COMPANY RESEARCH AND ANALYSIS REPORT

Fuyo General Lease Co., Ltd.

8424

Tokyo Stock Exchange Prime Market

10-Aug.-2026

FISCO Ltd. Analyst

Ikuo Shibata

FISCO

FISCO Ltd.

https://www.fisco.co.jp

Contents

Summary

In FY3/26, excluding the impact of losses related to renewable energy, overall performance was generally in line with the plan

Fuyo General Lease Co., Ltd. <8424> (hereafter, also "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 ¥2,201.1bn (FY3/26 results) and operating assets of ¥3,253.1bn (as of March 31, 2026). Although current performance temporarily declined due to the recording of overseas renewable energy-related losses, excluding these one-time losses, the Company has steadily increased its operating assets in business fields positioned as growth drivers, and business results have been expanding smoothly through the expansion of business domains via M&A and collaborations 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 FY3/26 results

In FY3/26, due to the recording of overseas renewable energy-related losses, performance was significantly depressed, with operating profit down 37.4% year on year (YoY) to ¥40.5bn, ordinary profit down 44.6% to ¥38.2bn, and profit attributable to owners of parent down 52.4% to ¥21.6bn. However, excluding these losses, the growth in base profit offset the increase in various costs including higher funding costs from the rise in domestic interest rates, and ordinary profit secured a level that exceeded the previous fiscal year. In particular, mobility/logistics, which is a priority business field, grew smoothly, and the expansion of gains on sales in real estate contributed. 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. FY3/27 forecasts

For the consolidated results in FY3/27, the final year of the medium-term management plan, the Company forecasts significant profit growth at every level, with operating profit up 72.7% YoY to ¥70.0bn, ordinary profit up 96.1% to ¥75.0bn, and profit attributable to owners of parent up 122.6% to ¥48.0bn. The main reason for the substantial profit increase is that the overseas renewable energy-related losses that depressed the previous fiscal year's performance will disappear. Although the Company continues to anticipate impacts from rising domestic interest rates, it plans to accumulate assets, centered on growth areas, and aims to raise base profit.

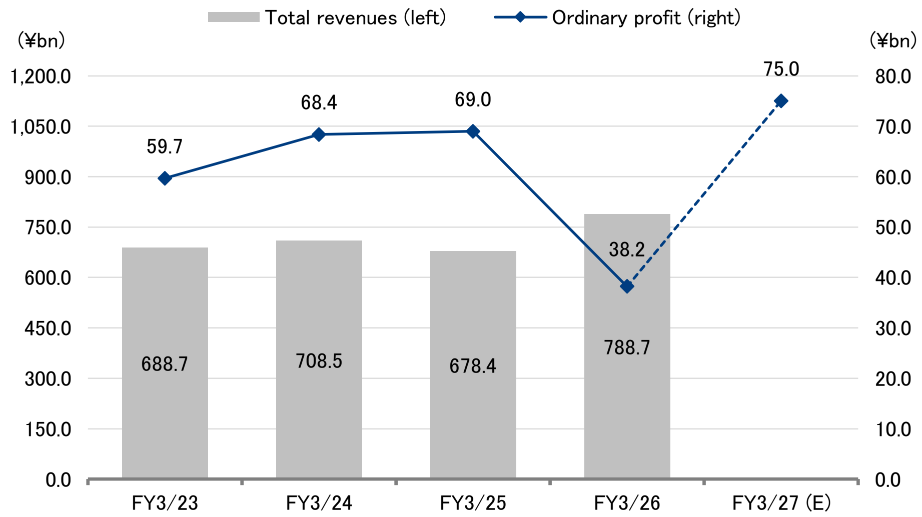
3. Medium-term management plan

Fuyo Shared Value 2026, the five-year medium-term management plan launched in FY3/23, is based on a 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. Although performance temporarily declined due to the recording of renewable energy-related losses this fiscal year, there is no revision at this point to the future direction or the final fiscal year targets. The Company's growth drivers are classified into the following three types: 1) The Rising Transformation ("RT") field (mobility/logistics and circular economy) aiming for strategic growth by capturing tectonic social changes; 2) the Accelerating Transformation ("AT") field (energy & environment, BPO/ICT, and healthcare) aiming for accelerated growth by capturing market trends; and 3) the Growing Performance ("GP") field (real estate and aircraft) aiming for stable growth of core fields. Having these as growth drivers, the Company's policy is to concentrate management resources on the RT and AT fields where market expansion and creation are expected. For the GP field, the strategy is to improve profitability through differentiation. 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

