.3). Using this as the base case, the ratio is determined by taking into account the roles, responsibilities, and other factors with regard to each Director on a comprehensive basis.
- Non-executive directors including Outside Directors (excluding persons who are Audit & Supervisory Committee Members) are not paid bonuses or stock compensation, which represent incentive compensation, in order to ensure the effectiveness of their supervisory functions. Accordingly, they are paid only base remuneration.

(b) Performance-based compensation

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

Bonuses

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

The bonus of Representative Directors is fully linked to the company-wide performance evaluation, with the amount to be paid determined within the range of 0% to 150% of the standard amount, based on the level of achievement of the projection for the key performance indicators (KPIs) for companywide performance evaluation.

The bonus of Executive Directors, excluding Representative Directors, is based 70% on the company-wide performance evaluation and 30% on the evaluation of the duties for which each individual is responsible. The amount to be paid based on each evaluation is determined within the range of 0% to 150% of the standard amount.

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

Stock compensation

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

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

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

(c) Non-performance-based compensation

When it is necessary for Directors (excluding Outside Directors and those who are Audit & Supervisory Committee Members) to reside in an area away from home due to a transfer resulting from a change of duties or base, MHC provides such Directors with appropriate company housing. (The difference between the total rent per month required by MHC to rent company housing and the total company housing rent per month collected from the Directors will be referred to as “non-monetary remuneration related to the provision of company housing.”)

The company housing shall be properties of a general and standard level, and the upper limit of rent by title and region shall be established beforehand. The company housing rent to be calculated based on the predetermined rate (when the total rent exceeds the limit, all of the excess amount is added to the amount for collection) shall be collected from Directors as their own expenses.

(d) Policy for when remuneration is paid and how payment conditions are decided

- Base remuneration is a fixed amount and paid on a predetermined date every month.
- Bonus amounts are decided based on the performance in the previous fiscal year (April to March of the next year) and paid on a date after a General Meeting of Shareholders held in June every year.
- As stock compensation, points are granted at the end of every fiscal year (the end of March) corresponding to the position and the number of months in office of the relevant person. In principle, the aggregate number of the said points of three years is multiplied by the performance-linked factor to calculate share conversion points, based on which MHC's shares, etc. are provided in July of the final fiscal year of the Medium-term Management Plan period (three years).
- Non-monetary remuneration related to the provision of company housing is paid every month, separately from the base remuneration.

(e) Method of determining remuneration, etc. and the overview of procedures and activities of the committee

In order to ensure transparency and objectiveness in determining officers' remuneration, etc., MHC decides details of the remuneration, etc., determination policy, and other relevant matters at a meeting of the Board of Directors, after the Compensation Committee, the majority of which consists of Independent Outside Directors, deliberates those matters. In addition, the Compensation Committee deliberates the validity of the amount and composition of remuneration every year based on the remuneration-related data provided by an external specialized institution.

The members and chairperson of the Compensation Committee are selected by the Board of Directors, and the committee makes decisions by a majority of committee members attending. It is stipulated in internal rules that the Board of Directors shall make decisions in deference to the decisions made by the committee.

The amount of remuneration, etc., to be paid to Directors (excluding those who are Audit & Supervisory Committee Members) has been resolved as below at the General Meetings of Shareholders.

- The amount has been set at no more than 800 million yen (including 100 million yen for Outside Directors) annually for the sum of base remuneration and bonuses, while the amount of non-monetary remuneration related to the provision of company housing at no more than 2 million yen per month, by a resolution of the General Meeting of Shareholders held on February 26, 2021. Although the number of Directors (excluding those who are Audit & Supervisory Committee Members) relating to the amount of remuneration, etc., was not

specified in the relevant resolution of the General Meeting of Shareholders, the number of Directors (excluding those who are Audit & Supervisory Committee Members) at the time of the resolution at said General Meeting of Shareholders coming into effect is 10 (three of whom are Outside Directors, to whom only base remuneration is to be paid).

- In a General Meeting of Shareholders held on June 27, 2023, separately from the amount described above, regarding stock compensation for Directors (excluding non-executive directors and those not residing in Japan) and Executive Officers, etc. (excluding those not residing in Japan), the upper limit of the amount of money to be contributed from MHC to the trust has been set at 800 million yen per fiscal year (2,400 million yen for the total of the three fiscal years initially targeted), and the upper limit of the number of MHC's shares to be delivered has been set at 1,550,000 shares per fiscal year (4,650,000 shares for the total of the three fiscal years initially targeted). Although the number of Directors excluding those who are Audit & Supervisory Committee Members (excluding non-executive directors and those not residing in Japan) relating to the amount of remuneration, etc., was not specified in the relevant resolution at the General Meeting of Shareholders, the number of Directors excluding those who are Audit & Supervisory Committee Members (excluding non-executive directors and those not residing in Japan) at the time of the resolution at said General Meeting of Shareholders coming into effect is four.
 - MHC considers it useful for persons who are well-acquainted with individual operations and MHC's circumstances, to flexibly determine the specific amounts of base remuneration and bonuses to be paid, as well as non-monetary remuneration related to the provision of company housing based on certain standards, and they are determined at the discretion of the Representative Director, President & CEO (Taiju Hisai) up to the limits approved by resolution of the General Meeting of Shareholders, based on the policy resolved by the Board of Directors and Compensation Committee. Measures shall be taken so that the authority of the President & CEO will be exercised appropriately.
 - As stock compensation, points are granted at the end of every fiscal year corresponding to the position and the number of months in office of the relevant person, based on the regulations for share delivery. In principle, the aggregate number of these points over three years is multiplied by the performance-linked factor, which is determined upon completion of the Medium-term Management Plan every three years, to calculate share conversion points, and MHC's shares, etc. corresponding to the share conversion points are provided. (One share of MHC or a corresponding amount of cash is delivered per one point. In principle, the portion of MHC's shares possessed in the trust are converted into cash value therein, and compensation is provided in the form of MHC shares and cash at a percentage of 50:50.)
- (f) Measures to ensure the proper performance of authorities delegated
- Base remuneration shall be determined based on a certain standard (remuneration table) to be established beforehand by the deliberation at the Compensation Committee.
 - The following measures shall be taken for performance-based bonuses.
 - Set key performance indicators (KPIs) in line with numerical targets to be discussed at the Board of Directors.
 - Determine the amount in accordance with the rate of achievement of the KPIs, based on a coefficient for bonus payment which will be deliberated at the Compensation Committee and established in advance.
 - Report the results of the company-wide evaluation and the amounts of bonuses to the Compensation Committee after the fact and have them verified.

