

Corporate Governance Report

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Mizuho Leasing Company, Limited

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<https://www.mizuho-ls.co.jp/> (in Japanese)

The corporate governance of Mizuho Leasing Company, Limited (the “Company”) is described below.

I. Corporate Governance Policy, Capital Structure, Corporate Attributes and Other Key Information

1. Basic Approach

Business activities of a listed company are primarily aimed at enhancing corporate value, consistently and over the long term, for shareholders. To this end, the Company recognizes that it is essential to ensure effective corporate governance, i.e. a framework for governing business activities centered on the closely regulated relationship between shareholders and management.

The Company’s idea of corporate governance required of a listed company are:

1. Protecting the rights and interests of shareholders and guaranteeing shareholder equality according to equity holdings.
2. Respecting the rights and interests of and building solid relationships with clients, employees, suppliers, and stakeholders other than shareholders who play increasingly important roles.
3. Ensuring business activity transparency through timely and appropriate disclosure of information in order to protect the rights and interests of stakeholders.
4. Recognizing the importance of the Board of Directors and the Auditors (Audit Committee) performing their supervisory and audit functions appropriately.

Based on these beliefs, the Company is working to achieve effective corporate governance by continuously creating and improving the environment around the Company’s corporate governance system.

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

The Company practices all principles listed in Japan’s Corporate Governance Code.

[Disclosure Based on Each Principle of Japan’s Corporate Governance Code] [updated]

[Principle 1-4 Cross-Shareholdings]

With a medium- to long-term perspective in mind, the Group acquires or continues to hold shares as cross shareholdings if they: lead to establishing new business relationships, maintain and strengthen existing ones, or if they contribute to the Group’s business.

Each year the Board of Directors examines the significance of the holdings by comprehensively evaluating the balance between transaction revenue with the investee company, dividend income, and other contributions to improving the Company’s corporate value, against the cost of capital. For shareholdings that, as a result of examination, are deemed economically lacking or do not contribute to improving the Company’s corporate value or revenue through increased transactions, the Company will engage in extensive dialogue with the investee to improve value. Following that, if no improvement is seen within a specified period, the Company will consider selling the shares.

In addition, for voting rights on shares held, we examine the medium- to long-term effects on corporate value of the Company and the investee company each proposal, and exercise those rights appropriately

[Translation]

[Principle 1-7 Related Party Transactions]

In the case of conducting transactions with officers, etc. who are related parties, the Company has put the following system and others in place so that such transactions do not harm the common interests of the Company and shareholders.

- We have set the Corporate Code of Conduct of the Group, and established the “Compliance Manual” as specific guide. In them, prohibition of conflict-of-interest transactions and competing transactions are set forth. In addition, the Board of Directors receives a report on the state of observance of compliance regularly, and monitors it.
- The “Rules of the Board of Directors” specify that a resolution for approval by the Board of Directors is required to implement conflict-of-interest transactions and competing transactions between the Company and its Directors, and the Board of Directors passes a resolution for such transactions and monitors them through a report.
- Based on the above monitoring system, we carry out survey on transactions with related parties periodically. Furthermore, as for conflict-of-interest transactions and competing transactions in the Group, we monitor such transactions by confirming the necessity of approval for them by the Board of Directors, etc. whenever there is a change of officers of the Group.

[Supplementary Principle 2-4-1 Ensuring Workforce Diversity When Promoting Core Personnel, Etc.]

<Ensuring workforce diversity>

As described in I - “Principle 3-1 (i)” of this report, the Company has set “Be a creator of a sustainable world” as our vision (ambitions) in the management philosophy, with a goal of becoming creators of a sustainable world through enjoying our mission. To this end, we have set “Creating a society and workplace where everyone can thrive” as one of six materiality topics to be addressed by the Company.

Specific initiatives for these materiality topics on the personnel aspect are as follows.

<Voluntary and measurable goals for ensuring workforce diversity, and status thereof>

(1) Promotion of female employees to managerial posts

Since we set a goal to increase the rate of female employees to 40% or more of all hires in FY2016, female employees have continued to account for more than 40% of new graduates hired each year. In addition, “Team SAKURA,” a project for promoting advancement of women, was launched in October 2014. Since then, to push forward with our efforts to encourage women to take active roles and increase the number of women in managerial posts, we have continued to work on initiatives themed on topics set out each fiscal year. For instance, we have held workshops and round-table talks with female employees in managerial posts, and have launched a career web portal which is intended to help female employees envision and build career paths on their own.

We set a goal to increase the rate of female employees in managerial posts to 15% in FY2025. The rate was 5.7% as of the end of March 2021, but reached 7.9% as of the end of March 2023. Furthermore, to help our employees balance work and major life events, we have also provided both female and male employees with a range of supports for both work and care of a child, including consultation desk relating to childcare leave and documents on systems for the birth or care of a child.

Due to these initiatives, Mizuho Leasing received the Platinum Kurumin certification in December 2020, as a company working actively to support the development of children who will bear the next generation.

	FY2020	FY2021	FY2022
Number of female employees	269	295	316
Rate of female employees	36.4%	37.6%	38.8%
Rate of newly hired female graduates	53.3%	59.5%	58.3%
Rate of female employees in managerial posts	5.7%	7.3%	7.9%

[Translation]

(2) Promotion of mid-career workers

In recent years, the environment surrounding the Group has been changing constantly. For instance, business fields with alliance partners have expanded and competition with other companies has further intensified. In response to these changes, the Group is increasingly recruiting workers with high professional expertise in order to support quantitative expansion and diversity of businesses. The employed mid-career workers' experience and knowledge have positively influenced the employees around them, greatly contributing to further advancement of the Group as a whole.

As there has been traditionally no difference from new graduates hired in promoting mid-career workers to managerial posts, we do neither set nor disclose a goal for promoting mid-career workers to managerial posts at present. As of March 2023, approximately one-quarter of all employees in managerial posts was mid-career workers.

(3) Promoting active roles of elderly employees

Since FY2019, we have set the retirement age at 65 so that experienced employees are able to demonstrate a wealth of knowledge and expertise to the fullest extent at workplace. In addition, we have held life design seminars for elderly employees to support them with designing comprehensive and far-sighted life plans, as well as help them review their careers and thus encourage their self-improvement.

(4) Promotion of foreign nationals

We intend to proactively consider promoting foreign nationals based on the belief that personnel with diverse values contributes to further improvement of corporate value.

At the Group's overseas consolidated subsidiaries, there is a total of over 600 locally hired persons who play active roles, and the local staff are in most of the managerial posts.

<Personnel development policy and policy for improvement of internal environment for ensuring workforce diversity>

[Personnel Development Policy]

Now that the transition to a digital society is being made, the change of the business environment is very rapid and becoming increasingly uncertain. Under this environment, the Company has proactively sought to expand its business domains with a pivotal focus on ties within the Group and been growing with a sense of speed greater than anticipated.

To achieve further transformation, we aim to further expand business domains, provide solutions accurately tailored to the potential and diversifying needs of our clients, and promote business strategies designed to address social challenges facing our client companies.

Toward the realization of strategies, we aim to build a human capital portfolio that underpins our businesses in the future by transforming our corporate culture into one that encourages our employees to take on challenges in a spontaneous and proactive manner, and organically combining the following human capital strategies.

- Strengthen efforts to hire and retain personnel with diverse values and skills in Japan and abroad
- Foster human capital with professional expertise who aspire to solve social challenges and next-generation executive candidates
- Promote personnel under appropriate evaluation and compensation systems
- Strategically place the right people in the right positions

In implementing our strategies, we have organized qualifications and competencies that ideal employees should have.

■ Ideal image of employees

- Those who are willing to jointly take on challenges, transform, and grow

■ Required competencies and qualifications

- Those who are willing to take on new challenges and take initiatives at work
- Those who come face-to-face with various needs and challenges, provide adequate solutions backed by their professional expertise, and are capable of actually addressing such needs and challenges
- Those who respect diversity and have qualifications and competencies to treat others in a cooperative and flexible manner

[Translation]

[Policy for Improvement of Internal Environment]

As a company based in Japan, the Company needs to deal with a decline in the workforce and other matters in the face of aging population with low birthrate.

In addition, the Company has advanced overseas expansion mainly in the Asian region, and believes that it is important to proactively draw on diverse human capital and values irrespective of nationality, gender, age and other diversity factors.

Furthermore, every one of our employees must continue to learn in a proactive manner to achieve further growth and transform organizational culture.

We aim for an organization in which each and every employee feels rewarded, satisfied, and fulfilled by making continued efforts to create a work environment that provides employees with career-building opportunities, makes them take pride in their work, and encourages them to take active roles.

■ Objectives

- Secure a comfortable and safe work environment in which employees feel at ease and prosperous
- Create a workplace, free from discrimination and harassment, in which employees respect each other

Specifically, we believe that it is vital to make efforts in various perspectives, including recruitment, personnel development, succession plans, diversity, health management, engagement, when and where to work, and human rights.

To achieve these objectives, we have worked to develop employees and their skills, promote their respect for diversity, and implement other measures as follows.

■ Hiring

- Hiring new graduates
Based on the policy to screen graduates with a focus on their individuality, the Company hires new graduates who spark intellectual curiosity and are willing to take initiative and act.
- Hiring mid-career workers
Please refer to <Voluntary and measurable goals for ensuring workforce diversity, and status thereof> (2) provided above.

■ Personnel development (education and training)

- We have “visualized” a career plan to objectively look at the knowledge and skills necessary for each tier of our employees, from new hires to those in managerial posts, and prepared various training programs appropriate for each step to ensure that each and every employee is able to grow in stages to develop personnel.
- For mid-career workers, in addition to basic onboarding programs as well as accounting, tax matters and legal affairs, we have held training programs to early understand and perceive the whole picture of the Group’s businesses with employees in each division of headquarters and administrative departments as lecturers.
- For sales representatives, we have offered more practical training programs by lecturers who are employees in each division in collaboration with the Business Promotion Department in order to enhance corporate sales skills companywide in conjunction with recent expansion of business domains and the increasing sophistication of operations.

■ Succession plans

The Company has moved forward with succession plans from the perspective of “emphasizing the Corporate Governance Code,” “fostering the management tier in a planned manner,” and “enabling transparent process for appointing directors.”

By making the successor candidates more “visible” and preparing programs to meticulously foster the candidates, including those in the management posts, in a planned manner over time, we are fostering them from a medium- to long-term perspective.

[Translation]

■ Diversity (respect for diversity)

- Promoting advancement of women

Please refer to <Voluntary and measurable goals for ensuring workforce diversity, and status thereof> (1) provided above.

- Promoting active roles of elderly employees

Please refer to <Voluntary and measurable goals for ensuring workforce diversity, and status thereof> (3) provided above.

- Employment of people with disabilities

We proactively work on employment of people with disabilities. We have signed an official partnership agreement with Japan Para Athletics, and support sports for people with disabilities. We also strive to eliminate prejudice and sense of discrimination against people with disabilities and understand diversity.

■ Health management initiatives

The Company was certified as one of the 2023 Health & Productivity Management Outstanding Organizations under the large enterprise category.

We established the health management declaration, and held seminars themed on health management, lifestyle habits, and other health-related topics. We encourage our employees to use health management apps so they can manage their own health in an effective and sustainable manner. We have also leased sleeping sensors, which analyze the state of sleep, for free, and taken other measures.

We conduct a stress check once a year, based on the awareness that mental health is important in securing a pleasant and safe working environment.

■ Enhancing engagement

In order to gain insight into the awareness and psychological state of employees in a timely manner and create a better working environment, we conduct an engagement survey every three months. Based on the results, we will use the results of the survey for implementing measures to urge our employees to commit to engagement as an issue of their own and enhance such commitment.

■ Increase flexibility to choose when and where to work

We allow our employees more flexibility in their work style so they can better balance life and work by promoting teleworking and enhancing paid annual leave and other systems. In addition, we have been working on Activity Based Working (ABW) in the office environment to establish a work style structure that enables our employees to choose the place where they can work most efficiently based on the type of work they are doing.

■ Respect for human and individual rights

We have been striving to maintain a work environment that respects the personalities and characteristics of each and every employee and will never tolerate any form of harassment, and where our employees can feel rewarded at work. We have set up hotlines and consultation desks to promptly address problematic behaviors.

[Principle 2-6 Roles as Asset Owners of Corporate Pension Plan]

For the asset management purpose of stably securing resources for future pension benefits, the Company established the “basic policy for management of plan assets” and develops the policy asset mix to secure return on plan assets in the long term.

In selecting a managing trustee organization, we conduct quantitative assessment of investment performance, rate of return, benchmarks and others, and qualitative assessment of investment policy, risk management, investment capability and others, in addition to the management philosophy, investment principle, legal compliance system, etc. Moreover, we monitor the status of managing pension assets periodically, and review the formulated policy asset mix where needed.

[Translation]

[Principle 3-1 (i) Company Objectives (e.g., Management Philosophy), Management Strategies and Management Plans]

The Group's management philosophy conveys its mission to "contribute to creating a sustainable society and proactively solve diverse challenges through business activities that go beyond traditional finance, and partnerships with clients that co-create value."

