COMPANY RESEARCH AND ANALYSIS REPORT

# Mizuho Leasing Company, Limited

8425

Tokyo Stock Exchange Prime Market

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# Contents

# Summary

## Aims to become a business enterprise that grows beyond the traditional finance framework

Mizuho Leasing Company, Limited <8425> (hereafter, also "the Company") is a major leasing company in the Mizuho Group. The Company aims not only to accelerate growth through an inorganic strategy that actively utilizes M&A and alliances, primarily through collaboration with Mizuho Financial Group, Inc. <8411> and Marubeni Corporation <8002>, but also to become a business enterprise that grows beyond the traditional finance framework through initiatives to create new businesses.

**1. Accelerating business development into high growth potential areas while steadily expanding core areas**

In addition to the reporting segments based on the financial results summary, the Company announces earnings and operating assets by business area (domestic leasing, real estate/environment and energy, finance/investment, and overseas/aircraft). Comparing the gross profit before funding costs in FY3/24 to FY3/21, the domestic leasing business increased by 1.2 times, the real estate/environment and energy business increased by 2.0 times, the finance/investment business increased by 1.4 times, and the overseas/aircraft business increased by 2.2 times. The overall gross profit before funding costs increased by 1.5 times, and all businesses have been growing smoothly. While steadily expanding its core areas (domestic leasing, real estate business, etc.), which are the solid earnings base, the Company is accelerating its business expansion into growth areas such as overseas and aircraft, which have high growth potential, and frontier areas such as the circular economy. The Company's characteristics and strengths include a strong customer base centered on the Mizuho Group, a business base built on high-quality assets, a fundraising base based on an external credit rating that is among the best in the industry, and a human resources base that possesses extensive knowledge and expertise about leasing transactions and financial services.

**2. Higher revenue and significantly higher profit in 1H FY3/25**

In 1H FY3/25, the Company reported consolidated revenues of ¥298,417mn (up 9.8% YoY), operating income of ¥24,176mn (up 28.2%), ordinary income of ¥34,764mn (up 35.2%) and net income attributable to owners of the parent of ¥25,595mn (up 43.0%), as revenues increased and profit grew significantly. On a Company-wide basis, newly executed contract volume increased 25.0% YoY to ¥801,512mn, and the end-of-period operating assets increased 7.5% YoY to ¥3,074,583mn, steadily increasing. The domestic leasing business performed well, and the real estate/environment and energy business grew. In addition, Rent Alpha (India) made a full-year contribution (in FY3/24, no earnings were recorded in 1Q, with contribution starting from the 1H financial results), there was negative goodwill of ¥4.7bn (one-off income) due to a capital and business alliance with GECOSS CORPORATION <9991>, and improved revenue from Aircastle Limited (USA) also contributed. The operating income margin increased 1.2 percentage points (pp) YoY to 8.1%. In terms of other income, there was an increase in equity in earnings of affiliates, the ordinary income margin increased 2.1pp to 11.6%, net profit margin increased 2.0pp to 8.6%, ROA increased 0.3pp to 2.0%, and ROE increased 2.1pp to 15.0%. In June 2024, the Company executed a capital increase via third-party allotment to Marubeni and Mizuho Financial Group.

### 3. Full fiscal year forecast for increase in profit in FY3/25 kept unchanged

The Company has maintained its initial forecast for the full fiscal year FY3/25, forecasting operating income to increase 19.0% YoY to ¥47,000mn, ordinary income to increase 8.1% to ¥55,000mn, and net income attributable to owners of the parent to increase 7.9% to ¥38,000mn. Despite the strong sense of uncertainty in the global economy, the Company expects all businesses to perform well due to the accumulation of recurring revenue and other factors. Progress rates for 1H are favorable, with operating income at 51.4%, ordinary income at 63.2%, and net income attributable to owners of the parent at 67.4%. Operating assets are on an upward trend, mainly in the real estate/ environment and energy business and the overseas/aircraft business, and we believe that favorable results can be expected on a full fiscal year basis as well.

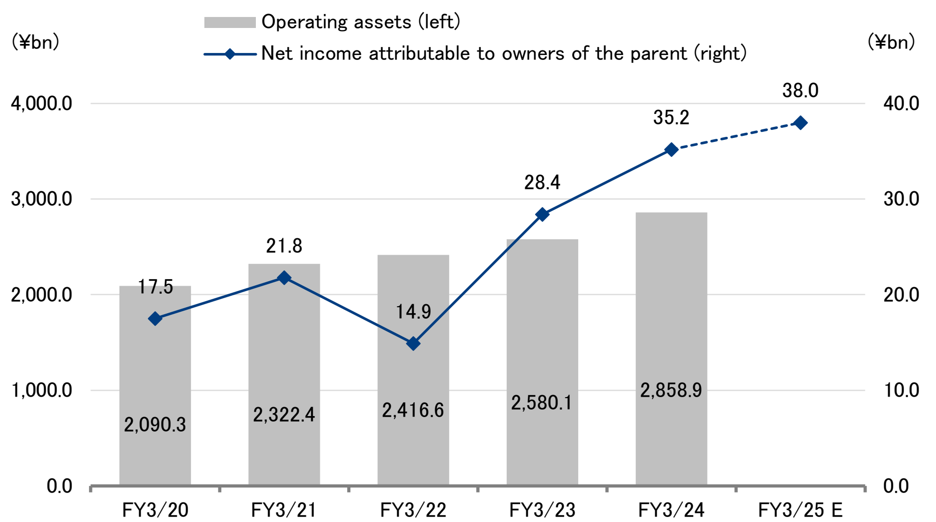
### 4. Promoting multi-layered business portfolio management for Medium-term Management Plan 2025

In May 2023, the Company formulated Medium-term Management Plan 2025 (FY3/24 to FY3/26). The Company has positioned this three-year period as a period of challenging reforms, and has defined its medium- to long-term ambitions as “Making the great leap from a leasing company to a platform company that co-creates the future together with our clients.” The basic strategy is to manage a multi-layered business portfolio with different growth time axes, categorizing it into three areas: core areas, where it aims for steady and continuous growth in businesses that serve as solid profit sources; growth areas, where it seeks to create new revenue pillars after core areas by advancing toward medium- to long-term targets; and frontier areas, where significant growth is anticipated from a long-term perspective. Furthermore, the Company will transform and raise the sophistication of business portfolio management while actively utilizing its inorganic strategy, including M&As and alliances, with a focus on alliances with the Mizuho Group and the Marubeni Group.

### Key Points

- A major leasing company in the Mizuho Group, with a capital and business alliance with Marubeni as well. Has a strong customer base, business base, fundraising base, and human resources base as its characteristics and strengths
- Increased revenue and significantly grew profit in 1H FY3/25. Full year profit increase forecast for FY3/25 left unchanged
- Advancing multi-layered business portfolio management

Results trends




Source: Prepared by FISCO from the Company’s financial results

# Company profile

## Major leasing company of the Mizuho Group

### 1. Company profile

The Company is a major leasing company of the Mizuho Group. It is not only accelerating its growth through inorganic strategies that proactively utilize M&A and alliances, centering on collaboration with the Mizuho Group and Marubeni, but also aims to be a business enterprise that grows beyond the traditional finance framework through initiatives to create new businesses.

The Mizuho Leasing Group consists of the Company itself and over 200 subsidiaries and affiliates and operates globally. Its major consolidated subsidiaries include Dai-ichi Leasing Co., Ltd., Mizuho-Toshiba Leasing Company, Limited, ML Estate Company, Limited, Mizuho Auto Lease Company, Limited, Universal Leasing Co., Ltd., Mizuho Leasing (China) Ltd., Mizuho Leasing (Singapore) Pte. Ltd., PT Mizuho Leasing Indonesia Tbk, Rent Alpha Pvt. Ltd. (India), Capsave Finance Pvt. Ltd. (India), Mizuho Leasing (UK) Limited, and IBJ Air Leasing (US) Corp. Its major equity method affiliates include Mizuho Marubeni Leasing Corporation, RICOH LEASING COMPANY, LTD.<8566>, Nippon Steel Kowa Real Estate Co., Ltd., Mizuho Capital Co., Ltd., GECOSS, Krungthai Mizuho Leasing Co., Ltd. (Thailand), Aircastle Limited (USA), and Vietnam International Leasing Co., Ltd. The Company is an equity method affiliate of Mizuho Financial Group and Marubeni.