- In FY3/26, a temporary decline occurred due to overseas renewable energy-related losses, but excluding these losses, ordinary profit exceeded the previous fiscal year's level
- In FY3/27, the Company forecasts a significant profit increase and aims to achieve the medium-term management plan targets
- In the final fiscal year of the medium-term management plan Fuyo Shared Value 2026, the Company aims for sustainable growth by solving societal problems at the same time as realizing economic value through the growth of people and dialogue

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 results briefing materials

Company profile

A comprehensive leasing company with strengths in real estate, BPO/ICT, etc. Also strengthening mobility/logistics, healthcare, etc.

1. Business overview

The Company has three business segments—lease and installment sales, financing, and other. Within the lease and installment sales segment, “lease” and “installment sales” are disclosed separately. The mainstay lease business accounts for 58.5% of operating assets (result as of the end of FY3/26). 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 beyond “finance leasing” and “financial services.”

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 know-how 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 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 investment and management operations. 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 the segment 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. The Company has built a structure to meet various BPO needs. This capability is through an integrated billing service* from INVOICE INC. (consolidated in October 2018) alongside wide-ranging back-office services—including accounting, human resources, payroll, general affairs, and sales administration—provided by Fuyo Outsourcing & Consulting Inc. (FOC, formerly NOC Outsourcing & Consulting, Inc., consolidated 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 consolidates burdensome procedures for monthly bills, such as communication expenses and various utility charges, and processes payments 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 into the aircraft business, which has recently attracted attention from many competitors, 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.

Turning points for the Company were listing on the First Section of the Tokyo Stock Exchange (TSE) in December 2004 and making SFC a consolidated subsidiary (acquisition of a 65% stake) in April 2008. 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.

Subsequently, the Company has successively added WorkVision Corporation (October 2021), which develops IT solutions; CB Holdings Inc. (January 2025), which provides management solution services specialized for the medical, nursing care, and welfare industries; Wako Pallet Co., Ltd. (March 2025), which handles sales and rental of logistics equipment; and Japan Pallet Rental Corporation (April 2025), which operates a rental pallet service, to the Group, and has worked to expand and strengthen its business base in areas with growth potential (BPO, healthcare, and logistics areas).

Financial results

In FY3/26, excluding overseas renewable energy-related losses, base profit progressed in line with the plan

1. Key points for assessing results

The Company's total revenues consist of lease fee revenue (over 80% of total revenues), revenue from installment sales, interest income on financing, and non-asset earnings (such as various 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 for 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

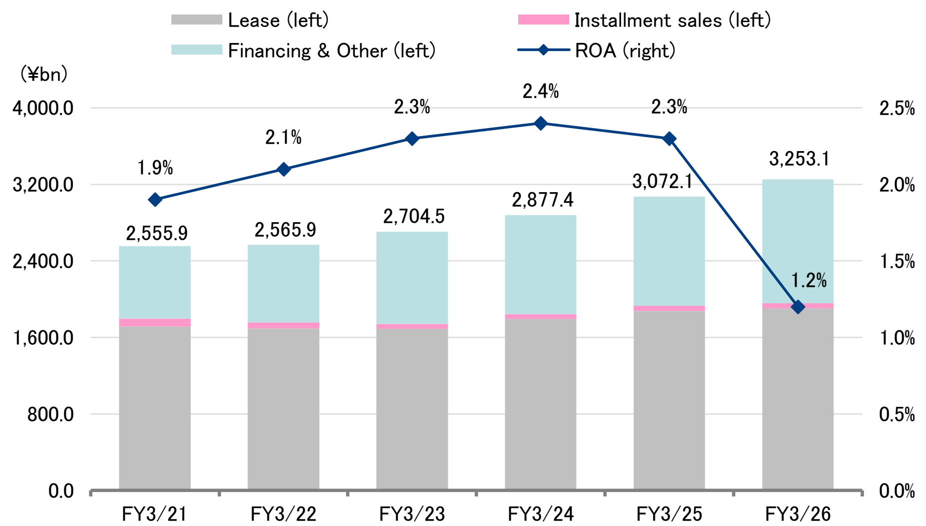
Looking back on past results trends, ordinary profit has also continued to increase from both the accumulation of operating assets and the improvement of ROA. The improvement of ROA has been particularly due to the growth of real estate leases and aircraft leases, which have comparatively high yields, 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, funding yields rose due to increases in foreign currency funding as overseas initiatives expanded, and from FY3/25 onward, funding costs increased significantly for three consecutive years along with the rise in domestic interest rates. Also, the Company keeps personnel/equipment expenses at a certain level and credit related-costs have remained low, demonstrating the Company's strength in low-cost operations. As a result, ordinary profit up to FY3/25 reached an all-time high for the eighth consecutive year. However, in FY3/26, performance temporarily declined mainly due to one-time losses associated with overseas renewable energy-related losses.

