Q&A from the 1Q FY2026 Financial Results Briefing

Date & Time Monday, August 10, 2026, 11:00-12:00
Speaker Kazuyoshi Kawakami (CFO)

(Q) You explained that gains on asset sales are expected to be weighted toward the second half of the fiscal year, and that 1Q net income was in line with the initial plan. From which quarter do you expect progress toward the full-year forecast to accelerate? In addition, could you provide an update on how each segment is progressing toward its full-year ROA target as of the end of 1Q?

(A) Asset-related gain* is not expected to be recognized evenly over the remaining three quarters and is instead expected to be weighted toward the second half of the fiscal year. As for income gain, contributions from European Energy in the Environment & Energy segment, which has a significant impact on our results, are also expected to be concentrated in 4Q.
European Energy has recently experienced delays in project sales due to external market conditions. However, it is prioritizing projects within its sales pipeline and working to ensure that the projects scheduled for sale are completed within this fiscal year.
Given this profit outlook, which is weighted toward the second half of the fiscal year, net income progress may remain below 50% of the full-year forecast at the end of 2Q. However, we believe we can achieve the full-year plan announced at the beginning of the fiscal year.
While we do not disclose ROA progress in the Financial Results Presentation or other disclosures, we believe it is broadly in line with the progress of net income, as total assets are not significantly exceeding our plan.
We will continue to implement initiatives aimed at improving profitability across all segments. For example, in the Europe business of the Global Customer Business segment, in addition to increasing income gain through asset growth, we are also implementing cost reduction measures, and improvements in ROA are beginning to emerge. We will continue these efforts so that we can report steady ROA improvement in line with our initial plan from 2Q onward.

* Asset-related gain: Gains (net of losses) from sales of owned assets, impairment, and other related items, including mark-to-market valuation in the Customer Solutions, Environment & Energy, Aviation, Logistics, and Real Estate segments, on a gross profit basis.

(Q) Regarding the business portfolio restructuring, there do not appear to be any concrete transactions announced at this stage. Are there any particular obstacles or challenges? Given that further improvement in net income and ROA may be required next fiscal year to achieve the targets set out in the 2028 MTMP, could you provide an update on your current thinking and initiatives?

(A) While no major business portfolio restructuring transactions had been executed as of the end of 1Q, we did announce the establishment of a joint venture with Brookfield focused on renewable energy business.
Furthermore, beginning this fiscal year, we have established a task force led by our deputy president to discuss business portfolio restructuring on a biweekly basis. We have already begun working on specific opportunities, and while progress is gradual, are steadily moving them toward execution.

(Q) With regard to the increase in off-lease aircraft in the Aviation segment, have prospects for re-leasing already begun to materialize? If not, what do you see as the key hurdles to securing new lease agreements?

(A) We intend to either re-lease or sell the off-lease aircraft, taking into account factors such as the age of each aircraft. One of our strengths is that we own a subsidiary specializing in aircraft engine leasing, which enables us to maximize returns by separating the engines from the airframe and monetizing each component independently. For the aircraft that have recently come off lease, we will evaluate these and other options and pursue the most appropriate course of action.
In addition to our efforts to monetize off-lease aircraft, we also expect contributions from newly acquired aircraft going forward. As a result, aircraft leasing revenue is expected to recover meaningfully from 2Q onward. Meanwhile, the engine leasing business continues to generate steady leasing revenue. Accordingly, we expect income gain across the Aviation segment to remain solid from 2Q onward.

(Q) Regarding the Logistics segment, you mentioned in the presentation that container demand has been increasing recently. Historically, your comments on the outlook for the Logistics segment have generally been cautious. Should we interpret your remarks as an indication that the outlook is beginning to improve compared with your previous expectations?

(A) We believe that supply and demand conditions in the container market have shown some signs of improvement recently. At the same time, factors such as uncertainty surrounding the situation in the Middle East and U.S. tariff policies are influencing current market conditions, and we therefore need to carefully assess how sustainable the improvement will be.
We are closely monitoring whether the recent increase in cargo volume from China to the U.S. reflects a temporary front-loading of demand ahead of the Christmas shopping season, or whether it will have lasting implications over the medium to long term.
As we continue to monitor these market trends, we will work to improve utilization rates of our existing container fleet while making appropriate decisions regarding orders for new containers.

(Q) Could you please tell us what type of aircraft were returned and became off lease in 1Q? Also, there was mention of the possibility of part-out or other sale options. Given that these aircraft are already impaired, is there still a possibility of generating significant gains on sale?

(A) The returned aircraft are from the Airbus A320 series and, as mentioned earlier, offer a range of monetization options.
One option is to separate airframe and engines and lease or sell them independently. We will evaluate all available alternatives and pursue the approach that maximizes returns.

(Q) Are many of the engines on the returned aircraft made by Pratt & Whitney? Also, given that the returned aircraft are likely to require maintenance, are they likely to take some time before they can return to service?