At the end of 1H FY3/25, the Company had total assets of ¥3,629,941mn, net assets of ¥399,465mn, shareholders' equity of ¥318,084mn, and an equity ratio of 10.3%. The number of shares issued was 282,666,300 shares (including 2,762,645 shares of treasury stock). The Company executed a 5-for-1 share split on April 1, 2024 (effective date).

### 2. History

The Company was established in December 1969 as Pacific Lease Co., Ltd. with investment from companies centered on The Industrial Bank of Japan Ltd. (currently Mizuho Bank Ltd.). In November 1981, the Company name was changed to IBJ Leasing Co., Ltd., and in October 2004 the Company was listed on the Second Section of the Tokyo Stock Exchange (TSE), and in September 2005 the Company was redesignated to the First Section of the TSE. In October 2019, the Company name was changed to the current Mizuho Leasing Company, Limited, and in April 2022 the Company moved to the Prime Market due to a review of the TSE's market classifications. The Company has expanded its business operations by utilizing M&A and alliances, and in March 2019, it formed a capital and business alliance with Mizuho Financial Group, and in May 2024 it formed a capital and business alliance with Marubeni.

History

| Year Month | Main events |
|---|---|
| December 1969 | Pacific Lease Co., Ltd. established based on investment from 15 companies centered on The Industrial Bank of Japan (now Mizuho Bank, Ltd.) |
| November 1981 | Company name changed to IBJ Leasing Company, Limited |
| February 1987 | Established IBJ Leasing (UK) Limited in the UK (now Mizuho Leasing (UK) Limited, a consolidated subsidiary) |
| February 1992 | Acquired the equity interests of Krung Thai IBJ leasing Co., Ltd. (now Krungthai Mizuho Leasing Co., Ltd., an equity method affiliate) |
| December 1993 | Established Yaesu Leasing Company, Limited (now ML Estate Company, Limited, a consolidated subsidiary) |
| February 1999 | Acquired Nissan Leasing Co., Ltd. (merger acquisition in April 2015) |
| June 2000 | Acquired shares of Saison Auto Lease Systems Co., Ltd. (now Mizuho Auto Lease Company, Limited, a consolidated subsidiary) |
| June 2001 | Acquired shares of Universal Leasing Co., Ltd. (now a consolidated subsidiary) |
| October 2004 | Shares listed on the Second Section of the Tokyo Stock Exchange (TSE) |
| September 2005 | Redesignated to First Section of TSE |
| October 2005 | Established Marunouchi Shoji Company, Limited (now ML Shoji Company, Limited, a consolidated subsidiary) |
| March 2006 | Acquired Dai-ichi Leasing Co., Ltd. (now a consolidated subsidiary) |
| April 2007 | Established KL Office Service Company, Limited (now ML Office Service Company, Limited, a consolidated subsidiary) |
| July 2008 | Established IBJ Leasing (China) Ltd. in China (now Mizuho Leasing (China) Ltd., a consolidated subsidiary) |
| August 2010 | Established PT. IBJ VERENA FINANCE in Indonesia (now PT Mizuho Leasing Indonesia Tbk, a consolidated subsidiary) |
| February 2012 | Acquired shares of TF Asset Service Co., Ltd. (now Mizuho-Toshiba Leasing Company, Limited, a consolidated subsidiary), which succeeded the corporate financial services business of Toshiba Finance Corporation |
| February 2016 | Established IBJ Air Leasing Limited (now a consolidated subsidiary), a joint venture with U.S. aircraft leasing company Aircastle Limited |
| August 2016 | Established IBJ Air Leasing (US) Corp. as a joint venture with Aircastle Limited |
| January 2019 | Acquired shares of PT. VERENA MULTI FINANCE Tbk of Indonesia (now PT Mizuho Leasing Indonesia Tbk, a consolidated subsidiary) |
| March 2019 | Became an equity method affiliate of Mizuho Financial Group, Inc. through a capital and business tie-up<br>Acquired shared of MG Leasing Corporation (now Mizuho Marubeni Leasing Corporation, an equity method affiliate, a joint venture with Marubeni Corporation) |
| July 2019 | Merged with PT. IBJ VERENA FINANCE, with PT. VERENA MULTI FINANCE Tbk (now PT Mizuho Leasing Indonesia Tbk) as the surviving company |
| October 2019 | Changed company name to Mizuho Leasing Company, Limited |
| March 2020 | Acquired the equity interests of Aircastle Limited, (now an equity method affiliate, joint operating company with Marubeni)<br>Acquired the equity interests of PLM Fleet, LLC, a U.S. freezer/refrigerated trailer leasing and rental company (now an equity method affiliate, jointly operated with Marubeni) |
| April 2020 | Acquired equity interests of Vietnam International Leasing Co., Ltd. (now an equity method affiliate)<br>Acquired RICOH LEASING COMPANY, LTD. (now an equity method affiliate) |
| March 2021 | Singapore subsidiary Mizuho Leasing (Singapore) Pte. Ltd. started operations (now a consolidated subsidiary) |
| May 2021 | Acquired the equity interests of Mizuho Capital Co., Ltd. (now an equity method affiliate) |
| August 2021 | Acquired equity interests of Nippon Steel Kowa Real Estate Co., Ltd. (now an equity method affiliate) |
| January 2022 | Acquired Affordable Car Leasing Pty Ltd, an Australian automobile sales and financing company (now an equity method affiliate, jointly operated with Marubeni) |
| April 2022 | Moved to the Prime Market in conjunction with the TSE's market reclassifications |
| June 2023 | Acquired shares of Rent Alpha Pvt. Ltd., an Indian leasing company (now a consolidated subsidiary along with 100% subsidiary Capsave Finance Pvt. Ltd.) |
| February 2024 | Established MIRAIZ CAPITAL Co., Ltd. (a consolidated subsidiary) |
| April 2024 | Formed a capital and business alliance with GECOSS CORPORATION (now an equity method affiliate) |
| May 2024 | Formed a capital and business alliance with Marubeni, and became an equity method affiliate |

Source: Prepared by FISCO from the Company's securities report, press releases, and other materials

# Business overview

## Offers various financial services centered on leases

### 1. Business overview

The Company offers various financial services, mainly focusing on leasing transactions. In a leasing transaction, a leasing company purchases the property (industrial machinery, machine tools, office equipment, transport equipment, medical equipment, commercial facilities, logistics facilities, etc.) desired by the lessee customer (company, etc.) on behalf of the customer and rents it to the customer. The ownership of the leased property belongs to the leasing company, and the leasing company receives from the customer a payment including the property price, interest, various taxes, insurance, etc. as lease fees. Leasing transactions are classified into two types: finance leases and operating leases. In finance leases, the contract cannot be terminated during the contract period (non-cancellable), and the lessee pays almost the entire property price and various expenses as lease fees (full payout). Financial leases are further classified into “ownership transfer transactions” in which the ownership of the leased asset is transferred to the lessee, and “non-ownership transfer transactions” in which the ownership remains with the leasing company. In an operating lease, on the other hand, the ownership of the asset remains with the leasing company, and the asset is generally returned at the end of the contract. The benefits to the lessee of using leasing transactions include not needing a large amount of capital when adopting the equipment, being able to set the lease period according to the planned period for which the equipment will be used, and gaining the benefits of outsourcing assets.

## On a segment basis, Finance is expanding

### 2. Trends by reporting segment

The reporting segments based on the Company’s financial results summary and securities reports are as follows: Leasing and Installment Sales (leasing and installment sales of real estate, industrial and machine tools, IT-related equipment, transportation equipment, environment- and energy-related facilities, etc.), Finance (lending, investment, factoring, etc. for real estate, aircraft, ships, environment- and energy-related fields, etc.), and Other (sales and purchases of used properties, power generation business, etc.).

