

mitsubishi **HC CAPITAL**

SUSTAINABLE BOND FRAMEWORK

March 2023

Mitsubishi HC Capital Inc.

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Note: Diagrams, organization names etc. in this document are current as of March 31, 2023

1. Introduction

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

We set "Our 10-year Vision" as "Together we innovate, challenge and explore the frontiers of the future," to realize Our Mission, which is our long-term goal. We address social issues that can be solved only by Mitsubishi HC Capital with our customers and partners, anticipating the changes in the society and business environment including changing global industry structures, accelerating digitalization and the increasing importance of sustainability.

To accelerate our initiatives, the Company has developed "Sustainable Bond Framework" ("the Framework") for the issuance of Green/Social/Sustainability Bonds. The Framework is designed to be aligned with the following Principles and Guidelines via key pillars i.e. Use of Proceeds, Process for Project Evaluation and Selection, Management of Proceeds and Reporting;

- Green Bond Principles 2021 (ICMA)
- Social Bond Principles 2021 (ICMA)
- Sustainability Bond Guidelines 2021 (ICMA)

The Company 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. The Company will raise funds via Green/Social/Sustainability Bond issuances to fund our initiatives tackling various issues and promoting sustainability, which enables us to demonstrate our continuous effort in this area to our stakeholders.

1.1 Basic Sustainability Policy

Since the business integration on April 1, 2021, the Company has been building partnerships with numerous stakeholders globally and has considered itself to have the huge potential capability to contribute and solve social issues.

The Company established "Our Mission" to create social value with customers and partner companies and to contribute the prosperous and sustainable future as its ideal image, and defined what the Mitsubishi HC Capital Group ("the Group") needs to do to achieve "Our Mission" as "Our Vision". The Basic Sustainability Policy consists of and integrates "Our Mission", "Our Vision" and the materiality.

1.1.1 Basic Management Policy

<Our Mission> Our long-term goal

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

<Our Vision> Objectives to achieve our long-term goal

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

<Action Principles> “Values and mindset to be held” and “actions to be taken” by each and every employee

- Challenge Challenge ourselves to look forward to the future with a sense of responsibility and commitment.
- Digital Drive digital innovation and expertise.
- Communication Communicate openly and honestly to build mutual understanding and trust.
- Diversity Embrace diversity and respect each other.
- Sustainability Act in harmony with people, society and the earth to create a sustainable world.
- Integrity Maintain the highest standards of ethics and integrity.

1.1.2 Materiality of Mitsubishi HC Capital Group

Mitsubishi HC Capital has identified the following six materiality issues as priority key challenges which must be addressed to achieve sustainable development of the Mitsubishi HC Capital Group(see subsequent pages). Against a backdrop of megatrends such as recent climate change driven by global warming, population growth, urbanization, and scarcity of resources, not only our personal lives but also social environments have been drastically changing worldwide. Under such circumstances, companies are expected to take efforts to solve numerous issues, such as to promote a decarbonized society and to create a circular economy.

<How the Company Identified the Materiality>

1. Identified internal ESG priority key challenges

The Company first listed wide-ranging ESG-related challenges based on related international guidelines and principles such as the ISO 26000 standards, SDGs (Sustainable Development Goals), and others. Subsequently, the Company conducted employee questionnaires and interviews throughout the Group and ascertained potential challenges in consideration of their importance for the Group as both opportunities and risks.









2. Identified ESG priority key challenges for external stakeholders








Via interviews with stakeholders including major customers, shareholders, and partners, the Company confirmed and listed key ESG material issues from the perspective of the stakeholders.

3. Management held discussions and made decisions

By reviewing how the priority key challenges relate to Our Mission, Our Vision and SDGs, the Company identified the key challenges that the Group must address through discussions with relevant departments, the Sustainability Committee, the Executive Committee, and the Board of Directors.

