Q&A on Consolidated Financial Results for 3Q FY2025
(for the nine months ended December 31, 2025)

Date & Time Tuesday, February 17, 2026, 11:00-12:00
Speaker Haruhiko Sato, CFO

(Q) Could you please explain the factors behind the significant decrease in credit costs in the Americas business of the Global Customer Business segment, and whether you expect continued improvement going forward?

(A) （CFO, Sato）
The significant decrease has been driven by various initiatives we have implemented, including tighter credit management, improved scoring models, and enhanced asset sales capabilities through a joint venture with a US truck dealer. Other factors contributing to the improvement include the maturity of loans originated in FY2021 and FY2022 that had high delinquency rates, as well as progress in rebalancing the portfolio mix. As a result, the proportion of the truck finance business in the Americas business portfolio has declined from 47% at the time the issue first emerged to 35%. At the beginning of this fiscal year, we expected credit costs to be roughly half of the previous fiscal year's level. However, so far, the improvement has exceeded our initial plan. Looking ahead to the next fiscal year, we expect further reductions in credit costs, which we believe will be one of the drivers of profit growth.

(Q) Could you give us an update on the current status of discussions regarding the new Medium-term Management Plan (MTMP)? Please also share any indications of the extent of profit growth and capital efficiency that the company can potentially achieve?

(A) （CFO, Sato）
Discussions regarding the new MTMP have advanced significantly and are currently being finalized. Please wait for the disclosure scheduled for this spring for details. Regarding ROE, our priority is to achieve a level above our cost of equity of 10%, which was the target set under the 2025 MTMP, though we do not expect to reach it within this MTMP period. Recently, our PBR has remained above 1.0, and in order to sustain this level on a constant basis, we need to improve ROE and PER. To achieve this, we will work to foster growth expectations and reduce the cost of equity by enhancing profitability, pursuing optimal capital allocation, and addressing information asymmetry through business segment meetings and other opportunities, with the aim of improving our PBR and ultimately enhancing our share price.

(Q) The underlying assumptions for the new MTMP, such as interest rate levels and the inflation environment, may differ from those under the current MTMP. Are there any particular points we should pay close attention to?

(A) (CFO, Sato)

We expect foreign currency interest rates to trend downward, while yen interest rates are projected to continue rising gradually. We believe that the impact on our earnings will be limited, as increases in funding costs have been reflected in lease fees. However, as Japan is experiencing a positive interest rate environment for the first time in many years, our sales and other departments need to engage in careful and thorough communication with our customers. Regarding inflation, the asset turnover business in Japan in particular may be affected by rising interest rates, although no impact has been felt so far. Should any impact materialize, we would need to counter it by accumulating higher-yield assets as existing assets are turned over. Ultimately, we believe that steadily building up high-yield assets is of utmost importance.

(Q) As explained on page 25 of the Financial Results Presentation, the Customer Solutions segment's profit is expected to come in below the full-year forecast. Could you please elaborate on the new services you are working on to generate revenue?

(A) (CFO, Sato)

The Customer Solutions segment aims to achieve growth in this fiscal year through three initiatives. The first initiative is the expansion of base revenue. This initiative aims to improve profitability by, for example, accumulation and turnover of high-yield leasing assets in high margin areas such as real estate and semiconductor equipment. The second initiative is to increase profits through high value-added businesses. Examples include refurbishing semiconductor manufacturing equipment to enhance its value and reselling it; a subscription-based PC lifecycle management service that provides end-to-end support for customers covering the entire processes from procurement and management to disposal of PCs; and high margin healthcare businesses. The third initiative is the new services. We are working on new services in collaboration with startups and other partner companies. Examples include subscription-based services in the robotics field and services utilizing IoT forklifts, both of which we have recently announced through press releases.

The first initiative to expand base revenue is progressing well, accounting for more than half of the year-on-year profit increase for 3Q YTD. Meanwhile, progress on high value-added businesses and new services is somewhat slower. While we are beginning to see signs of new business development and service launches, we think it will take a little longer for these initiatives to gain further momentum.

