

Business Segment Meeting - Aviation -

July 5, 2024

Mitsubishi HC Capital, Inc.



- This presentation contains forward-looking statements regarding estimations, forecasts, targets and plans in relation to the results of operations, financial conditions and other overall management of Mitsubishi HC Capital Inc. and/or its group companies.
- These forward-looking statements are inherently subject to a number of risks and uncertainties that could cause the actual results, performance, achievements, financial position etc. to differ materially from the information expressed or implied by these forward-looking statements, which is based on assumptions and beliefs in light of information currently available to the management of Mitsubishi HC Capital Inc. at the time of publication. Accordingly, due to various risks and uncertainties, the statements are not a guarantee of future performance or developments. We may not be successful in implementing our business strategy, and management may fail to achieve its targets for a wide range of possible reasons.
- We undertake no obligation to update or correct any forward-looking statements after the date of this presentation. The information set forth in this presentation is subject to change without notice.
- This presentation is not intended to solicit, offer, or sell investments in any jurisdiction, and should not be the sole basis for making investment and other decisions. The reader is cautioned not to place undue reliance on forward-looking statements.
- We assume no liability for any damage resulting from the use.
- This presentation is created in Japanese and translated into English. The Japanese text is the original and the English text is for reference purposes. If there is any conflict or inconsistency between these two texts, the Japanese text shall prevail.

Definitions for Acronyms Used in This Material

■ MHC	: Mitsubishi HC Capital
■ JSA	: Jackson Square Aviation (Aircraft financing and leasing company)
■ elfc	: Engine Lease Finance Corporation (Aircraft engine financing and leasing company)
■ INAV	: INAV (Aircraft engine parts sales company)
■ ABD	: Aviation Business Department
■ MHCAS	: MHC Aviation Services
■ JOL/JOLCO	: Japanese Operating Lease with Call Option