Looking at operating income by segment, Finance is on an upward trend, and the operating income composition ratio (before adjusting for Company-wide expenses, etc.) for FY3/24 was 56% for Leases and Installment Sales, and 44% for Finance, making them the two main pillars. In terms of newly executed contract volume, finance leases are on a downward trend, while operating leases are on an upward trend. In addition, looking at end-of-period operating assets, finance leases are flat, while operating leases and finance are on an upward trend.

Trends by reporting segment (based on financial results)

(¥mn)

| Revenues, operating income, operating income margin | FY3/21 | FY3/22 | FY3/23 | FY3/24 | 1H FY3/25 |
|---|---|---|---|---|---|
| Revenues (revenues to outside customers) | | | | | |
| Leasing and Installment Sales | 482,545 | 537,639 | 505,000 | 620,783 | 274,488 |
| Finance | 14,508 | 16,326 | 23,563 | 33,769 | 19,513 |
| Other | 798 | 843 | 1,135 | 1,574 | 4,414 |
| Total | 497,852 | 554,809 | 529,700 | 656,127 | 298,417 |
| Segment income (operating income) | | | | | |
| Leasing and Installment Sales | 22,457 | 23,726 | 21,409 | 25,375 | 10,598 |
| Finance | 8,968 | 265 | 16,244 | 20,077 | 14,601 |
| Other | 137 | 269 | 388 | 264 | 1,014 |
| Adjustments | -5,600 | -6,368 | -6,285 | -6,205 | -2,038 |
| Total | 25,963 | 17,893 | 31,756 | 39,511 | 24,176 |
| Operating income margin | | | | | |
| Leasing and Installment Sales | 4.7% | 4.4% | 4.2% | 4.1% | 3.9% |
| Finance | 61.8% | 1.6% | 68.9% | 59.5% | 74.8% |
| Other | 17.2% | 31.9% | 34.2% | 16.8% | 23.0% |
| Total | 5.2% | 3.2% | 6.0% | 6.0% | 8.1% |

| Newly executed contract volume | FY3/21 | FY3/22 | FY3/23 | FY3/24 | 1H FY3/25 |
|---|---|---|---|---|---|
| Leasing and Installment Sales | 612,701 | 536,302 | 489,128 | 675,682 | 460,844 |
| Leasing total | 571,382 | 503,096 | 454,448 | 621,678 | 433,452 |
| Finance leases | 416,594 | 343,392 | 267,801 | 264,562 | 167,777 |
| Operating leases | 154,788 | 159,703 | 186,646 | 357,116 | 265,674 |
| Installment sales | 41,318 | 33,205 | 34,680 | 54,003 | 27,392 |
| Finance | 752,319 | 833,925 | 981,356 | 792,759 | 340,667 |
| Other | - | - | - | - | - |
| Total | 1,365,021 | 1,370,228 | 1,470,485 | 1,468,441 | 801,512 |

| End-of-period operating assets | End-FY3/21 | End-FY3/22 | End-FY3/23 | End-FY3/24 | End-1H FY3/25 |
|---|---|---|---|---|---|
| Leasing and Installment Sales | 1,600,764 | 1,594,233 | 1,595,808 | 1,694,916 | 1,875,139 |
| Leasing total | 1,476,331 | 1,487,631 | 1,500,511 | 1,590,557 | 1,769,996 |
| Financial leases | 1,174,068 | 1,172,643 | 1,122,211 | 1,050,711 | 1,035,978 |
| Operating leases | 302,262 | 314,988 | 378,300 | 539,846 | 734,018 |
| Installment sales | 124,433 | 106,601 | 95,296 | 104,359 | 105,142 |
| Finance | 721,634 | 822,324 | 984,328 | 1,097,477 | 1,133,850 |
| Other | - | - | - | 66,504 | 65,593 |
| Total | 2,322,398 | 2,416,558 | 2,580,137 | 2,858,898 | 3,074,583 |

Source: Prepared by FISCO from the Company's financial results

## Gross profit before funding costs grew steadily, operating assets related to real estate/environment and energy increased significantly

### 3. Trends by business area

In addition to the reporting segments based on the financial results summary, the Company publishes earnings and operating assets by business area (domestic leasing business, real estate/environment and energy business, finance/investment business, and overseas/aircraft business). Earnings by business area has been changed from gross profit before funding costs to gross profit starting from the 1H FY3/25.

Comparing the gross profit before funding costs in FY3/24 to FY3/21, the domestic leasing business increased by 1.2 times, the real estate/environment and energy business increased by 2.0 times, the finance/investment business increased by 1.4 times, and the overseas/aircraft business increased by 2.2 times. The overall gross profit before funding costs increased by 1.5 times, and all businesses have been growing smoothly. Looking at the makeup of gross profit before funding costs in FY3/24, the domestic leasing business accounted for 43.3%, the real estate/environment and energy business accounted for 30.6%, the finance/investment business accounted for 3.9%, and the overseas/aircraft business accounted for 22.0%. The composition ratios of the real estate/environment and energy business and the overseas/aircraft business, which have high growth rates, have increased significantly, and at the gross profit before funding costs level, the overseas/aircraft business ranks third after the domestic leasing business and the real estate/environment and energy business.

Looking at the end-of-period operating assets, the domestic leasing business is on a slight downward trend, while the real estate/environment and energy business and the overseas/ aircraft business are on an upward trend. In terms of the composition ratio of operating assets, the domestic leasing business fell from 66.0% at the end of FY3/21 to 49.5% at the end of FY3/24, while the real estate/environment and energy business rose from 18.8% to 35.7%. This is because the Company is accelerating its business expansion into growth areas such as the environment and energy, which have high growth potential, and frontier areas such as the circular economy, while steadily expanding its core areas (existing domestic leasing businesses such as industrial and machine tools, IT-related equipment, and transportation equipment), which are its solid earnings base.

**Trends by business area (management accounting basis)**

(¥bn)

| Gross profit before funding costs | FY3/21 | FY3/22 | FY3/23 | FY3/24 | 1H FY3/25 |
|---|---|---|---|---|---|
| Domestic leasing | 33.5 | 36.2 | 37.3 | 39.5 | 17.3 |
| Real estate/environment and energy | 14.2 | 13.8 | 21.2 | 27.9 | 13.8 |
| Finance/investment | 2.5 | 2.8 | 3.2 | 3.6 | 1.7 |
| Overseas/aircraft | 9.1 | 9.4 | 10.6 | 20.1 | 9.2 |
| Total | 59.3 | 62.1 | 72.3 | 91.2 | 42.0 |

| Composition of gross profit before funding costs | FY3/21 | FY3/22 | FY3/23 | FY3/24 | 1H FY3/25 |
|---|---|---|---|---|---|
| Domestic leasing | 56.5% | 58.3% | 51.6% | 43.3% | 41.2% |
| Real estate/environment and energy | 23.9% | 22.2% | 29.3% | 30.6% | 32.9% |
| Finance/investment | 4.2% | 4.5% | 4.4% | 3.9% | 4.0% |
| Overseas/aircraft | 15.3% | 15.1% | 14.7% | 22.0% | 21.9% |

| End-of-period operating assets | End-FY3/21 | End-FY3/22 | End-FY3/23 | End-FY3/24 | End-1H FY3/25 |
|---|---|---|---|---|---|
| Domestic leasing | 1,531.9 | 1,508.8 | 1,441.6 | 1,416.3 | 1,386.2 |
| Real estate/environment and energy | 437.3 | 590.0 | 792.8 | 1,020.3 | 1,228.4 |
| Finance/investment | 165.1 | 154.2 | 150.7 | 181.4 | 194.7 |
| Overseas/aircraft | 188.1 | 163.6 | 195.0 | 240.9 | 265.3 |
| Total | 2,322.4 | 24,16.6 | 2,580.1 | 2,858.9 | 3,074.6 |

| Composition of end-of-period operating assets | End-FY3/21 | End-FY3/22 | End-FY3/23 | End-FY3/24 | End-1H FY3/25 |
|---|---|---|---|---|---|
| Domestic leasing | 66.0% | 62.4% | 55.9% | 49.5% | 45.1% |
| Real estate/environment and energy | 18.8% | 24.4% | 30.7% | 35.7% | 40.0% |
| Finance/investment | 7.1% | 6.4% | 5.8% | 6.3% | 6.3% |
| Overseas/aircraft | 8.1% | 6.8% | 7.6% | 8.4% | 8.6% |

Note: Gross profit before funding costs was changed to gross profit from 1H FY3/25
Source: Prepared by FISCO from the Company's results briefing materials

## Company has a strong customer base, business base, fundraising base, and human resources base as its characteristics and strengths

**4. Characteristics and strengths, risk factors and earnings characteristics, challenges and solutions**

The Company's characteristics and strengths include a strong customer base centered on the Mizuho Group, one of Japan's leading corporate groups; a business foundation built up with high-quality assets; thorough risk management; a fundraising base based on an external credit rating that is among the best in the industry; and a human resources base with extensive knowledge and know-how regarding leasing transactions and financial services.