Interest-bearing debt has increased alongside the accumulation of operating assets, but in FY3/26, the equity ratio was secured at a level of over 13%. The Company's level 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.

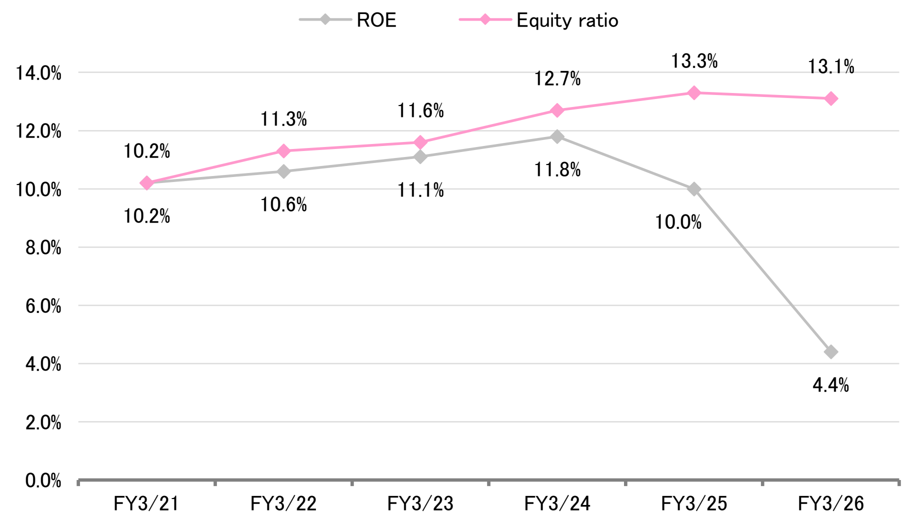
ROE, which indicates capital efficiency, has also risen along with the increase in profit level, and has remained around 10% since FY3/21. In FY3/26, although affected by overseas renewable energy-related losses, excluding these losses there is no change in the substantial high level of capital profitability.

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

Trend in equity ratio and ROE



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

3. Overview of FY3/26 results

In FY3/26, due to the recording of overseas renewable energy-related losses*, performance was significantly depressed, with operating profit down 37.4% YoY to ¥40.5bn, ordinary profit down 44.6% to ¥38.2bn, and profit attributable to owners of parent down 52.4% to ¥21.6bn. Similarly, profit before interest expenses, which is a performance indicator of the Company's main business, also declined 6.0% to ¥140.9bn.

> * In 2Q, the Company recorded overseas renewable energy-related losses in Europe, and in 4Q, it recorded North American renewable energy-related losses that had been factored into performance forecasts at the time of 2Q. Particularly in Europe, this was caused by development delays due to funding shortages in some of the renewable energy businesses in which the Company participated.

However, excluding these losses, profit before interest expenses was up 11.4% YoY to ¥166.9bn, and ordinary profit was up 3.8% to ¥71.6bn. The increase in profit before interest expenses offset the rise in various costs including higher funding costs due to rising domestic interest rates, and ordinary profit exceeded the previous fiscal year.

Looking at ordinary profit by business field, while the energy & environment segment was significantly depressed due to the recording of overseas renewable energy-related losses, the mobility/logistics and real estate segments grew smoothly. Meanwhile, the BPO/ICT, healthcare, and aircraft segments generally performed at the same level as the previous fiscal year.