The following measures shall be taken for the bonuses based on the responsible duties

- Conduct evaluations based on an evaluation sheet standardized through discussion in advance by the Compensation Committee (in which targets set beforehand and the weighting and evaluation standards for individual targets are specified).
- Evaluate the results for the responsible duties individually based on this evaluation sheet, report the amount of bonuses to the Compensation Committee and have them verified.
- As stock compensation, points corresponding to the position and the number of months in office of the relevant person at the end of every fiscal year are granted based on the prescribed standards as per the regulations for share delivery, which are resolved by the Board of Directors. In principle, the performance-linked factor, which is determined upon completion of the Medium-term Management Plan every three years shall also be as per the regulations for share delivery.
- Regarding non-monetary remuneration related to the provision of company housing, (a) the company housing shall be properties of a general and standard level, and the upper limit of rent by title and region shall be established beforehand, (b) the company housing rent to be calculated based on the predetermined rate (when the total rent exceeds the limit, all of the excess amount is added to the amount for collection) shall be collected from Directors as their own expenses.

(g) Malus and clawback clause for stock compensation and shareholding policy

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

In principle, officers shall continue to hold MHC's shares obtained during the term of their office until the time of their resignation, regardless of the number of shares held.

(iii) Details and manner of determination of remuneration, etc., for Directors who are Audit & Supervisory Committee Members

- Directors who are Audit & Supervisory Committee Members are not paid bonuses or stock-based compensation stock options, which represent incentive compensation, from the standpoint of ensuring the fairness of audits. Accordingly, they are paid only base remuneration.
- The amount of remuneration for Directors who are Audit & Supervisory Committee Members has been set at no more than 200 million yen annually, by a resolution of the General Meeting of Shareholders (February 26, 2021). The amount of remuneration for Directors who are Audit & Supervisory Committee Members are determined through consultations of the Audit & Supervisory Committee. Although the number of Directors who are Audit & Supervisory Committee Members relating to the amount of remuneration, etc., was not specified in the relevant resolution of the General Meeting of Shareholders, the number of Directors who are Audit & Supervisory Committee Members at the time of the resolution at said General Meeting of Shareholders becoming effective is five.

[Supporting System for Outside Directors (Outside Audit & Supervisory Committee Members)]

- The General Affairs Department and the Audit & Supervisory Committee Office are mainly responsible for duties such as transmitting information and sending documents to Outside Directors.

- As a general rule, documents are sent in advance, with the relevant departments providing prior explanations of particularly important proposals.
- The Audit & Supervisory Committee Office, which assists all Directors who are Audit & Supervisory Committee Members, including Outside Directors, with their duties, has been established to support the Audit & Supervisory Committee.

[Status of retired Presidents & CEOs, etc.]

Names and other details about Advisors or Senior Advisors who are former Presidents & CEOs, etc.

Name	Title	Work performed	Conditions (Full-time/part-time, remuneration, etc.)	Date of retirement as CEO, etc.	Term of office
Ryuichi Murata	Senior Advisor	Activities contributing to the financial world, society, etc. (No involvement in management)	Part time, with remuneration	2017/6/29	1 year
Kazuya Miura	Senior Advisor	Activities contributing to the financial world, society, etc. (No involvement in management)	Part time, with remuneration	2019/6/26	1 year
Tadashi Shiraishi	Senior Advisor	Activities contributing to the financial world, society, etc. (No involvement in management)	Part time, with remuneration	2021/4/1	1 year
Seiji Kawabe	Senior Advisor	Activities contributing to the financial world, society, etc. (No involvement in management)	Part time, with remuneration	2023/3/31	1 year

Total number of Advisors or Senior Advisors who are former Presidents & CEOs, etc.	4 persons
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Other items

- MHC abolished the Advisor/Senior Advisor System, and established a new Senior Advisor System, in July 2018.
- Former Chairmen and Presidents of MHC may be appointed as Senior Advisors for purposes of engaging in external activities, such as activities in the financial world and activities to contribute to society. Senior Advisors are not involved in decision-making at the management level, and MHC management does not engage in regular reporting, etc. to Senior Advisors.
- Senior Advisors are appointed at the Nomination Committee based on deliberation, and their contract periods are renewed each year as necessary, based on the status of the activities of each Senior Advisor. (In April 2023, the maximum term of office of a Senior Advisor was shortened

to three years from six years, based on the deliberation at the Nomination Committee. However, certain transitional measures may be taken for Senior Advisors whom this change affects.

