COMPANY RESEARCH AND ANALYSIS REPORT

Fuyo General Lease Co., Ltd.

8424

Tokyo Stock Exchange Prime Market

20-Aug.-2025

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https://www.fisco.co.jp

Contents

Summary

Ordinary profit marked a record high for the eighth consecutive fiscal year, and the profit growth trend is expected to continue

Fuyo General Lease Co., Ltd. <8424> (hereafter, "the Company") is a comprehensive leasing company established in 1969 by six Fuyo Group companies, including The Fuji Bank, Limited (currently Mizuho Bank, Ltd.). Its strengths include real estate and energy & environment, and it has an annual newly executed contract volume of ¥1,844.0bn (FY3/25) and operating assets of ¥3,072.1bn (as of March 31, 2025). In addition to the steady increase in operating assets in business fields it has positioned as growth drivers, such as energy & environment and aircraft, the Company has been steadily expanding its earnings through expanding the business areas (mobility/logistics, BPO/ICT, health care domain, etc.) through M&A and collaboration with partner companies. The Company started its five-year medium-term management plan Fuyo Shared Value 2026 from FY3/23 and is aiming for sustainable growth by simultaneously "resolving social issues" and delivering "economic value."

1. Overview of FY3/25 results

In the FY3/25 results, operating profit increased 7.9% year on year (YoY) to ¥64.8bn, ordinary profit grew 1.0% to ¥69.0bn, and profit attributable to owners of parent declined 4.1% to ¥45.3bn, with the Company marking the eighth consecutive fiscal year with a record high in ordinary profit. Results for all profit lines also showed solid progress versus the initial forecast. Although funding costs increased significantly due to the rise in domestic interest rates, the Company achieved higher profits due to the accumulation of operating assets in growth areas such as mobility/logistics, energy & environment, and aircraft. In terms of activities, the Company made progress on initiatives for the future on all fronts through continued collaboration with highly specialized partner companies, including overseas companies, as well as intra-Group cooperation and other means.

2. FY3/26 forecasts

For the FY3/26 results, the Company is forecasting continued profit growth, with operating profit to rise 1.9% YoY to ¥66.0bn, ordinary profit to increase 1.4% to ¥70.0bn, and profit attributable to owners of parent to grow 1.6% to ¥46.0bn. The Company also expects to continue its trend of consecutive dividend increases. In addition to a well-balanced accumulation of assets centered on growth areas, the recovery trend in healthcare and the expansion of BPO/ICT, where demand is increasing (representing growth in non-asset revenues), are also expected to contribute to boosting the bottom line. The outlook is also for ROA to maintain its high level through asset controls that prioritize profitability and the expansion of non-asset earnings.

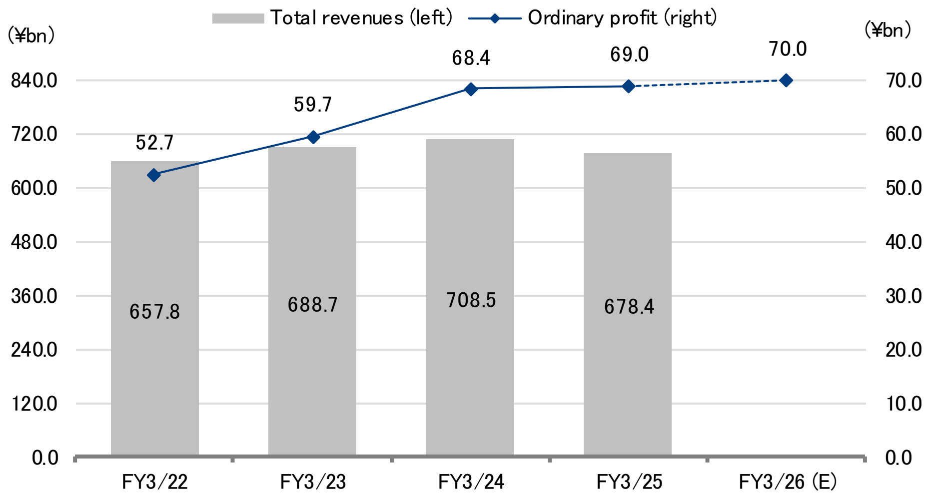
3. Medium-term management plan

Fuyo Shared Value 2026, which is the five-year medium-term management plan that was started in FY3/23, is the basis for the Company's strategy of achieving sustainable growth by solving societal problems at the same time as realizing economic value. The plan also sets various management targets, both financial and non-financial. Growth will be driven by: 1) the Rising Transformation ("RT") field (mobility/logistics and circular economy) that is aiming for strategic growth enabled by capturing tectonic social changes; 2) the Accelerating Transformation "AT" field (energy & environment, BPO/ICT, and healthcare) that aims for accelerating growth based on an understanding of market trends, and; 3) the Growing Performance "GP" field (real estate and aircraft) that is aiming for stable growth of the core fields. Then, the strategy is to improve earnings through concentrated investment of management resources into the RT and AT fields where market expansion and creation are expected and also through differentiation in the GP field. The financial targets are ordinary profit of ¥75.0bn, ROA of 2.5%, an equity ratio of 13% to 15%, and ROE of at least 10%, while the Company has also set non-financial targets for items to be addressed, centered on the environment (a decarbonized society and a recycling-based society), society and people, and human resources investment.

Key Points

- FY3/25 also saw an accumulation of assets centered on growth areas, and this covered the increase in funding costs due to higher domestic interest rates, leading to a record high profit on an ordinary profit basis
- In terms of activities, progress has been made on future-oriented initiatives across various areas through M&A and collaboration with partner companies.
- For FY3/26, the Company is expecting higher earnings trend to continue and is expecting consecutive dividend increases
- Started the medium-term management plan Fuyo Shared Value 2026 in FY3/23. It is aiming for sustainable growth by "resolving social issues" through human growth and dialogue while at the same time delivering "economic value"

Trends in total revenues and ordinary profit



Note: The Company no longer discloses total revenue forecasts starting from FY3/25.
Source: Prepared by FISCO from the Company's financial results

