

Message from the CFO



Realizing medium- to long-term growth and maximizing corporate value by managing business with an awareness of the cost of shareholder equity

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Enhancing corporate value ahead of our next phase

As a result of the business integration in April 2021, our Group now has total assets of ¥11.7 trillion and interest-bearing debt of ¥8.8 trillion. This means that we are shifting from the current phase, in which we achieved profit growth while expanding our balance sheet by accumulating assets, to the next phase, in which we are shifting our focus to practicing management with a stronger awareness of profitability and efficiency, with the aim of sustainably enhancing our corporate value through further effective utilization of capital.

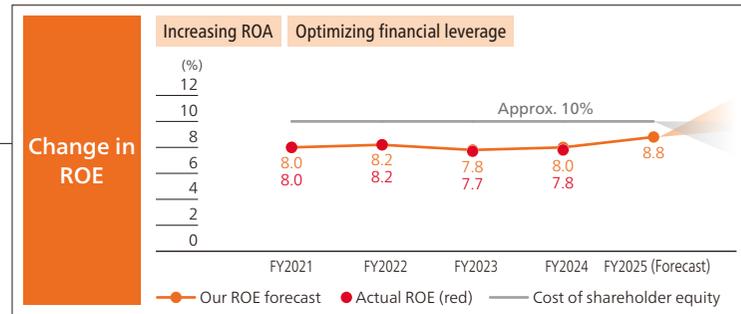
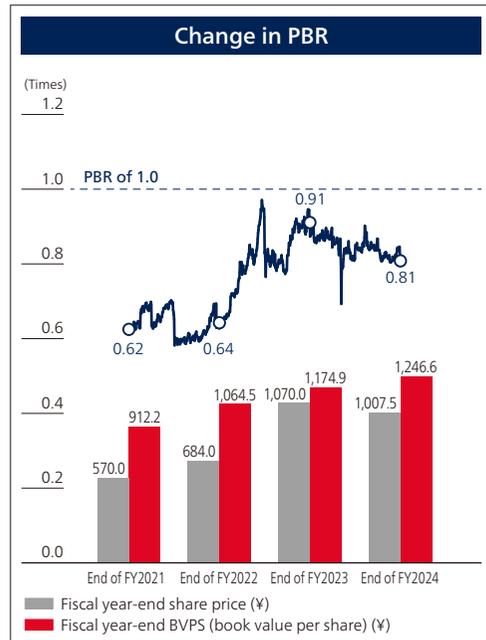
Furthermore, given that the price-to-book value ratio (PBR) of our Group is still below 1.0 (as of June 30, 2025), we strongly recognize the need to further accelerate our efforts to sustainably enhance our corporate value. Therefore, we believe it is necessary to pursue two objectives simultaneously: achieving profitability that sustainably exceeds the cost of shareholder equity by managing business with greater emphasis on ROE, and improving our price-to-earnings ratio (PER) by raising growth expectations and reducing the cost of shareholder equity.

In addition, in order to further raise growth expectations and reduce the cost of shareholder equity, it is necessary to make efforts to help shareholders and investors

fully understand the growth story of our Group. We have set forth a medium- to long-term growth story titled Our 10-year Vision, and in order to facilitate stakeholders' understanding of the direction our Group is heading as well as our goals, we are holding repeated discussions on further crystalizing this vision as part of our ongoing discussions on the formulation of our next Medium-term Management Plan (2028 MTMP).

Through efforts such as these, we will continue to enhance information disclosure and dialogue so that our stakeholders can have confidence in the medium- to long-term growth of our Group.

Message from the CFO



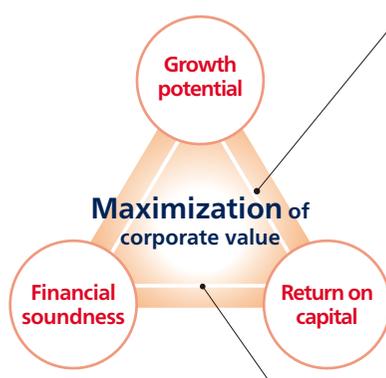
Financial strategy and capital allocation based on three perspectives

The basic financial strategy for realizing Our 10-year Vision is to strike a balance between the three perspectives of financial soundness, return on capital, and growth potential, and we believe that diligently implementing this strategy will lead to the sustainable enhancement of our corporate value.