01 Introduction to the Aviation Business Division

02 Business Overview

03 Business Strategies

01 Introduction to the Aviation Business Division

02 Business Overview

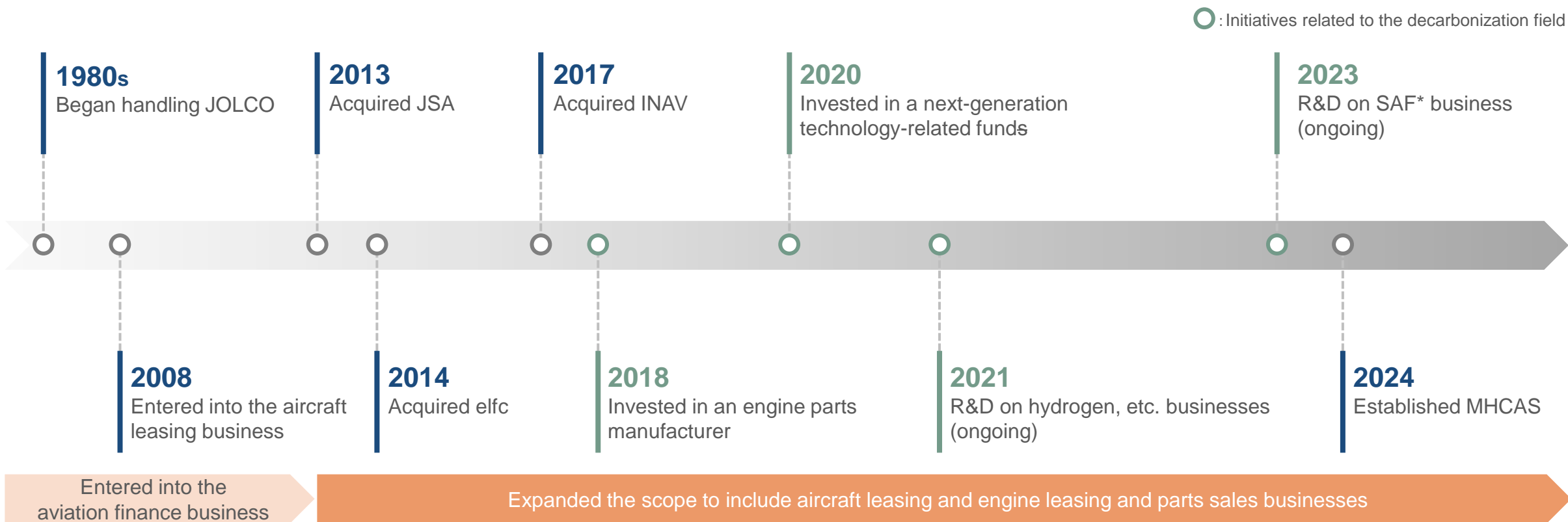
03 Business Strategies

Introduction to the Aviation Business Division



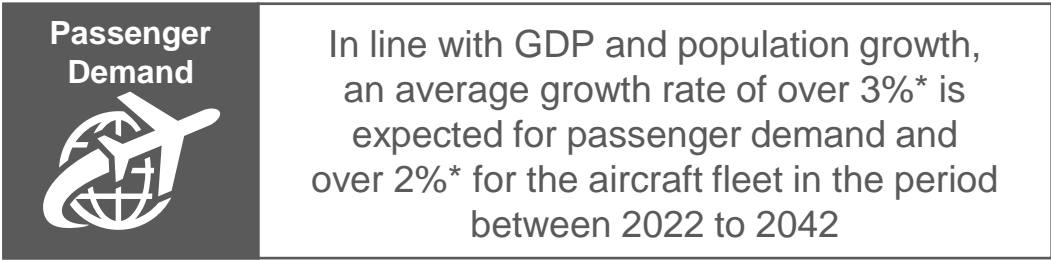
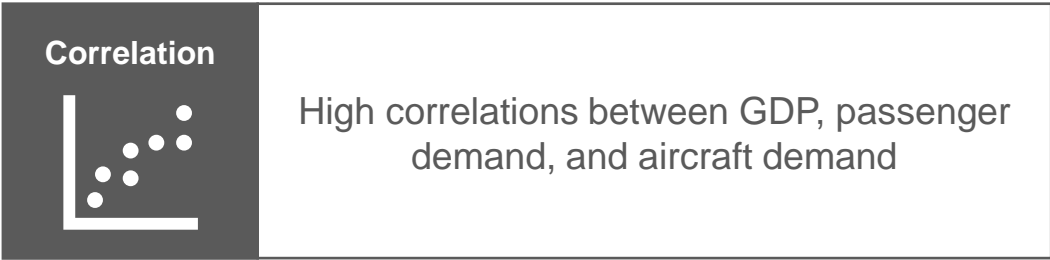
Overview

- 1980s Entered into the aircraft finance industry. Since then, we have provided services and accumulated business expertise for over 40 years
- 2013- Expanded the scope to include aircraft leasing and aircraft engine leasing and parts sales
- 2018- Acquired a minority stake in multiple companies in the decarbonization field



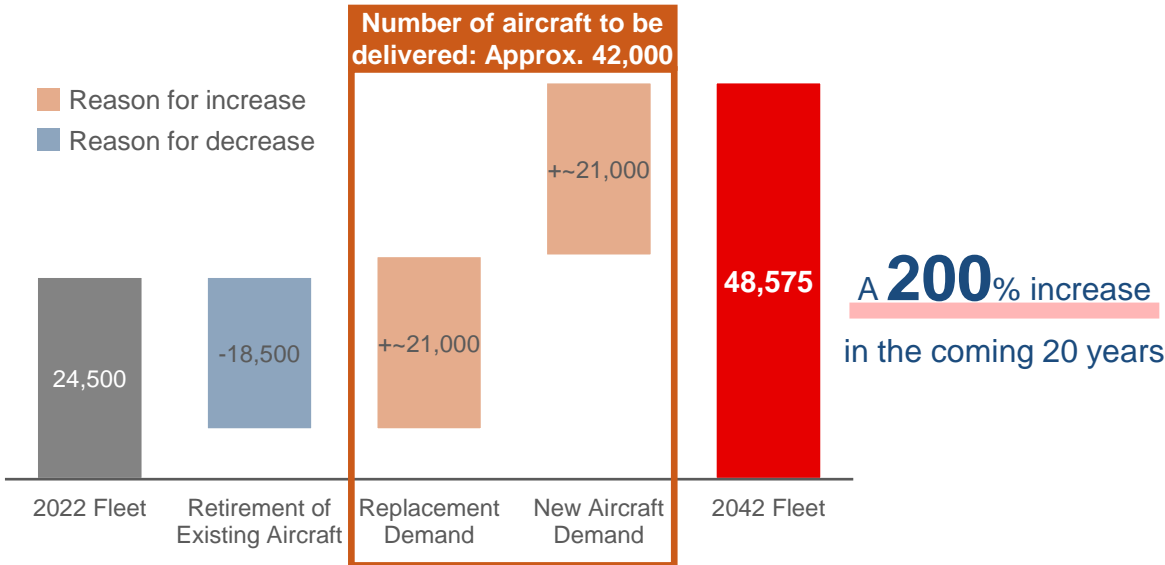
* Sustainable Aviation Fuel (manufactured with recyclable materials)