- Senior Advisors are paid remuneration in amounts corresponding to their duties.
- Senior Advisors may use only the name of Honorary Advisor as needed after retirement, such as when engaging in external activities (without remuneration).

2. Matters on Functions of Business Execution, Auditing, Oversight, Nominating and Remuneration Decisions, etc. (Overview of Current Corporate Governance Systems)

(1) Overview of corporate governance systems

MHC conducted a business integration through the merger with Hitachi Capital Corporation as of April 1, 2021. In conjunction therewith, MHC transitioned into a company with an audit & supervisory committee in order to enhance the fairness and transparency of management, strengthen the supervisory functions of the Board of Directors, and enhance corporate governance.

(2) Matters concerning the Board of Directors

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

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

MHC has concluded liability limitation agreements as below with Takahiro Yanai, Hiroyasu Nakata, Yuri Sasaki, Takuya Kuga, Akira Hamamoto, Koichiro Hiraiwa, Hiroko Kaneko, and Masayuki Saito who are non-executive directors.

- When a non-executive director is liable for damages to MHC as a result of the director neglecting his/her duty, compensation for the damages shall be as per the minimum liability amount stipulated in Paragraph 1 of Article 425 of the Companies Act.
- The minimum liability amount as the above shall be applied only when the non-executive director acts in good faith and without gross negligence in executing the duty which is the cause of the liability.

(3) Matters concerning the Governance Committee, Nomination Committee, and Compensation Committee

MHC has established the Governance Committee, which consists of the Outside Directors, Representative Directors, etc., and has exchanged a wide range of opinions on the improvement of the Board of Directors' effectiveness and other matters regarding the Board of Directors, in order to work on the improvement of the soundness, transparency, and fairness of MHC's management.

MHC has also established the Nomination Committee and Compensation Committee, of which Independent Outside Directors comprise the majority, as advisory bodies of the Board of Directors. Please refer to II-1. [Voluntary Establishment of Committees] of this report for the overview of each committee.

(4) Matters concerning business execution

As a company with an audit & supervisory committee, MHC delegates many business execution decisions to the Executive Committee, a body which will deliberate and decide on important management matters, and expedites the decision-making process, with the aim of strengthening the supervisory functions of the Board of Directors. In addition, MHC has adopted an executive officer system, in order to further enhance and invigorate the functions of the Board of Directors by clarifying the responsibilities related to the execution of business.

The Executive Committee, a body which will deliberate and decide on important management matters, is composed of the President & CEO, Deputy President, and Executive Officers separately specified by the President & CEO. The Committee will hold deliberations and make decisions on important matters, including the business management of the Group, in addition to conducting preliminary considerations of matters that are to be submitted to the Board of Directors to facilitate decision-making by the Board of Directors. MHC has 26 Executive Officers (four of whom concurrently serve as Directors) as of June 27, 2023.

(5) Status of activities of the Board of Directors and each committee (frequency of meetings, specific discussion items, attendance of Directors and committee members)

(i) Board of Directors

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

Attendance at the Board of Directors meetings by Directors and Audit & Supervisory Committee Members in FY2022 was as follows:

14/14 times (100%): Seiji Kawabe, Takahiro Yanai, Kanji Nishiura, Kazumi Anei, Haruhiko Sato, Hiroyasu Nakata, Yuri Sasaki, Go Watanabe, Koichiro Hiraiwa, Hiroko Kaneko

11/11 times (100%): Taiju Hisai, Takuya Kuga, Akira Hamamoto (Note 1)

10/11 times (91%): Masayuki Saito (Note 1)

(Note 1) Regarding Taiju Hisai, Takuya Kuga, Akira Hamamoto, and Masayuki Saito, attendance at the Board of Directors meetings held later than June 28, 2022 is provided as they were newly appointed as Directors in the General Meeting of Shareholders held on June 28, 2022.

(ii) Governance Committee

The committee meetings were held 3 times in FY2022, and conducted PDCA for effectiveness assessment by deliberating the manner of effectiveness assessment for the Board of Directors and the analysis of the assessment results.

Attendance by Directors was as follows:

3/3 times (100%): Seiji Kawabe, Takahiro Yanai, Kanji Nishiura, Hiroyasu Nakata, Yuri Sasaki, Go Watanabe, Koichiro Hiraiwa, Hiroko Kaneko

2/2 times (100%): Takuya Kuga, Akira Hamamoto, Masayuki Saito (Note 2)

(iii) Nomination Committee

The committee meetings were held 5 times in FY2022, which deliberated the selection of Director candidates, skills that the Directors should have (skill matrix), selection/dismissal standards and independence standards for Directors. Furthermore, the committee discussed the expertise, quality, etc. required for MHC's President & CEO as a part of the succession plan for the President & CEO, and deliberated on the next President & CEO based on the candidates list.

Attendance by Directors was as follows:

5/5 times (100%): Seiji Kawabe, Hiroyasu Nakata, Yuri Sasaki, Go Watanabe, Koichiro Hiraiwa, Hiroko Kaneko

4/4 times (100%): Takuya Kuga, Masayuki Saito (Note 2)

(iv) Compensation Committee

The committee meetings were held 8 times in FY2022, which deliberated the Directors' remuneration scheme and standards, verified the amount paid as performance-based compensation, and deliberated the adoption of a performance-based stock compensation plan.