General risk factors in the leasing industry include the suppression of corporate capital investment due to the global economic downturn and dramatic fluctuations in interest rates and exchange rates, the occurrence of credit costs due to the deterioration of business performance and bankruptcy of business partners, the decline in the value of assets held, and the impact of credit ratings on fund procurement. In order to reduce the impact of such demand fluctuation risks, credit risks, asset risks, liquidity risks related to fund procurement, interest rate fluctuation risks, and natural disaster risks on the Company's business, the head of the risk management group supervises and promotes risk management from a Company-wide perspective, and a system is in place to respond quickly and flexibly to risk events through each risk management department. Each risk management department grasps and controls risks related to business in a timely manner and verifies the effectiveness of such measures. The risk management committee then verifies the implementation status, penetration status, and effectiveness of various risk reduction measures, and reports the results to the board of directors.

Although the Company's performance may fluctuate due to temporary factors such as asset sales, M&A-related expenses, and credit costs, we at FISCO believe that its core areas have become a solid earnings base, thanks to its strengths of a strong customer base, business base, fundraising base, and human resources base, and that it has worked to minimize overall risk.

# Results trends

## Higher revenue and significantly higher profit in 1H FY3/25

**1. Summary of consolidated results for 1H FY3/25**

In 1H FY3/25, the Company reported consolidated revenues of ¥298,417mn (up 9.8% YoY), operating income of ¥24,176mn (up 28.2%), ordinary income of ¥34,764mn (up 35.2%) and net income attributable to owners of the parent of ¥25,595mn (up 43.0%), as revenues increased and profit grew significantly, and net income attributable to owners of the parent set a new record high for 1H. On a Company-wide basis, newly executed contract volume increased 25.0% YoY to ¥801,512mn, and the end-of-period operating assets increased 7.5% YoY to ¥3,074,583mn, steadily increasing. The domestic leasing business performed well, and the real estate/environment and energy business grew. In addition, Rent Alpha (India) made a full-year contribution (in FY3/24, no earnings were recorded in 1Q, with contribution starting from the interim period financial results) there was negative goodwill of ¥4.7bn (one-off income) due to a capital and business alliance with GECOSS, and improved revenue from Aircastle (USA) also contributed.

Gross profit increased 21.3% YoY, and the gross profit margin rose 1.4pp to 14.1%. SG&A expenses rose 13.1% while the SG&A ratio rose 0.2pp to 6.0%. As a result, the operating income margin increased 1.2pp YoY to 8.1%. In terms of other income, there was an increase in equity in earnings of affiliates of ¥6,729mn (¥11,654mn compared to the ¥4,925mn in 1H FY3/24). The ordinary income margin increased 2.1pp to 11.6%, the net profit margin increased 2.0pp to 8.6%, the ROA (ratio of ordinary income to total assets) increased 0.3pp to 2.0%, and ROE (ratio of net income to equity) increased 2.1pp to 15.0%. On a basis excluding the ¥4.7bn of negative goodwill associated with GECOSS, ROA was 1.7% while ROE was 12.2%.

The factors behind the increase and decrease in net income attributable to owners of the parent (¥7.7bn increase from the previous fiscal year) were: an increase of ¥7.4bn at the gross profit level (¥11.2bn increase due to an increase in gross profit before funding costs, ¥3.8bn decrease due to an increase in funding costs), an increase of ¥5.3bn at the operating income level (¥1.7bn decrease due to an increase in personnel and property expenses, ¥0.5bn decrease due to an increase in credit costs), an increase of ¥9.1bn at the ordinary income level (¥6.8bn increase due to an increase in equity in earnings of affiliates, a ¥3.0bn decrease due to a deterioration in non-operating income), and an increase of ¥7.7bn at the net income level (¥0.6bn decrease due to an increase in income tax expenses, etc., a ¥0.8bn decrease due to non-controlling interests). Gross profit was favorable due to the growth of the real estate/environment and energy business and the full-year contribution of Rent Alpha (India) (in FY3/24, no earnings were recorded in 1Q, with contribution starting from the 1H financial results). Funding costs increased due to an increase in interest-bearing liabilities as a result of the expansion of operating assets. An increase in equity in earnings of affiliates was due to the conversion of GECOSS into an equity method affiliate (including the recording of negative goodwill of ¥4.7bn), as well as the improvement in the profitability of Aircastle (USA). Other non-operating income factors included the absences of the gain on sale of ships (¥1.4bn) and the gain on sale of overseas real estate (¥1.2bn) recorded in the previous fiscal year.

**Summary of consolidated results for 1H FY3/25**

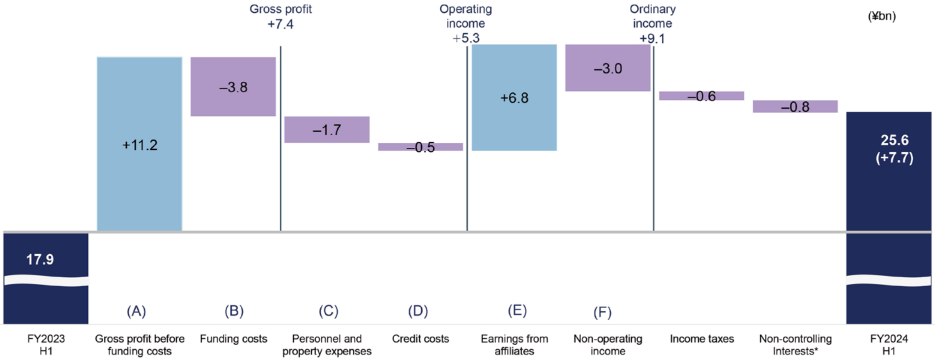
(¥mn)

| | 1H FY3/24 | | 1H FY3/25 | | YoY | |
|---|---|---|---|---|---|---|
| | Result | Vs. revenues | Result | Vs. revenues | Change | Change % |
| Revenues | 271,798 | 100.0% | 298,417 | 100.0% | 26,619 | 9.8% |
| Gross profit | 34,586 | 12.7% | 41,953 | 14.1% | 7,367 | 21.3% |
| SG&A expenses | 15,723 | 5.8% | 17,777 | 6.0% | 2,054 | 13.1% |
| Operating income | 18,862 | 6.9% | 24,176 | 8.1% | 5,314 | 28.2% |
| Other income | 8,390 | 3.1% | 13,295 | 4.5% | 4,905 | 58.5% |
| Dividend income | 1,751 | 0.6% | 439 | 0.1% | -1,312 | -74.9% |
| Equity in earnings of affiliates | 4,925 | 1.8% | 11,654 | 3.9% | 6,729 | 136.6% |
| Other expenses | 1,530 | 0.6% | 2,706 | 0.9% | 1,176 | 76.9% |
| Interest expenses | 1,218 | 0.4% | 2,109 | 0.7% | 891 | 73.2% |
| Ordinary income | 25,722 | 9.5% | 34,764 | 11.6% | 9,042 | 35.2% |
| Extraordinary income | 90 | 0.0% | 156 | 0.1% | 66 | 73.3% |
| Extraordinary loss | 8 | 0.0% | 43 | 0.0% | 35 | 437.5% |
| Net income attributable to owners of the parent | 17,894 | 6.6% | 25,595 | 8.6% | 7,701 | 43.0% |
| Newly executed contract volume | 641,157 | - | 801,512 | - | 160,355 | 25.0% |
| End-of-period operating assets | 2,858,898 | - | 3,074,583 | - | 215,685 | 7.5% |
| Ratio of gross profit to operating assets | 2.6% | - | 2.8% | - | - | 0.2pp |
| ROA | 1.7% | - | 2.0% | - | - | 0.3pp |
| ROE | 12.9% | - | 15.0% | - | - | 2.1pp |