The aviation industry is a growth market, growing at a faster rate than the economy



* (Source) Boeing, Airbus, Japan Aircraft Development Corporation (JADC)

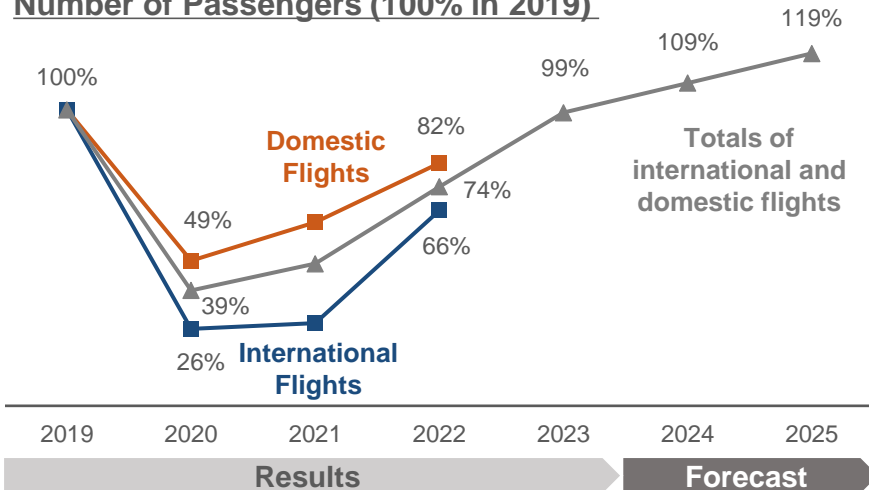
【Reference】 Global Demand Forecast for Civil Aircraft (number of aircraft)



(Source) Boeing, Commercial Market Outlook 2023-2042

【Reference】 Recovery of the Aviation Industry from COVID-19

Number of Passengers (100% in 2019)

