

## Q&A Session at the Business Segment Meeting 2025 -Europe Business -

(Q) The Europe business of the Global Customer Business Segment (the Europe Business) has historically operated as an autonomous business since the time of former Hitachi Capital. Unlike other businesses within the Mitsubishi HC Capital Group (the MHC Group), it includes a consumer finance portfolio, which inherently carries relatively higher interest rate risk. Does this business generate synergies within the MHC Group? How do you position it within the Group going forward?

(A) Overseas businesses account for roughly 60% of the entire MHC Group, and within this, the Global Customer Business Segment is positioned as an important segment that supports a stable earnings base.

The Europe business is unique in having a consumer finance division; however, its direction toward leveraging digital transformation aligns closely with the Group's overall strategy.

In the vehicle solutions business—one of our priority domains—there are also clear synergies with the Group's mobility business.

While consumer finance inherently entails interest rate risk, the majority of that risk is hedged. Profitability temporarily declined during the period of sharp interest rate increases following the Truss shock, but interest rates have since stabilized and margins are recovering.

As was the case under former Hitachi Capital, the Europe business continues to be positioned as one of the core businesses within the MHC Group.

(Q) Asset growth has moderated and ROA has declined relative to prior years. While macroeconomic factors have likely contributed to this trend, how do you plan to manage asset growth and ROA going forward?

(A) I recognize improving ROA in the Europe business as a key management priority.

In FY2023 and FY2024, profitability was affected by temporary factors, including restructuring costs in part of the European mobility business and a decline in used EV prices.

Restructuring of the European mobility business has largely been completed, used EV prices are stabilizing, and margins in the consumer finance division are on a recovery trend. Based on these developments, we expect earnings to improve in FY2025.

As for asset growth, we will continue to expand the portfolio while ensuring that new business maintains adequate ROA levels.

(Q) Given recent changes in the EV business environment, it appears that there may be a gap between the initial strategy and the current situation. Could you elaborate on your current EV-related strategy and future direction?

(A) We have articulated our strategy for electrification (EV adoption) and decarbonization as a key direction since the mid-2010s.

When we launched the Medium-Term Management Plan for FY2023-FY2025, we expected decarbonization to accelerate and therefore aimed to develop a business model offering EVs and related services—such as charging infrastructure—as an integrated package.

However, in recent years, prices of used EVs have declined and become more volatile. In response, we have shifted our focus to providing fleet management services, including EV offering tailored

to customer needs, while minimizing residual value exposure.

That said, we expect that decarbonization and EV adoption will continue to progress over the medium to long term.

(Q) You mentioned that margins have recovered due to stable interest rate conditions. Are margins on new contracts now approaching the levels seen ten years ago, when ROA was significantly higher? Also, is it correct to assume that interest rate risk in the Europe business is now nearly neutral?

(A) Margins on new contracts differ by business domain, but each business has recovered to a level that secures the necessary margin.

We manage interest rate exposure by monitoring the yield curve and hedge more than 80% of that risk. However, as noted earlier, if interest rates fluctuate sharply within a short period, temporary exposure may arise.

We do not have precise data on hand and therefore cannot offer a definitive comparison with the situation ten years ago. Nonetheless, margins have been recovering solidly from the post-COVID decline.

(Q) You previously pursued M&A to expand your regional footprint in Europe. Could you elaborate on your broader growth strategy? While you appear focused on strengthening existing businesses in the short term, what are your medium- to long-term aspirations for the Europe business?

(A) Our primary strategy is to grow existing business domains.

In the UK, although competitor bank-affiliated finance companies are undergoing various changes, the MHC Group's commitment to the UK market over the past 40 years remains a key strength. While we may consider acquiring sizable portfolios if opportunities arise, our fundamental direction is to expand existing or adjacent business areas.

On the European continent, large-scale capital investment in multiple countries is not necessarily optimal due to the diversity of local markets. Our existing vehicle solutions business still has room to grow, and over the medium term, we aim to expand our market share in countries where we already operate, such as the Netherlands, Germany, and Eastern Europe.

Our medium- to long-term vision is to steadily deepen our existing businesses and enhance profitability.