Notes 1: ROA = ordinary income ÷ total assets, ROE = net income ÷ equity
2: Used the average balances between the start and end of the fiscal period when computing the ratio of gross profit to operating assets, ROA, and ROE
Source: Prepared by FISCO from the Company's financial results and results briefing materials

Results trends

Factors behind changes in net income attributable to owners of the parent




| | |
|---|---|
| (A) Gross profit before funding costs | Reflects the growth in the real estate/environment and energy business and effects from the Rent Alpha Pvt. Ltd. consolidation (from Q2 of FY2023) contributed to earnings. [See page 6] |
| (B) Funding costs | Reflects an increase in operating assets resulting in higher interest-bearing debt, and the rise in domestic interest rates. [See page 8] |
| (C) Personnel and property expenses | Reflects increase in employee headcount and wages associated with business expansion and the impact of consolidating Rent Alpha Pvt. Ltd. (from Q2 of FY2023). |
| (D) Credit costs | Slightly increased YoY mainly due to credit provisions made for individual clients. |
| **(E) Equity in earnings of affiliates** | Reflects the impact of making GECOSS an equity-method affiliated company (including recording of negative goodwill) and the improvement in earnings of Aircastle Limited. [See page 7] |
| (F) Non-operating income | Reflects the absence of revenue associated with the sale of shipping vessels (+¥1.4 bn) and overseas real estate (+¥1.2 bn) in the previous fiscal year. |

*Net Income Attributable to Non-controlling Interests

Source: The Company's results briefing materials

## Significant growth in the real estate/environment and energy business

### 2. Trends by reporting segment and business area

Looking at the results by reportable segment (based on financial results summary), in the Leasing and Installment Sales segment, revenues (revenues to external customers) increased 7.0% YoY to ¥274,488mn, while operating income (before adjustment for Company-wide expenses, etc.) decreased 16.2% to ¥10,598mn. In the Finance segment, sales increased 33.7% to ¥19,513mn, while operating income increased 59.7% to ¥14,601mn, and in the Other segment sales increased 687.7% to ¥4,414mn, while operating income increased 472.8% to ¥1,014mn. Finance saw a large increase.

Overview by reporting segment for 1H FY3/25 (based on financial results summary)

(¥mn)

| | 1H FY3/24 | | 1H FY3/25 | | YoY | |
|---|---|---|---|---|---|---|
| | Result | Composition | Result | Composition | Change | Change % |
| Revenues (revenues to external customers) | | | | | | |
| Leasing and Installment Sales | 256,638 | 94.4% | 274,488 | 92.0% | 17,850 | 7.0% |
| Finance | 14,599 | 5.4% | 19,513 | 6.5% | 4,914 | 33.7% |
| Other | 560 | 0.2% | 4,414 | 1.5% | 3,854 | 688.2% |
| Total | 271,798 | 100.0% | 298,417 | 100.0% | 26,619 | 9.8% |

| | 1H FY3/24 | | 1H FY3/25 | | YoY | |
|---|---|---|---|---|---|---|
| | Result | Profit margin | Result | Profit margin | Change | Change % |
| Segment income (operating income) | | | | | | |
| Leasing and Installment Sales | 12,652 | 4.9% | 10,598 | 3.9% | -2,054 | -16.2% |
| Finance | 9,144 | 62.6% | 14,601 | 74.8% | 5,457 | 59.7% |
| Other | 177 | 31.6% | 1,014 | 23.0% | 837 | 472.9% |
| Adjustment | -3,111 | - | -2,038 | - | - | - |
| Total | 18,862 | 6.9% | 24,176 | 8.1% | 5,314 | 28.2% |

| | 1H FY3/24 | | 1H FY3/25 | | YoY | |
|---|---|---|---|---|---|---|
| | Result | Composition | Result | Composition | Change | Change % |
| Newly executed contract volume | | | | | | |
| Leasing and Installment Sales | 299,965 | 46.8% | 460,844 | 57.5% | 160,879 | 53.6% |
| Leasing total | 274,489 | 42.8% | 433,452 | 54.1% | 158,963 | 57.9% |
| Financial leases | 128,946 | 20.1% | 167,777 | 20.9% | 38,831 | 30.1% |
| Operating leases | 145,542 | 22.7% | 265,674 | 33.2% | 120,132 | 82.5% |
| Installment sales | 25,476 | 4.0% | 27,392 | 3.4% | 1,916 | 7.5% |
| Finance | 341,191 | 53.2% | 340,667 | 42.5% | -524 | -0.2% |
| Other | - | - | - | - | - | - |
| Total | 641,157 | 100.0% | 801,512 | 100.0% | 160,355 | 25.0% |

| | 1H FY3/24 | | 1H FY3/25 | | YoY | |
|---|---|---|---|---|---|---|
| | Result | Composition | Result | Composition | Change | Change % |
| End-of-period operating assets | | | | | | |
| Leasing and Installment Sales | 1,694,916 | 59.3% | 1,875,139 | 61.0% | 180,223 | 10.6% |
| Leasing total | 1,590,557 | 55.6% | 1,769,996 | 57.6% | 179,439 | 11.3% |
| Financial leases | 1,050,711 | 36.7% | 1,035,978 | 33.7% | -14,733 | -1.4% |
| Operating leases | 539,846 | 18.9% | 734,018 | 23.9% | 194,172 | 36.0% |
| Installment sales | 104,359 | 3.7% | 105,142 | 3.4% | 783 | 0.8% |
| Finance | 1,097,477 | 38.4% | 1,133,850 | 36.9% | 36,373 | 3.3% |
| Other | 66,504 | 2.3% | 65,593 | 2.1% | -911 | -1.4% |
| Total | 2,858,898 | 100.0% | 3,074,583 | 100.0% | 215,685 | 7.5% |

Note: Segment income (operating income) is the profit margin versus net income of each segment (operating income margin)
Source: Prepared by FISCO from the Company's financial results

By business segment (management accounting basis), gross profit for the domestic leasing business was ¥17.3bn, down ¥0.6bn YoY, while the real estate/environment and energy business increased ¥3.0bn to ¥13.8bn, the finance/investment business increased ¥0.8bn to ¥1.7bn, and the overseas/aircraft business increased ¥4.2bn to ¥9.2bn. Contract execution volume for the domestic leasing business increased ¥8.4bn to ¥355.6bn, while the real estate/environment and energy business increased ¥89.8bn to ¥313.3bn. The finance/investment business increased by ¥2.4bn to ¥26.1bn, and the overseas/aircraft business increased ¥59.7bn to ¥106.5bn. End-of-period operating assets were ¥1,386.2bn for the domestic leasing business, down ¥8.4bn, ¥1,228.4bn for the real estate/environment and energy business, up ¥291.0bn, while in the finance/investment business operating assets were up ¥25.3bn to ¥194.7bn, and in the overseas/aircraft business, operating assets rose ¥22.7bn to ¥265.3bn.

The domestic leasing business was strong, overcoming the absence of a large cancellation gain (approximately ¥1.4bn) in the previous fiscal year. The real estate/environment and energy business grew significantly, also thanks to the contract signings for large projects. The finance/investment business also performed well due to the accumulation of operating assets. The overseas/aircraft business grew significantly, thanks to the full-year contribution of Rent Alpha (India) (in FY3/24, no earnings were recorded in 1Q, with contribution starting from the 1H financial results) as well as improved profits at Aircastle (USA) (increases in leasing fees and maintenance income due to the recovery of the aviation industry market, and the recording of profits on the sale of aircraft also contributed).