Specifically, first, our Mission is defined as, "Connect needs to create the future." This means that, in addition to providing the financial services that are the Group's strength, we will create the future together with our partners by connecting diverse societal needs to new solutions and systems that go beyond the traditional framework of finance.

Next, our Vision is to "Be a creator of a sustainable world." This reflects our desire to be recognized as a social leader that simultaneously creates both corporate value and a sustainable society; a company where each and every employee is proud to work at.

Furthermore, we coupled our Values of "Challenge," "Change," and "Create" with "Collaborate," aiming to generate large synergies through alliances and collaboration with various stakeholders inside and outside the Group.

Under this management philosophy, on a group-wide basis, the Company will aim to improve corporate value and help realize a sustainable society.

<Management Strategy and Management Plan>

In FY2019, the Group formulated the Sixth Medium-term Management Plan whose final year was FY2023, and has promoted efforts in focus areas created in response to changes in social and industrial structures. As a partner to our clients, we worked to expand business fields in Japan and overseas through cooperation with Mizuho and Marubeni. As a result, in FY2022, we reached a level where we generally expected to achieve numerical targets set in the Sixth Medium-term Management Plan, and steadily strengthened both our business and management organizational systems.

At the same time, we recognize that the business environment is drastically changing. Expectations are rising for the Group to accurately grasp and offer solutions to address rapidly shifting customer needs regarding social challenges such as advancing technology, climate change, and decarbonization.

Under these circumstances, we ended the Sixth Medium-term Management Plan a year ahead of schedule, and formulated our new "Medium-term Management Plan 2025," which started from FY2023. This will help make further strides toward realizing our Group's ambitions of sustainable growth.

The Group aims to become a multi-solution platform provider that enables clients to tackle their challenges by providing solutions beyond traditional financing, co-creating value as a partner, and contributing to their business activities. The three years of the Medium-term Management Plan are positioned as a period for our Group to take on the challenge of realizing that goal, while also continuing to drive business.

In addition to providing monetary support, our domestic and overseas partnerships with the Mizuho Financial Group and Marubeni in various industries enable us to leverage our high degree of freedom to provide services beyond finance. As a result, we can take the initiative to tackle our clients' strategic challenges, develop their businesses, and create new value that can be shared with stakeholders. Through this, we will contribute to the realization of a sustainable society.

Additionally, in order to create a prosperous future and contribute to the realization of a sustainable society, the Group has formed sustainability initiatives focused on tackling six priority challenges (materialities). These were identified by analyzing the opportunities and risks for both the Company and society as a whole, they include:

"Contributing to a decarbonized society"

"Contributing to a healthy and prosperous lifestyle"

"Contributing to the creation of social infrastructure that supports our lifestyle"

"Leading toward a circular economy"

"Creating new value through technology"

"Creating a society and workplace where everyone can thrive"

[Translation]

The Group will promote initiatives that integrate these materialities and business strategy. Furthermore, the Group will create an environment in which employees can fulfil their potential in a healthy and satisfying manner by promoting the advancement of women, supporting the balance of work with nursing care and childcare, and promoting flexible working styles through teleworking and other means.

- The Group's ambitions: Make the great leap from a leasing company to a platform company that co-creates the future together with clients

“Circular society platform company that addresses social challenges”

Provide integrated solutions, such as circular economy and decarbonization, for social issues that corporations need to solve

“Technology-driven leader pushing for structural business reform”

Anticipate shifting social structures and spread of new technologies, and provide a comprehensive range of solutions designed to meet those challenges in response. Become a powerful XaaS (Anything as a Service) player

“Organization that fearlessly tackles challenges to create new value”

Each employee, and the company as a whole, will create new value beyond the traditional finance framework by being agile, focusing on speed, and taking on new challenges

- Financial targets for the final year of the “Medium-term Management Plan 2025” (FY2025): “net income of ¥42.0 billion” / “ROA of 1.6% or more” / “ROE of 12% or more”

The Board of Directors will provide effective supervision and review of initiatives in the “Medium-term Management Plan 2025” by receiving reports when the quarterly financial results are announced. They will then confirm progress, discuss strategies, etc.

For a summary of the “Medium-term Management Plan 2025,” please refer to I - “Principle 5-2” of this report. In addition, details of the “Medium-term Management Plan 2025” are available on the Company's website. https://www.mizuho-ls.co.jp/ja/ir/mid_term.html (in Japanese)

[Principle 3-1 (ii) Basic Views and Basic Policies on Corporate Governance]

Please refer to “I-1. Basic Approach” of this report.

[Principle 3-1 (iii) Policies and Procedures in Determining the Remuneration of Directors]

Please refer to “II-1. [Director Remuneration]” of this report.

[Principle 3-1 (iv) Policy and Procedures for Appointment and Dismissal of Directors, Auditors, and Executive Management]

For nomination of candidates for Directors and Auditors and appointment of the executive management, the Company nominates and appoints personnel who possesses abundant knowledge and experience, deep insight, excellent character, and good and objective judgment, as based on Company's management policies and management strategies. Nomination and appointment are determined by the Board of Directors through the voluntary Nomination & Compensation Committee's deliberation process. Dismissal of executive management is also comprehensively judged and determined by the Board of Directors through the voluntary Nomination & Compensation Committee's deliberation process. This is done when it is deemed that executive management has not fulfilled their function sufficiently, taking into account company performance and assessing implementation of the medium-term management plan.

[Principle 3-1 (v) Explanation for Nomination of Candidates for Directors and Auditors]

Reasons for nomination of candidates for Directors and Auditors are disclosed in the “Notice of the General Meeting of Shareholders.” Appointment and dismissal of executive management are disclosed timely and appropriately. For reasons for appointment of outside Directors and outside Auditors, please refer to II-1. [Directors] - [Relationship With the Company (2)] and [Auditors] - [Relationship With the Company (2)] of this report.

[Translation]

[Supplementary Principle 3-1-3 Initiatives on Sustainability, and Investment in Human Capital and Intellectual Property, Etc.]

<Initiatives on sustainability>

Based on the management philosophy, the Company aims to create value that can be shared with our stakeholders and contribute to the realization of a sustainable society through business activities.

We recognize that the importance of initiatives for environmental issues such as climate change and a lack of energy and resources, and social issues including poverty, education and health/welfare is growing, and companies need to work to solve these issues through their business activities in order to survive and grow.

The Group has strengths in solving clients' issues in business and financial strategies, and has striven to resolve various issues through provision of flexible services by leveraging its characteristics combining the nature of a financial company and a business company. Further aiming for the realization of a sustainable society and growth of the Group, we have established the sustainability initiative policy.

In order to create an abundant future and help realize a sustainable society, we have identified six materiality topics to be prioritized from the standpoint of opportunities and risks for the entire society and the Group, and will promote initiatives for these material topics by integrating them with our business strategies.

Six materiality topics of the Mizuho Leasing Group

“Contributing to a decarbonized society”

“Contributing to a healthy and prosperous lifestyle”

“Contributing to the creation of social infrastructure that supports our lifestyle”

“Leading toward a circular economy”

“Creating new value through technology”

“Creating a society and workplace where everyone can thrive”

We will contribute to solving social and environmental issues such as climate change, health/welfare, and cities/infrastructure/mobility while promoting the transition to a circular society by also utilizing new technologies, supporting supply chains, offering valuable goods and services, etc., and work to strengthen and enrich human capital/education/governance as foundations that support all of these activities.

Through sustainability initiatives based on the management philosophy, the Group is committed to co-creating a circular society and contributing to the realization of a sustainable society through new ideas that go beyond finance and by tirelessly taking on challenges.

<Sustainability promotion structure>

We established the Sustainability Management Division in the Corporate Communications Department to conduct planning and design and promote measures in relation to sustainability.

In addition, the Sustainability Committee was set up as a policy planning committee in April 2022. With Deputy President as the Chief Sustainability Officer, this committee will share information relating to sustainability, including ESG, develop basic policies and targets for sustainability management, monitor the implementation status of plans, and conduct broad cross-sectoral discussions related to sustainability, such as discussions about countermeasures, in principle on a quarterly basis. Topics discussed by the committee will be deliberated on the Executive Management Committee, and then reported and submitted to the Board of Directors, where they are reflected in business strategy.

<Human rights>

The Group aims to contribute to realizing a sustainable society by taking a lead in solving social issues. We are aware that respect for human rights is essential to achieving our own management philosophy. We have formulated the Corporate Code of Conduct of the Mizuho Leasing Group to set out concrete action guidelines for officers and employees, and established the Human Rights Policy to announce the Group's responsibility for and commitment to human rights externally.

In addition, we will carry out human rights due diligence, which is a series of processes for identifying, preventing and mitigating actual and potential negative impacts in the Group's businesses, supply chains and other business relationships while fulfilling our responsibility for how to deal with these negative impacts, and continue to promote activities related to human rights.

[Translation]

<Investments in human capital>

Please refer to I - “Supplementary Principle 2-4-1” and “Principle 5-2” of this report. “Principle 5-2” shows indicators for enhancement of human capital in the “Medium-term Management Plan 2025.” Please also see Section I, 2-2 [Views and initiatives concerning sustainability] of the Securities Report, which also shows these indicators.

<Investments in intellectual property>

The Company has abundant experience over many years as a leasing company, and has accumulated expertise and extensive know-how on “*Mono* (equipment & properties),” “commercial distribution” and “finance.” In addition, we have engaged in business participation type projects, such as operation of the solar power generation business and providing financing to wind and biomass power generation businesses, and also worked on ESG finance by handling “Mizuho SDGs Leases” and “Carbon Offset Leases Through J-Credits” and newly issuing green bonds. Furthermore, we promote capital and business alliances with startups that aspire to solve social issues. Know-how and insights accumulated through such initiatives are our intellectual properties, and we will continue to build and develop these properties through development and provision of diverse solutions that meet clients’ needs.

<Disclosures based on the TCFD recommendations>

Climate change, in the form of increasing levels of greenhouse gasses and rising temperatures, is one of the major challenges facing the world today. The Company and the Group take the issue of climate change seriously and have set “contributing to a decarbonized society” as one of six materiality topics in their sustainability initiatives, which they will work to solve through their business activities.

At the same time, by conducting analysis and disclosure in line with the Task Force on Climate-Related Financial Disclosures (TCFD) under an appropriate governance and risk management framework, we will develop a deeper awareness of the risks and opportunities posed to the Group by climate change issues and take action to achieve a sustainable society.

[Governance in response to climate change]

The Company established the Sustainability Committee to conduct cross-sectional company-wide discussions on climate change in April 2022. With Deputy President as the Chief Sustainability Officer, the committee consists of the CSO, CFO, CRO, CIO, CCO and group chiefs of ESG-related divisions. In principle, wide-ranging discussions are held on a quarterly basis, and depending on the topic of discussion, other related parties are also invited to attend. Specifically, the committee shares information relating to sustainability, including ESG, develops basic policies and targets for sustainability management, monitors the implementation status of plans, and discusses countermeasures. The committee discusses issues such as addressing climate change, sustainability initiatives, and management in response to environmental changes.

Topics are deliberated on, reported to the Executive Management Committee for discussion, and then reported in turn to the Board of Directors, where they are discussed and reflected in business strategy. In addition, a system is in place to ensure appropriate oversight by the Board of Directors, in which quarterly reports are made to the board on the status of climate change measures and performance evaluations with respect to targets and indicators.

(Explanation of abbreviations) CSO: Chief Strategy Officer, CFO: Chief Financial Officer, CRO: Chief Risk Officer, CIO: Chief Information Officer, CCO: Chief Compliance Officer

[Strategy in response to climate change]

■ Climate-related short-, medium-, and long-term risks and opportunities

The Group takes the various risks and opportunities associated with climate change as one of its key strategic perspectives, identifies “contributing to a decarbonized society” as a materiality topic, and is promoting initiatives.

In such initiatives, we assess the impacts of climate change over not only short term but also medium to long term in which these impacts could become evident. The impact periods are defined as short term (one to five years), medium term (about ten years up to 2030, the year by which the Japanese government aims at 46% reduction of carbon dioxide emissions), and long term (about 30 years up to 2050, the year by which the world aims to achieve carbon neutrality).

■ Transition risks/opportunities and physical risks/opportunities

Impacts of transition risks/opportunities and physical risks/opportunities associated with climate change to the Group are as shown below.

First, as for transition risks (risks occurring due to the transition to a decarbonized society), it is expected that cost of credit to sectors with high greenhouse gas emissions will increase in the medium to long term due to policies such as the introduction of carbon taxes and carbon pricing. In addition, it is forecasted that costs for responding to regulatory changes based on increased international compliance requirements, such as stricter emissions reporting obligations, will increase in the short term.

Next, as for physical risks (risks coming to the surface because of disasters, etc. stemming from climate change), there are concerns about damage to owned assets, limitation of business activities, increased restoration costs, and other matters due to wind and flood damage as a result of severe extreme weather events on both acute and chronic bases in the short, medium and long-term.

