

Q&A on Consolidated Financial Results for 1Q FY2025  
(For three months ended June 30, 2025)

(Q) In reference to page 25 of the [1Q FY2025 Consolidated Financial Results Presentation](#) (hereinafter “financial results presentation”), is it appropriate to calculate the specialized business segments ‘progress on segment profit excluding the effects of changes in subsidiaries’ fiscal year-ends, based on the FY2025 forecast of ¥90.3 billion and the 1Q result of ¥24.9 billion shown in the graph on the right side?

(A) Yes, that’s appropriate.

(Q) As the effects of the changes in subsidiaries’ fiscal year-ends are factored into the initial plan, strong progress was made in 1Q against the plan. However, as there will be no such effects in 2Q and beyond, progress in 2Q and beyond is expected to moderate, eventually coming in on par with the full-year target. Is this the scenario you are anticipating?

(A) Yes, that’s right.

(Q) Please tell us what you are currently working on to achieve the segment profit forecast (¥43.7 billion) for the Customer Solutions segment, the results you have achieved by the end of 1Q, and the expected results for 2Q and beyond.

(A) We are aiming to achieve the full-year forecast for the Customer Solutions segment through three major strategies.

The first is to increase what we call base profit, or the asset balance of general leasing transactions. In particular, we aim to increase highly profitable assets.

The second is to grow high value-added businesses. For example, refurbishing business for semiconductor manufacturing equipment, problem-solving businesses in the healthcare area, and subscription-based PC life cycle management services that manage PCs from their procurement to disposal.

The third, while it is a challenging initiative, is to develop and introduce new services together with external partner companies.

Full-year profit of the Customer Solutions segment is planned to increase by ¥6.9 billion YoY. Of this amount, approximately 60% will be base profit, the first strategy; approximately 20% will come from high value-added businesses, the second strategy; and approximately 20% will come from new services, the third initiative.

In terms of progress in 1Q, we made good progress on base profit. Highly profitable real estate

leasing and businesses with vendors have steadily grown. Income gain of the Customer Solutions segment for 1Q increased by ¥1.6 billion YoY, offsetting the negative effects of the sale of Sekisui Leasing. The amount of profit increase is still small, but we have started to achieve positive results centered on base profit, and the amount will further grow in 2Q and beyond.

Regarding the second strategy, high value-added businesses, we have launched refurbishing business for semiconductor manufacturing equipment and made progress on PC life cycle management services. The rate of progress in 1Q varies among the high value-added businesses, but we believe we can achieve the full-year target.

As for the third initiative, new services, we are currently working on various proofs of concept together with partner companies. For example, we have launched subscription-based robotics solutions and IoT-integrated forklift services. This is a somewhat challenging target and we have not achieved measurable profits yet in 1Q, but we want to grow this area going forward.

(Q) Are you planning to continue to work on the third initiative, new services, in FY2026 and beyond?

(A) We want to achieve our FY2025 targets by the end of FY2025, but we also intend to continue and further grow such services in FY2026 and beyond.

(Q) In the “Current situation / Outlook” at the bottom right on page 14 of the [financial results presentation](#) it is described that costs are decreasing at a faster pace than the initial forecast. By costs, do you mean credit costs?

(A) Yes, that’s right.

(Q) Looking at the graph at the top right on page 14 of the [financial results presentation](#), credit costs in the Americas for 1Q were ¥3.6 billion. Assuming that credit costs will continue to be at this level throughout FY2025, credit costs for FY2025 will be just under ¥15.0 billion. And as credit costs for FY2024 were just under ¥30.0 billion, credit costs for FY2025 will decrease by around ¥15.0 billion YoY. Considering that costs are decreasing at a pace exceeding the initial forecast, do you think that costs for FY2025 will decrease by more than ¥15.0 billion YoY?

(A) The initial plan was to reduce credit costs in the Americas by around half compared to FY2024, and the progress in 1Q was a little better than the plan. However, we are taking a quite cautious

stance on whether the situation will be sustained. Having said that, it is true that credit costs have been improving compared to FY2024.

(Q) Have you been implementing initiatives to reduce credit costs since around the end of FY2024?

(A) Yes, we have been implanting such initiatives since FY2024.