Company profile

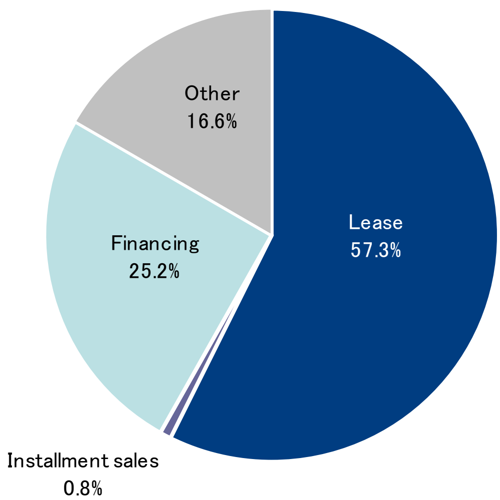
Comprehensive leasing company with strengths in real estate, energy & environment, and other areas. Also working to strengthen new domains, such as BPO/ICT and the mobility/logistics

1. Business overview

The Company has three business segments—lease and installment sales, financing, and other. Lease and installment sales disclose "lease" and "installment sales" separately. The mainstay lease business accounts for 57.3% of profit before interest expenses* and 61.1% of operating assets (FY3/25 results). As future growth drivers, the Company plans to proactively invest management resources in business fields including mobility/logistics, energy & environment, BPO/ICT, and healthcare, to differentiate in real estate and aircraft, and over the medium to long term its policy is to move away from "finance leasing" and "non-financial services."

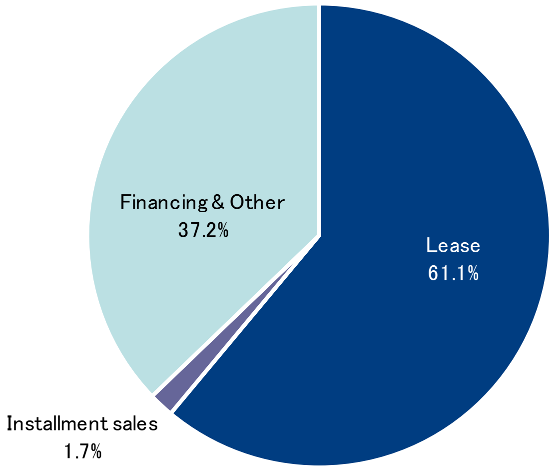
* Gross profit before deducting interest expenses

Composition of profit before interest expenses by segment (FY3/25)



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

Ratio of operating assets by segment (FY3/25)



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

Below, we review the Company's business segments.

(1) Lease and installment sales

This segment handles leases of information and communications equipment, office equipment, industrial machine tools, and other equipment and installment sales of commercial facilities, production facilities, hospital facilities, and other facilities. In the lease business, the leasing company purchases and leases machinery, equipment, or other facilities selected by customers for a certain leasing fee over a relatively long period. In other words, leases constitute a funding method (financial transaction) that focuses on facility deployment. Benefits to customers, versus outright purchase (and ownership) of facilities, include efficient utilization of capital, reduction of administrative burden, avoidance of risk from outdated facilities, and cost control. Leasing companies, meanwhile, face less collection risk than ordinary loan transactions, because they possess ownership rights to the leased equipment. The Company conducts installment sales for equipment that does not qualify as leasing transactions for tax purposes and cases in which the customer wants direct ownership.

Looking at the newly executed lease contract volume by type of equipment, substantial growth has been experienced in buildings, etc. (real estate leases) and transportation equipment in the past few years. Key drivers in real estate leases are commercial properties (such as large shopping centers), an area of expertise, as well as diversification of properties including hotels, nursing care and residential, leisure, services, and logistics, following the expansion in alliance partners. The Company leverages its experience of over 30 years and an extensive network in this business given the need for expertise and knowhow with tough legal hurdles and complex rights relationships. Also, the growth of transportation equipment up until recently was due to aircraft leases. However, the Company's strengths include its track record and expertise accumulated over many years. In addition, it is aiming to strengthen the mobility/logistics, which is expected to grow in the future, through making YAMATO LEASE CO., LTD.* a consolidated subsidiary (in April 2020).

* Started making a consolidated subsidiary of YAMATO LEASE, which was a subsidiary of YAMATO HOLDINGS CO., LTD. <9064> in April 2020. The Company's shareholding ratio became 60% and YAMATO HOLDINGS became 40%.

(2) Financing

This segment covers capital investment funding and other business loans, real estate financing, and securities-related management tasks. It includes fund investments in the renewable energy business and investments for retail by consolidated subsidiary Sharp Finance Corporation ("SFC"). Also, the factoring business* was added to it following the consolidation of Accretive Co., Ltd. (January 2017).

* This business mainly handles FPS (early payments service for accounts receivable) for small- and medium-sized companies, and FPS Medical (early payment service for medical and care fee credits) for medical institutions.

(3) Other

This segment includes large-scale solar power operations (renewable energy business) handled directly by the Company, silent partnership originations for aircraft leases and other businesses, and the life insurance agency business. Also, the Company has built a structure to respond to various BPO needs with the addition of an integrated billing service* provided by INVOICE INC., which was made into a consolidated subsidiary in October 2018, and wide-ranging back-office services (including accounting, human resources and salary, general affairs and sales administration) provided by NOC Outsourcing & Consulting, Inc. (currently Fuyo Outsourcing & Consulting Inc., "FOC") which was made into a consolidated subsidiary in August 2019. In October 2021, the Company expanded its service functions with the consolidation of WorkVision Corporation, which provides IT solutions centered on cloud packages (DX support, etc.) Moreover, through a business agreement with AKARI Inc., which provides DX solutions that make use of algorithms and AI technologies, it is working on developing high-value-added BPO services that utilize AI.

* A service that handles making burdensome monthly payments to telecom carriers and other utilities on behalf of customers

2. History

The Company was established in 1969 with six companies from the Fuyo Group as shareholders led by Fuji Bank (now Mizuho Bank). It steadily broadened business scope thereafter and created a local entity in the US in 1988. It established a local entity in Ireland (Dublin), a major center for aircraft leases, in 1999. The Company was relatively early in its entry to aircraft business, which has recently attracted attention from many competitive companies, and accumulated a track record and know-how with leveraged leases (aircraft leases with investor subscriptions) and other formats.

The Company has also teamed up with other companies to establish joint ventures, such as Yokogawa Rental & Lease Corporation (holds a large share in measuring instruments) with Yokogawa Electric Corporation <6841> in 1987 and NIHON CREDIT LEASE CORPORATION* (holds a large share in medical equipment and welfare equipment) with NICHIIGAKKAN CO., LTD. in 1999.

* In January 2022, the Company carried out an absorption-type merger of NIHON CREDIT LEASE with the Company as the surviving company.