Currently, we are maintaining financial soundness with a view to upholding our A credit ratings and are conducting stable and high-quality funding. We have established a funding structure centered on Japan, the Americas, and Europe. One of our Group's strengths is our ability to procure high-quality funds, including foreign currencies. With regard to funding, we believe it is important to maintain an ALM framework that can withstand unexpected situations such as financial crises, as a company that conducts business requiring large amounts of funds mainly for providing leases. In addition, the well-diversified portfolio that we have built over a long period of time not only ensures stable profits but also serves as an important foundation for financial soundness.

In terms of return on capital, we will improve asset efficiency (ROA) through business portfolio transformation based on the evolution and layering of business models,

Balance between the three perspectives



Concept of cash allocation

- Actively invest cash flows after paying dividends in high-value-added businesses, including the development of new businesses.
- Pursue the generation of ongoing expected returns and an increase in absolute revenue by transforming the business portfolio and the quality of assets in the medium to long term, with an awareness of the cost of shareholder equity.

Achievement of an optimal balance sheet to maximize our corporate value

- Optimize our capital/debt structure according to changes in asset risks, in the course of transforming the quality of assets in the medium to long term by the evolution and layering of business models.
- Give consideration to both financial soundness (maintain A ratings) required for stable funding and return on capital (ROE).

Maintaining one of the highest ratings in the industry

	S&P	Moody's	JCR	R&I
Issuer rating (outlook)	A- (stable)	A3 (stable)	AA (stable)	AA (stable)
Short-term rating	A-2	—	J-1+	a-1+

Message from the CFO

and improve ROE by making more effective use of capital through portfolio management with an awareness of the cost of shareholder equity. In this regard, rather than using segment-level data, we set a business-specific WACC based on the amount of risk for each business, and visualize return on capital, thereby enabling us to manage business with an awareness of the cost of capital in a more precise manner. Through these steady efforts, looking back on the four years since the business integration, we have sold approximately ¥0.6 trillion of relatively low-profitability non-core assets and replaced them with approximately ¥0.8 trillion of high-profitability focus assets in our portfolio. Although these are

reference values, the average ROA for new assets is 1.8%, while that for sold assets is 1.0%, giving us a sense that profitability is steadily improving.

In addition, with regard to growth potential, we are actively considering and implementing organic and inorganic investments that contribute to the evolution and layering of business models. Even looking only at the period after the business integration, we have executed large-scale M&A deals, including the acquisition of CAI International, a US marine container leasing company, the full acquisition of CenterPoint Development, an asset management company specializing in logistics real estate, and the strategic investment in European Energy,



a renewable and next-generation energy company. As organic investments, we have also made upfront investments such as large-scale investments in marine containers through CAI International and large orders by aircraft leasing company Jackson Square Aviation and aircraft engine leasing company Engine Lease Finance. We will continue to maintain growth potential by combining flexible asset replacement with new investments.

However, as the proportion of medium-risk, medium-return businesses increases, instead of low-risk, low-return businesses, in order to improve profitability through the evolution and layering of business models, it is by no means easy to improve ROE while maintaining financial soundness. Capital allocation is key to achieving these goals, and as such, we are currently engaged in internal discussions regarding the level of equity capital necessary to maintain financial soundness and to allocate capital for growth investments and shareholder returns. Through these efforts, we hope to increase the clarity of our Group's capital allocation plans for the 2028 MTMP.

In this regard, our current policy is to return profits to shareholders in the form of dividends in principle, taking into consideration securing the capital buffer necessary

Major divestment deals		Impact of deconsolidation ¹
2023	Sale of Diamond Asset Finance, a real estate finance company	Approx. ¥210.0 billion
2024	Sale of DFL Lease and Shutoken Leasing, bank-affiliated leasing companies	Approx. ¥223.0 billion
2024	Sale of Sekisui Leasing, a manufacturer-affiliated leasing company	Approx. ¥52.0 billion
2024	Sale of Miyuki Building, a real estate rental company	Approx. ¥77.0 billion

Major investment deals		Impact of consolidation ¹
2021	Acquisition of CAI International, a marine container leasing company	Approx. ¥460.0 billion
2023	Full acquisition of CenterPoint Development, an asset management company specializing in logistics real estate	Approx. ¥27.0 billion
2024	Investment in European Energy, a renewable and next-generation energy company	Approx. ¥130.0 billion
2024	Major investment in marine containers (largest in the industry in 2024) through CAI International	Approx. ¥200.0 billion
2025	Order for 50 new-generation narrow-body aircraft through aviation leasing company Jackson Square Aviation (delivery in 2031 or later)	—
2025	Order for 50 new-generation aircraft engines through aircraft engine leasing company Engine Lease Finance (delivery in FY2026 or later)	—



1. Impact on the balance sheet at the time of sale or investment.

2. Net income + total assets (in the case of a sale: using financial figures from one fiscal year prior to the sale; for an investment: financial figures for FY2024. CAI International's large investment in marine containers is included in CAI's financial results and thus excluded in this calculation).