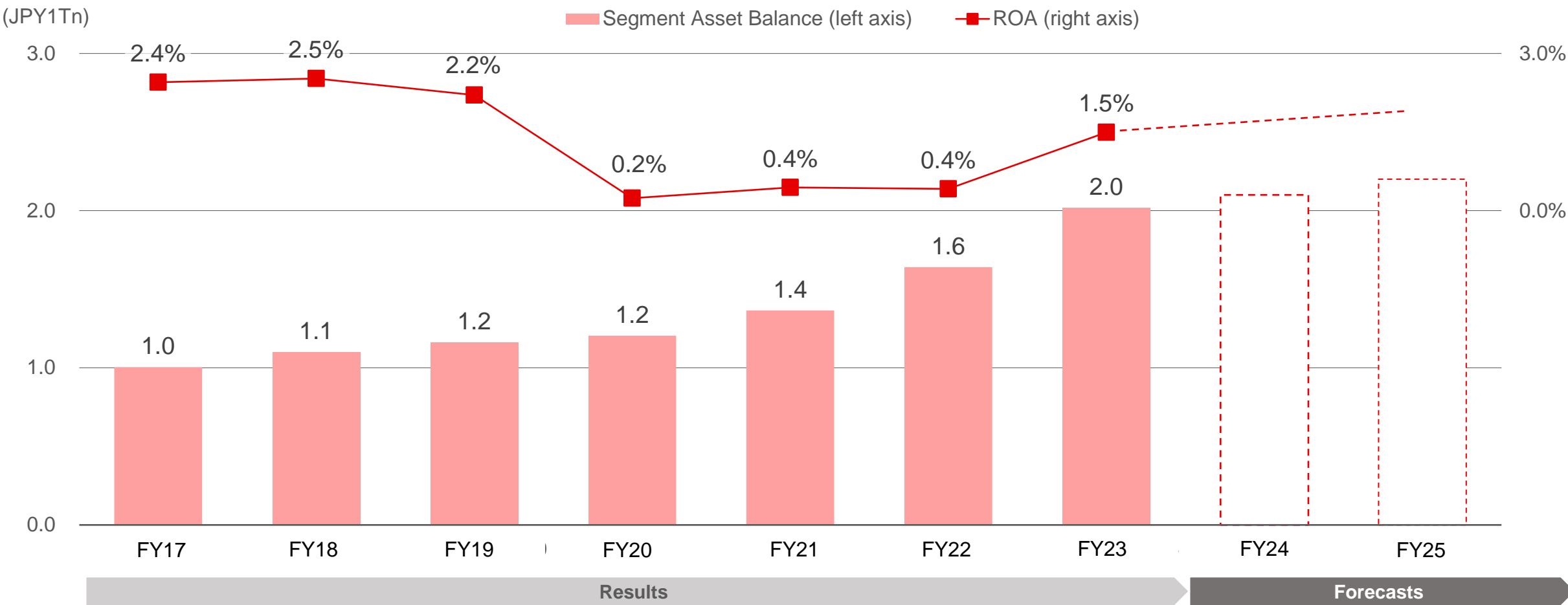


An increase of approx. **20%** from before the pandemic

(Source) International Air Transport Association (IATA), Global Outlook for Air Transport (December 2022 edition, June 2023 edition, December 2023 edition, June 2024 edition)

Changes in Segment Asset Balance/ROA

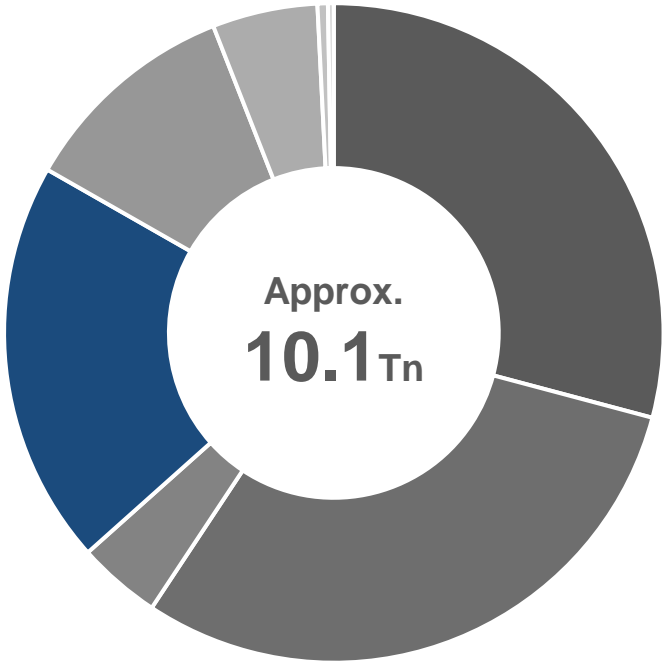
Segment profit for FY23 hit a record high of 27.3 billion yen, with ROA recovering to 1.5%.
We continued to make investments and secure profits
even amid the COVID-19 pandemic and some geopolitical concerns



Position of the Aviation Segment in the MHC Group MITSUBISHI HC CAPITAL

An important segment that accounts for approx. 20% of the Group’s total profit and assets, respectively

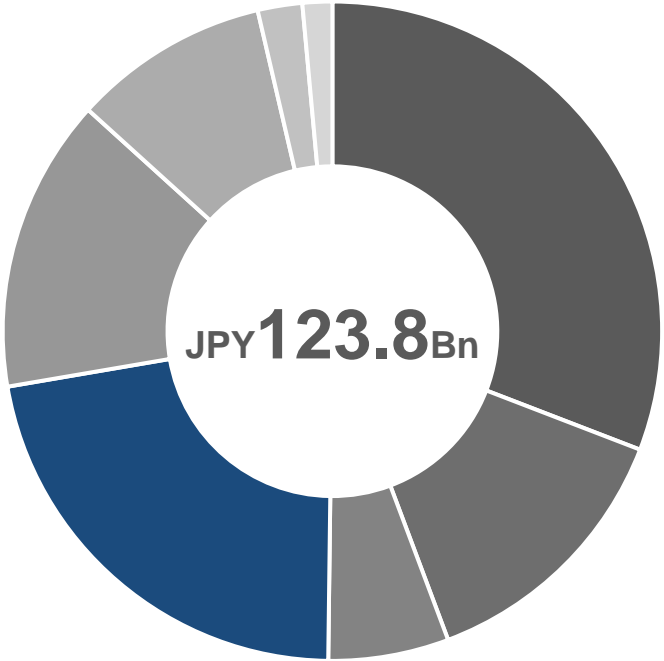
Segment Asset Balance (End of FY23)