**Overview by business of 1H FY3/25 (management accounting basis)**

(¥bn)

| | 1H FY3/24 | | 1H FY3/25 | | YoY Change |
|---|---|---|---|---|---|
| | Result | Composition | Result | Composition | |
| Gross profit total | 34.6 | 100.0% | 42.0 | 100.0% | 7.4 |
| Domestic leasing | 17.9 | 51.7% | 17.3 | 41.2% | -0.6 |
| Real estate/environment and energy | 10.7 | 30.9% | 13.8 | 32.9% | 3.0 |
| Finance/investment | 0.9 | 2.6% | 1.7 | 4.0% | 0.8 |
| Overseas/aircraft | 5.0 | 14.5% | 9.2 | 21.9% | 4.2 |
| Total contract execution volume | 641.2 | 100.0% | 801.5 | 100.0% | 160.3 |
| Domestic leasing | 347.2 | 54.1% | 355.6 | 44.4% | 8.4 |
| Real estate/environment and energy | 223.5 | 34.9% | 313.3 | 39.1% | 89.8 |
| Finance/investment | 23.7 | 3.7% | 26.1 | 3.3% | 2.4 |
| Overseas/aircraft | 46.8 | 7.3% | 106.5 | 13.3% | 59.7 |
| Total end-of-period operating assets | 2,743.9 | 100.0% | 3,074.6 | 100.0% | 330.7 |
| Domestic leasing | 1,394.6 | 50.8% | 1,386.2 | 45.1% | -8.4 |
| Real estate/environment and energy | 937.4 | 34.2% | 1,228.4 | 40.0% | 291.0 |
| Finance/investment | 169.4 | 6.2% | 194.7 | 6.3% | 25.3 |
| Overseas/aircraft | 242.6 | 8.8% | 265.3 | 8.6% | 22.7 |

Source: Prepared by FISCO from the Company's results briefing materials

## Maintaining solid financial condition due to high credit rating and capital increase via third-party allotment

### 3. Financial condition

Looking at the Company's financial condition, at the end of 1H FY3/25, total assets were ¥3,629,941mn, an increase of ¥266,605mn versus the end of FY3/24. Total liabilities rose ¥196,941mn to ¥3,230,476mn, while net assets increased ¥69,665mn to ¥399,465mn. As business expanded, rental assets and investment securities increased, while the balance of interest-bearing liabilities increased 7.3% to ¥3,049,109mn (breakdown: short-term borrowings increased 12.5% to ¥589,800mn, long-term debt increased 7.5% to ¥1,247,855mn, commercial paper increased 1.1% to ¥662,700mn, payables under securitized lease receivables decreased 6.7% to ¥91,545mn, and corporate bonds increased 13.3% to ¥457,208mn). In addition, a capital increase via third-party allotment of new shares (paid in June 2024) was carried out with Marubeni and Mizuho Financial Group as recipients of shares, and capital and capital surplus increased by ¥20,837mn each. As a result, the equity ratio increased 1.1pp to 10.3%.

Although interest-bearing liabilities are on the rise as the business expands, this is not a particular cause for concern. Taking into account the Company's maintained high credit rating, stable fundraising through diversification of fundraising means, and an upward trend in its equity ratio, we at FISCO believe that the Company's financial soundness is being maintained.

### Consolidated balance sheet and cashflow statement (simplified)

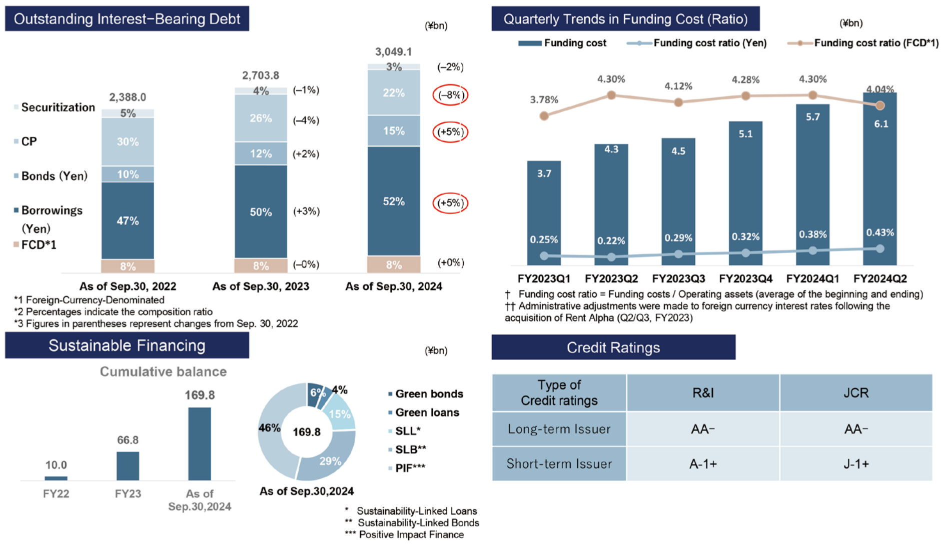
(¥mn)

| | End-FY3/21 | End-FY3/22 | End-FY3/23 | End-FY3/24 | End-1H FY3/25 | Change |
|---|---|---|---|---|---|---|
| Total assets | 2,603,190 | 2,748,810 | 2,954,634 | 3,363,336 | 3,629,941 | 266,605 |
| Current assets | 2,085,064 | 2,166,681 | 2,279,668 | 2,378,063 | 2,415,148 | 37,085 |
| Property & equipment | 518,126 | 582,128 | 674,965 | 985,272 | 1,214,793 | 229,521 |
| Total liabilities | 2,392,337 | 2,518,007 | 2,678,800 | 3,033,535 | 3,230,476 | 196,941 |
| Current liabilities | 1,492,850 | 1,548,375 | 1,573,455 | 1,715,242 | 1,812,446 | 97,204 |
| Long-term liabilities | 899,486 | 969,632 | 1,105,345 | 1,318,293 | 1,418,029 | 99,736 |
| Total net assets | 210,852 | 230,803 | 275,834 | 329,800 | 399,465 | 69,665 |
| Shareholders' equity | 197,452 | 207,286 | 229,896 | 257,171 | 318,084 | 60,913 |
| Equity ratio | 7.7% | 8.0% | 8.9% | 9.2% | 10.3% | 1.1pp |

| | FY3/21 | FY3/22 | FY3/23 | FY3/24 | 1H FY3/25 |
|---|---|---|---|---|---|
| Cash flows from operating activities | -196,820 | -68,495 | -117,816 | -192,205 | -216,874 |
| Cash flows from investing activities | -53,160 | -27,712 | -17,111 | -51,969 | -27,895 |
| Cash flows from financing activities | 248,210 | 99,810 | 143,518 | 266,524 | 234,657 |
| Cash and cash equivalents | 20,406 | 24,502 | 33,453 | 56,194 | 47,581 |

Source: Prepared by FISCO from the Company's financial results

### Funding




Source: The Company's results briefing materials

# Outlook

## Full fiscal year forecast for increase in profit in FY3/25 kept unchanged

● **FY3/25 results forecasts**

The Company has maintained its initial forecast for the full fiscal year FY3/25, forecasting operating income to increase 19.0% YoY to ¥47,000mn, ordinary income to increase 8.1% to ¥55,000mn, and net income attributable to owners of the parent to increase 7.9% to ¥38,000mn. Despite the strong sense of uncertainty in the global economy, the Company expects all businesses to generally perform well due to the accumulation of recurring revenue and other factors. Progress rates for 1H compared to the full fiscal year forecasts are favorable, with operating income at 51.4%, ordinary income at 63.2%, and net income attributable to owners of the parent at 67.4%. In terms of equity in earnings of affiliates, the Company expects this will be ¥10.5bn (¥11.7bn in 1H including the ¥4.7bn in negative goodwill associated with GECOSS).

