

Message from the President & CEO



Taroji

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Challenging Ourselves to Become an Innovator that Maximizes the Potential of Assets, Aspiring to Unexplored Realms

Communication, communication, and communication

One of the things I try to do most as the President & CEO is value dialogue and communication.

That's because I keenly realized the importance of this during my previous job as a banker, when I worked in management positions in offices in the United States, the United Kingdom, India, and other countries.

I must motivate professional local employees in every location to work toward the same goal. The languages, mentalities, and cultural backgrounds of these employees vary widely. In Japan, if a manager said something, the employees would usually understand the context and the reason behind it and work as one team, almost automatically, to achieve the goal, but it was not so easy overseas. In fact, I failed many times.

What I learned from that experience was to abandon the one-sided assumption that people probably understand me, and to stubbornly pursue dialogue and communication. So, wherever I go in the world, I keep saying "communication, communication, and communication."

As I took office as President & CEO in April 2023, the Mitsubishi HC Capital Group's first Medium-term Management Plan (2025 MTMP) was beginning. How can I make our employees understand that the achievement of the 2025 MTMP is vitally important for the sustainable growth of our Group in the future? I thought the only way to achieve this was through diligent dialogue and communication. The management team, including myself, visited domestic and overseas offices in person and engaged in a series of dialogues. Those were

not one-time events, but we strove to keep on visiting the same locations.

I believe that such dialogue and communication are important not only with our employees, but with all our stakeholders, including shareholders, investors, customers, and business partners. Although we have been making every effort to engage in dialogue and communication with these stakeholders over the past year, it is still not enough.

During our dialogue with shareholders and investors in Japan and overseas, people told us that they were able to understand the Mitsubishi HC Capital Group's 10-year Vision and the strategy of the 2025 MTMP, which is the first step towards realizing that vision. However, we also heard comments like "what is the specific path to attaining Our 10-year Vision?," "what are the basic strengths of the Mitsubishi HC Capital Group?," and "what sets you apart from your competitors?" I take these comments seriously, and at this moment I am still trying to figure out how we can help our stakeholders understand the Mitsubishi HC Capital Group and show them the path to our future growth, as we continue our exploratory process to enhance our Group's corporate value in the medium to long term. Through this message, I would like to convey to our stakeholders that the Mitsubishi HC Capital Group is a company that is making steady progress and continuously increasing its corporate value.

Emphasis on raising corporate value

The first thing I would like to share with you is what I am focusing on in order to improve corporate value.

The 2025 MTMP is positioned as the first step, or "hop," toward the realization of Our 10-year Vision, but without achieving the plan's targets, we will not be able to achieve the growth that will follow in the "step" and "jump." I will never settle for the status quo, but will

constantly stimulate communication with internal and external stakeholders, elicit ideas for various reforms, and propel corporate transformation, thereby boosting the corporate value of the Group.

My mission to increase corporate value is to manage our Group with an awareness of the cost of capital. We are focusing on two main indicators: achieving return on

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equity (ROE) that sustainably exceeds the cost of shareholder equity, and improving price-to-earnings ratio (PER) by improving growth expectations and reducing the cost of shareholder equity.

We recognize that our Group's cost of shareholder equity is about 10%. With the initial goal of raising ROE to the same level as the cost of capital, we have set ROE of approximately 10% as one of the financial targets of the 2025 MTMP. We believe it is important to steadily reach this goal while charting a course to achieve it.

An essential condition for improving PER is to increase stakeholders' understanding of our Group, including its business model, and their growth expectations. To that end, we will strive to engage appropriately with our stakeholders by reducing ESG risks, enhancing disclosure

Who is Mitsubishi HC Capital?

"Contribute to a prosperous and sustainable future by creating social value through maximizing the potential of assets." That is Our Mission we first formulated when Mitsubishi HC Capital was launched in April 2021.

Our Mission is our long-term vision of what we want to be, and it is the *raison d'être* of the Mitsubishi HC Capital Group in society.