(A) The engines on the returned aircraft are made by IAE or Pratt & Whitney.
As indicated by the fact that impairment losses have been recognized on a number of these aircraft, not many will be operational immediately. We are carrying out the necessary maintenance and repairs, including work on the engines, to restore the aircraft to operational condition. While some aircraft can return to service without significant additional work, the majority require repair and maintenance before they can be put back into operation.

(Q) What are the spreads for new and existing lease transactions in Customer Solutions segment?

(A) Specific spread figures are not disclosed, but we provide an overview of the impact of rising interest rates on earnings on page 28 of the 1Q FY2026 Consolidated Financial Results Presentation (hereinafter "Financial Results Presentation").
In the Customer Solutions segment, we have been able to appropriately reflect higher market interest rates in new lease transactions, helping to mitigate the impact of rising interest rates.
We have also been working on downscaling lower-profitability businesses, and have seen an improvement in profitability as a result.
Going forward, we believe that the impact of these initiatives will become visible in the Customer Solutions segment's ROA, even at the first decimal place.

(Q) The Asia & Oceania business of the Global Customer Business segment appears to have performed well so far. How do you assess the performance of this region so far? Also, do you plan to record any business restructuring costs in 2Q onward?

(A) In 1Q, profit growth was mainly driven by the absence of business restructuring costs recorded in 1Q FY2025, although cost reduction efforts have also progressed steadily.
Among our main markets—Malaysia, Thailand, Singapore, and Indonesia—Indonesia and Singapore are performing in line with or ahead of the initial plan. New transactions have been executed steadily in these countries.
In contrast, Malaysia and Thailand got off to a slightly slower start than planned, as investment appetite among local manufacturers has softened amid rising energy and material costs.
However, the Asia & Oceania business as a whole remains on track to achieve the initial plan.
While we do not disclose the breakdown for Asia & Oceania, the business restructuring costs of ¥3.5 billion expected for the Global Customer Business segment this fiscal year has already been factored into the initial plan.

(Q) The decline in credit costs for the Americas business of the Global Customer Business segment seems to be moderating. Is it reasonable to assume that credit costs are stabilizing at around ¥8 to 10 billion per year? Also, what do you see as the key drivers of future profit growth in the Americas business?

(A) Non-performing receivables have declined significantly compared with the period when conditions were particularly challenging, and the pace of decline in credit costs has gradually moderated. The business has continued to improve since bottoming out, and we believe the recovery is approaching its final stage.
To drive future profit growth, we will continue improving portfolio quality while maintaining a strong focus on risk management. Specifically, we aim to improve profitability by diversifying the portfolio, improving operational efficiency through greater use of data and digitalization, and strengthening risk management capabilities.
Truck-related assets accounted for 34% of the Americas portfolio as of June 30, 2026. To enhance the portfolio's resilience to risk, we intend to further reduce this to some extent.

(Q) For the assets planned for sale this fiscal year, how much visibility do you currently have regarding potential buyers and transactions? How does this compare with the situation at the same point in the past one or two years? Could you provide an update on the outlook for asset sales in the coming fiscal years.

(A) We have made significant progress in narrowing down the assets to be sold this fiscal year, but for most transactions, contract execution and negotiations with potential buyers are still at an early stage.
However, as many of the assets we expect to sell are highly liquid, unless there is a major change in market conditions, we believe there is a high likelihood that they can be sold in line with our planned timeline once the sale process begins. Based on our past experience and seasonal factors, we will continue working steadily toward the completion of the asset sales planned for this fiscal year.
For the coming fiscal years, we continue to regard asset turnover as one of the key pillars of our growth strategy, particularly in the Specialized Business segments. Under the 2028 MTMP, we aim to expand both asset-related gain and income gain across all segments.
In the Real Estate segment, for example, asset-related gain has historically accounted for the majority of earnings. Going forward, however, we aim to enhance earnings stability by increasing income gain.
Currently, income gain and asset-related gain of the Real Estate segment are at a ratio of about 20:80. We seek to adjust this ratio to about 40:60 by the time of the 2031 MTMP.

(Q) I would have expected that large-scale divestment deals to be somewhat more advanced by this stage. Compared with the large-scale divestment deals executed over the past one to two years, are this year's planned asset sales progressing more slowly?

(A) We do not believe that the progress of this year's asset sales is slower than in previous years. The large-scale asset sales executed during the same period in the previous fiscal year also required a substantial lead time before completion. Therefore, the progress of deals this fiscal year has been broadly in line with previous years.
Regardless of size, we are steadily advancing preparations for the planned asset sales, with a view to executing them according to schedule.

(Q) The credit costs of the Europe business in the Global Customer Business segment increased QoQ. Please let us know if there are any notable factors behind this increase.

(A) We believe that the increase in credit costs is consistent with the growth in assets. The allowance ratio has been calculated based on conservative assumptions, taking into account the challenging macroeconomic environment in Europe.
As shown on page 12 of the Financial Results Presentation, credit costs in Europe were broadly flat year on year excluding FX impact.

(Q) Could you please provide an update on any damage to your assets resulting from the 2026 Kumamoto Earthquake?

(A) The impact on our assets has been minimal. We would like to extend our deepest sympathies to all those affected by the earthquake.