The percentage increase in ordinary income and net income attributable to owners of the parent was smaller than the increase in operating income, but this was due to the fact that one-off income of approximately ¥4.5bn (¥1.4bn gain on sale of ships, ¥1.7bn gain on sale of overseas real estate, and ¥1.4bn in a Russia-related settlement for Aircastle) was posted in non-operating income in the previous fiscal year. Operating assets are on an upward trend, mainly in the real estate/environment and energy business and the overseas/aircraft business, and we at FISCO believe that favorable results can be expected on a full-year basis as well.

**Summary of FY3/25 results forecasts**

(¥mn)

| | FY3/24 Result | FY3/25 Forecast | YoY Change | YoY Change % | 1H Progress rate |
|---|---|---|---|---|---|
| Operating income | 39,511 | 47,000 | 7,489 | 19.0% | 51.4% |
| Ordinary income | 50,897 | 55,000 | 4,103 | 8.1% | 63.2% |
| Net income attributable to owners of the parent | 35,220 | 38,000 | 2,780 | 7.9% | 67.4% |

Source: Prepared by FISCO from the Company's financial results

# Growth strategy

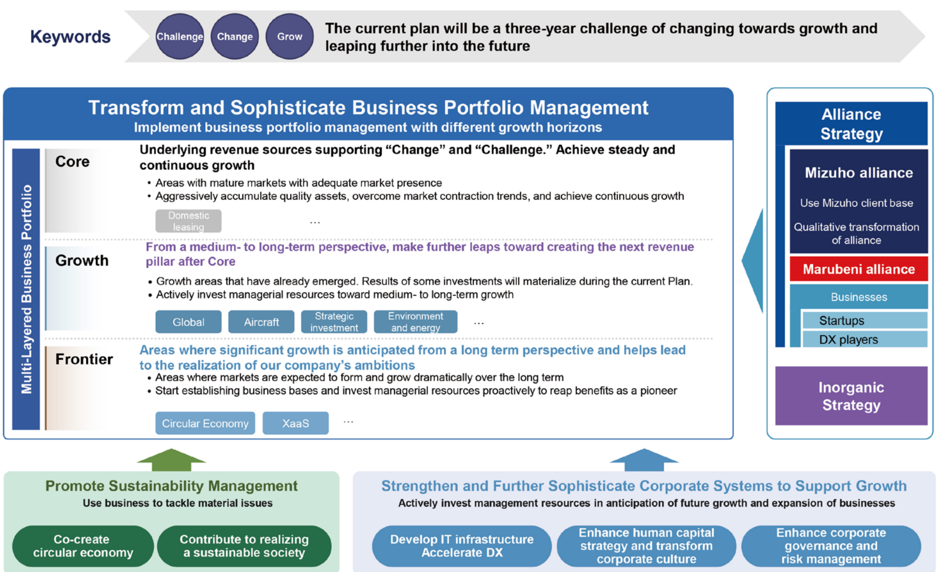
## Medium-term Management Plan 2025: a “Three-Year Challenge towards Change”

### 1. Medium-term Management Plan 2025

In May 2023, the Company formulated Medium-term Management Plan 2025 (FY3/24 to FY3/26). In the plan, the Company has defined its medium- to long-term ambitions as “Making the great leap from a leasing company to a platform company that co-creates the future together with our clients.” To this end, the Company had adopted Challenge, Change and Grow as the plan’s keywords. The plan is positioned as a “Three-Year Challenge towards Change.” As management targets for FY3/26, the plan’s final year, the Company aims for net income attributable to owners of the parent of ¥42.0bn, ROA of 1.6% or more, and ROE of 12% or more. In addition, regarding the investment of management resources, the Company targets a ¥700.0bn increase in operating assets, approximately ¥150.0bn in inorganic investments, over ¥10.0bn in IT system investments, and the hiring of more than 80 specialized personnel.

As part of its basic strategy for multi-layered business portfolio management across different growth horizons, the Company has classified its businesses into three areas: core areas (domestic leasing, real estate, etc.), where it aims for steady and continuous growth in businesses that serve as a solid profit source supporting “Change” and “Challenge”; growth areas (global, aircraft, strategic investment, environment and energy, etc.), where it seeks to create new revenue pillars after core areas by advancing toward medium- to long-term targets; and frontier areas (circular economy, XaaS, etc.), where significant growth is anticipated from a long-term perspective. Furthermore, the Company will transform and raise the sophistication of business portfolio management while actively utilizing its inorganic strategy, including M&As and alliances, with a focus on alliances with the Mizuho Group and the Marubeni Group. To further support growth, the Company will also promote sustainability management, develop IT infrastructure, accelerate DX, enhance human capital strategy, and transform its corporate culture, along with enhancing corporate governance and risk management.

Overview of Medium-term Management Plan 2025




Source: The Company’s results briefing materials

Strategic initiatives in the Company's focus areas are as follows. In core areas, specifically domestic leasing, the Company will conduct initiatives such as thoroughly implementing a value co-creation and problem-solving sales style that contributes to solving clients' business issues. It will also further expand the client base through its alliance with the Mizuho Group. In real estate, the Company will expand stable profit sources, such as mezzanine loans and real estate leasing, and acquire and jointly develop real estate with a medium- to long-term management perspective in mind.

In growth areas, particularly global, the Company will conduct initiatives such as creating revenue opportunities by providing solutions that rely on the value of goods. It will also enter new growth markets through joint investments with Marubeni and independently sourced M&A deals. In aircraft, initiatives include capturing revenue opportunities from the aviation business value chain, with Aircastle (USA) at the core, and strengthening asset recycling business and operating lease business. In strategic investment, the Company will conduct initiatives such as strengthening fund investment and direct investment in operating companies, selectively handling high-return mezzanine/equity projects, and expanding investment in value co-creation investments in startups through CVC funds. In environment and energy, the Company will promote initiatives such as establishing a strong presence as a renewable energy power supplier by securing 1GW of renewable energy power generation capacity, establishing a system to supply renewable energy power, and tackling new areas, such as grid storage batteries.

In frontier areas, particularly circular economy, the Company is taking initiatives such as building a platform to realize an advanced circular economy and decarbonized society through collaboration with alliance partners and creating maximum added value with efficient use of resources. In XaaS, the Company will strive to build platforms for RaaS (Robotics as a Service), which provide various solutions as a robot asset holder, and BaaS (Battery as a Service), which operates battery-focused businesses in the areas combining mobility and energy.

## Promoting multi-layered business portfolio management

#### 2. Progress of Medium-term Management Plan 2025

Looking at the progress of Medium-term Management Plan 2025, in domestic leasing, the Company made GECOSS an equity-method affiliate. Furthermore, in 1H FY3/25, operating assets remained mostly unchanged YoY, due to factors such as strengthening the alliance with the Mizuho Group. Equity in earnings of affiliates increased steadily, even on a basis excluding the negative goodwill related to the acquisition of GECOSS shares. In promoting the circular economy, as part of efforts to strengthen the alliance with TRE HOLDINGS CORPORATION <9247>, with which it formed a capital and business alliance in August 2023, the Company established the joint venture METREC Co., Ltd. in August 2024. METREC will provide one-stop solutions to meet clients' needs for dismantling, recycling, and waste disposal.

As for initiatives in new businesses, the Company is accelerating efforts that increase the penetration of EVs to achieve carbon neutrality. The EV Marutto Service is an EV-related comprehensive service that provides a range of services from consulting on the introduction of electric mobility to financial services. Through this service, the Company provided a maintenance lease for recharging facilities to Tokyo Metropolitan Public Corporation for Road Improvement and Management. In February 2024, the Company invested in NexT-e Solutions Inc., which possesses advanced storage battery control technologies, and signed a memorandum of agreement on a business alliance in the storage battery-related business. The alliance will explore business development aimed at providing reused storage batteries (stationary) using the Company's mobility-derived storage batteries. The Company is also engaged in initiatives related to shifting to EVs for last-mile transport. It started a proof-of-concept experiment involving converting gasoline vehicles whose leases have expired into EVs. Numerous small and medium-sized businesses are engaged in the last-mile transport business. In this field, the Company aims to create a service that enables these businesses to proactively shift to EVs.