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. In addition, personnel/equipment expenses increased due to the expansion of the Group, and credit-related costs associated with overseas renewable energy also significantly dragged down profits.*

> * However, credit-related costs excluding those related to renewable energy have remained at low levels.

Newly executed contract volume increased 19.4% YoY to ¥2,201.1bn. Factoring of medical and nursing care fees by Accretive increased significantly, and the real estate segment also grew smoothly due to domain expansion and other factors. As for operating assets, despite the negative impact from the recording of renewable energy-related losses, the Company steadily accumulated assets centered on the mobility/logistics (domestic and overseas) and real estate fields, which are positioned as growth drivers, and secured ¥3,253.1bn, up 5.9% from the end of FY3/25.

Regarding financial condition, total assets rose 7.4% from the end of FY3/25 to ¥3,843.7bn due to the accumulation of operating assets, while core capital increased 5.8% to ¥502.9bn, and the equity ratio remained flat at 13.1% (13.3% at the end of FY3/25). Also, interest-bearing debt (excluding lease obligations) increased 7.1% to ¥3,006.6bn due to the accumulation of operating assets. However, the long-term procurement ratio* was maintained at 70.1% (70.6% at the end of FY3/25), 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 FY3/26 results

(¥bn)

	FY3/25		FY3/26		YoY change	
	Results	Composition ratio	Results	Composition ratio	Amount	%
Profit before interest expenses	149.8	-	140.9	-	-8.9	-6.0%
Lease	85.9	-	94.0	-	8.0	9.3%
Installment sales	1.2	-	1.3	-	0.1	8.3%
Financing	37.8	-	18.6	-	-19.2	-50.8%
Other	24.9	-	27.1	-	2.2	8.7%
Interest expenses	30.2	-	37.7	-	7.5	24.8%
Gross profit	119.6	-	103.2	-	-16.4	-13.7%
SG&A expenses	54.9	-	62.7	-	7.8	14.2%
Operating profit	64.8	-	40.5	-	-24.2	-37.4%
Ordinary profit	69.0	-	38.2	-	-30.8	-44.6%
Profit attributable to owners of parent	45.3	-	21.6	-	-23.7	-52.4%
Newly executed contract volume	1,844.0	-	2,201.1	-	357.2	19.4%
Finance leases	287.7	15.6%	283.3	12.9%	-4.4	-1.5%
Operating leases	210.6	11.4%	255.0	11.6%	44.4	21.1%
Installment sales	29.8	1.6%	32.9	1.5%	3.0	10.2%
Financing & Other	1,315.9	71.3%	1,630.0	74.0%	314.1	23.9%

	FY3/25		FY3/26		YoY change	
	Results	Composition ratio	Results	Composition ratio	Amount	%
Operating assets	3,072.1	-	3,253.1	-	180.9	5.9%
Finance leases	851.5	27.7%	871.4	26.8%	20.0	2.3%
Operating leases	1,024.6	33.4%	1,030.8	31.7%	6.2	0.6%
Installment sales	53.6	1.7%	56.2	1.7%	2.7	5.0%
Financing & Other	1,142.5	37.2%	1,294.6	39.8%	152.1	13.3%

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 FY3/26, operating assets were ¥291.8bn (up ¥60.7bn YoY), ROA was 3.2% (2.9% in FY3/25), and ordinary profit was ¥8.5bn (up ¥2.3bn), representing smooth growth. Although the expansion of earnings in mobility was delayed, the reinforcement of the earnings base through the expansion of the Group*1 led to profit growth, and operating assets were also steadily accumulated. The EV/FCV ratio among newly contracted vehicles*2, a non-financial target, stood at 7.2%. On the operational side, the Company strengthened cooperation with newly added Group companies Wako Pallet and Japan Pallet Rental, and through collaboration with alliance partners, worked on creating business opportunities in the domestic logistics field*3. Moreover, it was able to promote diversification of business opportunities overseas through strategic geographic expansion*4.

*1 The consolidation of Wako Pallet Co., Ltd. (announced March 2025), which handles sales and rental of logistics equipment, and the equity-method affiliation of Japan Pallet Rental Corporation (announced April 2025), which provides rental pallet services, contributed to the growth in earnings.

