

## Q&A Session on Financial Results for the Six Months Ended September 30, 2021

(Q) The Aviation posted gain on valuation of certain receivables from bankrupt debtors, but what is the actual profit contribution excluding extraordinary items of the business at present? Furthermore, you explained the earnings forecasts for the year ending March 31, 2022 remains unchanged due to credit costs expected to be recorded in the Aviation. Please explain in detail.

(A) The Aviation recognized billions of yen of gain on valuation of certain receivables from bankrupt debtors under US-GAAP. Furthermore, we are closely monitoring the condition of the Aviation in estimating the full-year earnings forecasts. In the first half of this fiscal year, we continued to record allowance for doubtful accounts towards airlines mainly in Southeast Asia, causing delay in business recovery of the Aviation. The International Air Transport Association (IATA) also expects that business recovery in the aviation industry will take a little longer although the situation varies depending on the region, and we plan to record the same level of allowance for doubtful accounts as the first half in the second half.

We estimate that quarterly performance in the Aviation will continue to fluctuate for a while due to factors including gain on valuation or allowance for doubtful accounts. Meanwhile, its business excluding extraordinary items is steadily making profits. Our aircraft leasing portfolio mainly consists of relatively new and narrow-body aircraft many of which are used for domestic routes that are showing relatively early recovery. Furthermore, there are many latest models, and the recent leasing demand is recovering compared to last year. However, there are still risks associated with, for example, airlines in Southeast Asia, and if they go bankrupt, it is possible that it will have a considerable impact on us. So, we keep the full-year earnings forecasts unchanged.

(Q) Hitachi, Ltd. (Hitachi) has been selling your shares in the stock market. What do you think Hitachi's equity ratio of your shares will be when it is done selling?

Furthermore, if Hitachi continues to sell, will you take any actions such as acquiring treasury shares in light of capital adequacy?

(A) We have agreed with Hitachi on maintaining business collaboration and human resource exchanges as their important financial partner. As for the share trading, it is a shareholder's decision, so we are in no position to comment on that.

Although we cannot deny the possibility of acquiring treasury shares in the future, we intend to return profits to shareholders through dividend as in the past. We will continue to conduct M&As if they are necessary for our growth. Using capital effectively is our basic policy.

(Q) If Hitachi continues to sell your shares, is there anything you can do?

(A) Selling our shares is a shareholder's decision, so we are in no position to comment on that.

(Q) In the full-year earnings forecasts, the Real Estate is expected to grow in the second half relative to the first half because of sales gains, and if the Environment & Renewable Energy is also expected to grow in the second half and the Aviation posts the same level of results as the first half, it seems net income may exceed the forecast of 95.0 billion yen considering the balance between the first and second half. Are there any concerns in the second half in any segments other than the Aviation?

(A) In the Real Estate, the timing of sales differs for each project. As it happens, sales were concentrated in the first half in the fiscal year ended March 31, 2021, but in the fiscal year ending March 31, 2022, we expect sales to be concentrated in the second half. It's not something we can control, but the plan is based on the conditions of the market and counterparties. In the Environment & Renewable Energy, earnings from wind power generation tend to be higher in the second half because of seasonality while the timing of sale of minor investment projects in the solar power generation business varies from year to year depending on the counterparties' situations. We had strategic meetings by each business division and each of them presented conservative earnings forecasts for the second half. Personally, I hope the results will exceed the forecasts, but we decided to keep the forecasts unchanged considering figures estimated by each business division. So, there is no particular concern in the second half.

(Q) In terms of M&As, are we to assume there will be no big movement until the medium- to long-term direction is released in May 2022 or even later until the new Medium-term Management Plan is announced?

Or will you conduct M&As flexibly regardless of such milestones?

(A) We don't necessarily need to develop the new Medium-term Management Plan to make investments. We are always discussing with each business division taking into account capital capabilities. If there are a deal that will contribute to increasing our corporate value, we make investments flexibly.

(Note) This translation is prepared and provided for reference only. In the event of any discrepancy between this translated document and the original Japanese document, the original Japanese document shall prevail.