Q&A Session on Financial Results for the Fiscal Year Ended March 31, 2025

(Q) Please tell us if there are any factors, aside from the effects of U.S. tariff measures, that may have either upside or downside effects on the financial forecast for FYE3/2026. Also, please tell us how domestic and overseas interest rate levels have been incorporated into the forecast.

(A) Firstly, in terms of upsides, it is possible that we will see increases in utilization rates and gains on sales of assets with continued favorable market conditions in the Logistics and Aviation segments, the drivers of our results in FYE3/2025.

However, regarding downsides, although we have already incorporated a certain amount of expenses and losses into the plan because the external environment surrounding our truck finance business in the Americas remains extremely unclear, we do believe that some downsides may occur in certain situations. Further, as mentioned, we cannot clearly estimate the effects of U.S. tariffs, so those have not been incorporated as numerical values. However, we believe it is possible that there will be a decrease in both new transactions volume and utilization rates in certain segments.

In terms of interest rates, as funding costs are reflected in our customers' lease fees—even though there may be a slight time lag—we do not expect fluctuations in interest rates on funding to have a significant impact on our results. With that said, as interest rates are currently being lowered in Europe and the U.S., we may be able to expect temporarily boosted profit margins in this situation. On the other hand, we believe it is likely that interest rates will remain on a gentle rise in Japan, so we should be able to make time for negotiations with our customers to convince them to shoulder this burden.

(A) To add to that, it is possible that geopolitical risk (conflict risk) may cause both downside and upside effects. For example, recently there has been conflicts between Russia and Ukraine, in the Middle East, and between India and Pakistan, as well as in other areas. In the Aviation business, planes still cannot fly over Russian airspace, and aviation companies in Europe and the U.S. are reducing the number of flights into and out of New Delhi. In this way, because conflicts may lead to a decline in the number of aircraft flights, it is possible that our aircraft and aircraft engine utilization rates could also decrease. Of course, because leasing contracts span a somewhat long time period, these effects will not be immediately apparent. Yet in the same way that the Aviation industry was dealt a devastating blow with the COVID-19 pandemic, there could be downsides here too, depending on the magnitude of the conflict. In terms of upsides, however—and this is something that has actually happened in the marine container leasing business—because the closing of canals and straits due to conflicts means that containers must remain at sea, demand for containers will increase. Accordingly, we believe there will be both upsides and downsides, and we will pay attention to geopolitical risks, such as those that are occurring now and future emergency situations in Taiwan, and respond appropriately.

(Q) The Real Estate segment saw extremely large asset-related gains of over 40.0 billion yen in FYE3/2025. You are planning to further increase asset-related gains in FYE3/2026, and I have the impression that your asset turnover is fast relative to the segment's asset balance level. I'd like to know your assessment of the asset turnover results in this segment and your thoughts for the future looking ahead to the next Medium-term Management Plan (MTMP) and beyond.

(A) As you can see on page 6 of the financial results materials, while asset-related gain/loss includes an extremely large amount of gains on sales of assets by Miyuki Building, extraordinary income/loss also includes losses on the transfer of its shares as one of the transactions related to Miyuki Building. As indicated by the (A), (B), and (C) boxes on this page, these three, had a combined effect of increasing net income by 7.0 billion yen post-tax. Thus, please understand that this one transaction did not result in significantly large profits.
Regarding the future, in the Real Estate segment, we plan to increase income while maintaining a balance between the income gain we can gain from assets and the capital gain we can gain from turning over assets. Currently, the proportion of capital gains is slightly larger, but looking ahead toward the next MTMP, we hope to continue to increase overall income by somewhat increasing our assets that will contribute to income gain and lowering volatility. However, as we are considering the next MTMP right now, we believe that we will likely be able to share our clear direction around the spring of next year.

(Q) Do you think there is a considerably high risk that net income will fall below the target due to the U.S. tariff measures? Please explain as much as possible how much you think you may fall short of the target.

(A) As the situation is changing daily, it is difficult to calculate the impact the U.S. tariff measures will have on our net income, so we have withheld from disclosing a figure on this occasion. we would appreciate your understanding.

(Q) What will be the extent of the impact of the change planned for FYE3/2026 to the fiscal periods at your subsidiaries? Also, in the discussion of YoY increase/decrease factors of net income for FYE3/2026 (page 24 in the financial results materials), there is no mention of the Aviation segment. Does this mean you think there will be a slowdown in the results for this fiscal period compared to the last year or two?

(A) The impact of the change to the fiscal period of JSA, an aircraft leasing subsidiary, in FYE3/2025, was a total increase of 9.4 billion yen in net income. If we combine the impact at the three companies whose fiscal periods are planned to be changed this fiscal year, we expect an impact similar or slightly greater than that we saw at JSA.