Attendance by Directors was as follows:

8/8 times (100%): Takahiro Yanai, Hiroyasu Nakata, Yuri Sasaki, Go Watanabe, Koichiro Hiraiwa, Hiroko Kaneko

7/7 times (100%): Takuya Kuga, Masayuki Saito (Note 2)

(Note 2) Regarding Takuya Kuga, Akira Hamamoto, and Masayuki Saito, attendance at the committee meetings held later than June 28, 2022, is provided as they have been members since June 28, 2022.

(6) Status of the audit

(i) Department in charge of internal audits

MHC has established the Internal Audit Department as a department in charge of internal audits. In order to ensure independence and objectiveness, the Internal Audit Department adopts a structure under which its members do not concurrently perform the operations of business execution divisions.

The Internal Audit Department systematically implements internal audits based on an annual audit plan, and reports the audit results to the Representative Directors, the Board of Directors, and the Audit & Supervisory Committee.

With regard to findings that require improvement, for which guidance was provided to the divisions subject to audits (important findings), those divisions are to report the results of improvement after the audit to the General Manager of the Internal Audit Department, and the major improvements are to be reported to Representative Directors, in order to ensure the effectiveness of the audit.

In addition, the General Manager of the Internal Audit Department builds collaborative relationships with MHC's Audit & Supervisory Committee, and the auditors and accounting auditors of Group companies, on a regular basis and as necessary, such as by exchanging relevant information with them, and works to ensure the efficient implementation of the audit.

(ii) Audit & Supervisory Committee

The number of Audit & Supervisory Committee Members stands at four, three of whom are Outside Directors.

The Audit & Supervisory Committee strives to conduct planned and effective audits by formulating annual audit policies and audit plans, and identifying priority audit items. Full-time Audit & Supervisory Committee Members, as nominated Audit & Supervisory Committee Members, shall attend important meetings of business execution divisions including the Executive Committee as well as the Board of Directors, the Audit & Supervisory Committee, Governance Committee, etc. They also perform duties including having meetings with Representative Directors and other management members, confirming important documents, receiving reports from and exchanging information with the Internal Audit Department and internal control departments, conducting on-site audits at offices in Japan and overseas, having meetings with directors and auditors of Group companies, receiving reports from and exchanging information with the Accounting Auditor, etc. Part-time Audit & Supervisory Committee Members attend Board of Directors meetings and Audit & Supervisory Committee meetings, and as members of the Governance Committee, the Nomination Committee, and the Compensation Committee, they provide opinions actively for agendas, deliberations, etc. Furthermore, they strive to collect information from other than the Internal Audit Department, internal control departments, and the Accounting Auditor, and provide opinions as necessary. They communicate what they have noticed in these audit activities to Representative Directors and business execution divisions, and they provide advice as needed.

An Audit & Supervisory Committee Member Mr. Akira Hamamoto has a wealth of management experience in a major financial institution, and Mr. Koichiro Hiraiwa and Mr. Masayuki Saito have such experience in listed companies, and they have considerable knowledge regarding corporate management, finance, and accounting. In addition, Mr. Akira Hamamoto, who served as a full-time audit & supervisory committee member of the major financial institution, and Mr. Koichiro Hiraiwa, who served as Chairman of the Audit Committee of Hitachi Capital, are well-acquainted with the audit operations in the respective companies.

Ms. Hiroko Kaneko has a wealth of experience as a partner at a major audit corporation and as a university professor, and possesses considerable knowledge regarding finance and accounting.

(iii) Accounting Auditors

Accounting audits are implemented in collaboration with the Audit & Supervisory Committee, as well as the Internal Audit Department, based on the audit contract concluded with Deloitte Touche Tohmatsu LLC, and in conjunction with matters such as the provision of relevant information by the internal control offices.

The certified public accountants that performed the accounting audit operations of MHC in FY2022 were Mr. Hideo Shirata, Mr. Motohiro Shimizu, and Mr. Aki Saito, who are Designated Limited Liability Partners and Engagement Partners of Deloitte Touche Tohmatsu LLC.

In addition, 13 certified public accountants and 52 other staff members were involved in the audit operations above, in assistant roles.

3. Reasons for Adoption of Current Corporate Governance System

In order to enhance the fairness and transparency of management, strengthen the supervisory functions of the Board of Directors, and enhance corporate governance, MHC adopted the institutional design of a company with an audit & supervisory committee. Also, in order to further enhance corporate governance, MHC has established the Nomination Committee and Compensation Committee as advisory bodies related to the nomination of the President,

remuneration for Directors, etc. MHC has also established the Governance Committee comprised of Outside Directors, Representative Directors, etc. to give advice to the Board of Directors on the improvement of the effectiveness of the Board of Directors.

III Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Meetings of Shareholders and Ensure the Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Shipping of Notice of Convocation of the General Meeting of Shareholders	For the General Meeting of Shareholders in June 2023, MHC sent convocation notices three business days prior to the statutory deadline (June 7).
Setting Date of General Meeting of Shareholders by Avoiding the Dates on Which Many Companies Hold Meetings	MHC strives to set meeting dates by avoiding the dates on which many companies hold shareholders' meetings. The most recent General Meeting of Shareholders was held on June 27, 2023.
Allowing Electronic Exercise of Voting Rights	MHC permits the exercise of voting rights via the Internet.
Participation in Electronic Voting Platform and Other Measures to Improve the Voting Environment for Institutional Investors	MHC participates in the electronic voting platform operated by ICJ, Inc.
Providing Convocation Notices (Summary) in English	The Notice of Convocation is translated into English, and MHC disclosed the notices in Japanese and English on TDnet and its website on June 2, 2023.
Other	MHC discloses convocation notices on TDnet, its website, etc. before the date they are sent. The convocation notice for the recent ordinary General Meeting of Shareholders (Japanese version) was disclosed on TDnet and MHC website 12 days prior to the date of shipping (May 26, 2023). In addition, MHC held a virtual and hybrid meeting of shareholders (participatory meeting) by receiving questions on the website exclusively for shareholders before the meeting. The movie of the General Meeting of Shareholders is also scheduled to be distributed later. The results of the exercise of voting rights are disclosed, including the number of votes of approval or disapproval, in extraordinary reports.