<Materiality of Mitsubishi HC Capital Group>

Materiality	Why the Group Treats as Highly Material Challenges	Relation to SDGs
Promote a decarbonized society	Efforts to realize a decarbonized society have been globally recognized as an urgent issue, and the Group can significantly contribute to solving this challenge through its services and solutions, such as renewable energy investment and EV promotion. It is quite a few impact on but is significant for the Group to distinct its business from not solving social issues.	 
Realize the circular economy	The Group aims to contribute to creating a circular economy by reducing waste, not only within the Group but also within society through maximizing the potential of assets as a leading leader in the leasing industry. The Group treats this challenge as material. The Group can also contribute to realizing a sustainable and prosperous society through strengthening the collaboration between partners.	   
Establish resilient	Large parts of the infrastructure within Japan needs to be repaired. The Group also recognizes the business has huge potential opportunities to support the development of infrastructure	 

social infrastructure	in overseas countries with active collaboration between various partners and create a smart city. The Group will contribute to the business being diversified, enhanced and efficient through establishing system and providing services for supporting the collaboration of various companies.	
Realize healthy lifestyles that promote positive well-being	It is vital for its stakeholders that the Group recognizes the importance of health, safety, mental and physical wellbeing for realizing the prosperous future. Valuable human resources are key. Personal development and attraction and retention of talent are significant for the Group members.	  
Create businesses utilizing the latest technologies	Both financing for the purpose of the digital transformation of customers and providing solution by internal and external digital technologies urge to develop new business models. Including establishing supply chains with utilizing alternative energies, the Group identifies material one as the opportunity.	 
Collaborate with partners locally and globally	Social issues differ by countries and regions. It is significant that the Group aims to solve these issues by collaborating with local partners to ensure the Group is meeting individual needs through local community-based communication. The Group can realize mutual benefits in developing society by utilizing the integrated capability in the Group.	 

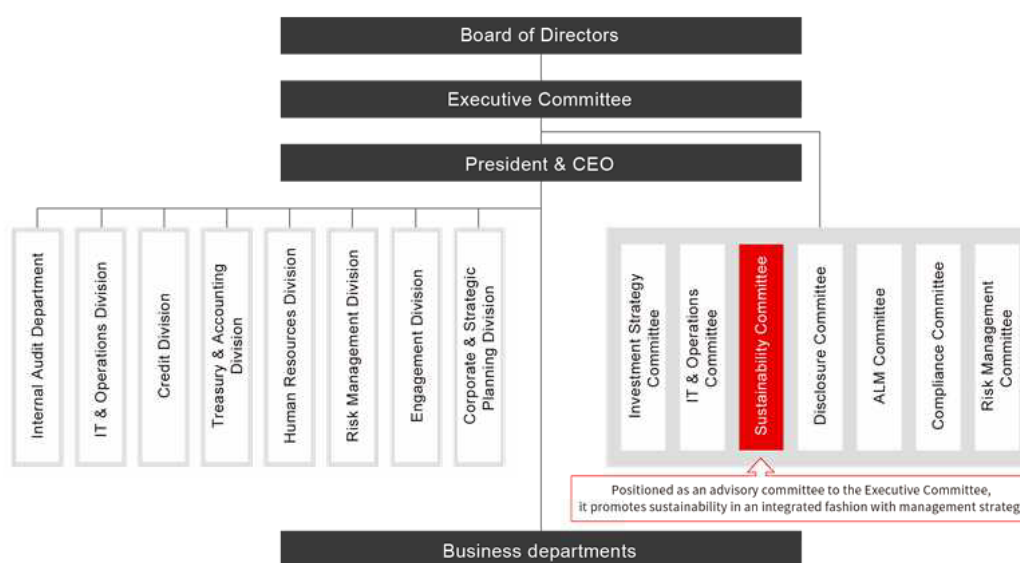
1.1.3 How Materiality Relates to “Our Mission” and “Our Vision”



1.2 Efforts on Sustainability

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

With this fundamental understanding, and to lead and promote sustainability-based management, the Company established 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 Engagement 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.



1.3 Environment

1.3.1 Environmental Policy

<Basic Philosophy>

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

<Environmental Action Guidelines>

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

1.3.2 Environmental Management System

We position environmental issues, most notably climate change, as one of our most important management issues and formulate and implement environmental plans accordingly.