*2 In light of the slow pace of EV adoption in Japan, the Company revised the target indicator from the original EV/FCV ownership ratio.

*3 In domestic logistics, the Company made progress toward establishing itself as a comprehensive partner for logistics transformation. It was achieved by developing new businesses that combine logistics and DX products, proposing pallet rental schemes, digital solutions, and establishing a vendor-free proposal system.

*4 In May 2025, the Company consolidated MATEHAN SIAM LAMBDA CO., LTD., a Thai forklift sales and rental company, and in September 2025, it acquired a 50% stake in a North American freight car leasing company held by the Sojitz <2768> Group, achieving entry into areas where growth is expected.

(2) Energy & environment (AT field)

As of the end of FY3/26, the balance of operating assets was ¥227.7bn (up ¥10.1bn YoY), and ordinary loss of ¥29.6bn was recorded (ordinary profit of ¥1.8bn in FY3/25). Ordinary loss was due to one-time losses related to overseas renewable energy (approximately ¥29.1bn), which also contributed to a reduction in operating assets. However, the balance of operating assets at the end of the fiscal year managed to secure an increase compared to the end of the previous fiscal year with expansion of the domestic business while the accumulation of overseas assets was restrained. The non-financial target for renewable energy power generation capacity of 1,000MW was achieved one year ahead of schedule. On the operational side, to reconstruct the business portfolio considering the overseas renewable energy losses, there were various developments* in initiatives in new areas (such as energy storage).

* These include the start of DER aggregation services using Tesla's Powerwall storage battery, the start of commercial operation of the Shinkawa Energy Storage System, the start of initiatives for storage battery businesses co-located with renewable energy, the start of initiatives for emergency community-use grid battery businesses, and participation in a large-scale grid battery consortium.

(3) BPO/ICT (AT field)

As of the end of FY3/26, the balance of operating assets was ¥63.3bn (up ¥7.4bn YoY), ROA was 3.2% (2.8% in FY3/25), and ordinary profit was ¥5.0bn (up ¥300mn). The balance of operating assets grew smoothly, driven by the increase in PC rentals due to the special demand for Windows 11 upgrades in the ICT field, as well as data center-related initiatives. Additionally, improved profitability absorbed cost increases centered on personnel expenses, securing profit growth. The non-financial target for work hours saved by customers (compared to FY3/22) of 1 million hours was achieved one year ahead of schedule. On the operational side, the Company actively promoted initiatives both domestically and internationally, such as a group organizational restructuring in the BPO business*1 and work on data centers for hyperscalers*2 to build the foundation for a digital society in the ICT field.

*1 As a first step, it consolidated the management and corporate functions of both Invoice and FOC into an intermediate holding company. The aim is to achieve business collaborations such as mutual customer referrals and to improve operational efficiency through the consolidation of corporate departments.

*2 A hyperscaler is a provider of massive, global-scale cloud infrastructure and services.

(4) Healthcare (AT field)

As of the end of FY3/26, the balance of operating assets was ¥109.2bn (up ¥14.7bn YoY), ROA was 1.7% (2.2% in FY3/25), and ordinary profit was ¥1.7bn (down ¥200mn). Ordinary profit decreased due to increases in various costs, and ROA also declined. On the other hand, the balance of operating assets expanded, thanks to strong factoring of medical and nursing care fee receivables, as well as healthcare business facilities, business succession, and turnaround finance, etc. Regarding non-financial targets, new rooms provided in nursing care facilities for the elderly increased to 1,307 rooms (up 296 rooms from the end of FY3/25), and the target of ¥56.0bn for management support financing for the medical and social-welfare market was achieved one year ahead of schedule. On the operational side, the Company worked on expanding domains through the enhancement of group functions and collaboration with regional financial institutions*.

* These include the expansion of factoring of medical and nursing care fee receivables and the rollout of non-financing services by CB Healthcare (highly specialized management solutions for the medical, nursing care, and welfare industries).