Major turning points were listing shares on the First Section of the Tokyo Stock Exchange in December 2004 and acquisition of SFC as a consolidated subsidiary (buying a 65% stake) in April 2008. In particular, SFC controls a strong share in the retail (vendor lease) area and has contributed substantially to broadening business scope and increasing scale.

In July 2014, the Company acquired ALM 2010 Limited (it changed the name to Fuyo Aviation Capital Europe Limited), a UK-based aircraft-related services company, as a consolidated subsidiary (buying all shares) and thereby strengthened its ability to expand aircraft business.

In January 2017, it acquired Accretive, a subsidiary of Don Quijote Holdings Co., Ltd. (now Pan Pacific International Holdings Corporation <7532>) that operates a factoring business (purchase of accounts receivable) mainly for small and medium-sized companies, as a consolidated subsidiary. In addition to pursuing synergies through cross-selling with each company in the Group, the Company is also strengthening initiatives for new domains. In October 2018, the Company made INVOICE, an integrated billing service provider, a consolidated subsidiary and then in August 2019, it made FOC, a back-office service provider with a wide range of operations, a consolidated subsidiary in an effort to strengthen the BPO services. In April 2020, it made a consolidated subsidiary of YAMATO LEASE, a subsidiary of YAMATO HOLDINGS, establishing footholds toward the development of the mobility business, which is considered to have growth potential, and for the logistics industry.

Financial results

Ordinary profit for FY3/25 at record high for eighth consecutive year

1. Key points for assessing results

The Company's total revenues consist of lease fee revenue (over 80% of overall sales), revenue from installment sales, interest income on financing, and non-asset earnings (such as fee income). Since total revenues (excluding non-asset earnings) fundamentally fluctuate with operating assets, the Company needs to increase newly executed contract volume and accumulate more operating assets in order to expand total revenues. However, accounting of mainstay lease fee revenue reflects the purchase transaction and includes the price of the leased item. Profit before interest expenses excluding the acquisition cost of leased equipment from total revenues is the suitable indicator for assessing actual income growth as a financing business.

Meanwhile, to ascertain the profitability of the Company's main business, the most rational approach is monitoring trends in ordinary profit, in which expenses such as interest expenses (fund-raising costs), personnel and equipment expenses, and costs related to bad debts (including reversals)*, are deducted from profit before interest expenses. Ordinary profit is obtained by multiplying operating assets by ROA (ratio of ordinary profit to operating assets), so it is affected by movements in both. Also, most recently, the Company has been working to grow non-asset earnings, so it is also necessary to pay attention to the other segment.

* This is the net value of provision of allowance for doubtful accounts (SG&A expenses) and reversal of allowance for doubtful accounts (non-operating income).

2. Past results trends

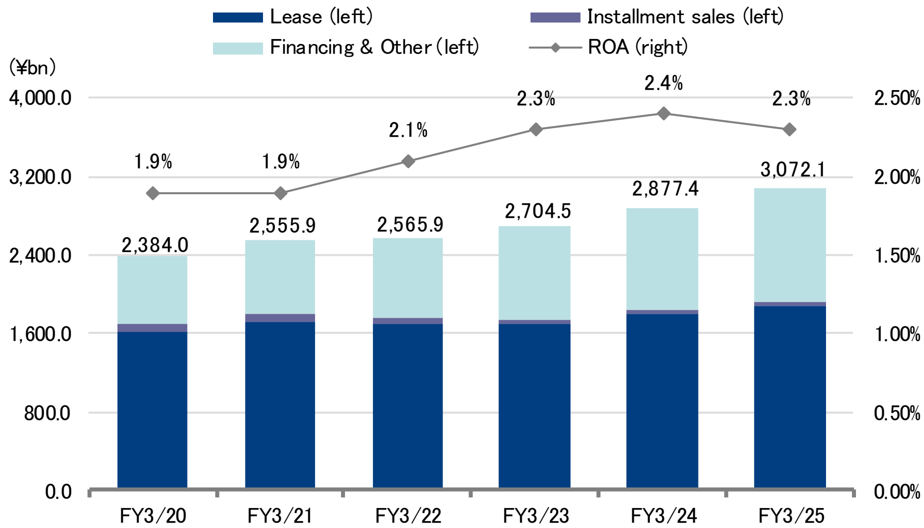
Looking back on past results trends, ordinary profit has also continued to increase from both the accumulation of operating assets and the improvement of ROA. The improvement of ROA has been particularly due to the growth of real estate leases and aircraft leases, which have comparatively high yields, while most recently, the growth of businesses (non-asset earnings), mainly BPO services, has also been contributing.

From a cost perspective, funding costs remained largely flat through FY3/23. This trend, despite growth in total funding value, is driven by a decline in interest on funding due to the effects of low interest rate policies. However, in FY3/24 interest on funding grew significantly, mainly due to an increase in funds in foreign currencies resulting from growth in overseas transactions, while in FY3/25 the rise in domestic interest rates resulted in funding costs increasing significantly for the second consecutive year. On the other hand, the Company keeps personnel/equipment expenses at a certain level and has a low bad debts-related costs, demonstrating the Company's strength in low-cost operations. As a result, ordinary profit for FY3/25 reached an all-time high for the eighth consecutive year.

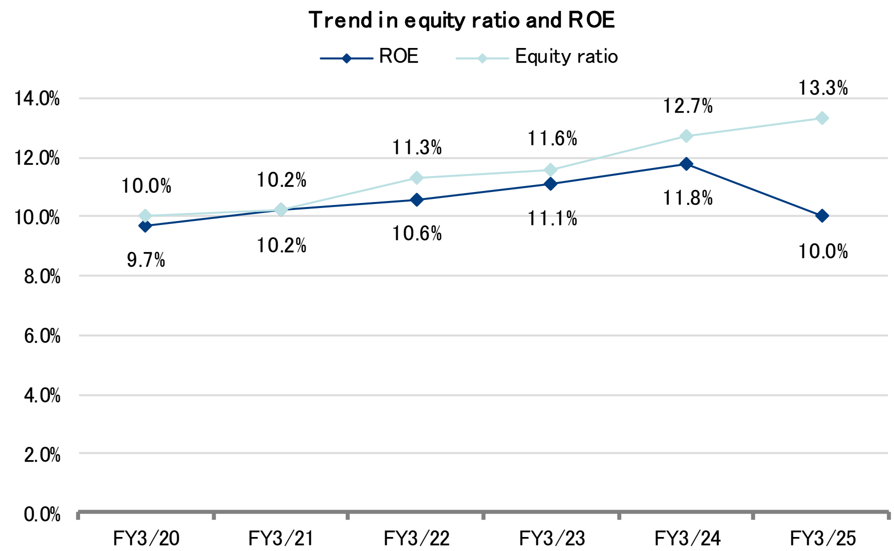
Interest-bearing debt has increased alongside the accumulation of operating assets, but in FY3/25, the equity ratio was secured at a level of over 13%. The Company's range does not compare unfavorably to other companies in the leasing industry, which possesses large amounts of highly liquid operating assets, and should not spark concerns about stability of the Company's financial base.