(Q) On page 13 of the [financial results presentation](#), income gain in Europe was ¥19.5 billion for 1Q FY2025, while it was ¥18.1 billion for 1Q FY2024. How does management assess the recovery and growth of income gain in Europe?

(A) We understand that the market environment itself is extremely tough because the economy of Europe, particularly the UK, is declining. Despite that, income gain increased YoY and we have been steadily increasing business transactions. This is the result of making the best use of MHCUK, our UK subsidiary. Rather than just competing on interest rates, we have provided high-quality services including quick credit decisions and after-sales services. This has enabled us to steadily increase profits little by little even under the tough environment.

(Q) How about the business conditions in continental Europe, excluding the UK?

(A) The UK accounts for the majority of our businesses in Europe. We operate Mobility businesses in continental Europe, but their percentage is very low. The entire European economy is sluggish, but the UK is driving our profits.

(Q) I thought that expanding the businesses in continental Europe is one option if the UK's market environment is tough, but are you saying that's not the situation at this moment?

(A) We will discuss the strategies for the next Medium-term Management Plan (hereinafter "MTMP") moving forward, but the number of vehicles being managed in continental Europe is currently small, and it is not easy to double or triple the business scale in a short period of time.

(Q) On page 25 of the [financial results presentation](#), the effects of the changes in subsidiaries' fiscal year-ends appear to have exceeded the initial plan. What is the reason for this?

(A) The main reason is that engine utilization rate of the aircraft engine leasing subsidiary elfc exceeded the plan.

(Q) You explained that net income is on track to achieve the full-year forecast, while the positive effects of the changes in subsidiaries' fiscal year-ends exceeded the plan. Does it mean that some factors are falling below the plan?

(A) All segments are generally in line with the initial plan.

Assuming to make 25% progress every quarter, some segments are somewhat lagging behind. For example, at 10.5%, the Global Customer Business segment is lagging behind because higher credit costs were incurred in 1Q as we planned. The Customer Solutions segment is also slightly lagging behind. The positive effects of the changes in subsidiaries' fiscal year-ends exceeding the plan and the strong performance of the Logistics and Aviation segments are offsetting the negative results of the segments mentioned above, leading to our results coming in line with the FY2025 plan.

(Q) I do feel that you are more likely to exceed the full-year target. On the other hand, I believe there are some segments you are concerned about. Looking ahead to the new MTMP for the next and following fiscal years, are there any segments whose performance you would like to address in this fiscal year.

(A) I am confident that we can achieve the full-year forecast, but I cannot say at this point that it's going to be that big of a leap. Looking only at the effects of changes in subsidiaries' fiscal year-ends, we are on track to slightly exceed the forecast, but we don't know how it will turn out until we compile our full-year financial results. Also, the economic outlook remains uncertain, and I feel that we cannot rest assured that the current economic conditions will continue.

Based on this assumption, the Americas business of the Global Customer Business segment would be one of the segments that we need to address in the runup to the next MTMP. Although credit costs are thought to decrease from FY2024, they will not fully normalize, so it is one of our major tasks toward the next MTMP to normalize credit costs as soon as possible. The second segment would be Customer Solutions. As I mentioned earlier that we face some challenges in this segment, we need to grow this segment, which is our company's base business, to maintain a stable foundation. Accordingly, as I responded before, we need to

implement new businesses in the next MTMP period. Last up is Environment & Energy. At the time of the acquisition, it was anticipated that European Energy would not make a significant contribution to profits for several years, partly due to goodwill amortization. In reality, the profits derived from European Energy has remained limited. We need to step up our efforts to gain more profits in the next MTMP period.

(Q) Please share your assessment of the Aviation segment, separately for JSA and elfc.

(A) For the Aviation segment overall, the market environment is very favorable. Passenger demand has recovered to pre-COVID levels and continues to be strong. However, due to delays in the value chain, problems faced by some aircraft manufacturers, and other factors, the supply of aircraft and aircraft engines has not quite recovered to previous levels. Thus, the markets are very tight in both businesses, and lease fees and asset sales prices continue to be favorable. To talk about aircraft leasing business and aircraft engine leasing business separately, we have ordered 50 aircraft as announced in March of this year. Their delivery is a little ways away, but we plan to gradually expand our fleet size. However, as the asset balance has grown to be quite large, we don't intend to further double or triple it. The challenge is rather to stably increase profitability.