(5) Real estate (GP field)

As of the end of FY3/26, the balance of operating assets was ¥1,183.5bn (up ¥75.8bn YoY), ROA was 2.8% (2.5% in FY3/25), and ordinary profit was ¥31.5bn (up ¥4.0bn). Operating assets were accumulated while maintaining asset control with an awareness of profitability and portfolio balance. Ordinary profit increased, as gains on sales expanded, absorbing the increase in funding costs, and ROA improved. On the operational side, the Company made Sojitz Commercial Development Co., Ltd., which specializes in investment, operation, and value-enhancement of commercial facilities, an equity-method affiliate. In overseas real estate, based on high-quality partnerships, it is pushing forward with domain expansion* in Europe, Australia, and Asia while carefully assessing risk and return.

* These include rental housing development (US, Australia), joint investment in logistics warehouses (Singapore), and a large-scale office renovation project (London, UK).

(6) Aircraft (GP field)

At the end of FY3/26, the balance of operating assets was ¥389.1bn (down ¥6.3bn YoY), ROA was 2.9% (3.2% in FY3/25), and ordinary profit was ¥11.4bn (unchanged YoY). In light of the deteriorating business conditions at certain airlines, a provision (cost) was recorded in 4Q, but ordinary profit remained flat YoY, as progress was made in collecting lease fees from irregular clients and gains on the sale of owned aircraft were recorded (the level has already exceeded the target of ¥10.0bn). Meanwhile, the balance of operating assets declined slightly due to the sale of owned aircraft. In terms of the number of aircraft, it remained flat as new purchases and sales were conducted in parallel. On the operational side, a dedicated division was established to strengthen the sales function in order to promote the asset turnover-type business.

Results by business field (financial/non-financial)

(¥bn)

	FY3/25 Results	FY3/26 Results	Change
Mobility/Logistics			
Ordinary profit	6.1	8.5	2.3
ROA	2.9%	3.2%	0.4pp
Operating assets	231.1	291.8	60.7
EV/FCV ownership ratio among newly contracted vehicles (after revision)	-	7.2%	-
Energy & environment			
Ordinary profit	1.8	-29.6	-31.4
ROA	0.9%	-	-
Operating assets	217.6	227.7	10.1
Renewable energy power generation capacity	876 MW	1,014 MW	138 MW
(including projects under development)	(1,084 MW)	(1,214 MW)	(130 MW)
BPO/ICT			
Ordinary profit	4.7	5.0	0.3
ROA	2.8%	3.2%	0.4pp
Operating assets	55.8	63.3	7.4
Work hours saved by customers (compared to FY3/22)	810,000 hours	1,100,000 hours	290,000 hours
Healthcare			
Ordinary profit	2.0	1.7	-0.2
ROA	2.2%	1.7%	-0.5pp
Operating assets	94.5	109.2	14.7
Nursing care facilities for the elderly (number of new rooms provided)	1,011	1,307	296
Management support financing for the medical and social-welfare market	45.6	74.9	29.3
Real estate			
Ordinary profit	27.5	31.5	4.0
ROA	2.5%	2.8%	0.3pp
Operating assets	1,107.7	1,183.5	75.8
Aircraft			
Ordinary profit	11.4	11.4	0.0
ROA	3.2%	2.9%	-0.3pp
Operating assets	395.4	389.1	-6.3
Self-owned aircraft	66	66	0
Other aircraft (management aircraft, etc.)	57	58	1

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

5. Other topics

As part of its inorganic strategy, the Company announced that it will acquire 40% of the issued shares of Sumitomo Mitsui Trust Panasonic Finance Co., Ltd. (hereafter, SMTPFC) from Sumitomo Mitsui Trust Bank, Limited (scheduled to be implemented on October 1, 2026). It is expected to become an equity-method affiliate. After the implementation, the plan is for the Company, Sumitomo Mitsui Trust Bank, and Yokohama Financial Group, Inc. <7186> to jointly operate the business as shareholders. SMTPFC combines the strengths of both trust and manufacturer backgrounds to offer a wide range of financial services, from leasing to corporate customers to various loans for individuals. Through the co-creation of business synergies, the Company plans to enhance earnings power and capture revenue opportunities, thereby incorporating equity-method profit.