Furthermore, based on the ISO 14001:2015 international standard for environmental management systems, we operate efficient and effective environmental management systems across four groups of divisions, namely, the sales, office-based, lease-up asset handling, and internal audit divisions. These systems are overseen by the Head of the IT & Operations Division, who is also a member of the Sustainability Committee.

1.4 Addressing Climate Change- Information Disclosure Based on TCFD Recommendations-

Climate change is a major challenge that needs to be resolved in order for a sustainable society become a reality. The Group believes that for any company to survive moving forward, it must work to solve this problem through its business activities. Furthermore, the Group is aware of the importance of earning the trust of stakeholders through proper disclosure of information, and supports the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

2. Sustainability Bond Framework

2.1 Use of Proceeds

The net proceeds or equivalent from the issuance of Green/Social/Sustainability Bond will be allocated to the following projects: finance existing and/or new loans / investments / intercompany loans/capital expenditures, repairs and renovations, and other related funds (including investments and loans to special purpose companies) that meet at least one of the following Eligibility Criteria (Eligible Projects).

In the case of existing loans or existing projects, only expenditures made within 36 months on or prior to the date of issuance of the applicable Green/Social/Sustainability Bond.

The funds will be allocated to other Eligible Projects should it be recovered due to repayments etc.

2.1.1 Eligibility Criteria

2.1.1.1 Green Projects

Green Bond Principles Eligible Category and Environmental Objectives	Eligible Projects
Renewable Energy (Environmental Objectives: Climate Change Mitigation)	<ul style="list-style-type: none"> ◆ New loans, investments, or refinancing for the development, construction and/or operation & maintenance of solar power generation facilities that meet all of the following criteria: <ul style="list-style-type: none"> • The expenditure is related to the development, construction and/or operation & maintenance of solar power generation facility located in Japan • A client (power producer), on the contract, has confirmed the compliance of both environmental impact assessment and relevant regulations and laws such as Japan's Forestry Act in construction and installation of the facility, where applicable • A client (power producer) has provided explanation and consultation to the local residents for their agreement to the business and operation prior to construction and installation of the facility <p>※Including intercompany loans to the subsidiaries involved in the renewable energy business set forth in the above</p>
Green Buildings (Environmental Objectives: Climate Change Mitigation)	<ul style="list-style-type: none"> ◆ New loans, investments, or refinancing for the development or acquisition of properties (office buildings and/or warehouses) that have received or will receive one of the following green building certifications <ul style="list-style-type: none"> • CASBEE: Rank A or above (Including CASBEE by local governments)

	<ul style="list-style-type: none"> • DBJ Green Building Certification: 5 Stars or 4 Stars • BELS Certification: 5 Stars or 4 Stars • LEED Certification: Platinum or Gold • ZEB Certification: ZEB or Nearly ZEB <p>※In the case of investments and loans to special purpose companies, only those specialized in green building related business or those with at least 90% of assets in green building-related ones are eligible.</p> <p>※Facilities equipped with freezer and refrigerator must be designed in an eco-friendly manner , such as using natural refrigerant.</p>
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<Group's Materiality Alignment>

Promote a decarbonized society

< SDGs Alignment>

7. Affordable and clean energy

13. Climate action

2.1.1.2 Social Projects

Social Bond Principles Eligible Category and Target Populations	Eligible Projects
<p>Access to Essential Services</p> <p>(Target Populations: Nursing Care Providers and Medical Service Providers)</p>	<ul style="list-style-type: none"> ◆ Nursing reward and Medical fee receivable factoring. (financing to nursing care providers and medical institutions for them to meet short-term liquidity) <ul style="list-style-type: none"> ※Only those to nursing care providers and medical institutions generating at least 90% of their revenue from medical practices covered by Japanese public medical insurance are eligible. ◆ Medical equipment leasing and installment sales <ul style="list-style-type: none"> ※ Only those for medical equipment to hospitals and clinics through Mitsubishi HC Capital or its subsidiaries are eligible ※Only those to medical institutions who generate at least 90% of their revenue from medical practice covered by Japanese public medical insurance are eligible