2. Investor Relations Activities

	Supplementary Explanations	Personal Explanation from the CEO
Preparation and Publication of Disclosure Policy	MHC endeavors to voluntarily and actively disclose information that is deemed to be useful for shareholders and other investors, as well as information that MHC is required to disclose under the rules of stock exchanges or laws and regulations, including the Financial Instruments and Exchange Act, in order to gain the trust and fair evaluation of shareholders and other investors. MHC discloses its Information Disclosure Policy at the link provided below: https://www.mitsubishi-hc-capital.com/english/sustainability/various_policies.html	-
Regular Investor Briefings for Individual Investors	- MHC participates in IR events held by securities exchanges and securities companies targeting individual investors, and explains about its business activities, performance, etc. - MHC provides the videos for financial results briefings and webinars for private investors, financial results materials with scripts, scripts of Q&A sessions of financial results briefings, and others on the corporate website. https://www.mitsubishi-hc-capital.com/english/investors/index.html	No
Regular Investor Briefings for Analysts and Institutional Investors	The President & CEO gives briefings twice per year, after the announcement of the second quarter financial results and the full-year financial results. - The company holds small meetings between securities analysts and the President & CEO. - MHC regularly holds individual interviews between domestic institutional investors and the President & CEO.	Yes
Regular Investor Briefings for Overseas Investors	- MHC regularly holds individual interviews between institutional investors in the Americas, Europe, Asia, and other countries and the President & CEO. - MHC participates in various conferences held by securities companies.	Yes
Posting of IR Materials on Website	Financial information, press releases, financial results, financial overview materials, the Integrated Report, the Fact Book, and other IR information are posted on MHC website: https://www.mitsubishi-hc-capital.com/english/	-
Establishment of IR-Related Division (Person in Charge)	Corporate Communications Department	-
Other	Throughout the year, the staff in charge of IR hold individual interviews with domestic and overseas analysts and institutional investors (excluding quiet periods).	-

3. Measures to Respect the Position of Stakeholders

	Supplementary Explanations
Establishment of Internal Rules, etc., for Respecting the Position of Stakeholders	Corporate responsibility to stakeholders is clarified in MHC's Corporate Philosophy. The Corporate Philosophy is disclosed on MHC website. https://www.mitsubishi-hc-capital.com/english/corporate/idea/index.html
Implementation of Environmental Protection Activities, CSR Activities, etc.	Aiming to better contribute to the realization of a sustainable and prosperous future, MHC promotes sustainability management by establishing a Sustainability Committee to serve as an advisory body to the Executive Committee. The information on MHC's sustainability activities is disclosed on its website. https://www.mitsubishi-hc-capital.com/english/sustainability/index.html
Development of Policies, etc., on the Provision of Information to Stakeholders	MHC has established a set of regulations for handling information disclosures, regarding disclosure procedures for important management information, in order to carry out swift and impartial disclosure of accurate information related to the Mitsubishi HC Capital Group to stakeholders. In addition, the Information Disclosure Policy sets forth matters such as the objectives and basic approach of MHC's IR activities, as well as standards and manner for information disclosures.

IV Matters Related to the Internal Control System, etc.

1. Basic Views on Internal Control System and the Progress of System Development

MHC has resolved to use a system for ensuring the propriety of business activities of the company (internal control system), as follows, in accordance with Article 399-13, paragraph (1), (b) and (c) of the Companies Act, as well as relevant laws and regulations.

Hereinafter, “the Group” refers to “MHC and MHC’s subsidiaries and affiliates,” and “Group companies” refers to “MHC’s subsidiaries and affiliates.”

In addition, in specifically applying the internal control system to the Group companies, the system will be applied after making appropriate adjustments based on factors such as the business operations, scale, and importance of each Group company.

[System for group management]

- (1) MHC shall establish the Mitsubishi HC Capital Group Code of Ethics and Code of Conduct in order to share fundamental values and ethics to be embraced by all members of the Group and reflect them in business.
- (2) MHC shall establish management manner between MHC and the Group companies, in order to ensure the propriety of the business activities of the Group companies, and establish internal rules to improve the management efficiency and corporate value of the Group as a whole, through the Group carrying out activities with a strong sense of solidarity.
- (3) MHC shall receive reports, etc. from the Group companies and conduct management of the Group in line with various internal rules established for the Group management, in adherence to the allocation of duties.
- (4) MHC shall establish management and operational manners for internal controls pertaining to the financial reports of the Group, and shall effectively develop and operate the internal controls of the Group as a whole, so that MHC’s financial reports will be prepared appropriately, in accordance with the provisions of the Financial Instruments and Exchange Act.