The essence of our business can be summed up in one word: "assets." "Assets" here include not only tangible assets such as aircraft, aircraft engines, marine containers, electric vehicles (EVs), renewable energy generation

and transparency, including non-financial information, and reducing the cost of capital through dialogue with the market.

In addition, we have a consistent approach to returning profits to shareholders through dividends. As mentioned above, we believe that one of the most important factors for improving the corporate value of our Group is to achieve ROE that steadily exceeds the cost of shareholder equity through sustained growth in net income. In that sense, we are not considering ROE improvement such as through share buybacks, which may have immediate effects but could rather hinder long-term growth, through effects such as impact on credit ratings. Our basic policy is to steadily increase earnings by building and managing our stable and strong portfolio, which is one of our Group's strengths, and to return the fruits of these efforts in the form of stable dividends. That policy has yielded 25 consecutive fiscal years of dividend increases. For fiscal 2024, we are forecasting a dividend of 40 yen per share, an increase of 3 yen from the previous year, which, if realized, will be the 26th consecutive year of dividend increases.

Another important task for the immediate future is to raise awareness of us as a new integrated company. While the names of both Mitsubishi UFJ Lease & Finance and Hitachi Capital were widely known in society as leading players in the industry before our integration, the penetration of our new post-integration name "Mitsubishi HC Capital" is still in the early stages. We are also implementing measures to raise awareness, such as airing TV commercials, in order to make more people aware of not only our Group name but also our social value. That effort will lead to an enhancement in human resources and employee engagement, and ultimately to an increase in corporate value.

facilities, and real estate, but also intangible assets such as information assets including software and databases, innovative assets including R&D and licensing, and economic competencies including human resources and organizations. Our Group has a wealth of knowledge about "assets," accumulated through leasing and financing over the more than 50 years since its establishment. We will promote services and business investment that maximize the potential value of these tangible and intangible assets, in order to solve the business challenges of our customers and partners together with

them.

We have also identified six material issues (Promote a Decarbonized Society, Realize the Circular Economy, Establish Resilient Social Infrastructure, Realize Healthy Lifestyles that Promote Positive Wellbeing, Create Businesses Utilizing the Latest Technologies, and Collaborate with Partners Locally and Globally) as priority key challenges that our Group must address and resolve in order to realize Our Mission.

Of these, "Promoting a Decarbonized Society" is an issue that needs to be addressed from a medium- to long-term perspective as a common challenge for the entire world. Our Group has set a target of reducing

Progress of the 2025 MTMP

After a two-year integration process, the 2025 MTMP was released in May 2023. This is the first step, or "hop," of the three Medium-term Management Plans to realize Our 10-year Vision. It is also a period for "sowing seeds" and "gaining a solid foothold" for the following "step" and "jump."

My personal assessment of the first year of the 2025 MTMP is that we are off to a good start.

In particular, from a financial perspective, consolidated net income for fiscal 2023 increased 7.6 billion yen from the previous year to 123.8 billion yen, surpassing our performance target of 120 billion yen and marking the second consecutive year of record profits. We are proud that this is the result of the strength of our portfolio, which is able to ensure sustainable growth while reducing volatility for the consolidated Group as a whole.

At the same time, we have aggressively replaced assets to improve asset efficiency and profitability. While we are pursuing new large-scale investments, such as our investment in European Energy, a European renewable and next-generation energy company, and making CenterPoint Development, which develops and operates logistics facilities in Japan, a wholly-owned subsidiary, we are also exiting businesses that we could not fully utilize as a Group. Examples include the sales of Shutoken Leasing, DFL Lease, and Sekisui Leasing. These moves are steadily improving profitability in our portfolio as a whole.