JPY2.0Tn / 20%

Approx. JPY10.1Tn (consolidated total)

Net Income (FY23)



JPY27.3Bn / 22%



JPY123.8Bn (consolidated total)

01 Introduction to the Aviation Business Division

02 Business Overview

03 Business Strategies

Strengths of Each Business ①

Aircraft Leasing (JSA) 	Business	<ul style="list-style-type: none"> ✓ Aircraft leasing (SLB*¹, OEM direct orders), financing*², and trading
	Business Model	<ul style="list-style-type: none"> ✓ SLB, focusing on newly manufactured and major 2 OEMs' next generation narrow-body*³ aircraft (mitigation of inventory risk) with a lease period of 10 to 12 years in average ✓ Trading/O&D (improving ROA, and maintaining young fleet age) ✓ Long-term, stable lease fee income (Average lease term remaining: 7 years), gains on sales of aircraft
	Strengths	<ul style="list-style-type: none"> ✓ Globally diversified portfolio with high asset liquidity of in-demand next generation aircraft ✓ Broad product base, market leadership in SLB, and a management team experienced with all cycles ✓ Ranked 13th (market value)
JOLCO (ABD/MHCAS) 	Business	<ul style="list-style-type: none"> ✓ JOLCO financing and equity sales, aircraft & aircraft engines sales arrangement
	Strengths	<ul style="list-style-type: none"> ✓ Collaboration with JSA and elfc, comprehensive transactions with airlines ✓ Mitsubishi Group's network, 1,000+ investor base

*1 Sales and Lease Back: The method of procuring aircraft where aircraft are purchased from airline companies (i.e. customers) and then leased back to them

*2 Finance Lease and related lending products

*3 Single-aisle aircraft mainly used for domestic and short-distance flights

Strengths of Each Business ②

Aircraft Engine Leasing/ Parts Sales (elfc, INAV) 	Business	elfc	✓ Spare engine leasing (SLB, OEM direct order, inventory), trading, etc.
		INAV	✓ Purchase and sale of used engine parts
	Business Model	elfc	✓ SLB of newly manufactured engines (8 to 12 years), inventory engine leasing ✓ Engine maintenance, parts replacement ⇒ maintaining asset value, sales (including to INAV) upon retirement ✓ Long-term/medium-term lease fees, engine sales proceeds, maintenance fees
		INAV	✓ Part-out engines acquired from multiple sources (including elfc), and sell engine parts to airlines and MROs
	Strengths	elfc	✓ Top market share among non OEM related lessors (net book value) ✓ Provides services throughout product lifecycles from manufacturing to retirement ✓ Technical team members accounting for 25% of employees , a diversified portfolio, and fundraising and credit management capabilities
		INAV	✓ Stable procurement from elfc and other suppliers, appraisal and fundraising capabilities ✓ Large warehouses, repair management capabilities, large number of buyers

The average annual growth rates are 9.0% for JSA’s aircraft and 6.5% for elfc’s engines