(Q) What are the factors behind the slower progress of high value-added businesses and new services?

(A) （CFO, Sato）

For both, initial targets were rather challenging. For example, in the high value-added semiconductor manufacturing equipment refurbishment business, the number of orders fell short of the initial target due to interest rate hikes and slower capital investments in the semiconductor sector in Japan.

Meanwhile, we were aware that the target for new services was very challenging since the start of the fiscal year, and were positioned more as upside opportunities. Collaborations with partner companies have progressed, but launching new services into the market has proven to be challenging.

(Q) By publicly announcing challenging targets, was it part of your intention to send a message internally to set ambitious targets and focus on achieving them?

(A) （CFO, Sato）

Yes, indeed. The Customer Solutions segment is one of our core businesses and also plays an important role as an incubator for future business creation. Accordingly, transforming this segment will drive the transformation of the entire company. We set ambitious targets to communicate our commitment for transformation both externally and internally.

(Q) Please share your view on the outlook for each of the seven segments in FY2026.

(A) （CFO, Sato）

As we are currently in the middle of discussions toward the announcement of the new MTMP this spring, I would like to refrain from talking about each of the segments in detail. In brief, I believe the Customer Solutions segment, whose profitability is improving; the Global Customer Business segment, whose credit costs and business restructuring costs are expected to further decrease; and the Aviation and Logistics segments, which have been performing strongly in this fiscal year, will be able to steadily generate profits in FY2026. On the other hand, we are in discussions about how to make up for the absence of the positive impact of fiscal period changes implemented this fiscal year. Recovering this impact within a 6 to 12 months timeframe will not be easy.

However, as a broader growth strategy for the next fiscal year and beyond, the goal of raising ROE to a level above our cost of equity of 10% will, of course, remain unchanged under the new MTMP. We are currently discussing our strategy, or path, for achieving profit growth while also improving profitability. We would appreciate your patience until we announce our new MTMP this spring.

(Q) Regarding the outlook for asset-related gain/loss, what is your view on pipelines and plans for asset sales in the next fiscal year, such as sales of domestic real estate and overseas renewable energy plants?

(A) (CFO, Sato)
Among the segments that generate asset-related gains, the Real Estate segment, for instance, has been steadily selling assets while also making new investments. Therefore, we hope to achieve asset sale gains consistent with or surpassing those achieved so far. In the Aviation segment, the supply-demand balance remains tight due to continued strong demand for aviation, as well as aircraft supply constraints that will take some time to resolve. As such, we anticipate that gains from sales of aircraft or aircraft parts will continue to be solid. As for the Environment & Energy segment, steady progress has been made in asset sales, but we anticipate that the amount of asset sale gains may decline going forward compared with previous levels.

(Q) The base profit* of the Aviation segment increased significantly from ¥19.0 billion in 2Q QTD to ¥28.4 billion in 3Q QTD. This result stands out, even excluding the extraordinary factor of a gain on the cancellation of swap transactions. Could you please share the breakdown of contributions from aircraft and aircraft engines to profit growth from the previous quarter, and whether this trend is expected to continue going forward?
* Profit excluding non-operating income/loss from income gain

(A) (CFO, Sato)
The factors behind the profit growth are that both the aircraft and aircraft engine businesses have been performing well and there was a gain on the cancellation of swap transactions. The two businesses' contributions to profit growth from the previous quarter excluding the gain are roughly equal. Profit growth in the aircraft business was driven by the steady accumulation of assets, while higher utilization rates were key in the aircraft engine business.

(Q) In your new MTMP, if you stay on your current course, will an ROE of 10% naturally come into view, or will you need to make a major shift in your strategies and asset allocation policy from the current MTMP?

(A) (CFO, Sato)

We are confident that we can achieve an ROE of 10% with our new MTMP, and of course, we are committed to doing so.

We believe that we can achieve a 10% ROE by continuing to implement our asset replacement initiatives, specifically, by divesting non-core businesses with low profitability and low synergies, and acquiring businesses with high profitability and high synergies, in addition to striving to enhance the profitability of existing businesses in each segment.

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