Turning to the aircraft engine leasing business, excluding leasing companies affiliated with engine manufacturers, i.e., among independent leasing companies, we have established ourselves as the industry leader. Our order of 50 aircraft engines announced today will further cement our position. We believe that there is still room for expanding this business. And as not many Japanese leasing companies are engaged in this business, we believe we can benefit from our strengths.

However, these are merely my current views. We are discussing these matters right now toward the next MTMP, and I look forward to providing more detailed views in the coming spring and beyond.

(Q) Please also share your assessment of the Logistics segment, each for CAI and PNW.

(A) The marine container leasing market is growing stably. The effects of U.S. tariff measures are not negligible, but thanks to strong global growth in cargo volume, we believe the market is stable. Our railcar leasing business is also very robust, with our railcar utilization rates being very high, thanks to the booming U.S. logistics market.

Looking forward, the marine container leasing business has grown to account for a reasonable share of our Group-wide portfolio thanks to the acquisition of CAI three years ago. The Marine containers leasing business is highly profitable business model that primarily generates income

gain through lease revenue, and also realizes capital gain by selling containers at the end of their lease terms. Thus, we intend to gradually increase our assets.

Railcar leasing business is an area that we need to continue discussing. In the railcar leasing industry, the top 10 companies together hold around 80% market share, and PNW's share is relatively small. Thus, what we should do with this business in the future will be the central topic in preparation for the next MTMP. Railcars have longer lives than marine containers, and are operated under the asset turnover business by selling them when their book value starts to decrease and while their market prices are still high. As PNW has only a short history, it is just recent that some railcars have aged enough so that they may be sold. Since FY2024, we have started to sell assets on a full scale, and we expect to see significant contributions to profits from these sales in this term. We look at the next MTMP period as a phase to determine how much the business can contribute to profits by pursuing asset turnover business.

(Q) From what I remember, PNW's profit contribution was limited until FY2024. Has the company been able to gradually contribute to profits in the current 1Q?

(A) That's right.

(Q) Please tell us the factors for the YoY decrease in cost of funds described on page 39 of the [financial results presentation](#).

(A) Cost of funds for 1Q decreased by ¥2.8 billion YoY. Since the end of the pandemic, cost of funds had been increasing due to rising foreign currency interest rates, but for this quarter, it decreased in part due to interest rate factors. By individual factor, cost of funds improved (decreased) by ¥0.8 billion thanks to the effects of interest rates. When we break this down by currency, cost of funds worsened (increased) by ¥1.6 billion due to gradually rising yen interest rates. Meanwhile, it improved (decreased) by ¥0.8 billion on a net basis thanks to improvements (decreases) attributed to the U.S. dollar, British pound, and other currencies. Looking at other factors, cost of funds worsened (increased) by ¥1.4 billion due to an increase in the average interest-bearing debt balance. It remained almost flat in terms of the effects of exchange rates. The remaining change in cost of funds is attributed to the effects of changes in subsidiaries' fiscal year-ends.

(Q) Is my understanding correct that the biggest factor for the decrease in cost of funds was the fall in foreign currency interest rates?

(A) In terms of interest rates, the fall in foreign currency interest rates was the biggest factor.

(Q) The Nikkei has reported that your investment for the batch order for 50 aircraft engines, which you announced today, is valued at ¥170.0 billion. Is this amount mostly in line with your actual purchase amount.

(A) I believe the amount of ¥170.0 billion was stated based on catalog prices. As for the actual contract amount we agreed on with CFM, our supplier, I would like to refrain from speaking about the details.

(Q) In light of elfc's asset size, do you consider the investment this time to be of a significant scale?

(A) Yes. As elfc is replacing assets by buying and selling assets, the total number of aircraft engines it owns does not necessary increase by the 50 ordered this time, but given the current total of around 400 owned, we consider the investment to have a significant impact.

(Q) In roughly how many years will the aircraft engines ordered this time be delivered?

(A) The delivery is assumed to be completed in the coming three to four years.

(Q) Have you mostly completed changing the fiscal year-ends of your major subsidiaries?

(A) We are mostly done with our major subsidiaries.

(Q) Assuming that there won't be any adjustments arising from changing the fiscal year-ends of subsidiaries, do I understand correctly that the effects of the changes in the current term will be a factor for decreased profits in the next term?

(A) That is correct.

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