Finally, as for opportunities, it is anticipated that demand for financing and business opportunities will increase in association with the shift to renewable energy and more energy-efficient transportation methods, as well as the dissemination of environmentally friendly or resilience-focused products and services in the short, medium and long term.

■ Scenario analysis for sectors of high importance

On a company-wide basis, we are anticipated to be affected by greenhouse gas (GHG) emission regulations and severe extreme weather events, and at the same time, expected to see growing demand for finance for businesses related to renewable energy and energy-saving properties. We have established a sector policy that we will not provide investment or other financing for the construction of new coal-fired power plants, thereby making decisions on deals in consideration of climate change risk. To grasp highly uncertain impacts of climate change, we conducted multiple qualitative scenario analyses on sectors of high importance in the following steps, including related transition risks and physical risks.

(i) Sector selection

The sectors for which the TCFD recommends disclosure (i.e., those sensitive to climate change) were classified in terms of importance to the Group based on:

- 1) qualitative assessment of the magnitude of transition and physical risks due to climate change;
- 2) the Group's exposure in each industry; and
- 3) strategic importance.

On this basis, we identified the electric power and real estate sectors for scenario analysis.

(ii) Evaluation of importance

The importance of risks and opportunities for the electric power and real estate sectors were evaluated based on their magnitude of business impact.

(iii) Defining scenario groups and setting parameters

Highly objective scientific parameters were used to estimate the timing and magnitude of the impacts.

(iv) Evaluation of business impact

Climate change risk transitions were assessed up to 2050 based on two scenarios, under 1.5–2°C and 4°C, with reference to the IEA^(Note 1) WEO^(Note 2) 2021 NZE^(Note 3) scenario and the IEA WEO 2021 STEPS scenario.

(Note 1) IEA: International Energy Association

(Note 2) WEO: World Energy Outlook

(Note 3) NZE scenario: Net Zero Emission scenario

■ Scenario analysis for sectors of high importance

(Electric power sector)

Under the 1.5–2°C scenario, an impact on the profitability of electric power companies is anticipated, but the risks affecting us are limited, while in terms of opportunities, the renewable energy business is expected to grow. In the 4°C scenario, we expect to see damage to power generation facilities and other assets as a result of more frequent flooding, as well as negative impacts on the Group from reduced profitability of electric power companies.

[Translation]

(Real estate sector)

Under the 1.5–2°C scenario, we expect some properties to become more competitive, and it is anticipated that the Group's business will expand as it supports clients' transition to a decarbonized society by securing a competitive edge in environmental performance. In the 4°C scenario, if a property in which the Group is involved suffers damage from flooding or similar events in the future, this may damage the value of real estate assets and have a negative impact on the Group.

■ Impact of climate change risks and opportunities on our businesses, strategies, and plans

The Group is working to expand its business to promote renewable energy and reduce environmental burden by rebuilding new social infrastructure. In light of the risks and opportunities in the electric power and real estate sectors identified by the scenario analyses, the Group will consider the effects of climate change in greater detail and reflect them in its business plans and other policies.

By engaging with and promoting financing for decarbonization, we will help our clients advance their efforts to address ESG and the SDGs, including climate change. In addition, by expanding our own business areas, we will provide solutions that meet the needs of our clients and seize the opportunities presented by environmental initiatives.

[Risk management in response to climate change]

The Group categorizes the risks that arise in the course of its business operations into financial risks, which are managed quantitatively, and operational risks, which are managed qualitatively, and establishes a risk management system for each type of risk. Furthermore, by setting up the Risk Management Committee, we have put in place a comprehensive risk management system to centrally manage these financial and operational risks. Financial risk can be further broken down into credit risk, market risk, and price fluctuation risk, with the location and magnitude of risk monitored based on a management framework that allocates risk capital to each category. In terms of operational risk, we monitor the incidence of, response to, and prevention of risk events such as administrative risk, system risk, and legal risk.

The Group considers climate risk as an operational risk, and has begun to reflect this risk in its existing risk management processes under the Risk Management Committee and its comprehensive risk management system.

Among the main sectors that the Group invests in, the electric power and real estate sectors, which are considered to be particularly sensitive to climate change, are expected to face risks from the establishment of new regulations such as carbon taxes and GHG emission regulations, as well as risks of impact on business due to changes in the energy mix, more extreme weather events, and changes in clients' behaviors.

We view the risks posed to the Group by climate change as resulting from regulatory changes, changes in the business structure of the businesses we invest in, and shifts of clients' behaviors. We will analyze these factors that may have a compounding effect on our business and develop more sophisticated responses to the risks.

Going forward, we will consider further enhancing our management of climate change risk under our comprehensive risk management system, taking the analytical methods and research results of relevant organizations into account.

[Indicators and targets in response to climate change]

The Group has set the following medium- to long-term targets as environmental targets related to Scope 1^(Note 1) and Scope 2^(Note 2).

■ Medium-term target: Achieve zero CO₂ emissions by FY2030

Actual environmental results of the Group (non-consolidated and six domestic consolidated subsidiaries) in the past are as follows.

- FY2016: Scope 1 (155 t-CO₂) + Scope 2 (631 t-CO₂) = Total (786 t-CO₂)
- FY2017: Scope 1 (152 t-CO₂) + Scope 2 (578 t-CO₂) = Total (730 t-CO₂)
- FY2018: Scope 1 (146 t-CO₂) + Scope 2 (532 t-CO₂) = Total (679 t-CO₂)
- FY2019: Scope 1 (144 t-CO₂) + Scope 2 (463 t-CO₂) = Total (607 t-CO₂)
- FY2020: Scope 1 (89 t-CO₂) + Scope 2 (440 t-CO₂) = Total (529 t-CO₂)
- FY2021: Scope 1 (86 t-CO₂) + Scope 2 (439 t-CO₂) = Total (525 t-CO₂)
- FY2022: Scope 1 (84 t-CO₂) + Scope 2 (141 t-CO₂) = Total (225 t-CO₂)

[Translation]

- (Note 1) Scope 1: CO₂ emissions directly from burning fuel (petroleum and diesel oil)
(Note 2) Scope 2: Indirect CO₂ emissions from electricity use
(Scope 3 is being under consideration.)

As for information disclosed in line with the TCFD, the details are available on the Company's website. Please also see them.

https://www.mizuho-ls.co.jp/ja/sustainability/society_and_environment/action.html (in Japanese)

In addition, they are also provided in Section I, 2-2 [Views and initiatives concerning sustainability] of the Securities Report.

For sustainability initiatives, please also refer to "III-3. Measures to Ensure Due Respect for Stakeholders - Implementation of Environmental Activities, CSR Activities, etc." of this report.

[Supplementary Principle 4-1-1 Scope of Matters Delegated to Management]

The principal role of the Board of Directors is to make decisions on matters that, under the law, are their exclusive prerogative, and to supervise the execution of duties by Directors. For matters not under exclusive prerogative, the executive officer system was adopted to ensure speedy and efficient execution of operations, with authority to executive said operations being delegated to the CEO* or lower level executives.

*CEO: Chief Executive Officer

[Principle 4-8 Effective Use of Independent Outside Directors]

The Company has appointed five independent outside Directors who have a wide range of insights and abundant experience in corporate management and other specialized fields. By obtaining precise comments and recommendations on overall management from an objective point of view, the Board of Directors diversifies and invigorates discussions at Board meetings.

Although we have not established any criteria for the ratio of inside to outside Directors, we believe the stimulating discussion that results from the election of outside Directors, who have diverse experience and insights, contributes to sustainable growth and improvement of the medium- to long-term corporate value of the Group.

[Principle 4-9 Independence Standards for Outside Officers]

The independence standards for outside officers are stipulated as follows. When an outside officer (including a candidate) falls under any of the following items, he/she is deemed not to have sufficiently satisfied the requirements for independence from the Company.

1. A person to whom the Company is a major business partner, or if the person is a corporation, etc. (including organizations other than corporations; the same shall apply hereinafter), a person executing business of the corporation, etc.
2. A person who is a major business partner of the Company, or if the person is a corporation, etc., a person executing business of the corporation, etc.
3. A consultant, accounting expert or legal expert who has gained a large amount of money or other properties from the Company (if they are corporations, etc., a person who belongs to them)
4. A close family member of a person who falls under any of the items 1 to 3
5. A close family member of a person executing business of a subsidiary of the Company
6. A person who recently fell under any of the items 1 to 5, and his/her close family member
7. A close family member of a person who recently was a person executing business of the Company
8. Notwithstanding the provisions of each preceding paragraph, any other person for whom there is deemed to any special reason that a conflict-of-interest relationship between the person and the Company could occur.

[Supplementary Principle 4-10-1 Independence of the Voluntary Nomination & Compensation Committee Structure]

Please refer to "II-1. Organizational Composition and Operation - Voluntary Committee's Name, Composition, and Chairperson's Attributes" of this report.

[Translation]

[Supplementary Principle 4-11-1 Views on Overall Balance, Diversity and Size of the Board of Directors]

We have defined knowledge, experience, and abilities that match the Company's management philosophy, six materiality topics, and Medium-term Management Plan, as skills expected from Directors and Auditors of the Company. For the status of skills possessed by Directors and Auditors of the Company, please refer to the skill matrix in "V-2. Other Matters Concerning Corporate Governance System" of this report.

[Supplementary Principle 4-11-2 Concurrent Positions Held by Directors and Auditors]

The concurrent positions of the Company's Directors and Auditors is within a reasonable range that enables them to secure the time and effort necessary to properly fulfill their roles and duties. Please also see Section I, 4-4 (2) [Status of officers] of the Securities Report, as the specific status of concurrent positions is disclosed in the part each year.

[Supplementary Principle 4-11-3 Analysis and Evaluation of Overall Effectiveness of the Board of Directors]

The effectiveness of the Board of Directors as a whole is analyzed and evaluated each year by an evaluation agency through a questionnaire distributed to all Directors and Auditors.

■ Process of effectiveness evaluation

(1) Review and finalize details of the questionnaire with an evaluation agency, taking into account developments related to corporate governance and the current situation of the Company → (2) Conduct the questionnaire → (3) The evaluation agency analyzes and evaluates results of the questionnaire → (4) The evaluation agency and the Company confirm validity of the analysis and evaluation → (5) The Company formulates improvement measures → (6) Report to the Board of Directors → (7) Implement improvement measures

■ Questionnaire items

The questionnaire contains the following six main categories. There are questions under each category, and each question is rated on a five-point scale. Other than the free-response section for each question, there are also free-response sections on the Company's strengths/weaknesses, improvement in functions of the Board of Directors, and other matters.

- 1) Roles and functions of the Board of Directors, 2) Composition and scale of the Board of Directors,
- 3) Operation of the Board of Directors meetings, 4) Coordination with auditing bodies,
- 5) Communication with the management team, 6) Shareholder and investor relations

■ Analysis and evaluation of questionnaire results

The major overview of analysis and evaluation for FY2022 by the evaluation agency based on results of the questionnaire is as follows:

1. Lively discussions are held about medium- to long-term issues.
2. Meetings are operated to have open and lively discussions.
3. Information is provided to the outside Directors to help them understand the Company.
4. Further improvements are expected for efforts to invigorate discussion at the Board of Directors meetings.
(e.g., selecting agenda items and distributing materials early that contain organized key points)
5. Further enhancements are expected for training officers using external training programs.
6. Continuous efforts are expected to ensure the diversity of Directors.

■ Major initiatives for FY2023 to improve effectiveness

Based on the analysis and evaluation in FY2022, we will work to improve not only areas where issues were pointed out, but also areas where our efforts were recognized, and will further improve the effectiveness and functions of the Board of Directors.

[Supplementary Principle 4-14-2 Policy on Training of Directors and Auditors]

We provide Directors and Auditors with the necessary opportunities, including external seminars, and supporting expenses, for them to obtain or update the knowledge and information on businesses, finance, organizations, etc. necessary to fulfill their role and work responsibilities.

[Translation]

In addition, we provide newly elected outside Directors and outside Auditors with information on the Group's corporate history, business overview, management strategies, organizational structure, etc. with the aim of deepening their understanding of the Group.

We also regularly offer training on compliance.

[Principle 5-1 Policy for Constructive Dialogue with Shareholders]

For information disclosure, including dialogue with shareholders, our basic policy is to broadly disclose information in an appropriate, timely, and fair manner, and ensure transparency in business activities in order to protect the rights and interests of shareholders and other stakeholders. In an effort to enhance information disclosure, we established the Corporate Communications Department as the contact point for externally sending and receiving information.

Based on the belief that proactive dialogue with shareholders is essential to achieve sustainable growth and improve the medium- to long-term corporate value, we hold a full year and second-quarter financial results briefing which the President and CEO and CFO attend. In particular, the Medium-term Management Plan was explained in detail, and a question and answer session was held with institutional investors and analysts mainly in Japan. Furthermore, after the financial results briefing, individual meetings between the CFO or General Manager of Corporate Communications Department and institutional investors, analysts, etc. are also held as needed in response to individual IR interviews. In addition, we also work on overseas IR by conducting dialogue with foreign investors.