In addition, ROE, which shows capital efficiency, has been increasing alongside the rise in the profit level, and has remained in the 10% range since FY3/21.

Trend in operating assets and ROA



Note: ROA is calculated as ordinary profit (annualized) ÷ operating assets (average balance).
Source: Prepared by FISCO from the Company's results briefing materials



Note: FY3/20 reflects the values determined through accounting treatment for business combination.
Source: Prepared by FISCO from the Company's financial results

3. Overview of FY3/25 results

In the FY3/25 results, operating profit increased 7.9% YoY to ¥64.8bn, ordinary profit rose 1.0% to ¥69.0bn, and profit attributable to owners of parent declined 4.1% to ¥45.3bn. Ordinary profit marked a record high for the eighth consecutive fiscal year. All profit lines also exceeded the full-year forecasts.

Profit before interest expenses, which is a performance indicator of the Company's main business, increased 16.6% YoY to ¥149.8bn mainly in growth areas like mobility/logistics and aircraft.

Ordinary profit went up because of the increased profit before interest expenses. Looking by business field, real estate profits declined temporarily due to the dropout of gain on sale, but aircraft saw a large increase in profit due to the increase in the number of aircraft and helped by the weaker yen, while mobility/logistics, energy & environment, BPO/ICT, and healthcare all performed well, which can be said to reflect a continuing trend of well-rounded profit growth mainly in growth areas.

Looking at expenses, meanwhile, interest expenses went up due to a higher funding balance associated with an increase in operating assets and a rise in interest on funding. Also, despite the fact that the increase in personnel expenses associated with human capital investment was a negative factor, these were absorbed by the increase in profit before interest expenses. The Company maintained the overhead ratio (OHR; calculated as personnel/equipment expenses divided by gross profit) at a strong level and kept the default risk of accounts receivable purchased low (posted a reversal of allowance for doubtful accounts). Newly executed contract volume increased 5.8% YoY to ¥1,844.0bn. While there was a decline in real estate where the Company is making progress on asset controls, there was a large increase in medical and nursing care fee factoring through Accretive, while there was steady expansion in both aircraft and mobility/logistics. Operating assets recorded a steady increase mainly in aircraft, mobility/logistics (domestic and overseas) and energy & environment, which are positioned as growth drivers, up 6.8% from the end of FY3/24 to ¥3,072.1bn.

ROA* was 2.3% (versus 2.4% in FY3/24), down from a year earlier, when there was a special factor of gain on sale, but has continued to improve excluding this factor. FISCO maintains our view that the Company's profitability improvement has stabilized as a result of transforming its business portfolio into a highly profitable one and expanding the scope of its business fields.

* Ordinary profit (annualized) ÷ operating assets (average balance)

There were no significant changes in financial condition. Total assets increased 5.2% from the end of the previous fiscal year to ¥3,567.1bn, while core capital rose 10.1% to ¥475.4bn due to the accumulation of internal reserves. As a result, the equity ratio improved to 13.3% (from 12.7% at the end of the previous fiscal year). Also, interest-bearing debt (excluding lease obligations) increased 4.7% from the end of the previous fiscal year to ¥2,808.2bn due to the accumulation of operating assets. However, the long-term procurement ratio* was maintained at 70.6% (compared to 68.4% at the end of the previous fiscal year), and the Company has maintained a stable balance between short- and long-term debt.

* The long-term procurement ratio represents the ratio of long-term interest-bearing debt (corporate bonds + long-term borrowings + long-term payables under securitization of lease receivables) to interest bearing debt.

Overview of FY3/25 results

(¥bn)

	FY3/24		FY3/25		YoY change	
	Results		Results		Amount	%
Profit before interest expenses	128.6		149.8		21.3	16.6%
Lease	74.2		85.9		11.7	15.7%
Installment sales	1.1		1.2		0.1	7.1%
Financing	27.5		37.8		10.3	37.3%
Other	25.7		24.9		-0.8	-2.9%
Interest expenses	19.0		30.2		11.2	58.9%
Gross profit	109.6		119.6		10.1	9.2%
SG&A expenses	49.5		54.9		5.3	10.8%
Operating profit	60.0		64.8		4.7	7.9%
Ordinary profit	68.4		69.0		0.7	1.0%
Profit attributable to owners of parent	47.2		45.3		-1.9	-4.1%
Newly executed contract volume	1,742.8		1,844,0		101.1	5.8%
Financing & Lease	249.0	14.3%	287.7	15.6%	38.7	15.5%
Operating & Lease	358.7	20.6%	210.6	11.4%	-148.2	-41.3%
Installment sales	26.4	1.5%	29.8	1.6%	3.4	12.9%
Financing & Other	1,108.7	63.6%	1,315.9	71.4%	207.2	18.7%

	FY3/24		FY3/25		YoY change	
	Results		Results		Amount	%
Operating assets	2,877.4		3,072.1		194.7	6.8%
Financing & Lease	858.7	29.9%	851.5	27.7%	-7.3	-0.8%
Operating & Lease	936.1	32.5%	1,024.6	33.4%	88.5	9.5%
Installment sales	49.9	1.7%	53.6	1.7%	3.7	7.4%
Financing & Other	1,032.7	35.9%	1,142.5	37.2%	109.8	10.6%

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

Solid progress on development by business field, driven by growth areas

4. Business performance and activities by business field

(1) Mobility/Logistics (RT field)

As of the end of FY3/25, the balance of operating assets was ¥231.1bn (up ¥37.2bn from the end of FY3/24), ROA was 2.9% (3.5% in FY3/24), and ordinary profit was ¥6.1bn (down ¥0.2bn YoY). The increase in domestic procurement costs were covered by strategic accumulation of assets and growth in the business performance of overseas subsidiaries, and ordinary profit was roughly flat YoY. Regarding the Company's non-financial target of EV/FCV ownership ratio, in light of the modest EV adoption rate in Japan, the Company revised the target to the "Ratio of EVs/FCVs among newly contracted vehicles." In terms of activities, the Company expanded initiatives*1 in the EV domain through collaboration, while in the logistics area it expanded its business foundation*2 through M&A*3 and by teaming with alliance partners.