The market in the Aviation segment continues to be in an extremely healthy condition. In terms of demand, the number of passengers in FY2024 finally surpassed pre-pandemic levels. On the other hand, with complications in logistics and the trouble at Boeing, as well as malfunctions in some engine models, and other factors, supply conditions are somewhat tight. We did not include the Aviation segment as an increase factor of net income for this term, as we do not expect a significant profit increase in that segment due to an absence of the impact of the change to JSA's fiscal period in addition to the fact that the market conditions had already been favorable since the previous term. However, we also do not expect either the market conditions or the results of the Aviation segment to significantly worsen.

(Q) Please explain the background to net income and ROA in the Customer Solutions segment being forecasted to increase so dramatically in FYE3/2026 compared to the previous term.

(A) First of all, new transactions volume in the domestic leasing market increased 10% YoY in the last fiscal year, and the market is on the way to recovery. In addition, in our own Company's terms, we are in the situation now where the results of "sowing seeds," which we have been undertaking over the first two years of the 2025 MTMP, are becoming apparent this term, the third year of the plan. So, rather than aiming for increased profits through large-scale investments, sales of assets, and other means as in other business segments, our plan for the Customer Solutions segment is to realize this degree of increased profits by accumulating the results of small initiatives.

To summarize broadly, we are planning to increase profits mainly through three pillars of initiatives.

The first is the accumulation of assets in the existing finance field. In addition to the accumulation from the tailwind provided by the market, we aim to increase profits by also including gains from the sale of assets that have reached the end of their leasing terms in the historically highly profitable real estate field, semiconductor, and sales finance fields.

The second is the high value-added field. Improving gains on sales of used semiconductor-related equipment through refurbishing, creating fee business by providing expertise on regional medical issues in the healthcare field, and expanding fee business through lifecycle management of PC-related products from introduction to disposal, and so on. In these ways, by incorporating the fee business into asset turnover more than in the past, we will improve our profitability.

The third is new business development. As we noted in our various press releases in the last fiscal year, for example, we began our entry into markets such as subscription services in the robotics field through collaborations with startup companies, and we plan to expand these initiatives. A number of demonstration experiments using DX have also begun, such as a forklift service utilizing IoT, and we will introduce the resulting services to the market, too.

Combining these three pillars of initiatives, we are planning an increase of 6.9 billion yen in net income.

(Q) Could you tell us if there are any changes in the outlook of the Americas business in the Global Business segment and that of the Environment & Energy segment due to the Trump administration's measures besides tariffs? Please also tell us if it will be necessary to revise your business strategies.

(A) We are seeing a global trend of a slight slowing down of the environmental field. We believe that our long-term direction toward decarbonization will not change, but we need to consider our balance between investments and profits in consideration of the global trend. Furthermore, we are closely watching geopolitical risks, as we said earlier. We will make sure to discuss some of our concerns in the consideration of the next MTMP.

(A) In addition, our outlook for market conditions in the transportation sector in the Americas is tougher than what we announced in the financial results in the previous year. At that time, our outlook was that the market would bottom out in the latter half of 2024 and would recover, but it did not. The outlook we announced this year is that we cannot expect a market recovery for the time being, and that recovery will take time. On the other hand, regarding our credit costs, we believe that credit costs will decrease because as old contracts mature, they will be replaced with contracts that were concluded based on tightened criteria. However, the U.S. economy might deteriorate as it is affected by the Trump administration's measures. The transportation sector is susceptible to economic downturns, and as such, there is a risk that the pace of improvement in credit costs will slow down.

(Q) Will the Customer Solutions segment continue to increase its profits at the same level as in the current term in FYE3/2027 and beyond?

(A) We will discuss our outlook for FYE3/2027 and beyond in the process of considering the next MTMP. We want to grow the Customer Solutions segment steadily as it is the base of MHC. However, this segment will see moderate growth as it is a segment with little or no volatility. Meanwhile, this segment functions as a platform for generating new businesses by leveraging its customer base. Considering that the segment will generate businesses that will become new segments in the future, we can say that large profits are expected of the segment.

(A) In addition, the Customer Solutions segment is a large business base that accounts for segment assets of three trillion yen out of the total of 11 trillion yen on a consolidated basis. Though the segment's ROA was 1.1% in FY2022, low-profit assets included in the three trillion yen have gradually been replaced with high-profit ones in order to increase profits and profitability. The outcome of this is also evident in the performance of the Customer Solutions segment as shown on page 35 of the financial results materials. The pace of the increase will differ depending on the year, but I believe that the upward trend of profits and profitability will continue.