Opinions and assessments of the Group received from institutional investors and analysts through such dialogue were reported by CFO to the Board of Directors as needed (May, August and November 2022, and February 2023), and the information was also shared with relevant divisions. Major concerns of investors at financial results briefings in the immediately preceding fiscal year (fiscal year ended March 31, 2023) were: performance forecasts, the "Medium-term Management Plan 2025," future growth potential of the Company, and risks/opportunities by business area. Following dialogue, we have worked to prepare easier-to-understand materials by incorporating analysis of special factors and providing quarterly financial results.

In addition, we strive to send messages from outside Directors to shareholders by including messages from and interviews with outside Directors in integrated reports.

The Company has established a management system whereby the period from the date of the quarterly results to the date of the announcement of said quarterly results is designated as a quiet period, and comments and responses related to the relevant quarterly results are prohibited.

[Principle 5-2 Formulating and Announcing Management Strategies and Management Plans] [Supplementary Principle 5-2-1 Basic Policy and Status of Review of Business Portfolio]

<<Measures to promote management with an awareness of cost of capital and stock price>>

(1) Measures to promote management with an awareness of cost of capital

The Company regards ROE, which is a measure of return on capital, as an important management indicator. In FY2022, the actual figure for ROE was 11.8%, and as a target under the "Medium-term Management Plan 2025," we aim for an ROE of 12% or more in FY2025 through profit growth. On the other hand, for cost of capital, the Company refers to cost of equity based on the Capital Asset Pricing Model (CAPM) and conducts management with an awareness of ensuring that ROE exceeds the indicator for cost of capital.

(2) Measures to promote management with an awareness of stock price

The Company has steadily enhanced shareholder returns based on the basic policy to "pay dividends commensurate with performance while improving profitability." Over the five-year period from FY2019 to FY2023 (forecast), profit attributable to owners of parent and annual dividend per share have been on an upward trend as shown below.

FY2019	Profit attributable to owners of parent	¥17.5 billion	Annual dividend per share	¥82
FY2020	Profit attributable to owners of parent	¥21.8 billion	Annual dividend per share	¥92
FY2021	Profit attributable to owners of parent	¥14.9 billion	Annual dividend per share	¥110
FY2022	Profit attributable to owners of parent	¥28.4 billion	Annual dividend per share	¥147
FY2023 (Forecast)	Profit attributable to owners of parent	¥31.0 billion	Annual dividend per share	¥172

[Translation]

For the shareholder return policy under the “Medium-term Management Plan 2025,” in addition to gradually increasing the payout ratio to 30% during the period covered by the plan, we will make effective use of retained earnings to strengthen business foundations and invest for growth, enhancing shareholder returns through profit growth.

Moreover, the Company discloses non-financial targets regarding efforts for realizing a decarbonized society and a circular economy and human capital management, including hiring more specialized business professionals to support those efforts and investment for developing personnel, and aims for continuous improvement in corporate value by promoting the achievement of such targets in conjunction with profit growth.

While ROE is at a certain level, the Company recognizes that there are challenges in improving the price earnings ratio (PER). The Company is focused on receiving fair evaluations and boosting its market valuation by ensuring that shareholders and investors correctly understand the actual business conditions of the Company through appropriate IR activities based on the Company’s disclosure policy, in addition to the initiatives described in (1) and (2) above.

<<Medium-term Management Plan>>

As stated in I - [Principle 3-1 (i)] of this report, we formulated our new “Medium-term Management Plan 2025” to help the Group achieve sustainable growth and make further strides towards realizing our ambitions. To solve the business and social challenges facing our clients, we aim to become a multi-solution platform provider that goes beyond a typical leasing company to offer diverse solutions as a partner that co-creates value.

The “Medium-term Management Plan 2025” covers the three-year period from FY2023 to FY2025, with “Challenge,” “Change,” and “Grow” as keywords. We have positioned this period as a “Three Year Challenge towards Change,” and intend to actively invest managerial resources in both business and management foundations in order to achieve rapid growth toward the realization of our ambitions.

<Transformation and sophistication of business portfolio management>

We will divide our business portfolio into the three areas of “Core,” “Growth,” and “Frontier,” and manage business portfolios with different growth horizons.

Core areas are those with mature markets or those in which we have an adequate market presence, such as domestic leasing and real estate. These are business areas that generate our bedrock earnings, and we will leverage our alliance with Mizuho, among others, to overcome market contraction trends, actively accumulate high-quality operating assets, and achieve stable and continuous growth.

Growth areas that have already emerged include global business, aircraft, and environment and energy. As the next revenue pillar after the Core areas, we will actively invest managerial resources to achieve growth from a medium- to long-term perspective.

Frontier areas are areas such as the circular economy and XaaS, where a market is expected to form over the long term and significant growth is anticipated. In order to develop business foundations, we will invest managerial resources in a proactive manner starting from the period of this Medium-term Management Plan.

These initiatives will help us steadily increase stable earnings, expand assets in growth areas, and manage business portfolios with different growth horizons.

Our alliance strategy, including our alliance with Mizuho, is the source of our ability to manage portfolios and accelerate growth. Our collaborative relationships with the Mizuho Group and the Marubeni Group are one of our greatest strengths and we intend to steadily promote this collaboration to help differentiate ourselves from other companies in the industry and enhance our competitiveness. At the same time, we will also utilize inorganic methods to promote changes to take on challenges for growth.

<Promotion of sustainability management>

We are committed to addressing the six materiality topics we have identified: “Contributing to a decarbonized society,” “Contributing to a healthy and prosperous lifestyle,” “Contributing to the creation of social infrastructure that supports our lifestyle,” “Leading toward a circular economy,” “Creating new value through

[Translation]

technology,” and “Creating a society and workplace where everyone can thrive.” By promoting these initiatives through our business, we will co-create a circular society and contribute to the realization of a sustainable society.

In particular, in “Contributing to a decarbonized society,” we will work to build infrastructure to supply electricity/energy derived from renewable energy sources and provide solutions to pressing environmental issues such as realizing a circular society and a low-carbon society.

In “Leading toward a circular economy,” we will build a business platform through collaboration with partners and work as a circular society platform company to provide integrated solutions that help solve social issues such as achieving a circular economy and decarbonization.

<Strengthening and further sophistication of corporate systems to support growth>

We will continue to strengthen and further sophisticate our corporate systems to support the expansion and diversification of our business as the Company grows. We will accelerate digital transformation to improve customer convenience, promote business development, and enhance operational efficiency; develop a human capital strategy to build a human capital portfolio that is aligned with our business strategy; and transform our corporate culture into an organization where each and every employee can feel more satisfied and fulfilled in their work. In addition, we will strengthen corporate governance and enhance risk management.

<Management targets and shareholder return policy under the Medium-term Management Plan>

■ Financial targets

We have set numerical targets for three items, net income, ROA and ROE, for FY2025, which is the final year of the Medium-term Management Plan.

By focusing on increasing stable profit while balancing it with investments for growth, we plan to raise net income to ¥42.0 billion, about 1.5 times the level of FY2022. We aim to achieve ROA of 1.6% or more through initiatives that actively accumulate operating assets while paying close attention to profitability. Although ROE is already at a high level compared to other companies in the industry, we aim to raise it further to 12% or more through profit growth.

(Financial targets: Past results and targets for FY2023 and FY2025 for net income, ROA, and ROE)

- Net income: Focus on increasing total stable profit while investing in growth to make greater strides toward the future

FY2019	FY2020	FY2021	FY2022	FY2023 (Target)	FY2025 (Target)
¥17.5 billion	¥21.8 billion	¥14.9 billion	¥28.4 billion	¥31.0 billion	¥42.0 billion

- ROA: Improve ROA by actively accumulating operating assets and continuing initiatives that emphasize profitability (ROA: Ordinary profit/Total assets)

FY2019	FY2020	FY2021	FY2022	FY2023 (Target)	FY2025 (Target)
1.2%	1.1%	0.7%	1.4%	1.4%	1.6% or more

- ROE: Aim for further increases through profit growth

FY2019	FY2020	FY2021	FY2022	FY2023 (Target)	FY2025 (Target)
9.8%	11.3%	7.1%	11.8%	11.4%	12% or more

■ Non-financial targets

In addition to setting targets that contribute to solving the social challenges of achieving a decarbonized society and a circular economy, we have organized our indicators to enhance human capital in three categories.

[Realizing a decarbonized society]

- Secure renewable power generation capacity: 1 GW (FY2025)
- Reduce CO₂ emissions* in Scope 1 & 2: zero emissions (FY2030) (*Non-consolidated and seven domestic consolidated subsidiaries)

[Translation]

[Realizing a circular economy]

- Chemical/material resource recycling rate: 85% or more (FY2027)

[Human capital management as a cornerstone]

- Hire more specialized business professionals: +80 people or more (FY2025)
- Investment amount for developing personnel: 3 times or more (FY2025; compared with FY2022)
- Develop digital IT personnel: 200 people or more (FY2025)
- Ratio of paid annual leave taken: 80% or more (FY2025)
- Management positions filled by women: 15% (FY2025)
- Ratio of childcare leave taken by male employees: 100% (Every year)

■ Shareholder return policy

Our basic policy for shareholder return is to pay dividends commensurate with business performance, while striving for improvement in profitability. Based on that policy, we seek to achieve an optimal balance between enhancing the dividend payout ratio and returning profits to customers through various methods. We will further improve profitability and corporate value by boosting growth investment and solidifying our client base.

In addition, we aim to achieve a dividend payout ratio of 30% in FY2025, which is the final year of the Medium-term Management Plan.

Details of the “Medium-term Management Plan 2025” are available on the Company’s website. Please also see them.

https://www.mizuho-ls.co.jp/ja/ir/mid_term.html (in Japanese)

2. Capital Structure

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

Name	Number of Shares Owned (Shares)	Shareholding Ratio (%)
Mizuho Financial Group, Inc.	11,283,600	23.03
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,979,000	6.08
Marubeni Corporation	2,157,500	4.40
RICOH LEASING COMPANY, LTD.	1,500,000	3.06
The Dai-ichi Life Insurance Company, Limited	1,465,000	2.99
DOWA HOLDINGS CO., LTD.	1,120,000	2.29
Meiji Yasuda Life Insurance Company	1,001,400	2.04
Custody Bank of Japan, Ltd. (TOSHIBA CORPORATION Retirement Benefit Trust Account re-entrusted by the Mitsui Sumitomo Trust & Banking Co., Ltd.)	900,000	1.84
IINO KAIUN KAISHA, LTD.	666,000	1.36
Custody Bank of Japan, Ltd. (Trust Account E)	592,400	1.21

Controlling Shareholder (except for Parent)	—
Parent (Listed Stock Market)	N/A

[Translation]

Supplementary Explanation

—

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange Prime Market
Fiscal Year-End	March
Type of Business	Financing other than Banking, Securities & Commodity Futures and Insurance
Number of Employees (Consolidated) at End of the Previous Fiscal Year	1,000 or more
Net Sales (Consolidated) for the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries at End of the Previous Fiscal Year	From 10 to less than 50

4. Policy for Measures to Protect Minority Shareholders in Conducting Transactions With Controlling Shareholder

—

5. 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 Supervision in Management

1. Organizational Composition and Operation

Organization Form	Company with Auditors
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[Translation]

[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	15
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board of Directors	Chairman (excluding the case where the person concurrently serves as President)
Number of Directors	12
Appointment of Outside Directors	Appointed
Number of Outside Directors	6
Number of Independent Officers Designated From Among Outside Directors	5

Outside Directors' Relationship With the Company (1)

Name	Attribute	Relationship With the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Naofumi Negishi	From another company											
Hirofumi Hagihira	From another company											
Mari Sagiya	From another company											
Hajime Kawamura	From another company											
Takayuki Aonuma	Attorney at law											
Hirozumi Sone	From another company											

* Categories for "Relationship With the Company"

* "○" when the director presently falls or has recently fallen under the category; "△" when the director fell under the category in the past;

* "●" when a close relative of the director presently falls or has recently fallen under the category; and "▲" when a close relative of the director fell under the category in the past

- a. Executive (a person who executes business; hereinafter, the same) of the Company or its subsidiary
- b. Non-executive director or executive of the parent of the Company
- c. Executive of a fellow subsidiary of the Company
- d. Party whose major client or supplier is the Company or an executive thereof
- e. Major client or supplier of the Company or an executive thereof
- f. Consultant, accounting professional or legal professional who receives a large amount of monetary consideration or other property from the Company besides remuneration as a director
- g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a corporation)
- h. Executive of a client or supplier of the Company (which does not correspond to any of d., e., and f.) (the director himself/herself only)
- i. Executive of a corporation to which outside officers are mutually appointed (the director himself/herself only)
- j. Executive of a corporation that receives a donation from the Company (the director himself/herself only)
- k. Other

[Translation]

Outside Directors' Relationship With the Company (2)

Name	Appointment as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Naofumi Negishi	○	Although Naofumi Negishi is a special adviser to Sekisui Chemical Co., Ltd. and Chairman of Metropolitan Expressway Co., Ltd., the Group has no transactions with the aforementioned corporate bodies.	He possesses extensive experience and a wide range of insight into the manufacturing industry. Since his appointment as an outside Director of the Company in June 2019, he has provided appropriate supervision of management while also being involved in strategic decision-making. The Company believes that going forward he will contribute to management supervision and decision-making directed at sustainable growth and improving the medium to long-term corporate value based on such extensive experience and a wide range of insight. In addition, there is no interest between him and the Group or its officers, and he has fulfilled duties in a neutral and fair manner from an independent standpoint.
Hirofumi Hagihira	○	-	He possesses extensive experience and a wide range of insight into the fields of economic, industrial, and international trade policy. Since his appointment as an outside Director of the Company in June 2019, he has provided appropriate supervision of management while also being involved in strategic decision-making. The Company believes that going forward he will contribute to management supervision and decision-making directed at sustainable growth and improving the medium to long-term corporate value based on such extensive experience and a wide range of insight. In addition, there is no interest between him and the Group or its officers, and he has fulfilled duties in a neutral and fair manner from an independent standpoint.