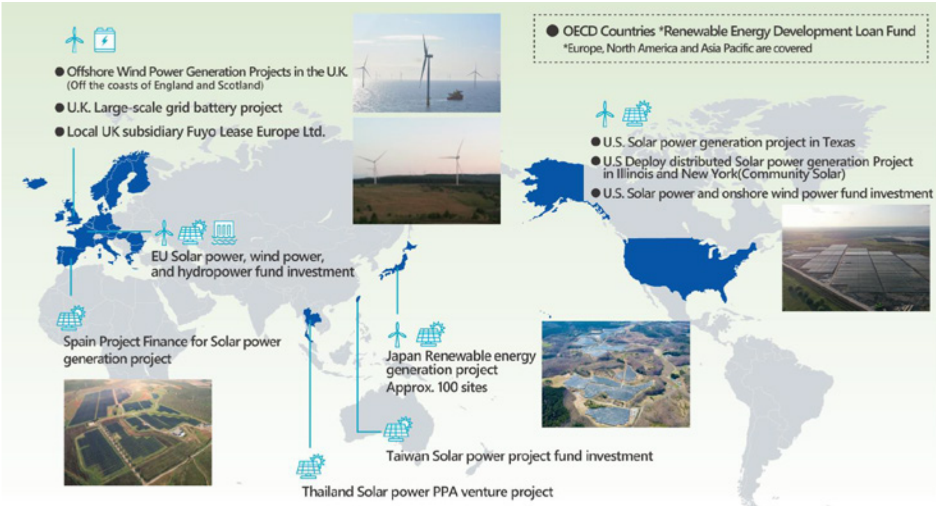
*1 The Company, along with Marubeni and Banpu NEXT established a new company in Thailand to launch a fleet management service for commercial EVs, and also began offering EV lifecycle services in collaboration with the YAMATO Group, thereby expanding the functions of EV one-stop services both domestically and overseas.
*2 The Company aims to provide optimal and sustainable solutions for the adoption, ownership, and sharing of logistics equipment and materials, and to support new logistics infrastructure.
*3 Wako Pallet, which sells and rents logistics equipment, was made a consolidated subsidiary in March 2025, and Japan Pallet Rental, which provides rental pallet services, was made an equity-method affiliate in April 2025.

(2) Energy & environment (AT field)

As of the end of FY3/25, the balance of operating assets increased to ¥217.6bn (up ¥35.6bn from the end of FY3/24), ROA was 0.9% (1.1% in FY3/24), and ordinary profit was ¥1.8bn (up ¥0.1bn YoY). Although the Company accumulated operating assets centered on overseas renewable energy and the rise in foreign currency costs peaked, ordinary profit was generally flat YoY. Collaboration projects with alliance partners in Japan and overseas has expanded steadily and development-type projects are mostly progressing well. As a result, the Company is making strong progress toward its non-financial target of 1,000MW in renewable energy power generation capacity. In the field of battery energy storage, the Company built partnerships with diverse companies, and in December 2024 the Company made Global Engineering Co., Ltd.* an equity-method affiliate, thereby bolstering the Company's ability to pursue additional business growth.

* The company provides a one-stop service including operation, control, remote monitoring and maintenance services for battery energy storage, and is engaged in a business that stabilizes electricity supply and demand.

Global expansion of renewable energy power generation business



Source: The Company's results briefing materials

(3) BPO/ICT (AT field)

At the end of FY3/25, the balance of operating assets was ¥55.8bn (up ¥4.7bn from the end of FY3/24) and ROA was 2.8% (2.5% in FY3/24), and ordinary profit was ¥4.7bn (up ¥0.3bn). Although customer needs are robust due to factors such as labor shortages, operating profit only increased slightly due to increased labor fluidity and increased costs centered on labor expenses. Meanwhile, steady progress has been made toward the non-financial target of "Work hours saved by customers (compared to FY3/22)," reaching 810,000 hours (an increase of 320,000 hours from the previous fiscal year). In terms of activities, the Company grew its business areas such as by expanding its service platform through collaboration with partners*1 and entering the data center business*2.

*1 In addition to launching "OneVoice Energy Data," a service that helps calculate CO_2 emissions using invoices, the Company has also achieved results in business alliances such as settlement services BPO with Mitsubishi UFJ Factoring Co., Ltd. and FOC, as well as the BPO business (payroll calculation work) with Shizuoka Bank General Services and FOC.

*2 As the first step in accelerating investment in the data center field, which is expected to expand both domestically and overseas, the Company has invested in a US data center development portfolio.

(4) Healthcare (AT field)

At the end of FY3/25, the balance of operating assets was ¥94.5bn (up ¥7.1bn from the end of FY3/24), ROA was 2.2% (versus 2.1% in FY3/24), and ordinary profit was ¥2.0bn (up ¥0.2bn YoY). Although the asset balance turned to an upward trend, mainly due to factoring of medical and nursing care fees by Accretive, the growth in ordinary profit was only a slight one. In healthcare facilities, the number of new rooms provided in nursing care facilities for the elderly, which is one of the Company's non-financial targets, increased to 1,011 (up 248 from the end of FY3/24), and the Company worked to expand its business areas by making CB Holdings Inc.* a wholly owned subsidiary in order to become stronger in non-financial areas.

* Provides highly-specialized management solution services (management support, succession support, etc.) specialized in the medical, nursing care, and welfare industries.

(5) Real estate (GP field)

At the end of FY3/25, the balance of operating assets was ¥1,107.7bn (up ¥13.9bn from the end of FY3/24), ROA was 2.5% (versus 2.9% in FY3/24), and ordinary profit was ¥27.5bn (down ¥3.6bn YoY). Profit fell as the Company continued with asset controls with awareness of profitability and a balanced portfolio, due in part to the dropout of the large gain on sale recorded in FY3/24, but excluding this impact, the Company realized steady growth, and achieved the ordinary profit target set at the time of the formulation of the medium-term management plan ahead of schedule. The Company appears to have secured a solid project pipeline, supported by inquiries from a broad range of deal sources, including collaborations with partner companies. It has also begun engaging in overseas real estate initiatives in collaboration with alliance partners.