[System for compliance with laws and regulations]

- (1) MHC shall establish the Mitsubishi HC Capital Group Code of Ethics and Code of Conduct in order to share fundamental values and ethics to be embraced by all members of the Group and reflect them in business.
- (2) MHC shall establish a system for ensuring that the officers and employees of the Group comply with laws and regulations and the Articles of Incorporation, by establishing and disseminating various internal rules and the Compliance Manual.
- (3) MHC shall establish the Compliance Committee, which deals with establishment, maintenance, management, etc., of the Group’s compliance system, in addition to the Chief Compliance Officer (Head of Risk Management Division), who is responsible for the compliance of the Group, and the Legal & Compliance Department, which is tasked with enforcing compliance. The Group companies shall, if there are any legal risks, etc. intrinsic to the business activities of such company, cooperate with MHC as necessary, and develop an appropriate compliance system.
- (4) MHC shall formulate compliance programs (specific plans to ensure that the officers and employees of the Group comply with laws and regulations, etc., including education for the Group’s officers and employees) and monitor how the Group’s officers and employees are working on those programs.

- (5) MHC shall establish the Compliance Hotline System as an internal whistleblowing framework under which the Group's officers, employees, etc., can report to or seek consultations with MHC regarding unfair practices and other conduct.
- (6) The Group shall take a resolute stance against anti-social forces, which threaten the peace and stability of civil society, and work to prevent transactions with such forces.
- (7) MHC shall be aware of the possibility that funds transacted through the Group may be used for various criminal activities and/or terrorism, and shall work to prevent money laundering.

[Information disclosure system]

- (1) The Group shall establish internal rules for appropriately disclosing information regarding decisions and occurrences concerning the Group in a timely manner, in accordance with accounting standards and other relevant laws and regulations. The Group companies shall cooperate with MHC as necessary.
- (2) MHC shall establish a Disclosure Committee for deliberating on the appropriateness of information disclosures regarding the Group and the effectiveness of internal controls and procedures related to information disclosures, among other matters.

[Internal audit system]

- (1) MHC shall establish internal rules to smoothly and effectively promote audit activities by clarifying procedures for planning, implementing, and reporting internal audits and providing instructions for improvement within the Group.
- (2) MHC shall establish the Internal Audit Department as a department in charge of internal audits. The Internal Audit Department shall systematically implement internal audits related to the Group based on an annual audit plan and report the audit results to the Representative Director, Board of Directors, and Audit & Supervisory Committee. With regard to findings that require improvement, for which guidance was provided to the divisions subject to audits (important findings), those divisions are made to report the results of improvement after the audit to the General Manager of the Internal Audit Department, and the results for important findings are to be reported to Representative Directors, in order to ensure the effectiveness of the audit.
- (3) The General Manager of the Internal Audit Department of MHC shall build collaborative relationships with MHC's Audit & Supervisory Committee, and the auditors and accounting auditors of the Group companies on a regular basis and as necessary, such as by exchanging relevant information with them, and shall work to ensure the efficient implementation of the audit.

[Risk management system]

<Company-wide risk management>

- (1) MHC shall establish the company-wide risk management system that is based on the policy of taking risks within the controlled scope decided by the Executive Committee, the Board of Directors and other arms through overall understanding of the wide-ranging risks of the Group and sufficient consideration of potential risks estimated along with new operations. The company-wide risk management aims to ensure sound management and contribute to sustainable improvement of corporate value, while performing its social responsibility as a company to stakeholders including clients, shareholders, employees and communities.
- (2) MHC aims for the stable recording of returns commensurate with risk, achievement of an appropriate capital structure, and appropriate allocation of resources, by identifying and

recognizing, evaluating and measuring, controlling, monitoring, and reporting the risks of the Group as well as conducting integrated risk management and ongoing operations.

- (3) MHC shall classify the major risks of the Group as follows according to the characteristics of its businesses, operations, etc., and establish risk management manners, operations, and the like.
 - i) Credit risks ii) Asset risks iii) Investment risks iv) Market risks v) Liquidity risks vi) Country risks vii) Operational risks
- (4) The Group companies shall understand the Group's overall risks that can be reasonably evaluated and measured quantitatively. MHC shall discuss risk capital management as necessary and on a regular basis and take actions for its implementation, monitoring, etc.
- (5) MHC shall establish internal rules that state, among other matters, the Group's basic policies for risk management and risk management frameworks and operations. The Group companies shall also prepare internal rules that state, among other matters, the risk management frameworks and operations.
- (6) MHC shall establish an executive officer and a department in charge of company-wide risk management respectively and hold the Risk Management Committee meetings related to the integrated risk management of the Group as necessary and on a regular basis. The report at the Risk Management Committee shall be made on major risks of the Group's business, and other risk management related matters concerning financial market, liquidity, compliance, system, IT and others provided from the committees and internal auditing.
- (7) MHC shall request the Group companies to report important risk-related matters and compile information that is necessary for the company-wide risk management. Then the report shall be made to the Board of Directors on the current situation, issues and measures to be taken as necessary, etc. and the Board of Directors shall supervise the integrated risk management and operations.

<Crisis Management>

- (1) MHC shall clarify the Group's basic approach to and criteria for responding to crisis events and sharing them with the Group companies in order to prepare for events such as huge financial losses, loss of credibility, excessive delay or prolonged suspension of business at the Group. Also, MHC shall establish the systems necessary to ensure the continuation of overall business operations, perform its social responsibility and minimize the Group's losses and the restoration of normal functions.
- (2) MHC shall, during normal times, designate departments to respond to potential emergency events according to its nature and establish a response system according to risk stage. MHC shall establish internal rules that are necessary in an emergency for information collection, internal collaboration and implementation of measures for business continuation and recovery. The Group companies shall establish corresponding internal rules within each company.