[Translation]

Name	Appointment as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Mari Sagiya	○	<p>Although Mari Sagiya is Outside Director of MonotaRO Co., Ltd., JBCC Holdings Inc. and Mitsubishi Corporation, the Group has no transactions with MonotaRO Co., Ltd. and JBCC Holdings Inc. The Group has transactions, etc. with the Mitsubishi Corporation Group, but the transaction amount accounts for less than 1% of net sales of the Company and has no particular importance. These transactions are determined in the same manner as general business terms in consideration of the situation of market interest rates, etc.</p>	<p>She possesses extensive operational and business management experience within multiple IT-related companies. Since her appointment as an outside Director of the Company in June 2019, she has provided appropriate supervision of management based on her high-level expertise and diverse perspectives while also being involved in strategic decision-making. The Company believes that going forward she will contribute to management supervision and decision-making directed at sustainable growth and improving the medium to long-term corporate value based on such extensive experience and a wide range of insight. In addition, there is no interest between her and the Group or its officers, and we judge that she can fulfill duties in a neutral and fair manner from an independent standpoint.</p>
Hajime Kawamura		<p>Hajime Kawamura is Senior Consultant of Marubeni Corporation. The Group has lease transactions, etc. with the Marubeni Group, but the transaction amount accounts for less than 1% of net sales of the Company and has no particular importance. These transactions are determined in the same manner as general business terms in consideration of the situation of market interest rates, etc.</p>	<p>He has in-depth knowledge of the overall business operations of general trading companies and has also obtained abundant experience in business management as a part of top management, including as CEO of Transportation & Industrial Machinery, Financial Business Group of Marubeni Corporation. Since his appointment as an outside Director in June 2020, he has provided appropriate supervision of management while also being involved in strategic decision-making. The Company believes that going forward he will contribute to management supervision and decision-making directed at sustainable growth and improving the medium to long-term corporate value based on such extensive experience and a wide range of insight.</p>

[Translation]

Name	Appointment as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Takayuki Aonuma	○	<p>Takayuki Aonuma is Of-Counsel of City-Yuwa Partners and Outside Director of FamilyMart Co., Ltd. The Group has lease transactions, etc. with the above-mentioned firm and company, but the transaction amount accounts for less than 1% of net sales of the Company and has no particular importance. These transactions are determined in the same manner as general business terms in consideration of the situation of market interest rates, etc. Furthermore, although he is Outside Director of SENIOR LIFE CREATE Co., Ltd., the Group has no transactions with the said company.</p>	<p>He possesses a wide range of insight based on his high-level expertise and extensive experience as a legal expert. Since his appointment as an outside Director of the Company in June 2021, by utilizing such capabilities, experience, and insight he has provided appropriate supervision of management while also being involved in strategic decision-making. The Company believes that he will continue contributing to management supervision and decision-making directed at sustainable growth and improving the medium to long-term corporate value. In addition, there is no interest between him and the Group or its officers, and we judge that he can fulfill duties in a neutral and fair manner from an independent standpoint.</p>
Hirozumi Sone	○	<p>Hirozumi Sone is Director and Chairperson of Azbil Corporation and Outside Director of Yasuda Logistics Corporation. The Group has lease transactions, etc. with these corporate bodies, but the transaction amount accounts for less than 1% of net sales and has no particular importance. These transactions are determined in the same manner as general business terms in consideration of the situation of market interest rates, etc.</p>	<p>He possesses extensive experience and a wide range of insight into the global manufacturing industry. The Company believes that he will contribute to management supervision and decision-making directed at sustainable growth and improving the medium to long-term corporate value based on such extensive experience and a wide range of insight. In addition, there is no interest between him and the Group or its officers, and we judge that he can fulfill duties in a neutral and fair manner from an independent standpoint.</p>

Establishment of Voluntary Committee(s) Equivalent to Nominating Committee or Remuneration Committee	Established
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[Translation]

Voluntary Committee's Name, Composition, and Chairperson's Attributes

	Committee Equivalent to Nominating Committee	Committee Equivalent to Remuneration Committee
Committee's Name	Nomination & Compensation Committee	Nomination & Compensation Committee
Total Committee Members	7	7
Full-time Members	0	0
Inside Directors	2	2
Outside Directors	5	5
Outside Experts	0	0
Other	0	0
Chairperson	Inside Director	Inside Director

Supplementary Explanation

As stated above, of seven members of the Nomination & Compensation Committee, five are independent outside Directors, and sufficient transparency and objectivity have been ensured. Matters concerning appointment and dismissal of Directors, Auditors and Executive Officers and their remuneration are deliberated by the committee, and then submitted to the Board of Directors.

[Auditors]

Establishment of the Audit Committee	Established
Maximum Number of Auditors Stipulated in Articles of Incorporation	5
Number of Auditors	4

Cooperation Among Auditors, Accounting Auditor and Internal Audit Department

In order to conduct efficient audits, the auditors maintain close cooperation with the Audit Department, the internal audit department, and receive monthly reports on the planning of internal audits and the status of audit implementation, as well as sharing information on the status of audits by the auditors when necessary. In addition, Auditors maintain close cooperation with the Accounting Auditor by holding monthly meetings and endeavoring to improve efficiency and quality of accounting audits and auditors' audits by receiving reports on the status of audits by the Accounting Auditor and working to exchange information.

Appointment of Outside Auditors	Appointed
Number of Outside Auditors	3
Number of Independent Officers Designated From Among Outside Auditors	3

[Translation]

Outside Auditors' Relationship With the Company (1)

Name	Attribute	Relationship With the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Tatsuya Yamada	From another company							△		△				
Hideki Amano	From another company													
Koji Arita	From another company							△		△				

* Categories for "Relationship With the Company"

* "○" when the auditor presently falls or has recently fallen under the category; "△" when the auditor fell under the category in the past;

* "●" when a close relative of the auditor presently falls or has recently fallen under the category; and "▲" when a close relative of the auditor fell under the category in the past

- a. Executive (a person who executes business; hereinafter, the same) of the Company or its subsidiary
- b. Non-executive director or accounting advisor of the Company or its subsidiary
- c. Non-executive director or executive of the parent of the Company
- d. Auditor of the parent of the Company
- e. Executive of a fellow subsidiary of the Company
- f. Party whose major client or supplier is the Company or an executive thereof
- g. Major client or supplier of the Company or an executive thereof
- h. Consultant, accounting professional or legal professional who receives a large amount of monetary consideration or other property from the Company besides remuneration as an auditor
- i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a corporation)
- j. Executive of a client or supplier of the Company (which does not correspond to any of f., g., and h.) (the auditor himself/herself only)
- k. Executive of a corporation to which outside officers are mutually appointed (the auditor himself/herself only)
- l. Executive of a corporation that receives a donation from the Company (the auditor himself/herself only)
- m. Other

Outside Auditors' Relationship With the Company (2)

Name	Appointment as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Tatsuya Yamada	○	Tatsuya Yamada comes from Mizuho Financial Group, Inc. While the Group has transactions for borrowing of funds, leases, etc. with group companies of the Mizuho Financial Group, these transactions are determined in the same manner as general business terms in consideration of the situation of market interest rates, etc. He left the said group in March 2019.	In addition to his extensive insight gained through experience of working in the accounting, finance and IT business at financial institutions, he also has a wealth of knowledge of capital markets through his experience as top management in an operating company. The Company believes that he will apply this knowledge and experience in the audit engagements of the Company which require diversity and sophistication while also helping to maintain and improve the corporate governance standards. In addition, there is no interest between him and the Group or its officers, and we judge that he can fulfill duties in a neutral and fair manner from an independent standpoint.
Hideki Amano	○	Although Hideki Amano is Outside Audit & Supervisory Board Member of Kao Corporation, Outside Corporate Auditor of Seiko Group Corporation and Outside Director of the Board of ORIX Bank Corporation, the Group has no transactions with Seiko Group Corporation. The Group has transactions, etc. with Kao Corporation and ORIX Bank Corporation, but the transaction amount accounts for less than 1% of net sales of the Company and has no particular importance. These transactions are determined in the same manner as general business terms in consideration of the situation of market interest rates, etc.	He possesses extensive experience of many years in corporate accounting audits gained as a certified public accountant in KPMG AZSA LLC, and a high level of knowledge on corporate governance and compliance, and also has broad knowledge and experience on changes in accounting standards such as IFRS. The Company believes that he will apply this knowledge and experience in the audit engagements of the Company which require diversity and sophistication while also helping to maintain and improve the corporate governance standards of the Company. In addition, there is no interest between him and the Group or its officers, and we judge that he can fulfill duties in a neutral and fair manner from an independent standpoint.

[Translation]

Name	Appointment as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Koji Arita	○	Koji Arita comes from Mizuho Financial Group, Inc. While the Group has transactions for borrowing of funds, leases, etc. with group companies of the Mizuho Financial Group, these transactions are determined in the same manner as general business terms in consideration of the situation of market interest rates, etc. He left the said group in September 2020.	In addition to extensive experience as the head of administrative planning division for many years in a financial institution, he also possesses experience in corporate management as top management. The Company believes that he will apply this knowledge and experience in the audit engagements of the Company which require diversity and sophistication while also helping to maintain and improve the corporate governance standards of the Company. In addition, there is no interest between him and the Group or its officers, and we judge that he can fulfill duties in a neutral and fair manner from an independent standpoint.

[Independent Officers]

Number of Independent Officers	8
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Matters Relating to Independent Officers
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[Incentives]

Implementation of Measures to Provide Incentives to Directors	Performance-linked remuneration
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Supplementary Explanation

The basic policy for remuneration for Directors is to further clarify the link between the Company’s business performance and stock value to ensure that Directors will contribute to increasing our medium to long-term business performance and our corporate value and share the awareness of raising our stock value with shareholders.

The remuneration for Directors who concurrently serve as Executive Officers consists of basic remuneration (fixed remuneration) and remuneration linked to business performance. The basic remuneration consists of the basic salary, where a fixed amount determined according to his/her position, rank, etc. will be paid in cash, and share-based remuneration I, where a fixed number of shares will be granted to the Director according to his/her position and rank. The remuneration linked to business performance consists of a bonus, where the amount of cash to be paid will be determined according to the Company’s business performance and the Director’s own performance, and share-based remuneration II, where the number of shares to be granted will be determined in the same manner.

The remuneration for Non-Executive Directors consists of the basic remuneration only (a basic salary and share-based remuneration I).

The Company partially amended the share-based remuneration system, Board Benefit Trust (BBT), which was introduced based on a resolution of the Ordinary General Meeting of Shareholders held on June 26, 2018, and changed it to the Board Benefit Trust-Restricted Stock (BBT-RS) Plan by a resolution at the Ordinary General Meeting of Shareholders held on June 27, 2023.

[Translation]

Under the BBT-RS Plan, the Company acquires shares through the trust using funds contributed by the Company. Through the trust, the Company provides Directors with the Company's shares at a specific time every year. The money is equivalent to the market value of the Company's shares at the time the Directors retire from office, in accordance with the share delivery regulations for officers stipulated by the Company. A Director concludes a transfer restriction agreement with the Company before the receipt of the Company's shares. This will restrict transfer, or other forms of disposal, of the Company's shares received by the Directors during his/her tenure, until he/she retires from office.

Recipients of Share Options	
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Supplementary Explanation

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[Director Remuneration]

Disclosure of Individual Directors' Compensation	No individual disclosure
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Supplementary Explanation

Excluding outside board members, the total amount paid to directors, auditors, and outside officers is individually disclosed by position:

- Remuneration paid to Board Members (seven persons) excluding outside Board Members: ¥335 million
- Remuneration paid to Auditor (one person) excluding outside Auditors: ¥22 million
- Remuneration paid to outside officers (ten persons): ¥119 million

The above includes one Director and one outside Auditor who retired at the conclusion of the 53rd Ordinary General Meeting of Shareholders held on June 24, 2022.