(6) Aircraft (GP field)

At the end of FY3/25, the balance of operating assets was ¥395.4bn (up ¥87.5bn from the end of FY3/24), ROA was 3.2% (1.9% in FY3/24), and ordinary profit was ¥11.4bn (up ¥6.3bn YoY). The Company's fleet of aircraft continued to grow in response to strong airline demand for aircraft. In addition, the Company's profits increased significantly due to the promotion of lease fee collection from non-regular clients, effective remarketing activities, and revenue contributions from aircraft sales, as well as the effect of the weak yen, and the Company achieved its ordinary profit target set at the time of the formulation of its medium-term management plan ahead of schedule. In terms of activities, the Company also worked to promote a turnover-oriented business depending on the market environment and to expand its business area to include freighters (cargo-only aircraft) for YAMATO HOLDINGS.

Results by business field (financial/non-financial)

(¥bn)

	FY3/24 Results	FY3/25 Results	Change
Mobility/Logistics			
Ordinary profit	6.3	6.1	-0.2
ROA	3.5%	2.9%	-0.6pp
Operating assets	194.0	231.1	37.2
EV/FCV ownership ratio (Note)	-	-	-
Energy & environment			
Ordinary profit	1.7	1.8	0.1
ROA	1.1%	0.9%	-0.2pp
Operating assets	182.0	217.6	35.6
Renewable energy power output * Figures in parentheses include projects in development	705 MW (995 MW)	876 MW (1,084 MW)	171 MW (89 MW)
BPO/ICT			
Ordinary profit	4.4	4.7	0.3
ROA	2.5%	2.8%	0.3pp
Operating assets	51.2	55.8	4.7
Work hours saved by customers (compared to FY3/22)	490,000 hours	810,000 hours	320,000 hours
Healthcare			
Ordinary profit	1.8	2.0	0.2
ROA	2.1%	2.2%	0.1pp
Operating assets	87.4	94.5	7.1
Nursing care facilities for the elderly (number of new rooms provided)	763	1,011	248
Management support financing for the medical and social-welfare market	22.9	45.6	22.7
Real estate			
Ordinary profit	31.2	27.5	-3.6
ROA	2.9%	2.5%	-0.4pp
Operating assets	1,093.9	1,107.7	13.9
Aircraft			
Ordinary profit	5.1	11.4	6.3
ROA	1.9%	3.2%	1.4pp
Operating assets	307.9	395.4	87.5
Self-owned aircraft	58	66	8
Other aircraft (management aircraft, etc.)	57	57	0

Note: Target revised to "Ratio of EVs/FCVs among newly contracted vehicles."
Source: Prepared by FISCO from the Company's results briefing materials

5. Summary of FY3/25

To summarize FY3/25, despite the large increase in funding costs as a distinctive trend and the special factor of the dropout of the large gain on sale (real estate), FISCO believes the Company having maintained a profit growth trend by offsetting these with growth in business domains is worth commending. Also, looking at the details of the business results, although there was some variation between businesses, the fact that this was covered by overall growth can be seen as an indication of the strength and stability of the Company's earnings portfolio. Looking towards the future, concrete progress has been made on businesses that could become next-generation growth pillars, such as the EV area (EV lifecycle services, etc.) and logistics area (solutions that support logistics infrastructure) in mobility/logistics, new fields in energy & environment (battery energy storage-related, etc.), and strengthening non-finance areas in healthcare. In addition, in energy & environment, further expansion of the renewable energy business overseas is expected. Therefore, FISCO is positive on the Company's recent results that strike a good balance between current earnings performance and preparing for future profits.

Business outlook

Forecasting a continued profit increase trend in FY3/26

1. FY3/26 forecasts

For the FY3/26 results, the Company is forecasting the trend for higher profits to continue. Specifically, the Company expects operating profit to rise 1.9% to ¥66.0bn, ordinary profit to rise 1.4% to ¥70.0bn, and profit attributable to owners of parent to increase 1.6% to ¥46.0bn.

Although the Company continues to anticipate impacts from rising domestic interest rates, it plans to accumulate assets, centered on growth areas. Also, it appears that the Company anticipates healthcare (where signs of a recovery have emerged) and growth of BPO/ICT where demand is increasing (expansion of non-asset earnings) to underpin earnings.

The outlook is also for ROA to maintain its high level through asset controls that prioritize profitability and the expansion of non-asset earnings.

FY3/26 forecasts

(¥bn)

	FY3/25 Results	FY3/26 Forecast	YoY change	
			Amount	%
Operating profit	64.8	66.0	1.2	1.9%
Ordinary profit	69.0	70.0	1.0	1.4%
Profit attributable to owners of parent	45.3	46.0	0.7	1.6%

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

2. FISCO's view

While it is necessary to continue to pay attention to the external environment that contains uncertain elements for the future, such as the unstable international conditions, the US tariffs issue, and the rise in domestic interest rates, based on the accumulation of highly profitable assets in mobility/logistics, aircraft and other areas, as well as the signs of recovery being seen in healthcare and BPO/ICT where progress has been delayed, FISCO considers its results forecasts to be fully achievable. Areas to pay attention to are how the Company will accumulate assets for sustainable growth in the final year of the medium-term management plan and beyond, and further expand its business domain. In particular, with regard to expanding its business areas (establishing new business models), we would like to follow developments such as the Company's proactive expansion of its business base in the logistics domain and battery energy storage business through M&A and alliances, its entry into the data center business, where demand is growing, and its collaboration with CB Holdings (strengthening the non-finance business in the healthcare field).

Growth strategy

Aims at achieving sustainable growth by “resolving social issues” while at the same time delivering “economic value”

1. Direction of the medium-term management plan

The five-year medium-term management plan, which was started in FY3/23, has completed its third year. While progress has been somewhat different for each business area, overall progress has been steady, and the Company has not made major changes to the direction of its strategy or numerical targets (based on the current business environment, the Company has made some revisions on an individual business basis). With Fuyo Shared Value 2026 as its vision, its policy is to aim for sustainable growth by solving societal problems at the same time as realizing economic value through the growth of people and dialogues, while the plan also set both financial and non-financial targets.

(1) Growth drivers

As the axes for the strategic fields (and new domains) up to the present time, the growth drivers have been categorized into three types; 1) the RT field that is aiming for strategic growth enabled by capturing tectonic social changes, 2) the AT field that is aiming for accelerating growth based on an understanding of market trends, and 3) the GP field that is aiming for the stable growth of the core fields. Then, the strategy is to improve profitability through concentrated investment of management resources into the RT and AT fields where market expansion and creation are expected and also through differentiation in the GP field. It has positioned mobility/logistics and circular economy in the RT field; energy & environment, BPO/ICT, and healthcare in the AT field; and real estate and aircraft in the GP field.