6. Summary of FY3/26

To summarize FY3/26, the recording of overseas renewable energy-related losses was the biggest issue. In particular, there is concern about what the root cause was and whether there are risks that will materialize further going forward. The Company identified the following structural problems: 1) the projects were in the development phase, making it difficult to sell them when risks materialized; and 2) although the projects in which funds were invested were diversified, there was a certain degree of concentration among the alliance partners that led the projects. On the other hand, regarding current overseas renewable energy assets, the Company recognizes that the risks likely to materialize further are limited, because 1) only a small number of projects are still in the development phase; 2) projects under construction are mainly solar, which has relatively low risk; and 3) the majority of projects are in Europe, where the institutional foundation is stable and the business environment is relatively easy to forecast. In any case, there is no change in the policy of working on the renewable energy sector. Going forward, the challenge will be to improve the accuracy of risk management and to rebuild this into a reliable growth business.

However, to assess its true earnings power, it is necessary to evaluate results excluding the impact of overseas renewable energy-related losses. In this earnings announcement, we focused on whether quality assets are being accumulated in line with the medium-term management plan, whether new profit drivers positioned as growth areas are developing, and whether initiatives (seeds) for expanding business domains are being planted. In this regard, the active domain expansion led to steady growth in mobility/logistics, and it is highly commendable that various initiatives are progressing, especially in logistics. Also, fields with future potential, such as the battery storage business (energy & environment) and data centers for hyperscalers (BPO/ICT), are points to watch going forward. The inorganic strategy (capital and business alliances) and collaborations with highly specialized partners (domestic and international) also yielded results in creating synergies and expanding business domains. On the other hand, it is undeniable that increases in various costs, led by higher funding costs due to rising domestic interest rates, are slowing profit growth. Going forward, the key will be how much of the cost increases (especially the rise in interest rates) can be passed on in pricing, and how the Company can increase added value and expand non-asset earnings.

Business outlook

For FY3/27, the Company forecasts a significant profit increase and a return to a growth trajectory

1. FY3/27 forecasts

For the consolidated results in FY3/27, the final fiscal year of the medium-term management plan, the Company forecasts significant profit growth at all levels, with operating profit up 72.7% YoY to ¥70.0bn, ordinary profit up 96.1% to ¥75.0bn, and profit attributable to owners of parent up 122.6% to ¥48.0bn. Ordinary profit is expected to meet the target set in the medium-term management plan.

The main reason for the substantial profit increase is that the overseas renewable energy-related losses that dragged down the previous fiscal year's performance will disappear. Although the Company continues to anticipate impacts from rising domestic interest rates, it plans to accumulate assets, centered on growth areas, and aims to raise base profit.

FY3/27 forecasts

(¥bn)

	FY3/26 Results	FY3/27 Forecasts	YoY change	
			Amount	%
Operating profit	40.5	70.0	29.4	72.7%
Ordinary profit	38.2	75.0	36.7	96.1%
Profit attributable to owners of parent	21.6	48.0	26.4	122.6%

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

2. FISCO's view

Regarding the FY3/27 performance forecasts in the final fiscal year of the medium-term management plan, although continued caution is needed regarding the external environment with increasing uncertainty such as unstable international situations and rising domestic interest rates, FISCO judges that the Company's performance forecast is achievable because 1) operating assets have been sufficiently accumulated, 2) the one-time costs that dragged down the previous fiscal year's performance will be gone, and 3) further accumulation can be expected from strategic progress (collaborations with alliance partners, creation of intra-group synergies, etc.). That said, depending on the direction of domestic interest rates, it should be recognized that these targets are by no means easy. Managing the increase in funding costs through price pass-through will be key, but it is necessary to consider the possibility that a time lag will temporarily pressure profits. In particular, because operating assets are growing at a pace exceeding plans, improving ROA in a rising interest rate environment is likely to be a high hurdle. The focus should be on how the Company will complete the final fiscal year of the medium-term management plan. Compared to when the plan was formulated five years ago, naturally there are differences due to environmental changes and business progress. Therefore, identifying areas to focus on going forward and the causes of delays, and how to revise or catch up over this coming year, will be important information for ascertaining the direction of the next medium-term management plan. Also, continued attention is needed on strategic alliances as well as inorganic growth initiatives through M&A.