In real estate, operating assets and gross profit both increased significantly in 1H FY3/25, due to initiatives to strengthen existing businesses, including expanding stable profit sources such as mezzanine loans and real estate leases, and initiatives to address large projects. In initiatives to address development projects, the Company created the office property brand MipLa and the logistics facility brand MALIEN as original brands. Looking ahead, the Company will work to build a business portfolio with asset recycling business in mind and to circulate assets by selling them. In environment and energy, operating assets and gross profit both rose significantly in 1H FY3/25, due to factors such as the acquisition of new power sources, mainly solar power. In 2H onward, the Company will work to increase the number of projects with a view to securing 1GW of renewable energy power generation capacity. In addition, the Company will engage in the grid storage battery business, which is expected to expand in the future as a means of adjusting power supply and demand. The Company will also undertake the wood-fired biomass power generation business.

In growth areas, operating assets and gross profit in the overseas business in 1H FY3/25 both increased substantially. These increases were due to initiatives to expand business fields through the inorganic growth strategy. The Company increased its shareholding ratio in Rent Alpha (India) to 87.6% in August 2024, by purchasing additional shares from existing shareholders.

Next is the alliance with Marubeni. The Company had previously collaborated with Marubeni in areas related to Aircastle (USA) and other businesses. The Company has further strengthened this alliance through a capital and business alliance formed in May 2024. In June 2024, the Company began accepting executives from Marubeni. In July 2024, it established the Marubeni Collaboration Division. In August 2024, the Company held the first Business Committee meeting with Marubeni. In October 2024, the Company began accepting young and mid-career employees on secondment from Marubeni. The positive effects of these measures are expected to fully emerge from FY3/26 onward. By further strengthening the alliance, the Company aims to expand its business both in Japan and overseas.

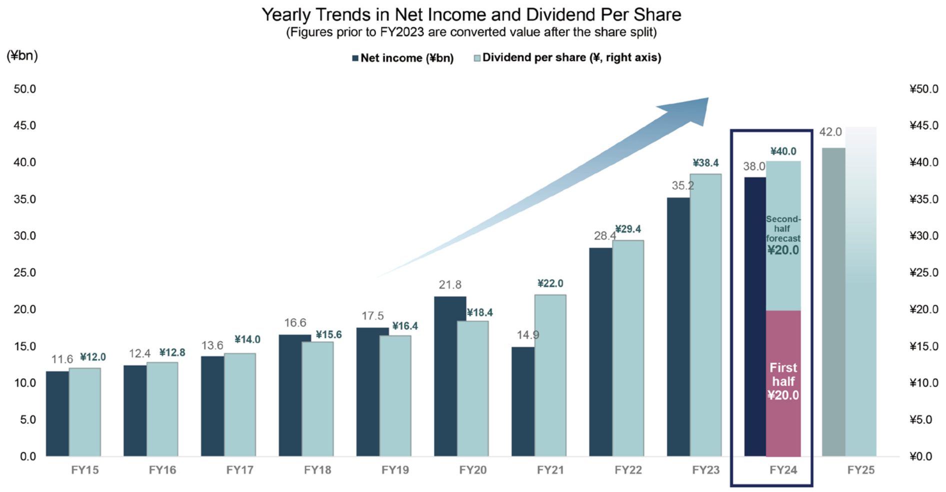
The inorganic growth strategy is as follows. Total investment amounted to approximately ¥50.0bn as of 1H FY3/25, relative to an estimated investment of ¥150.0bn over three years. The main investments executed were for share acquisition and additional investment in Rent Alpha (India), additional investment in Aircastle (USA), share acquisition in GECOSS, and the establishment of the joint venture METREC. The Company will promote collaboration with these investee companies on business and value chain expansion to achieve growth. In line with the expansion of collaborative businesses with Marubeni, the Company will continue to explore the possibilities of the inorganic growth strategy in a wide range of regions and business areas with a policy to accelerate growth investments to establish a solid business foundation.

## Policy calls for gradually increasing the payout ratio to 30% during the Medium-term Management Plan 2025 period

### 3. Shareholder return policy

The Company's basic policy on shareholder return is to pay dividends commensurate with performance while improving profitability. Under this policy, in addition to gradually increasing the payout ratio to 30% during the Medium-term Management Plan period, the Company will make effective use of retained earnings to strengthen business foundations and invest in growth, while ensuring stable returns to shareholders through continuous profit growth. Furthermore, the annual dividend for FY3/25 is forecast to be ¥40.00 per share (interim dividend of ¥20.00 and year-end dividend of ¥20.00). The forecast for the payout ratio is 28.7%. The Company conducted a 5-for-1 share split on April 1, 2024 (effective date). In comparison to the annual dividend for FY3/24 of ¥38.40 per share (interim dividend of ¥16.60, year-end dividend of ¥21.80), which has been retrospectively adjusted to reflect the share split, the annual dividend will increase by ¥1.60.

Shareholder returns




Source: The Company's results briefing materials

## Contributing to solving social issues, such as a decarbonized society and circular economy

### 4. Sustainability management

In sustainability management, under Medium-term Management Plan 2025, the Company has set targets in the following three categories: realizing a decarbonized society, realizing the circular economy, and human capital management as a cornerstone. Progress towards these targets has been mostly steady. In July 2024, the Company was selected for inclusion in the FTSE Blossom Japan Sector Relative Index, an ESG investment index. In October 2024, the Company joined the Keidanren Initiative for Biodiversity Conservation based on its endorsement of the principles of the Keidanren Declaration for Biodiversity and Guideline, which was formulated by Keidanren (Japan Business Federation) and the Keidanren Nature Conservation Council.

Non-financial Targets

| Non-Financial Targets | | FY2023 plan | FY2023 actual | FY2024 targets | Medium-term management plan FY2025 targets |
|---|---|---|---|---|---|
| Carbon Neutral<br>Realizing a decarbonized society | Secure renewable power generation capacity | 520MW | 590MW | 855MW | 1GW |
| | Reduce $CO_2$ emissions* in Scope 1 & 2*<br>* Non-consolidated and 7 domestic consolidated subsidiaries | 23% (compared with FY2016) | 22% (compared with FY2016) | 22% (compared with FY2016) | Zero emissions (FY2030) |
| Circular Economy<br>Realizing the circular economy | Chemical/material resource recycling rate | 83% or more | 80.5% | 83% or more | 85% or more (FY2027) |
| Human Capital<br>Human capital management as a cornerstone | Hire more specialized business professionals | +22 people | +26 people | +56 people | +80 people or more |
| | Investment amount for developing personnel | 1.27x or more (compared with FY2022) | 2.03x or more (compared with FY2022) | 2.40x or more (compared with FY2022) | 3x or more (compared with FY2022) |
| | Develop digital IT personnel | 100 people or more | 280 people (Achieved medium-term management plan target of 200 people or more) | — | — |
| | Management positions filled by women | 10.8% (34 people) | 11.6% (37 people) | 13.3% (43 people) | 15% (50 people) |
| | Ratio of paid annual leave taken | 70%or more | 70.8% | 75% or more | 80% or more |
| | Ratio of childcare leave taken by male employees | 100% | 100% | 100% | 100% ( Every year) |

Source: The Company's Medium-term Management Plan 2025

## The Company receives a strong evaluation as a stable investment, with progress on growth strategy to be followed

### 5. FISCO's view

The Company's main features and strengths include strong foundations in customer relationships, business operations, fund procurement, and human resources. In addition to these foundations, the Company's core areas centered on domestic leasing serve as a solid earnings base, helping to minimize overall risk. Additionally, with a shareholder return policy that aims for a payout ratio of 30%, we at FISCO give the Company a strong evaluation as a stable investment. Moreover, while the Company may not be considered a very large player in terms of scale, this also means that it has significant growth potential for capturing market share. The Company is expected to capture market share by expanding its collaborative businesses centered on its alliances with the Mizuho Group and the Marubeni Group, implementing an inorganic growth strategy driven by M&As, alliances, and other initiatives, and transforming and raising the sophistication of its business portfolio in the future. For this reason, we at FISCO would like to follow the Company's progress on its growth strategies, as it aims to become a business enterprise that grows beyond the traditional finance framework through initiatives to create new businesses.

## Disclaimer

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