(2) Image of the allocation of resources and the earnings portfolio

The Company is concentrating investment into the RT and AT fields, which are growth areas, and it will improve ROA at the same time as accumulating operating assets. In the GP field, which is a core field, its policy is to improve profitability that will lead to the improvement of ROA as a whole. The Company is targeting ordinary profit of ¥75.0bn in five years’ time. Following the revision, the percentages contribution from the RT field is expected to increase significantly from 6% to 13% and from the AT field from 13% to 20%, while the GP field is projected to grow modestly from 41% to 44%. Conversely, the conventional general leasing and financing field will decline greatly, from 40% to 23%, and clearly there is a trend in progress of moving away from traditional leasing and financing services.

(3) Management targets

As the business strategy’s results targets through the three growth drivers, the Company has set both financial targets and non-financial targets and is aiming to simultaneously realize “corporate value” and “social value.” The four financial targets (unchanged) are ordinary profit of ¥75.0bn, ROA of 2.5%, an equity ratio of 13% to 15%, and ROE of at least 10%. So, it will further improve profitability while maintaining a balance with a certain level of financial discipline and capital efficiency. Conversely, it has set the non-financial targets to be tackled from three perspectives—1) the environment, 2) society and people, and 3) human resources investment—and its policy is for the Company itself to sustainably improve its enterprise value through “resolving social issues,” such as by realizing a decarbonized society and a recycling-based society. Also, for measures to address climate change, it continues to work on achieving carbon neutrality and RE 100* toward the 2030 targets.

* An international consortium of companies that aim to procure 100% of the energy used in their operations from renewable energy

Basic strategies and targets in each business field

2. The basic strategies and targets in each business field

(1) Mobility/Logistics (RT field)

On the one hand, there is an increasing focus on EV and FCV toward realizing carbon neutrality, but on the other hand, in the logistics industry environment, social issues are becoming increasing severe, such as the shortage of drivers and the long working hours. Based on this situation, the Company's strategy is to develop both domestically and overseas one-stop services centered on partner collaborations, mainly in the vehicle and logistics areas. In the vehicle area, it plans to build new business models, such as an EV one-stop service*1, and to expand the non-asset business, focused on fleet BPO*2. In the logistics area, it is creating collaborative projects through its collaboration with the YAMATO Group, strengthening the global mobility business through collaborations with overseas Group companies, as well as advancing collaborations with Wako Pallet and Japan Pallet Rental which newly joined the Group, as it aims to establish a platform to provide one-stop service in the logistics domain, from asset service to DX. Following the revision*3, the financial targets are ordinary profit of ¥10.0bn (up ¥6.7bn from FY3/22) and ROA of 3.7% (up 1.8 percentage points (pp)). In terms of non-financial targets, based on the change in the environment surrounding the penetration of EVs, the Company changed the target from "EV/FCV ownership ratio" to "Ratio of EVs/FCVs among newly contracted vehicles" (target of 5%).

*1 Through collaborations with partner companies, it will provide a one-stop service, from EV introduction review and consulting through to charger installation consulting and construction, financing and vehicle management, and energy management. This service is also highly compatible with energy & environment, which is one of the Company's strengths.
*2 Support for improving business efficiency, such as labor saving, through telematics services and optimization consulting for the vehicle mobilization rate
*3 The Company raised the ordinary profit target from ¥7.0bn to ¥10.0bn, and lifted the ROA target from 2.5% to 3.7%.

(2) Circular economy (RT field)

The circular economy is an economic system that aims to conserve and maintain the value of products and resources for as long as possible and to minimize waste. The Company is progressing advanced measures for markets that are expected to grow, and its strategy is to aim to build a sophisticated circular economy platform. At the current time it has not set any financial targets, but its non-financial targets (unchanged) are 1) a returned equipment reuse and recycling rate of 100% (same as in FY3/22) and 2) a waste plastic materials / chemicals recycling rate of 100% (up 100pp).

(3) Energy & environment (AT field)

The Company's strategy is to expand the renewable energy business on a global scale and to establish a new business in the secondary energy field. Renewable energy is not limited in terms of energy type or initiative form, and domestically and overseas the business scale will grow to three times its former scale. It will also accelerate joint investments with partner companies (major energy businesses, etc.) and continue to focus on the PPA business as a tool for customers' decarbonization. For secondary energy, it continues to work on measures for the LCM business (primary use → recycling of reuse, etc.) in the storage battery field and also with a view to participating in the power demand-supply adjustment market* that is steadily growing. The financial targets (unchanged) are ordinary profit of ¥5.0bn (up ¥3.4bn from FY3/22) and ROA of 2.0% (up 0.2pp). The non-financial targets (also unchanged) are 1) a renewable energy power generation capacity of 1,000MW (up 682MW) and 2) investment in decarbonization of ¥300.0bn (five-year cumulative total).

* The domestic market for power demand and supply adjustments was launched in April 2021. It is a framework designed to facilitate the trading of electric power needed to adjust the supply and demand of electricity at power plants and other facilities (adjustment capacity) in a nationwide integrated market.

(4) BPO/ICT (AT field)

Against the backdrop of the labor shortage that is becoming increasingly serious and the workstyle reforms, measures to improve productivity, including DX and reviews of non-core operations, are accelerating. In this situation, the Company's strategy is to aim to provide BPS (business process services) that support customers in realizing their business reforms from both the aspects of operations and systems. Specifically, through a synergistic collaboration between BPO (business consulting + solutions) and ICT (systems consulting + IT solutions), it is providing total solutions through work outsourcing and DX. The revised financial targets* are ordinary profit of ¥7.5bn (up ¥4.1bn from FY3/22) and ROA of 5.1% (up 3.6pp), while the non-financial target (unchanged) is to reduce customers' work hours by 1 million hours.

* The Company lowered the ordinary profit target from ¥8.5bn to ¥7.5bn, and dropped the ROA target from 5.4% to 5.1%.

(5) Healthcare (AT field)

In addition to management issues such as the decrease in medical revenue, the labor shortage, and the lack of successors, needs for medical and social welfare are expected to further increase and become more sophisticated due to the 2025 problem*1. In this situation, the Company's strategy is to maximize the value of businesses' management resources in the healthcare markets, including for medical, nursing care, and dispensing pharmacy businesses, by continuing to provide one-stop services based on the Fuyo Lease Platform Concept. The revised financial targets*2 are ordinary profit of ¥2.5bn (up ¥0.7bn compared to FY3/22) and ROA of 2.1% (up 0.1pp), while the non-financial targets (unchanged) are: 1) 1,330 rooms in nursing care facilities for the elderly, and 2) financing of ¥56.0bn to support management in the medical and social welfare markets (up ¥32.7bn).