[Framework for ensuring the efficient execution of duties]

- (1) MHC shall set management targets for the Group and draw up management plans to manage business based on appropriate manners. The Group companies shall conduct business management based on appropriate manners, based on the Group's management targets and management plans.
- (2) MHC shall establish the Executive Committee, to which decisions, etc., regarding certain matters are delegated by the Board of Directors to the president subject to deliberation at the Executive Committee. The Executive Committee will hold discussions and make decisions on

important matters, including the business management of the Group, in addition to conducting preliminary considerations of matters that are to be submitted to the Board of Directors to facilitate decision-making by the Board of Directors. In addition, various committees shall be established as advisory bodies for the Executive Committee.

- (3) In order to efficiently conduct the execution of duties based on the decisions of the Board of Directors, MHC shall build an employee rank framework, organizational structure, etc., in accordance with the internal rules, and shall assign the execution of duties. The Group companies shall provide appropriate cooperation such as reports to and consultations with MHC on necessary matters pursuant to the internal rules.

[Other matters related to the execution of duties by Directors]

(Framework for ensuring that the execution of duties by Directors complies with laws, regulations, and the articles of incorporation, framework for retention and management of information, and framework for reports to MHC of matters related to the execution of duties by subsidiaries' Directors)

- (1) MHC shall establish the Executive Committee to deliberate and decide on important management matters. The Audit & Supervisory Committee Member (s) selected by the Audit & Supervisory Committee shall attend the meeting, confirm the details of the deliberation, and receive reports.
- (2) MHC shall clearly define the authority and responsibilities of the Board of Directors and Directors regarding material decision-making matters including compliance management, as well as matters decided at the discretion of the Board of Directors.
- (3) The Board of Directors shall receive and confirm reports of material information related to the execution of duties by Executive Directors, and utilize an internal whistleblowing system through reports made at the Compliance Committee, etc.
- (4) MHC shall retain and manage material documents and other data related to the execution of duties by Directors pursuant to the provisions of the internal rules.
- (5) MHC shall request reports of matters related to the execution of duties by Directors of the Group companies pursuant to the provisions of the internal rules.

[Framework concerning employees who assist with duties of the Audit & Supervisory Committee]

- (1) MHC shall establish an Audit & Supervisory Committee Office to assist with duties of the Audit & Supervisory Committee.
- (2) MHC shall allocate employees to assist with duties of the Audit & Supervisory Committee to the Audit & Supervisory Committee Office.
- (3) The above employees shall not be subject to the directions and instructions of Directors excluding Directors who are Audit & Supervisory Committee Members.
- (4) When implementing personnel transfers or disciplinary action for the above employees, prior consent of the Audit & Supervisory Committee shall be obtained. When determining performance evaluation, remuneration, etc., related to those employees, the prior consent of the full-time Audit & Supervisory Committee Member (s) selected by the Audit & Supervisory Committee shall be obtained.
- (5) Executive Directors shall cooperate in developing working environments and other relevant conditions so that the above employees can assist with duties of the Audit & Supervisory Committee smoothly.

[Framework for reporting to the Audit & Supervisory Committee]

- (1) Directors, Executive Officers and other relevant executives, and employees must report the following matters without delay to the Audit & Supervisory Committee or the Audit & Supervisory Committee Member (s) selected by the Audit & Supervisory Committee:
 1. when they discover any facts that are likely to cause significant damage (including loss of credit) to MHC or when significant damage occurs, they shall immediately report that effect (including matters concerning material lawsuits);
 2. the status of whistleblowing through an internal whistleblowing system developed by Directors;
 3. the status of management concerning elimination of transactions, and blocking of relationships, with anti-social forces; and
 4. other matters that the Audit & Supervisory Committee requests to be reported.
- (2) Directors, Auditors, and employees of subsidiaries or persons who receive reports from any of those persons must report to the Audit & Supervisory Committee or the Audit & Supervisory Committee Member(s) selected by the Audit & Supervisory Committee without delay, if any of the matters set forth in the preceding paragraph occurs.
- (3) The Audit & Supervisory Committee Member(s) selected by the Audit & Supervisory Committee shall cooperate closely with the Auditors of Group companies and other relevant persons, through means such as exchanging information necessary for the execution of duties.
- (4) If required by the Audit & Supervisory Committee, Directors, Executive Officers and other relevant executives and employees must attend the Audit & Supervisory Committee meeting and explain matters with necessary materials. In addition, they have a similar duty to explain if required by the Audit & Supervisory Committee Member(s) selected by the Audit & Supervisory Committee.
- (5) MHC shall not treat the persons who have made the reports under (1) to the Audit & Supervisory Committee or any Audit & Supervisory Committee Members disadvantageously, just because they made those reports.
- (6) MHC shall not treat the persons who have made reports just because they made those reports using an internal whistleblowing system disadvantageously, and MHC shall specify this in the internal rules and fully inform all employees through internal training and on other occasions.

[Matters concerning policies regarding the expenses or liabilities arising from the execution of duties by the Audit & Supervisory Committee Members]

- (1) The Audit & Supervisory Committee Office shall promptly process expenses or liabilities when each Audit & Supervisory Committee Member makes requests with respect to the prepayment of expenses and other payments, except in cases where such requested expenses or liabilities are deemed to be clearly unnecessary for the execution of the duties of an Audit & Supervisory Committee Member.