Policy for Determining Remuneration Amounts or Calculation Methods Thereof	Established
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Disclosure of Policy for Determining Remuneration Amounts or Calculation Methods Thereof
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The Company partially amended the share-based remuneration system for Directors based on the resolution at the 54th Ordinary General Meeting of Shareholders held on June 27, 2023. In addition, it was resolved at the Board of Directors' meeting, as of the said date, to change "Details of Policy on Decisions on the Remuneration for each Director" in light of the amendment. In the resolution of the Board of Directors, the voluntary Nomination & Compensation Committee deliberated the content of the matter to be resolved, in advance. "Details of Policy on Decisions on the Remuneration for each Director" after the change are as follows, and remuneration for Directors in and after July 2023 is determined based on the policy.

(The determination policy for FY2022 is provided in Section I, 4-4 (4) [Remuneration for officers, etc.] of the Securities Report.)

"Details of Policy on Decisions on the Remuneration for each Director"

a. Basic Policy

The basic policy for remuneration for Directors is to further clarify the link with the Company's business performance and stock value, to ensure that Directors will contribute to increasing our medium to long-term business performance and our corporate value and share the awareness of raising our stock value with shareholders. In order to achieve this, the remuneration for Directors who concurrently serve as Executive Officers consists of basic remuneration (fixed remuneration) and remuneration linked to business performance. The basic remuneration consists of the basic salary, where fixed amount determined according to his/her position, rank, etc. will be paid in cash, and share-based remuneration I, where a fixed number of

[Translation]

shares will be granted to the Director according to his/her position and rank. The remuneration linked to business performance consists of a bonus, where the amount of cash to be paid will be determined according to the Company's business performance and the Director's own performance, and share-based remuneration II, where the number of shares to be granted will be determined in the same manner. The remuneration for Non-Executive Directors consists of the basic remuneration only. The maximum amount of the remuneration for Directors including non-executive Directors shall be deliberated at the voluntary Nomination & Compensation Committee with a majority of outside Directors, be subject to resolution at the Board of Directors meeting, and if passed, submitted to the shareholders' meeting as a proposal.

The composition of, and method to calculate, the remuneration for Directors shall be deliberated by the voluntary Nomination & Compensation Committee and then determined by the Board of Directors.

b. Policy on decisions on the amount of remuneration for each Director

The basic salary shall be monetary remuneration where a fixed amount shall be paid to the Director on a monthly basis according to his/her position and rank, etc. The amount of the basic salary shall be determined by comprehensively considering the Company's performance trends, employee salary levels, other companies' standards, and other factors.

c. Policy on decisions on the method to calculate the bonus

Among the remuneration linked to business performance, a bonus paid in cash shall be the remuneration based on business performance for each fiscal year. The sum of the remuneration is linked to the Company's performance, which is calculated by comparing the consolidated business performance in each fiscal year with the performance plan and actual performance in the prior year. This is coupled with a comprehensive evaluation of the sustainability approach of the entire Group, and remuneration linked to the Director's individual performance, which is calculated according to the degree of achievement of duties entrusted to him/her or the degree of his/her contribution. The total sum will be paid to him/her at a certain time each year.

d. Policy on decisions on details, amount or number, or method to calculate the non-cash remuneration (Share-Based Remuneration)

Non-cash remuneration consists of share-based remuneration I, where a fixed number of the Company's shares will be granted to the Director according to his/her position and rank, etc., and share-based remuneration II, where the number of the shares granted will be determined based on the business performance. Share-based remuneration I applies to Directors including Non-Executive Directors while share-based remuneration II is granted to Directors who concurrently serve as Executive Officers. In principle, the timing that the share-based remuneration is granted will be a certain time every year, and the timing that a Director receives monies equivalent to the market value of the Company's shares will be when he/she retires from office. The grant of the Company's shares shall utilize the account established in accordance with the Transfer Restriction Agreement concluded between the Company and the Director. The Company's shares so granted will be subject to the restriction on the transfer and other forms of disposal until he/she retires from office and may be reduced or confiscated in the case of any specified illegal acts, etc.

e. Policy on decisions on the amount of basic remuneration (Fixed Remuneration), and ratio of cash to non-cash remuneration among remuneration linked to business performance for each Director

(Composition of remuneration)

Non-Executive Directors, who are responsible for supervising corporate management, only receive a fixed remuneration, i.e., basic salary and share-based remuneration I. The composition of said fixed remuneration is basic salary: share-based remuneration I = 0.9 : 0.1

The composition of remuneration for Directors who concurrently serve as Executive Officers shall be as follows, in principle:

Fixed remuneration (sum of basic salary (cash remuneration) and share-based remuneration I) : cash remuneration (bonus) among remuneration linked to business performance : non-cash remuneration (share-based remuneration II) among remuneration linked to business performance = 1 : 0.25 : 0.35

Please note that the composition set forth above shall be the average for Directors who concurrently serve as Executive Officers and be the model in the case that the goal achievement ratio related to business performance is 100%.

[Translation]

(Method to calculate remuneration linked to the Company's performance)

Remuneration linked to the Company's performance = standard amount of payment of remuneration linked to the Company's performance by position and rank x performance evaluation coefficient

Note: The performance evaluation coefficient shall be calculated based on the following indicators.

(Indicators utilized for performance evaluation coefficient)

Type of indicator: Gross profit: net^(Note)

Note: Net gain = Consolidated gross profit before funding costs

Reason for selecting the above indicator: Selected as an indicator to measure the underlying profitability of the Group

Type of indicator: Ordinary profit

Reason for selecting the above indicator: Selected as an indicator to measure the profitability of the Group, including the equity-method profit

Type of indicator: Profit attributable to owners of parent

Reason for selecting the above indicator: Profit attributable to owners of parent is a major management target that serves as a source of funds for dividends and returns to shareholders, thereby being selected as an indicator to measure the degree of achievement.

Type of indicator: Comprehensive evaluation of sustainability

Reason for selecting the above indicator: Selected as an indicator to comprehensively evaluate the company-wide sustainability initiatives including climate change response

f. Matters concerning entrustment of decisions on remuneration for each Director

The Board of Directors may, through its resolution, entrust to the President and CEO determination of the remuneration for each Director, including each Non-Executive Director. The contents of authority entrusted to the President and CEO shall be: (i) determination of the remuneration table with which basic remuneration for Directors including Non-Executive Directors can be determined according to their positions and ranks, etc., (ii) determination of the amount of the remuneration linked to the Director's individual performance (see c. above), according to the degree of achievement of duties entrusted to him/her or the degree of his/her contribution, (iii) determination of standard amount of payment of remuneration linked to the Company's performance by position and rank (see d. above), and (iv) determination of the amount of remuneration for each Director including each Non-Executive Director, through the method determined by the Board of Directors.

In order to ensure that the authority entrusted to the President and CEO will be exercised appropriately, the determination will be made through discussions between three people, namely the President and CEO, and two Directors appointed by him/her.

g. Other

The Board of Directors will force the relevant Director to return all or part of share-based Remuneration I and II to the Company in the event that it determines that a significant amendment to any financial statements, huge losses, significant damages to the corporate reputation or any other serious incident have occurred before a certain period of time has passed.

[Supporting System for Outside Directors and/or Auditors]

In order to stimulate discussion at Board of Directors meetings, outside directors and outside auditors are supported in the proper execution of their duties by being briefed in advance of the agenda, as necessary. Communication to and coordination with outside Directors are conducted by the Board of Directors Division of the Corporate Planning Department, whereas communication to and coordination with outside Auditors are conducted by the Auditors Division. These divisions are responsible for accurately providing necessary information to outside Directors and outside Auditors.

2. Matters on Functions of Business Execution, Audit and Supervision, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)

The establishment and system of corporate governance of the Company is described below.

<The Board of Directors>

The Board of Directors resolves matters stipulated by laws and regulations as well as those provided in the Rules of the Board of Directors, reports its business execution, and discusses management policy, management strategies, and other matters. While the Articles of Incorporation specify that the number of Directors shall be not more than 15, we supervise the execution of duties by Executive Directors and Executive Officers at the Board of Directors meetings. Appropriateness, reasonableness, and objectivity of resolutions and discussions is ensured by electing a sufficient number of outside Directors who have high-level knowledge and experience.

We adopted the executive officer system to ensure prompt and efficient execution of operations, with authority to executive said operations being delegated to the President and CEO or lower level executives, based on the management policy determined by the Board of Directors and others. The number of Directors after the conclusion of the Ordinary General Meeting of Shareholders held on June 27, 2023 is 12 (including 6 outside Directors), the same number as the previous fiscal year.

(Activities of the Board of Directors)

In principle, a meeting of the Board of Directors is held on a monthly basis, and wherever necessary. In FY2022, a Board of Directors meeting was held 16 times in total. The attendance of individual Directors and Auditors is provided in the skill matrix in “V-2. Other Matters Concerning Corporate Governance System” of this report. (However, only Directors and Auditors elected after the conclusion of the Ordinary General Meeting of Shareholders on June 27, 2023 are displayed)

(Major resolutions and reports by the Board of Directors)

- Governance-related matters
Convening of a general meeting of shareholders, auditors’ audit plan/implementation reporting, audit plan/performance reporting by the Audit Department, basic policy/reporting on evaluation results of internal control system, formulation/operation reporting on compliance program, reporting on evaluation of effectiveness of the Board of Directors, matters related to personnel affairs and remuneration of executives, verification of the significance of cross-holdings etc.
- Management strategy-related matters
Matters related to a new Medium-term Management Plan, annual management plan, monthly reporting on the status of implementation of operations, execution of important operations
- Sustainability-related matters
Sustainability-related targets/performance reporting, responses to TCFD disclosure requirements, establishment of human rights policy
- Matters related to operating results
Approval for consolidated and non-consolidated operating results, shareholder return policy, reporting on results of self-assessment
- Risk-related matters
Reporting on operational risks, top risk operation

The status of the Board of Directors’ activities is also provided in Section I, 4-4 (1) [Overview of corporate governance] of the Securities Report.

<The Audit Committee>

The Company is a company with an Audit Committee. Based on the audit plans formulated by the Audit Committee, each auditor audits the status of Directors’ execution of duties by attending important meetings, reviewing important documents, inspecting operations and property, and listening to audit progress and results from the Accounting Auditor and the internal audit department.

The Auditors also express their views after confirming whether or not the Company has properly presented its business report and other documents: there are no material facts found that a Director commits wrongdoing or violates laws, regulations, or the Articles of Incorporation, in executing his/her duties, there are no findings that should be reported on the details of resolutions by the Board of Directors regarding the internal control system and on the Directors’ execution of duties, and the audit methods and results by the Accounting Auditor are appropriate.

The Audit Committee has a total of four members, which consist of three standing Auditors and one part-time Auditor, after the conclusion of the Ordinary General Meeting of Shareholders held on June 27, 2023. In addition, we established the Auditors Division and appointed two assistant employees to assist the duties of Auditors.

[Translation]

Since Tatsuya Yamada, standing outside Auditor, has experience as a person responsible for the finance/accounting department of a financial institution, and Hideki Amano, outside Auditor, has been engaged in corporate accounting audit operations for many years as a certified public accountant of Japan, both persons possess sufficient insights in finance and accounting.

(Activities of the Audit Committee)

In principle, a meeting of the Audit Committee is held prior to the Board of Directors meeting on a monthly basis, and wherever necessary. In FY2022, a meeting of the Audit Committee was held 14 times in total.

(Specific contents of consideration at meetings of the Audit Committee)

- 19 resolutions: Policy of audits and audit implementation plans, audit reports from the Audit Committee, consent to proposals for election of Auditors, assessment of assistant employees, reelection of the Accounting Auditor, consent to audit fees for the Accounting Auditor, prior approval for provision of non-assurance services relating to the Accounting Auditor, etc., and other matters
- 2 discussions: Remuneration for Auditors, disclosure of matters to be stated in business reports on the Internet
- 24 reports: Status of implementation of monthly audit, status of improvement/operation of system to ensure the appropriateness of business, interviews with outside Directors, officers in charge of sales, officers assigned to overseas offices, etc., status of on-site inspection of departments, status of examining key audit matters (KAM), and other matters

The status of audits by Auditors is also provided in Section I, 4-4 (3) [Status of audits] of the Securities Report.

<Voluntary Nomination & Compensation Committee>

The voluntary Nomination & Compensation Committee deliberates the proposals for appointment and dismissal of Directors and Auditors, the proposals for their remuneration to be submitted to the General Meeting of Shareholders, the appointment and dismissal of Executive Officers, and matters related to their remuneration. The results of such deliberations are presented to the Board of Directors. By having a majority of committee members be outside Directors, we seek to ensure the transparency and objectivity of the decision-making process regarding the nomination and remuneration of officers at the Board of Directors meetings, and further enhance the corporate governance system.

(Activities of the voluntary Nomination & Compensation Committee)

A meeting of the voluntary Nomination & Compensation Committee is held wherever necessary. In FY2022, a meeting of the voluntary Nomination & Compensation Committee was held ten times in total.

(Specific matters to be deliberated at meetings of the voluntary Nomination & Compensation Committee)

- Matters concerning appointment and dismissal of Directors and Auditors, and their remuneration
- Matters concerning appointment and dismissal of Executive Officers, and their remuneration

The status of the voluntary Nomination & Compensation Committee's activities is also provided in Section I, 4-4 (1) [Overview of corporate governance] of the Securities Report.