*1 Japan has become a "super-aging society" and its social structure and systems are approaching a major turning point that is expected to have an impact on various fields, including employment, medical care, and welfare.
*2 The Company lowered the ordinary profit target from ¥4.5bn to ¥2.5bn, and dropped the ROA target from 3.3% to 2.1%.

(6) Real estate (GP field)

The Company's strategy focuses on enhancing sophistication and differentiation, aiming for stable profit growth through improved profitability. Against the backdrop of a robust real estate market, particularly in metropolitan areas, it plans to strengthen profitability and expand the business by reinforcing collaboration with partners and deepening business domains. Moreover, toward the realization of a decarbonized society, it is progressing measures targeting environmentally friendly real estate*1. The revised financial targets*2 are ordinary profit of ¥24.0bn (up ¥3.7bn from FY3/22) and ROA of 2.3% (unchanged YoY). No non-financial targets have been set.

*1 Green buildings, such as buildings with CASBEE evaluation certification or with environment-friendly facilities installed (energy saving, solar panels, etc.).
*2 The Company raised the ordinary profit target from ¥23.0bn to ¥24.0bn.

(7) Aircraft (GP field)

It is anticipated that the business environment will gradually recover, and based on this, the Company is aiming to steadily grow profits through escaping from the effects of the COVID-19 pandemic and progressing the asset turnover-type business. At the same time, it plans to convert from a business model that assumes long-term holdings of aircraft to an asset turnover-type business model of flexibly selling aircraft based on the market environment and other factors. Conversely, it plans to enhance the earnings structure by accumulating excellent assets through strengthening competitiveness. It is also progressing measures for new technological fields that will contribute to "resolving social issues," such as sustainable aircraft fuel (SAF). Its revised financial targets* are ordinary profit of ¥9.0bn (up ¥7.5bn from FY3/22) and ROA of 2.4% (up 1.7pp). No non-financial targets have been set.

* The Company raised the ordinary profit target from ¥7.0bn to ¥9.0bn.

Focusing on turning resolving social issues into earnings opportunities and KPI progress

3. Primary medium- to long-term focuses

FISCO thinks that as the business environment continues to undergo significant change, it makes sense for the Company to aim to create new value through alliances with partners in high-growth fields that are also highly compatible with domains that the Company has built up its business in over the years. In particular, one key point will be how the Company links its initiatives aimed at “resolving social issues,” including tackling climate change in which it has been the industry leader, to growth opportunities. The medium-term management plan is now in its fourth year, and although progress varies slightly between businesses, we will continue to focus on the process of how the Company will strengthen its growth drivers, which are the RT (mobility/logistics) and AT (energy & environment, BPO/ICT, healthcare) fields, in order to evolve its desired earnings portfolio. In addition, we believe that improving ROA will continue to be the key to increasing return on equity (ROE), which is an important factor in improving corporate value (improving PBR), and believe that what kind of impact the expansion of new fields and strengthening non-asset earnings will have on future profit growth and ROA will be important factors in predicting the future. Also, with respect to initiatives for “resolving social issues,” we will follow the progress on KPI set as non-financial targets, and also pay close attention from a medium- to long-term perspective on the path the Company takes in terms of how it will link those KPI to creating new markets, strengthening competitiveness, and building new business models and other initiatives, and thereby connect to economic value (profit growth, etc.).

Shareholder return policy

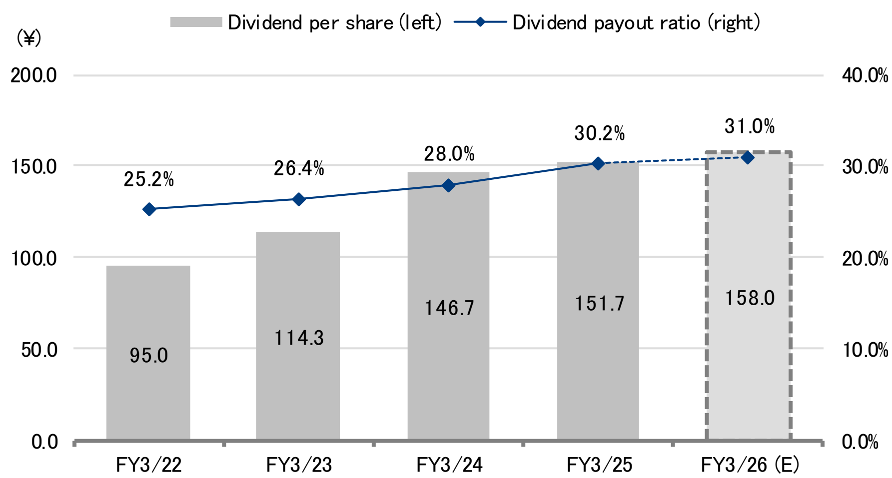
Executed a stock split (1:3) on April 1, 2025. Plans to continue to raise the dividend for FY3/26.

The Company follows a fundamental policy of striving to return profits to shareholders by reinforcing shareholders' equity and continuing long-term, stable dividends to ensure a solid business foundation and robust financial position, considering its profits and business goals. Supported by strong profits, the Company has been continuously increasing its dividend since its shares were listed in 2004.

Regarding the FY3/25 annual dividend (post-split adjusted*), the Company increased the dividend by ¥5.0 YoY to ¥151.7 (interim dividend = ¥75.0; fiscal year-end dividend = ¥76.7) which was ¥1.7 higher than the initial forecast, and this resulted in a dividend payout ratio of 30.2%, as the Company achieved the target level in the medium-term management plan (30% or more) two years ahead of schedule. For FY3/26, the Company is forecasting a dividend of ¥158.0 (interim dividend = ¥79.0; fiscal year-end dividend = ¥79.0), which would be a YoY increase of ¥6.3, resulting in a dividend payout ratio of 31.0%. The Company's plan is to steadily increase the dividend payout ratio toward the newly set target (32% or more).

* These figures have been retroactively revised to account for the impact of the stock split the Company conducted with an effective date of April 1, 2025. Prior to the retroactive revisions (the actual values), the dividend was ¥455.0 per share, which was ¥15.0 higher than the previous fiscal year and ¥5.0 higher than the initial forecast.

Dividend per share and dividend payout ratio



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

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