Message from the CFO



for profit growth and financial soundness. Based on this policy, we have set a payout ratio of 40% or more for shareholder returns during the 2025 MTMP. We plan to consider the future direction for shareholder returns through discussions on capital allocation for the formulation of the 2028 MTMP, taking into account trends in total return ratios and other factors.

A well-diversified portfolio that has delivered three consecutive years of record profits and 26 consecutive years of increased dividends

The financial results for FY2024 were net income of ¥135.1 billion, ROA of 1.2%, and ROE of 7.8%. In addition, the annual dividend per share was ¥40, marking the 26th consecutive year of dividend increases.

In FY2024, despite significant downside factors including sizable credit costs due to the deterioration of market conditions in the Americas transportation sector in the Global Customer Business segment and large credit costs related to a domestic renewable energy project in the Environment & Energy segment, the strong performance

of the Aviation segment and Logistics segment significantly exceeded their initial targets and offset the downside. As a result, net income exceeded the initial target of ¥135.0 billion, marking a record high for the third consecutive period.

Overall, we achieved our earnings forecast thanks to the strengths of our well-diversified portfolio, as mentioned in the explanation of our financial soundness. However, we recognize that the deterioration in the performance of our Americas business in the Global Customer Business segment, which is positioned as a stable profit base in our Group's portfolio, is a serious and urgent issue for our global consolidated management, and we are currently working Company-wide to recover from this situation.

Specifically, we are working to reduce business risk by lowering the proportion of our truck finance-related portfolio in our Americas business, which is subject to market fluctuations, while at the same time striving to achieve a stable profit base by diversifying our businesses into high-

value-added areas such as SDGs and equipment as a service. In addition, we are implementing various measures to reduce credit costs, including revising screening criteria, strengthening governance frameworks, and strengthening systems for selling repossessed collateral assets. Through these efforts, we aim to achieve profitability in our Americas business at an early stage, thereby contributing to the sustainable growth of our Group.

Achieving the 2025 MTMP and the early realization of ROE exceeding the cost of shareholder equity

The financial forecast for FY2025, the final year of the 2025 MTMP, is net income of ¥160.0 billion, ROA of 1.4%, and ROE of 8.8%. In addition, we expect to provide an annual dividend per share of ¥45 to shareholders and anticipate a 27th consecutive year of dividend increases.

FY2025 will be the final year of the three-year 2025 MTMP, and we anticipate revenue growth and a recovery from previous negative trends in many segments, including the Customer Solutions segment, Global Customer Business segment, Environment & Energy segment, Logistics segment, and Real Estate segment. While it will be a significant leap from FY2024, we aim to achieve the initial target of ¥160.0 billion in net income set in the 2025 MTMP.

On the other hand, ROA and ROE for FY2025 are expected to fall short of their targets set in the 2025 MTMP. With regard to ROE, the denominator (equity capital) has increased due to the yen's depreciation since the time the 2025 MTMP was formulated. However, the numerator (net income forecast) remains at the same level

Financial status

	FY2022	FY2023	FY2024
Revenues	1,896,231	1,950,583	2,090,808
Recurring income	146,076	151,633	193,594
Net income attributable to owners of the parent	116,241	123,842	135,165
Total assets	10,726,196	11,149,858	11,762,332
Segment assets	9,632,966	10,179,473	10,935,652
Interest-bearing debt	8,236,106	8,439,792	8,840,797
ROE (%)	8.2	7.7	7.8
ROA (%)	1.1	1.1	1.2
Payout ratio (%)	40.8	42.9	42.5

(¥ in millions)

Message from the CFO

as when the plan was formulated, due to uncertainties that were not taken into account at the time, such as the ongoing restructuring of the Americas business.

We recognize that our Group’s cost of shareholder equity is currently around 10%, and although the expected ROE for FY2025 is below this level, as mentioned in the explanation of corporate value enhancement, we are highly conscious of improving ROE among our various financial targets. First, we will strengthen our recognition that achieving ROE that exceeds the cost of shareholder equity will lead to an increase in our PBR and corporate value, and continue to strive to achieve this goal.