<Group's Materiality Alignment>

Realize healthy lifestyles that promote positive wellbeing

<SDGs Alignment>

3. Good health and well-being

5. Gender equality

8. Decent work and economic growth

2.1.2 Exclusion Criteria

The net proceeds (or the equivalent) from the issuance of Green/Social/Sustainability Bond will not be knowingly allocated to the projects related to:

- Unfair transactions that do not comply with relevant laws and regulations of the jurisdiction
- Inappropriate relationship such as bribery, corruption, blackmail, embezzlement, etc.
- Transactions that can cause social problems such as human rights and the environment.
- Property development for the tenants who are primarily engaged in the business related to fossil fuels, weapons, and tobacco.

2.2 Process for Project Evaluation and Selection

The execution of projects eligible for the proceeds allocation is subject to financial assessment by the Environment & Energy Business Department, Real Estate Business Department, or Healthcare Business Department and, depending on the amount of the project, the approval by an approver between General Manager and the Board of Directors. Treasury Department will be responsible for determining whether approved projects are eligible for the proceeds allocation. As a part of its compliance activities, the Group ensures that all executives and employees fully comply with applicable laws and regulations, including those related to the environment, and carries out regular compliance checks.

2.3 Management of Proceeds

The net proceeds or equivalent from the Green/Social/Sustainability Bonds will be managed by Treasury Department using internal management files, etc. As long as the Green/Social/Sustainability Bonds is outstanding, the Group will check once a year to ensure that the net proceeds or equivalent from the issuance of Green/Social/Sustainability Bonds do not exceed the aggregate amount of the Eligible Projects.

In the event that the entire proceeds or the equivalent of the entire proceeds from the issuance of Green/Social/Sustainability Bonds are not immediately allocated to the Eligible Projects, or if unallocated proceeds arise due to repayment or any other reasons, the unallocated amount will be identified and held in cash or cash equivalents until the proceeds are allocated to the Eligible Projects.

2.4 Reporting

On an annual basis, the Company will prepare and make publicly available a report on the Company's website disclosing allocation status and environmental and social impacts of the Eligible Projects. The first report is planned to be made available within one year from the issuance of Green/Social/Sustainability Bonds.

2.4.1 Allocation Reporting

The Company will disclose the amount of the outstanding Green/Social/Sustainability Bonds, net proceeds allocated to Eligible Projects by Eligible Category, and the balance of the amount equal to the net proceeds that is unallocated as of such date, if any, as long as Green/Social/Sustainability Bonds are outstanding.

The group will report on a timely basis in the case of material developments in the allocation status after full allocation.

2.4.2 Impact Reporting

The group will provide, to the extent practicable, the following indicators of the environmental and social impacts of the projects that meet the eligible criteria set forth in 2.1.1 as long as Green/Social/Sustainability Bonds are outstanding.

<Green Projects>

Green Bond Principles Eligible Category	Reporting Metrics
Renewable Energy	<ul style="list-style-type: none">• Annual volume of CO₂ emissions avoided (estimation based on output standards)• Annual power generation produced (estimation based on output standards)
Green Buildings	<ul style="list-style-type: none">• Acquisition status of green building certification• Balance by green building certification / asset type• In the case freezer or refrigerator installed assets, outline of such equipment (refrigerant, etc.)

< Social Projects >

Social Bond Principles Eligible Category	Reporting Metrics
Access to Essential Services	Nursing reward and Medical fee receivable factoring <ul style="list-style-type: none">• Number of Eligible Projects executed (annual basis)• Cumulative amount of Eligible Projects (annual basis) Medical equipment leasing and installment sales <ul style="list-style-type: none">• Number of Eligible Projects executed (annual basis)• Cumulative amount of Eligible Projects (annual basis)

3. External Review

The Company has obtained a second-party opinion from Sustainalytics, an independent external reviewer, that this framework is aligned with the Green Bond Principles 2021(ICMA), Social Bond Principles 2021(ICMA), and Sustainability Bond Guidelines 2021 (ICMA).