In addition, we made steady progress on "Key Themes across Segments" and "Frameworks to Promote Transformation," which were included in the 2025 MTMP as strategies of "sowing seeds" for the medium- to long-term sustainable growth of our Group. For the former, "Key Themes across Segments," we have established four

Scope 1 and 2 greenhouse gas emissions by 55% from fiscal 2019 levels by 2030, and reaching net zero by 2050. In addition to energy conservation and eco-driving, which we have been promoting for some time, we are also pursuing various initiatives across the organization, together with overseas Group companies. These include promoting electrification and energy conservation by switching to EVs, reducing greenhouse gas emissions by expanding renewable energy generation businesses such as solar and wind power, and switching to renewable energy for electricity use. In the future, we will also focus on solving global environmental problems through our global Group businesses.

themes: hydrogen, EVs, logistics, and decarbonization solutions, and have been discussing them throughout the year. Since we believe that there is a limit to conventional strategy formulation and execution by existing siloed organizations, we will go forward with these themes in a focused manner by mobilizing our Group's resources across organizations. Through the year's efforts, we have further revitalized inter-organizational collaboration and created new initiatives. Not limited to these themes, I feel that a culture of collaboration and co-creation through the organizations is gradually taking root. The latter, "Frameworks to Promote Transformation," is an initiative aimed at fostering an organizational culture for promoting corporate transformation, which is required to achieve Our 10-year Vision. I have also led efforts such as town hall meetings to spread the spirit of transformation that is embodied in the 2025 MTMP. Through initiatives such as the Zero-Gravity Venture Lab (commonly known as "ZERO-GRA"), an intra-entrepreneurship program that encourages employees to take on new challenges, and the 10 billion yen Innovation Investment Fund, which promotes open innovation with startup companies, we feel that enthusiasm for transformation within our Group is steadily rising.

On the other hand, our efforts over the past year have also identified challenges for the future. With regard to business strategies, we feel that the speed of progress in the evolution and layering of business models, which we set as a core initiative in the 2025 MTMP, is somewhat lacking. The key here is the transformation of the Customer Solutions segment, which is the Group's key profit base and customer base, and which has created many new businesses by providing solutions to

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customers' issues. We recognize that the challenge is to further accelerate its transformation toward full-scale profit contribution and ROA improvement. In order to support the transformation of this segment throughout the Company, I launched a project in April 2024 that I am myself leading, to draw out the transformation mindset of all executives and employees and to strongly promote it.

Strengths of the Mitsubishi HC Capital Group - past, present, and future

"It's hard to understand what Japanese leasing companies do," "the characteristics of the Mitsubishi HC Capital Group are obscure"... Unfortunately, more than a few of our shareholders and investors have voiced such opinions. So, here I would like to discuss what I consider to be the strengths of our Group.

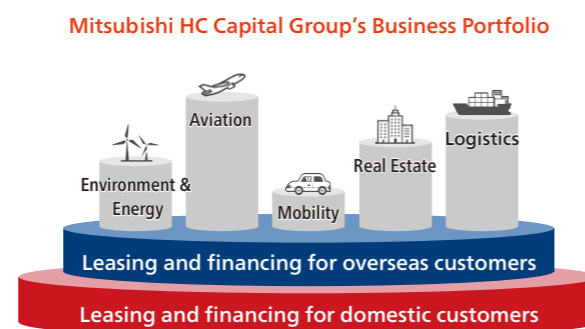
The first strength is our history and story. Looking back at the history of the Mitsubishi HC Capital Group, its origins can be largely traced back to the former Mitsubishi UFJ Lease & Finance Group and the former Hitachi Capital Group, and their predecessors. For more than 50 years since its establishment, our Group has grown continuously, starting from the leasing and financing and installment sales businesses, while expanding its business scale and regions of operation significantly in response to changes in the social and economic environment. Given this history, our Group's solid customer base and business foundation are invaluable assets. They are built on our relationships with our current primary shareholders Mitsubishi UFJ Financial Group and Mitsubishi Corporation, and with Hitachi, which is a former shareholder of Hitachi Capital and is still an important business partner today.

By leveraging these assets, the business integration has enabled us to realize our second strength, a business portfolio that combines stable income and profitability. This is our Group's current strength that I would like to emphasize most, and we will be developing it further in the future.