(Q) I'd like to touch upon the segment profit forecast for FYE3/2026 for the Global Business segment, which is shown on page 35 of the financial results materials. According to page 24 of the materials, it is estimated that credit costs for this segment will decrease drastically in the current term. In spite of that, the forecasted amount of increased profits seems to be small. Could you tell me the reason?

(A) In the Global Business segment, some regions anticipate expenses for gaining a solid foothold. Credit costs will decrease in the Americas, and segment income will remain steady in the Europe, resulting in a slight increase YoY. Overall, the forecasted profit is the amount shown on page 35 of the financial results materials.

(Q) The ROA for the Europe in the Global Business segment in FYE3/2025 is lower than that of the Customer Solutions segment. What is management's understanding of this issue?

(A) We are aware of this issue and discussing it. Competition has continued to be fierce in the Europe. Particularly in the consumer finance business, which is one of our core businesses, it has recently been difficult to gain margins due to competition with local banks. However, as the speed of economic growth has been slowing down in Europe, banks, which were strong competitors, are gradually withdrawing from the market. In such circumstances, we should be able to improve our profitability by maintaining and improving the quality of our services which we provide to customers, without being caught up in competition for margins.

(A) To supplement, as a premise, we are operating our overseas business in the Aviation, Logistics, and Environment & Energy segments, in addition to the Global Business segment. The assets and net income of these overseas businesses account for approximately 60% of the Company's on a consolidated basis. As for the Global Business segment by itself, its assets account for approximately 50% of our overseas businesses' assets (namely, approximately 30% on a consolidated basis). In contrast, looking at page 35 of the financial results materials, the profit contribution of the Global Business segment appears extremely small compared to the size of its assets. However, this segment recorded profits of around 24.0 billion yen and 29.0 billion yen in 2021 and 2022, respectively, immediately after the business integration, excluding one-time factors, mainly in Europe and the Americas. Our earning capability is currently declining due to the deteriorated market conditions of the transportation sector in the Americas, but we want to recover our previous level of profits by recovering performance in the Americas early on, as well as recovering margins in the Europe.

(Q) Regarding the large investment deals shown on the right-hand side of page 37 in the financial results materials, have there been any changes in the pace of investment pipelines arising and their scale and quality compared to the past? I would like to know the impact of the 2025 MTMP strategies, such as key themes across segments and frameworks to promote transformation, on the sourcing of investment deals.

I would also like to know how management evaluates the current pace, scale, and quality of those investment pipelines.

(A) The right-hand side of page 37 in the financial results materials highlights only notably large recent deals, which were selected among many other investment deals we have executed. Given the level of our equity capital, I believe it is ideal for us to execute one or two large investments of around 100 billion yen each, such as the ones shown on this page, every year. From this perspective, the current pace of large investment deals is appropriate, but I believe there is still room to further accelerate our investment activities going forward.

JSA's order to Airbus for 50 aircraft, which is shown at the lower right of this page, will be worth several hundred billion yen. The delivery of this order itself won't be until 2031 and beyond, and in light of the timing of deliveries for similar investments (the execution of such investments), we will consider investment deals for each year.

(Q) I understand that selecting the option to adjust the level of equity capital, such as through share buybacks or special dividend payments, may be difficult for MHC. Without that option, I believe that the ROE target of 10% is not sufficient to consistently exceed the cost of shareholder equity. Could you share management's awareness of ROE-related issues, such as whether to raise the ROE target in the next MTMP?

(A) We are not particularly interested in short-term measures to boost ROE, such as share buybacks and special dividend payments. For MHC, a non-bank whose lifeline is funding, it is important to improve ROE continuously by maintaining a balance between financial soundness and return on capital. From the perspective of a 10-year timeframe, including the 2025 MTMP as part of the hop, step, and jump phases, we are on our way to achieving business portfolio transformation, striving to increase our return on risk over the medium to long term toward achieving the evolution and layering of business models. Our business portfolio is undergoing transformation as reflected in the increasing ratio of capital gains to income gains, as well as the growing share of profits from our specialized business segments with higher volatility, such as Aviation, Logistics, and Real Estate, compared to those from stable business bases such as the Customer Solutions and Global Business segments. We are also planning to make large growth investments, such as the investment deals executed in the previous term, and therefore need sufficient funding. Currently, our equity capital is at a relatively high level. However, as we move forward through the hop, step, and jump phases, we expect to see higher returns and improved ROE.

As we take on more risk, the cost of shareholder equity is expected to rise accordingly. This has prompted internal discussions about whether our future ROE target of 10% is appropriate. Our immediate goal is to achieve the 10% target. After achieving that target at an early stage, the level of ROE we should aim for is precisely the agenda we are currently discussing in the course of considering the next MTMP.