[Other frameworks for ensuring effective audits by MHC's Audit & Supervisory Committee Members]

- (1) The Audit & Supervisory Committee should create an opportunity to conduct interviews regularly with Directors and Executive Directors, and employees, concerning the business, and conduct a regular meeting to exchange opinions with the President and Accounting Auditor.

- (2) The Audit & Supervisory Committee may request opinions from lawyers, Accounting Auditors, etc. as necessary, for cases that require expertise.
- (3) The Audit & Supervisory Committee should receive in advance an audit plan from the Accounting Auditors, and regularly receive an audit implementation report; in addition, it should conduct an interview as necessary, regarding the implementation of audit.
- (4) The Audit & Supervisory Committee should make efforts to enhance the effectiveness of the audit, by cooperating with the Internal Audit Department and conducting an audit, regularly or in a timely manner, of the offices, etc. including the subsidiary, and by understanding the actual situation.
- (5) An employee who is selected by the Audit & Supervisory Committee to assist the duties of an Audit & Supervisory Committee Member and the duties of the Audit & Supervisory Committee may attend the Executive Committee, committees and other important meetings and make necessary statements at such places, and view important documents.
- (6) An Audit & Supervisory Committee Member selected by the Audit & Supervisory Committee should request that MHC and its subsidiaries report on its business, or investigate the situation of the duties and properties, and MHC and its subsidiaries should cooperate with this.
- (7) Personnel affairs of the General Manager of the Internal Audit Department should be decided upon prior consultation with the Full-time Audit & Supervisory Committee Member selected by the Audit & Supervisory Committee.
- (8) The Internal Audit Department should make a report to the Audit & Supervisory Committee regarding the internal audit plan, internal audit result, and the amendment and abolition of the important rules related to internal audit, and should respond to requests by the Audit & Supervisory Committee in relation to information provision, investigation, and report.
- (9) Directors, Executive Directors and employees should provide the necessary cooperation for the execution of duties of the Audit & Supervisory Committee, based on the Audit & Supervisory Committee Regulations, standards for audit, etc. of the Audit & Supervisory Committee, and standards for the Audit & Supervisory Committee to conduct an audit regarding an internal control system.

2. Basic Philosophy on Eliminating Anti-Social Forces and Status of Measures

1. Basic philosophy against anti-social forces

The Group, its entire organization headed by the top management, shall take a resolute stance against antisocial forces, which threaten the peace and stability of civil society, and shall work to end and eliminate any relationships with such forces.

2. Status of implementation of measures to eliminate anti-social forces

(1) Implementation of internal rules

The Group defines elimination of anti-social forces in the Mitsubishi HC Capital Group Code of Ethics and Code of Conduct, and the specific details thereof are stated in the internal rules.

(2) Division in charge of handling anti-social forces

The Group has established a division in charge of handling anti-social forces, and oversees the handling of anti-social forces while collecting and managing information concerning anti-social forces in a centralized manner. Also, persons responsible for preventing unjust demands are allocated to the head office and each office, and handle unjust demands from anti-social forces.

(3) Major specific initiatives to eliminate anti-social forces

- (i) The Group vets the counterparty at the time of transactions and regularly.
- (ii) Anti-social forces elimination clauses are included in agreements and the terms and conditions of transactions, and maintained in order to eliminate transactions with anti-social forces.
- (iii) The Group works closely with outside expert organizations to handle anti-social forces, such as through consultations with the police and lawyers, etc., as necessary.

(4) Implementation of training activities

The Group positions the handling of anti-social forces as a critical compliance matter, and incorporates it into the curriculum of compliance training, which is conducted regularly.

V Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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Supplementary Explanation

Not applicable.

2. Other Matters Concerning Corporate Governance Framework, etc.

Corporate Governance Framework including the Overview of the Internal Control System

Please refer to the figure given below.

Overview of the Information Disclosure System

MHC stipulates in its information disclosure policy that it strives to conduct proactive and continuous information disclosure in order to be trusted and properly evaluated by each of its stakeholders surrounding MHC including shareholders and investors. MHC's information disclosure policy is released on its website.

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

MHC strives to promptly disclose material information concerning MHC and each Group Company, while ensuring the accuracy of the details of the disclosure, and discloses material information in a timely and appropriate manner under the following framework.

MHC also strives to prevent insider trading by appropriately and carefully managing insider information based on internal rules.

(1) Disclosure Committee

MHC established the Disclosure Committee as an advisory body of the Executive Committee for discussing the appropriateness of disclosed information and the effectiveness of internal control and procedures concerning information disclosure. The Disclosure Committee, of which the chairperson is the Head of the Treasury & Accounting Division, is held four times a year in principle and what is discussed there is reported to the Executive Committee.

(2) Internal rules regarding timely disclosure

MHC has stipulated the Information Disclosure Rules in order to disclose information related to company decisions made or facts of occurrences concerning the Group in a timely and appropriate manner based on the Financial Instruments and Exchange Act, Cabinet Office Ordinance on the Disclosure of Corporate Affairs, etc., and the Timely Disclosure Rules established by stock exchanges. Timely disclosure standards and timely disclosure processes are specified in the Information Disclosure Rules.

(3) Responsible department

With regard to information concerning material decisions or occurrence of facts, financial results information, and the like ("material information"), the person in charge of management of the division managing such information will report to the department in charge of disclosure. In addition, material information in group companies is reported by person in charge of management of the department managing the relevant group companies.

The department in charge of disclosure shall promptly disclose information in a timely manner based on the internal rules.