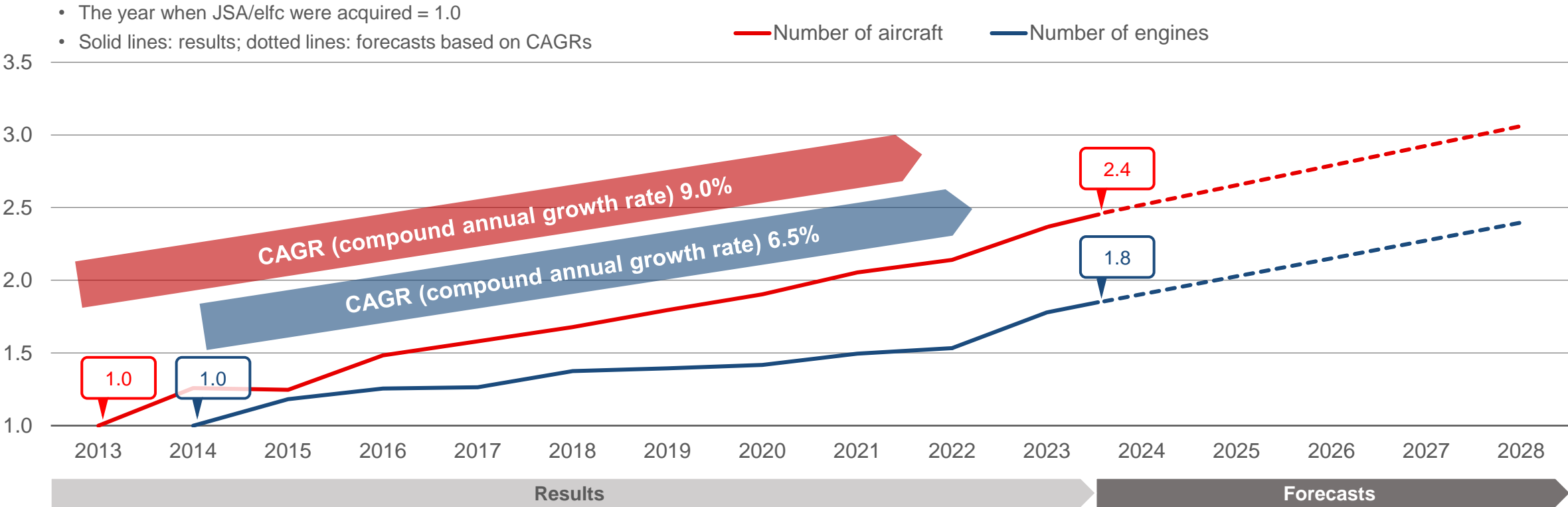


As one of the leading aircraft lessors, JSA has firmly maintained diversified portfolio and its high liquidity, and **continued growth**



As the industry leading engine lessor, elfc has posted profits for consecutive years, **maintained profitability and steadily expanded.**

Changes in the Number of Owned Aircraft and Engines



01 Introduction to the Aviation Business Division

02 Business Overview

03 Business Strategies

Measures

Objectives

Enhancement of the Integrated Capabilities of the Group



- ✓ Expand the group product base along asset lifecycle and provide the one stop service globally to meet all customers' needs
- ✓ Strengthen fundraising, data utilization, HR, and organizational capabilities

- ✓ **Achieve stable growth and ensure high profitability by strengthening group competitiveness**

Promotion of Decarbonization



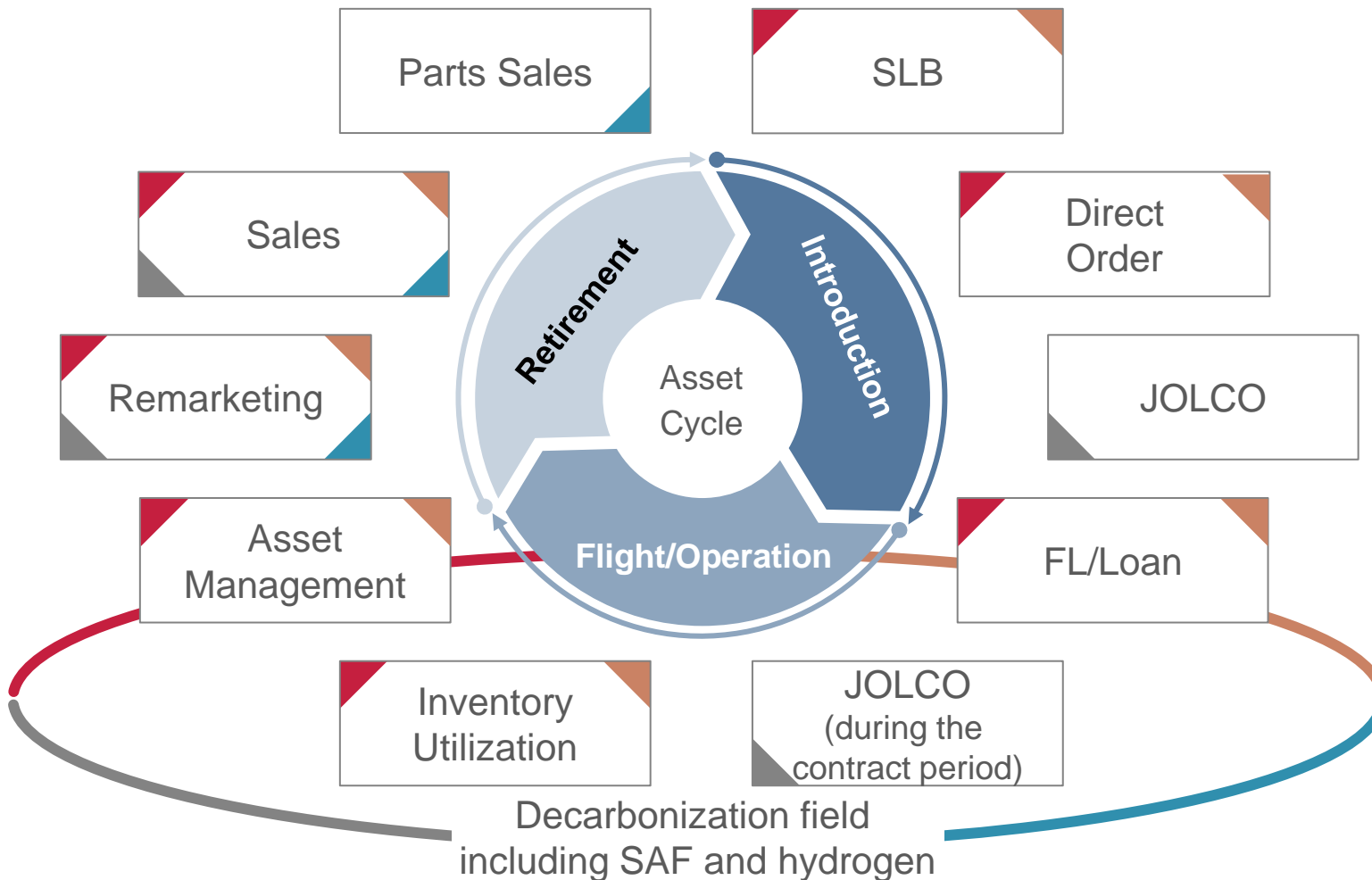
- ✓ Increase the volume of next generation aircraft and engine ratio
- ✓ New business R&D including SAF and H2 in line with the industry's policy to achieve net-zero CO₂ emissions by 2050