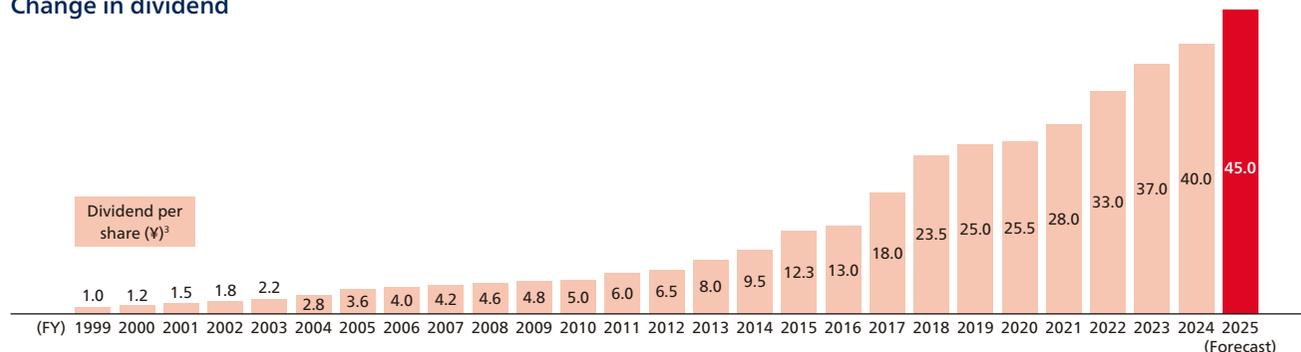
In addition, downside risks are expected in FY2025 due to US tariff measures and protectionist policies. We will continue to gather information and monitor the impact on our business on a daily basis.

To our stakeholders

Throughout my career, I have always believed that management requires a multifaceted and fair perspective when making judgments.

In that sense, through daily dialogue with stakeholders, including investors and shareholders, I strongly recognize the following three points as issues: improving the clarity of specific measures to increase profitability, clarifying capital allocation in our financial strategy, and, based on these points, ensuring that our stakeholders feel confident about the enhancement of our corporate value. As we continue to increase opportunities for dialogue with our stakeholders and actively discuss the growth story of our Group, we would appreciate your continued support.

Change in dividend



3. Figures for FY1999-FY2006 are the results for Diamond Lease, and those for FY2007-FY2020 are the results for Mitsubishi UFJ Lease & Finance.

Total shareholder return

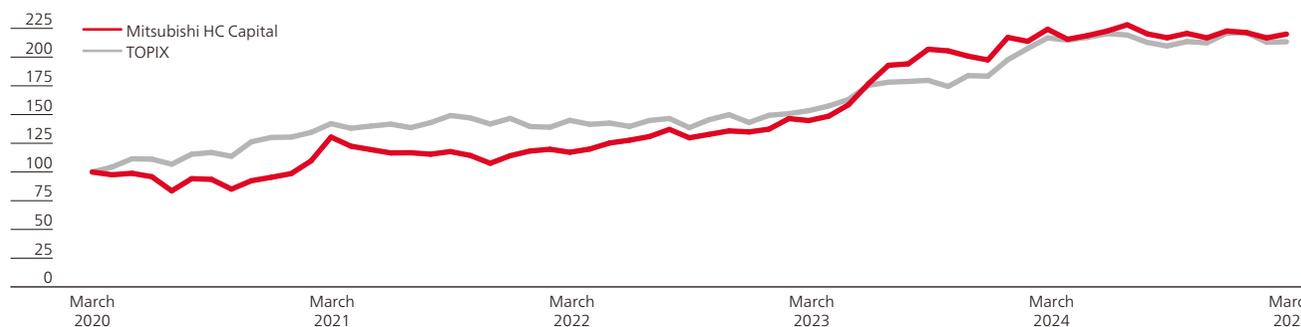
	1 year	3 years		5 years	
		Cumulative	Annualized	Cumulative	Annualized
Mitsubishi HC Capital	-2.1%	+96.1%	+25.2%	+120.1%	+17.1%
TOPIX	-1.5%	+47.2%	+13.8%	+113.4%	+16.4%

Notes 1. Total shareholder return (TSR): Total return on investment including capital gains and dividends.

2. TSR is calculated for Mitsubishi HC Capital based on accumulated dividends and stock price fluctuations, and for TOPIX based on a stock price index including dividends (prepared by the Company based on Bloomberg data, etc.).

3. The values in the graph are indexed to the market value based on TSR, with the closing price data as of March 31, 2020 as 100 (holding period is until March 31, 2025).

TSR (5-year history)



Note: Figures for FY2019-FY2020 are results for Mitsubishi UFJ Lease & Finance.