<Executive Management Committee>

The Executive Management Committee was established as an advisory body to the President and CEO. As a general rule, the committee has one or more meetings a month to discuss and report important matters related to business execution.

As policy planning committees with authority delegated by the President and CEO, the Company has established a PM/ALM Committee, a Risk Management Committee, a Credit Committee, a Sustainability Committee, a Disclosure Committee, and an IT System/Investment Committee. The Company has also established a Business Council. Each of such policy planning committees, including the council, have sufficient discussions and examinations.

Information on the Executive Management Committee is also provided in Section I, 4-4 (1) [Overview of corporate governance] of the Securities Report.

[Translation]

<Internal Audit>

The Audit Department (nine members as of the end of March 2023) was established as an organization under the direct control of President and CEO. The Audit Department conducts business operations audits of effectiveness, appropriateness, and efficiency of execution of operations on each department of the Company and its group companies, in accordance with the audit plan. They provide specific recommendations for improvement based on the evaluation results to audited group. Audit results are promptly submitted to President and CEO and passed on to Auditors as an audit report each time. A regular report on the status of implementation of audits is made to the Board of Directors semi-annually.

In addition, the Internal Control Supervision Division, established within the Audit Department, evaluates the effectiveness of internal control over financial reporting in cooperation with the internal control department, and reports to the Board of Directors.

(Mutual cooperation among internal audits, auditors' audits, and accounting audits)

The General Manager of the Audit Department reports audit results to Auditors monthly and shares risks relating to audited groups and governance-related challenges. Periodically, the General Manager holds liaison meetings with the Accounting Auditor where audit results are directly shared, information and opinions are exchanged as needed.

In addition, The General Manager of the Audit Department also holds joint three-way audit liaison meetings with Auditors and the Accounting Auditor, and strives to increase effectiveness, appropriateness, and efficiency of the audit function by pursuing close collaboration, while comprehensively sharing information.

The status of internal audits is also provided in Section I, 4-4 (3) [Status of audits] of the Securities Report.

<Financial Audit>

For financial audits, we assess and select an auditing firm based on the "Standards for assessment and selection of the accounting auditor" established by the Audit Committee. Specifically, as the Accounting Auditor of the Company and the Group, we verify the selected firm's quality control system, governance, and whether or not they have been inspected by relevant authorities. We also verify that the selected company is competent, and that they possess the necessary abilities, experience, and audit implementation system, in addition to examining whether the audit plan is based on an appropriate risk assessment and whether effective and efficient audit procedures are being carried out. Then we make a comprehensive judgment, also taking into account communication with departments involved in business execution, including the management and its assessment. From these viewpoints, the Audit Committee has selected Deloitte Touche Tohmatsu LLC, judging that it is suitable as the Company's Accounting Auditor.

The status of accounting audits is also provided in Section I, 4-4 (3) [Status of audits] of the Securities Report.

[Name of certified public accountants who executed operations (name of audit firm to which they belong)]

Designated Engagement Partner: Hiroaki Aoki (Deloitte Touche Tohmatsu LLC)

Designated Engagement Partner: Takeshi Shimoizaka (Deloitte Touche Tohmatsu LLC)

3. Reasons for Adoption of Current Corporate Governance System

The Board of Directors has a sufficient number of outside directors. This arrangement helps the directors supervise business execution from diverse perspectives. The Audit Committee cooperates closely with the Accounting Auditor and the internal audit department. Meanwhile, the standing auditors, including outside auditors, audit the directors' and other officers' execution of duties on a daily basis. The Company believes these ways would enable it to realize a highly effective corporate governance structure, and therefore has decided to select the current structure.

[Translation]

III. Implementation of Measures for Shareholders and Other Stakeholders

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

	Supplementary Explanation
Early Notification of General Shareholders Meeting	The Company strives to make disclosure earlier than the date of sending by postal mail (*), in addition to early sending the convocation notice. 54th Ordinary General Meeting of Shareholders Date of sending by postal mail: June 7, 2023 Date of disclosure: May 30, 2023 (*) Posted on TDnet (Tokyo Stock Exchange) and the Company's website
Scheduling AGMs Avoiding the Peak Days	The 54th Ordinary General Meeting of Shareholders was held on June 27, 2023.
Allowing Electronic Exercise of Voting Rights	The Company has enabled shareholders to exercise voting rights by electronic means (via the Internet).
Participation in Electronic Voting Platform and Other Efforts to Enhance the Voting Environment for Institutional Investors	The Company participates in the Electronic Voting Platform operated by ICJ, Inc.
Providing Convocation Notice (summary) in English	The English version of convocation notice (summary) is available on websites of the Tokyo Stock Exchange and the Company.
Other	A video of a part of the Ordinary General Meeting of Shareholders is uploaded onto the Company's website.

2. IR Activities

	Supplementary Explanation	Explanation by Representative
Preparation and Publication of Disclosure Policy	The Company established a disclosure policy to broadly disclose information in an appropriate, timely, and fair manner, and ensure transparency of business activities in order to respect the rights and interests of shareholders and other stakeholders. It is published on the Company's website.	
Holding Regular Investor Briefings for Analysts and Institutional Investors	The Company regularly holds semi-annual briefings for analysts and institutional investors (after announcement of financial results for the full year and the second quarter) with regard to business lineup, management strategy, operating results and others, and carries out individual meetings where needed.	Yes
Holding Regular Investor Briefings for Overseas Investors	The Company carries out individual meetings for investors in Europe, the United States, etc. where needed with regard to business lineup, management strategy, operating results and others.	Yes

[Translation]

	Supplementary Explanation	Explanation by Representative
Posting IR Materials on Website	The Company posts information such as timely disclosure documents including financial results information, securities reports, materials briefing financial results, Medium-term Management Plan, and integrated reports on its website. As for briefings for analysts and institutional investors, a video or audio content is delivered.	
Establishment of Department and/or Manager in Charge of IR	Department in charge: Corporate Communications Department	

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Provisions to Ensure Due Respect for Stakeholders in Internal Rules, etc.	The Company has formulated the “Corporate Code of Conduct of the Mizuho Leasing Group” to ensure effectiveness of the compliance system, and stipulated the basic policy and basic stance of respect the position of various stakeholders including our shareholders, clients, employees and business partners in this code of conduct to ensure the thorough practice of compliance.
Implementation of Environmental Activities, CSR Activities, etc.	As stated in I - “Supplementary Principle 3-1-3” of this report, the Company works to create environmental and social value for stakeholders through business activities for the identified six materiality topics. Furthermore, for CSR activities, the Company has been implementing initiatives for diversity, initiatives for the next generation, initiatives for emergency reconstruction support, initiatives for environmental conservation activities, and so forth. For details, please go to the following URL for the Company’s website. https://www.mizuho-ls.co.jp/ja/sustainability/relationship_society/contributions.html (in Japanese)
Formulation of Policies for Information Provision to Stakeholders	Based on the “disclosure policy,” the Company makes timely, appropriate and fair information disclosure, and ensures transparency of business activities in order to respect the rights and interests of shareholders and other stakeholders.
Other	We believe that promotion of female employees to executives or managerial posts brings diversity to management, and leads to further advancement of women by these officers and employees becoming a role model. In addition, we recognize that not only advancement of women but also advancement of diverse human capital, regardless of gender, nationality, age, etc., is an important issue. To raise such awareness organizationally and establish a diversity culture, we set up the “Diversity Promotion Division” within the Personnel Department, and have worked to create a system in which diverse standpoints and values are respected and each employee can perform his/her full potential and work together, and raise awareness within the Company. Please also see I - “Supplementary Principle 2-4-1” of this report.

IV. Matters Related to Internal Control System

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

<System to ensure the appropriateness of our business>

The overview of “system to ensure the appropriateness of our business” resolved by the Board of Directors is as follows.

We verified the status of operation of the “system to ensure the appropriateness of our business” resolved at the Board of Directors meeting held on April 25, 2022 and confirmed that there was no problem with the system and operation, and then the “system to ensure the appropriateness of our business” was resolved at the Board of Directors meeting held on April 26, 2023.

Overview of the resolution on “system to ensure the appropriateness of our business”

1. Risk management system

Rules and other system concerning management of risk of loss

We put in place a system to minimize losses and improve efficiency through controlling risks within the tolerable range by appropriately grasping and assessing various risks that could have a material impact in the management and taking measures including prevention of the occurrence of loss.

We appoint “Chief Risk Officer (CRO)” who supervises risk management from a company-wide standpoint, establish “risk management basic policy,” and separate risks to be managed into quantitative risks (financial risks) and qualitative risks (operational risks).

Furthermore, quantitative risks are classified into credit risk, market risk, asset risk and business risk, whereas qualitative risks are into administrative risk, risk related to IT system, etc., human/disaster-related risk, compliance risk and others. The “Risk Management Committee” grasps the situation of these risks, and takes countermeasures.

Rules and other system concerning management of risk of loss of the Company’s subsidiaries

“Chief Risk Officer (CRO)” grasps the status of risk management system of group companies, and takes countermeasures to appropriately manage risks of the Group as a whole.

2. Compliance system

System to ensure that execution of duties by Directors and employees conforms to laws and regulations, and the Articles of Incorporation

We define “compliance” as “the strict observance of all applicable laws and regulations, and the pursuit of fair and honest business operations that conform to socially-accepted norms by officers and employees,” and have established the “Compliance Policy” in order to “duly recognize that the failure to thoroughly observe compliance could cause damage to the very foundations of management, and by ensuring the thorough observance of compliance, be highly appreciated by shareholders and the market and earn the trust of society.”

We appoint Chief Compliance Officer (CCO). The CCO conducts planning, design and promotion of overall compliance, and grasps and manages the status of observance of compliance.

System to ensure that execution of duties by Directors, etc. and employees of the Company’s subsidiaries conforms to laws and regulations, and the Articles of Incorporation

The CCO grasps the status of preparation and operation of compliance system related to execution of duties by group companies’ officers and employees, and takes measures based on the “Rules for Control of Group Companies’ Management,” the “Compliance Policy,” etc.

3. Information management system

System relating to storage and management of information on execution of duties by Directors

We establish the “Basic Policy for Information Control” as for storage and management of documents and important information related to execution of duties by officers and employees, and the CCO puts in place a system to appropriately store and manage information and information assets according to the retention period.

As for matters regarding overall information security, we aggregate risk information into the “Risk Management Committee” and take measures while viewing the entire risk situation.

[Translation]

4. System for ensuring efficiency of execution of duties by Directors
System to ensure that duties are executed efficiently by Directors
The Board of Directors' principal role is to serve the supervisory function and conduct strategic discussions for efficient execution of duties by Directors. As for execution, we adopt the executive officer system and clarify responsibilities by appointing a decision-maker in each execution of duties.
In order to ensure assistance in judgment of decision-makers and mutual check, we set up the Executive Management Committee and each policy planning committee, and put in place a system that enables prompt and appropriate decision-making through operation of these committees.
5. System for control of group companies' management
System to ensure the appropriateness of business in the corporate group consisting of the Company and its subsidiaries
System for reporting to the Company on matters related to execution of duties by Directors, etc. of the Company's subsidiaries
System to ensure that duties are executed efficiently by Directors, etc. of the Company's subsidiaries
The Company formulates the Group's management policy and management strategies, properly sharing them with each group company, while each group company applies for prior approval with regard to important matters and regularly makes a report on the status of management based on the "Rules for Control of Group Companies' Management." Through this practice, the Company establishes a system to appropriately control group companies' management.
Based on the "Rules for Control of Group Companies' Management," the Company understands the status of autonomous internal control of each group company, and provides appropriate guidance to each group company as needed.
6. System for securing effectiveness of auditors' audits
To ensure effectiveness of auditors' audits, we put in place the following system.
 - (i) We establish the Auditors Division as an organization under the direct supervision of Auditors (Audit Committee), appoint human capital suitable to assist Auditors (hereinafter, "assistant employees, etc."), and ensure independence of assistant employees, etc. from departments involved in business execution by respecting Auditors' opinions on matters related to their personnel affairs, and other means.
 - (ii) When discovering any fact that may cause significant damage on the Group, such as misconduct and legal violation, and as for any matters requested by Auditors, officers and employees of the Company and its group companies make a report/explanation to Auditors.
We set up a hotline to Auditors with officers and employees and retired employees of the Company and its group companies as whistle-blower.
 - (iii) With respect to assistant employees, etc. following the instructions of Auditors, whistle-blowers who used the hotline to Auditors, persons who made a report to or conferred with Auditors, etc., we do not conduct any detrimental treatment on the ground of taking such action.
 - (iv) Expenses incurred with regard to execution of duties by Auditors are borne by the Company at the request of Auditors, etc.
 - (v) Auditors attend internal meetings that they deem necessary. If asked for an interview from Auditors, officers and employees of the Company and its group companies meet this request.
 - (vi) The Company's Audit Department makes a regular report to Auditors and hears their views.
 - (vii) For matters related to officers and employees of group companies in the above provisions, we instruct them to apply the provisions.