- ✓ **Realize medium to long-term portfolio transformation to achieve strong, continued growth**

Business Strategies (Overview of the Integrated Capabilities of the Group)



Provide one-stop, full lineup service along the asset lifecycle



Major Service Provider

JACKSON
SQUARE
AVIATION



elfc
Going Further Together



MITSUBISHI HC CAPITAL

inav
an elfc company

Point

- ✓ Provides one-stop services globally through the synergetic collaboration between JSA/elfc/INAV/ABD/MHCAC in response to changes in the industry and customers' needs
- ✓ Full lineup service contributes to consistent growth

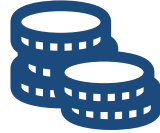
Full coverage and 100% committed strategic positioning

	Aircraft Leasing	Engine Leasing	Engine Parts Sales	JOLCO
MHC	JSA	elfc	INAV	ABD/MHCAS
	Ownership Ratio 100%	Ownership Ratio 100%	Ownership Ratio 100%	Ownership Ratio 100%
Japanese Company A	✓ (Joint ownership)	✓ (Joint ownership)		✓
Japanese Company B	✓			✓
Japanese Company C	✓	Minority ownership	Minority ownership	✓
Japanese Company D	Minority ownership			✓

✓ The strategic position allows us to readily share the same thoughts as a team, and promotes effective and seamless business collaboration across the businesses with diversified products offerings

Mechanisms Supporting Growth Strategies (Risk Management Framework)

01



Price/Value Change Risk

Deterioration of aircraft and engine values due to changes in supply-demand balance, etc.

Mitigation

next generation aircraft and engines with high asset liquidity and resilient to inflation

02



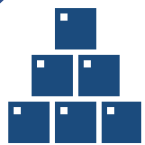
Credit Risk

Impact of market changes on collection of lease fees, etc.

Mitigation

portfolio and risk diversification, screening capabilities, asset collection capabilities, collateral requirements

03



Inventory Risk

Return of aircraft and engines, their shift to being inventory

Mitigation

Long-term leases, asset turnover, portfolio diversification

04



Geopolitical Risk

Impact of regional turmoil around the world on asset value, asset recovery, etc.

Mitigation

Regional diversification, asset management and recovery know-how

05



Interest Rate Risk

Impact of interest rate fluctuations on fundraising costs, etc.

Mitigation

ALM* management to mitigate interest rate risk

* Asset Liability Management (comprehensive management of assets and liabilities)

Mechanisms Supporting Growth Strategies (Governance Framework)

Robust group governance accompanied by management flexibility and mobility