Please see the illustration on the right. Our Group's business portfolio is based, first of all, on a solid foundation of the Customer Solutions and Global Business segments that can generate steady profits based on a stable and solid customer base and business foundation. On top of those, there are five pillars of specialized businesses: Environment & Energy, Aviation, Mobility, Real Estate, and Logistics, which are subject to relatively high volatility due to market conditions, but also generate reasonably high returns. The timing and magnitude of market fluctuations in these five specialized businesses

We also recognize the urgent need to restore the profitability of the Americas business within the Global Business segment, which incurred a large loss in fiscal 2023. In fiscal 2024, we are working to quickly restore and expand profitability by revising the risk management framework and diversifying and restructuring our business portfolio in the Americas.

are not necessarily the same, accompanying a characteristic that allows them to offset each other's volatility. The result is a portfolio with low volatility and stable profitability for our Group as a whole. This is a unique characteristic of our Group that no other company can imitate.



The third strength, our human resources, will bring further growth toward the future to our Group's stable and robust business portfolio, which has been realized through the business integration that originated with our Group's history. The former Mitsubishi UFJ Lease & Finance had employees with expertise in financial business and business investment as a financial and trading company-affiliated leasing company. The former Hitachi Capital had employees skilled in sales finance to support sales expansion of products and services as a manufacturer-affiliated leasing company. There are also more Group employees abroad than in Japan, including professionals in specialized businesses. After the business integration in 2021, many powerful new colleagues were attracted to our Group. One of our strengths is our ability to provide added value through the combination of the two former companies and newly added excellent human resources. We believe that the synergistic effect of the integration of the two companies is to create a company where diverse human resources are active globally and move society forward.

Since I became President & CEO, I have consistently

communicated to all employees of our global Group that we want to be a company where employees are happy and cheerful, and a company that is trusted and respected by society; in other words, a company which employees are proud to tell their friends and family about.

This is my greatest commitment to the more than 8,000 employees of our Group. I believe that if we cannot do so, we will not be able to realize the corporate value enhancement I mentioned at the beginning.

To be an innovator who grasps change and continues to take on the challenge of solving social issues

Put plainly, the Mitsubishi HC Capital Group, whose shareholders and partners include major Japanese corporations such as Mitsubishi UFJ Financial Group, Mitsubishi Corporation, and Hitachi, has not faced any major management crises and has steadily increased its business performance through multiple integration processes. However, I feel that the so-called "big company disease" of reliance on precedent and maintenance of the status quo still remains within our Group. There is nothing scarier than conceitedness when things are going well. I have a strong sense of crisis that if our Group continues along a mere extension of the status quo, our future will not be secure, and in fact, we may not even exist 10 years from now.

It was with such a strong sense of crisis that we started to formulate Our 10-year Vision in the first year after the integration. After serious discussions with all the Directors and Executive Officers, we set that vision as "Together we innovate, challenge and explore the frontiers of the future," with the thought that we must

become a presence that is not an extension of the status quo. This vision is also positioned as a compass to guide us in the realization of the above-mentioned mission. It expresses our strong belief that our Group is not bound by the past or present, but will continue to innovate, challenge, and explore the frontiers of the future with a pioneering spirit. In other words, we will continue to venture into unexplored realms and create innovation.

The future 10 years from now are uncertain, as society and the business environment will have undergone significant transformation, including changes in industrial structures occurring on a global scale, accelerated digitization, and the growing importance of sustainability. Nevertheless, we will continue to take on the challenge of solving social issues that only the Mitsubishi HC Capital Group can solve, together with our customers and partners. We will do so by grasping every change and by tirelessly implementing company-wide reforms through business activities that lead to initiatives to address material issues.

Profile

In 1985, he joined Mitsubishi Bank (currently MUFG Bank). Since then, he served in various managerial positions globally, in Japan, the U.S., Europe and India. In June 2021, he became a Deputy President and Executive Officer of Mitsubishi HC Capital and from April 2023, he became Representative Director, President & CEO.