2. Basic Views on Eliminating Anti-Social Forces and Progress of Related Efforts

1. Basic views on eliminating anti-social forces
The Group is strongly aware of its social responsibilities, and has stipulated in the "Corporate Code of Conduct of the Mizuho Leasing Group" that any relationship with anti-social forces that pose a threat to order and security of citizen society is severed from the standpoint of preventing anti-social forces' involvement in management activities and any damage caused by these forces.
2. Progress of eliminating anti-social forces
 - (1) We have established a responding and supervisory department, and put in place a system to grasp information on anti-social forces in an integrated manner.

[Translation]

- (2) We collect and manage information on anti-social forces through regular provision of information by the Anti-Organized Crime Campaign Center of Tokyo, and other means.
- (3) We have prepared a specific response manual in the case where anti-social forces make any unreasonable request, and provide compliance training where necessary to build a system towards the elimination of anti-social forces.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not adopted
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Supplementary Explanation

At present, the Company has not introduced anti-takeover measures.

We have not any plan to introduce these measures in the future. However, if we introduce such measures, we will examine the necessity and rationality properly and ensure appropriate procedures, and at the same time, we will provide an adequate explanation to our shareholders and then submit a proposal to the General Meeting of Shareholders.

2. Other Matters Concerning Corporate Governance System

The Group strives to provide company information to investors in a timely and appropriate manner under the following internal system to observe the “Securities Listing Regulations” (hereinafter, the “Listing Regulations”) established by Tokyo Stock Exchange, Inc.

In addition, we will continue to aim to further enhance the internal system as needed.

The Group carries out operations while always keeping in mind the legal duty of disclosure based on the Financial Instruments and Exchange Act, the Companies Act, etc. and the duty of disclosure based on the Listing Regulations. At the same time, the Group has established internal rules (Information Disclosure Rules) which set forth internal system, specific procedures and other matters in order to disclose “the Group’s company information such as decisions, financial results information and facts occurred (hereinafter, “company information”)” in a timely and appropriate manner.

1. Department in charge of timely disclosure

Based on the Information Disclosure Rules, the Company’s Corporate Communications Department is in charge of the following operations as the department responsible for information handling.

- Collection and integrated comprehension/management of the Group’s company information
- Judgment of the necessity of timely disclosure based on the Listing Regulations, etc. with regard to the relevant company information
- Implementation of timely disclosure on the TDnet, by mailing documents, and by other means (person responsible for information handling: CFO)

2. Flow to timely disclosure

If company information grasped falls under the duty of disclosure set forth in the Listing Regulations, etc. or if it is unclear that such information does not fall under the duty, each department or subsidiary of the Company promptly reports the relevant company information to the Corporate Communications Department.

In addition, as for decisions and financial results information, the relevant decision/information is communicated to the Corporate Communications Department promptly after determination by a decision-making body such as the Board of Directors. The Corporate Communications Department swiftly judges whether or not timely disclosure is required based on the Listing Regulations, etc., and each relevant department such as the Legal and Compliance Department verifies the content of the judgement on the necessity of disclosure where necessary in order to ensure appropriateness.

[Translation]

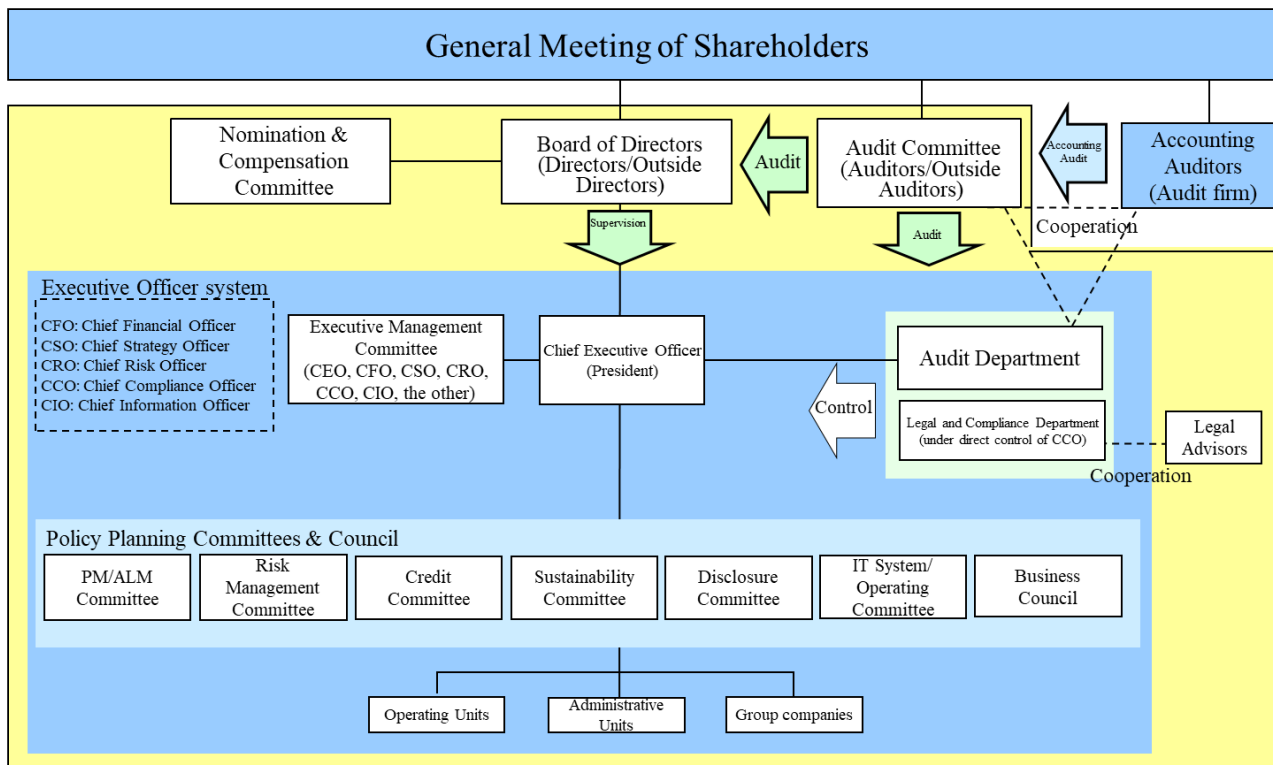
3. Implementation of timely disclosure

If timely disclosure is required as a result of the judgment, the Corporate Communications Department reports the content of disclosure to the Board of Directors, etc., and implements timely disclosure without delay after the approval by a decision-making body such as the Board of Directors for decisions and financial results information, and without delay after the occurrence for facts occurred.

In addition, if the Company judges that it influences investment decision of investors, we proactively disclose even company information for which there is no duty of timely disclosure, or company information that contributes to investment decision in understanding the Company, etc.

[Translation]

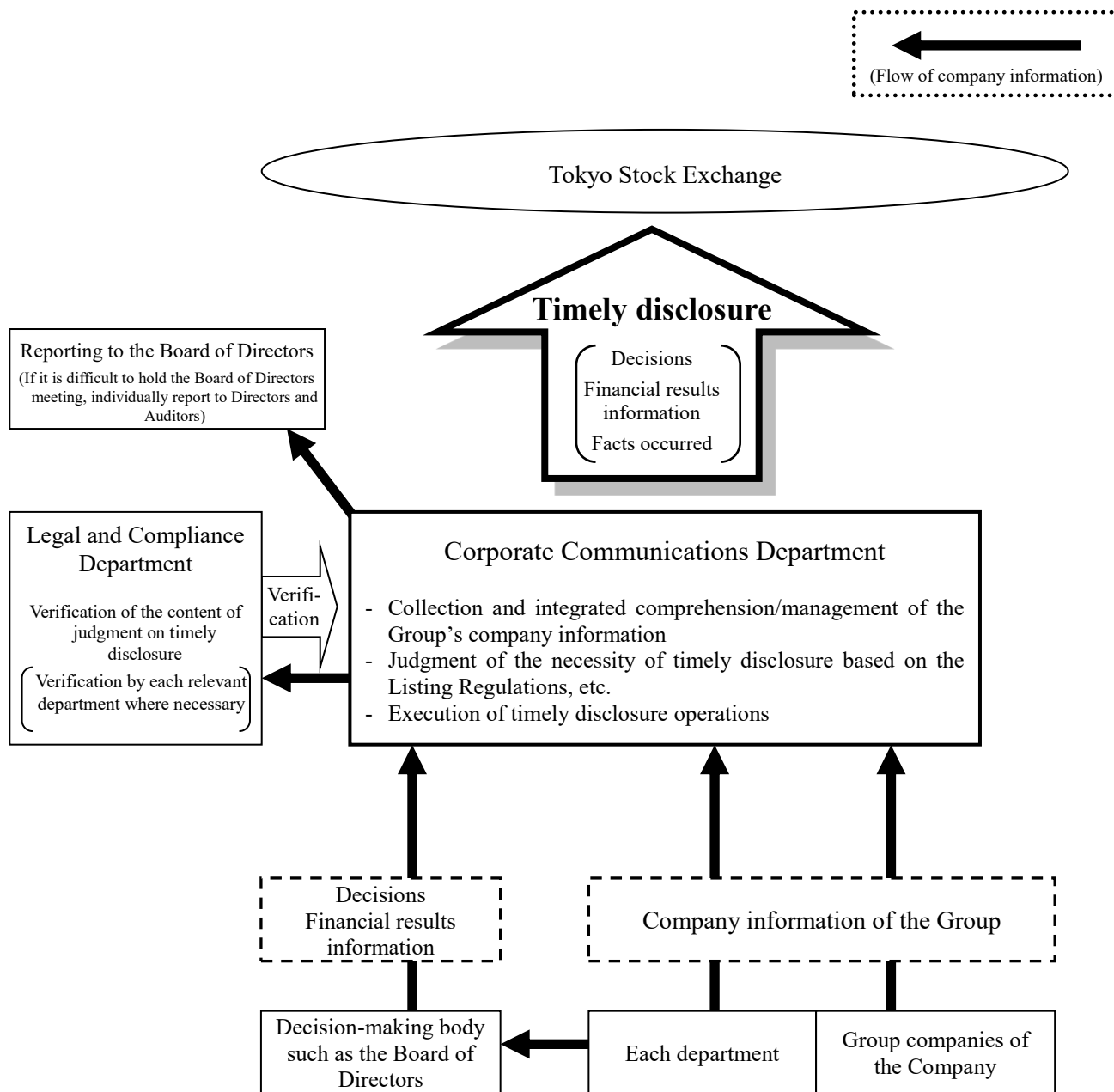
<Corporate Governance Framework>



(Explanation of abbreviations)

- CEO: Chief Executive Officer
- CFO: Chief Financial Officer
- CSO: Chief Strategy Officer
- CRO: Chief Risk Officer
- CCO: Chief Compliance Officer
- CIO: Chief Information Officer

[Overview of the Group’s system for “timely disclosure of company information”]



[Translation]

Skills Possessed by the Company's Directors and Auditors (Skill Matrix)

	Name (Age) [Gender]	Position	Independent officer	Attendance at Board of Directors meetings in FY2022	Skills required of Directors and Auditors				
					Corporate Management	Legal/Compliance/Risk Management	Finance/Accounting/Financial Economy	Global	Sustainability
Directors	Shusaku Tsuchihara (63) [Male]	Director and Chairman		16/16 (100%)	●	●	●		●
	Akira Nakamura (62) [Male]	President and CEO		16/16 (100%)	●	●	●		●
	Hiroshi Nagamine (59) [Male]	Deputy President		13/13 (100%)	●	●	●	●	
	Takanori Nishiyama (61) [Male]	Senior Managing Director		16/16 (100%)	●	●	●	●	
	Noboru Otaka (58) [Male]	Managing Director		–		●	●		●
	Toshiyuki Takezawa (58) [Male]	Managing Director		–	●	●	●		●
	Naofumi Negishi (75) [Male]	Outside Director	○	16/16 (100%)	●	●	●		●
	Hirofumi Hagihira (69) [Male]	Outside Director	○	16/16 (100%)			●	●	●
	Mari Sagiya (60) [Female]	Outside Director	○	15/16 (94%)	●			●	●
	Hajime Kawamura (64) [Male]	Outside Director		14/16 (88%)	●	●		●	●
	Takayuki Aonuma (68) [Male]	Outside Director	○	15/16 (94%)		●		●	●
	Hirozumi Sone (68) [Male]	Outside Director	○	–	●	●			●
Auditors	Tatsuya Yamada (63) [Male]	Standing Outside Auditor	○	16/16 (100%)	●		●		
	Hidehiko Kamata (61) [Male]	Standing Auditor		16/16 (100%)		●			●
	Hideki Amano (69) [Male]	Outside Auditor	○	12/13 (92%)		●	●	●	
	Koji Arita (62) [Male]	Standing Outside Auditor	○	–	●		●		

• The above list does not represent all knowledge and experience possessed by each Director and Auditor.

• The indicated number of Board of Directors meetings held varies due to differences in the time when each person assumed their position.

As of June 27, 2023