Growth strategy

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

1. Direction of the medium-term management plan

Four years have passed since the five-year medium-term management plan started in FY3/23, and it has now entered its final fiscal year. Excluding the impact of the overseas renewable energy-related losses, progress has been generally in line with the plan, and there are no changes to the major strategic direction or numerical targets (on a company-wide 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 dialogue, 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 aiming for strategic growth enabled by capturing tectonic social changes; 2) the AT field aiming for accelerated growth based on an understanding of market trends; and 3) the GP field 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 in 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 plan for ordinary profit in the final fiscal year is ¥75.0bn. Looking at its composition (after revision), the RT field’s share will rise from 6% to 11%, the AT field’s share from 13% to 18%, and the GP field is expected to increase modestly from 41% to 44%. Conversely, the conventional general leasing and financing field will decline from 40% to 27%, and clearly there is a trend of moving away from finance leasing and financial 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 are ordinary profit of ¥75.0bn, ROA of 2.5%, an equity ratio of 13% to 15%, and ROE of at least 10%. The Company aims to further improve profitability while maintaining a balance between 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 RE100* toward the 2030 targets.

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

2. Basic strategies and targets in each business field

(1) Mobility/Logistics (RT field)

While there is increasing focus on EVs and FCVs toward realizing carbon neutrality (however, the adoption rate of EVs in Japan remains slow), the social issues in the logistics industry, such as driver shortages and long working hours, are becoming more severe. Based on this environment, the Company's strategy is to develop one-stop services centered on partner collaborations both domestically and internationally, mainly in the vehicle and logistics fields. 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, the Company 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, and aims to establish a platform to provide one-stop service in the logistics domain, from asset service to DX. The revised financial target is ordinary profit of ¥8.5bn (up ¥5.2bn from FY3/22). The non-financial target is an EV/FCV ratio 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

(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. Financial targets have not been set at this time, but non-financial targets are 1) a returned equipment reuse and recycling rate of 100% (unchanged from FY3/22), and 2) a material/chemical recycling rate for waste plastics of 100% (up 100 percentage points (pp) from FY3/22).

(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. At the same time, in light of the overseas renewable energy-related losses, the Company intends to advance the sophistication of its management systems and rebuild the renewable energy sector into a reliable growth business. 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 → reuse and recycling, etc.) in the storage battery field and also with a view to participating in the balancing market* that is steadily growing. The revised financial target is ordinary profit of ¥3.5bn (up ¥1.9bn from FY3/22). The non-financial targets 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 financial target is ordinary profit of ¥7.5bn (up ¥4.1bn from FY3/22), and the non-financial target is to reduce customers' work hours by 1 million hours.

(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 against the backdrop of the 2025 problem*. 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. As a financial target, the Company aims for ordinary profit of ¥2.5bn (up ¥700mn from FY3/22), and non-financial targets 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).

* Japan has become a super-aging society, and its social structure and systems are approaching a major turning point that is expected to impact various fields, including employment, medical care, and welfare.

(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, the Company is also advancing initiatives targeting environmentally friendly real estate*. The revised financial target is ordinary profit of ¥23.0bn (up ¥2.7bn from FY3/22). No non-financial targets have been set.

* Real estate such as green buildings and buildings with CASBEE evaluation certification or with environment-friendly facilities installed (energy saving, solar panels, etc.).

(7) Aircraft (GP field)

The Company assumes a gradual recovery in the business environment and aims for steady profit growth by emerging from the effects of the COVID-19 pandemic and promoting 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 aviation fuel (SAF). The revised financial target is ordinary profit of ¥10.0bn (up ¥8.5bn from FY3/22). No non-financial targets have been set.

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 is very realistic and makes sense for the Company to aim to create new value through alliances with partner companies in growth areas that are highly compatible with the fields in which it has built up its business. 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 final fiscal year. To increase return on equity (ROE), which is a crucial factor for improving corporate value (PBR enhancement), continuing to improve ROA will be key. FISCO judges that the drivers—expanding new areas through alliances with partner companies, enhancing added value, and strengthening non-asset earnings—will remain unchanged going forward. Regarding initiatives for “resolving social issues,” we will follow the progress of KPIs set as non-financial targets. From a medium- to long-term perspective, we will closely evaluate how the Company leverages these targets to create new markets, strengthen competitiveness, build new business models, other initiatives, and thereby connect to economic value (profit growth, etc.).

Shareholder returns

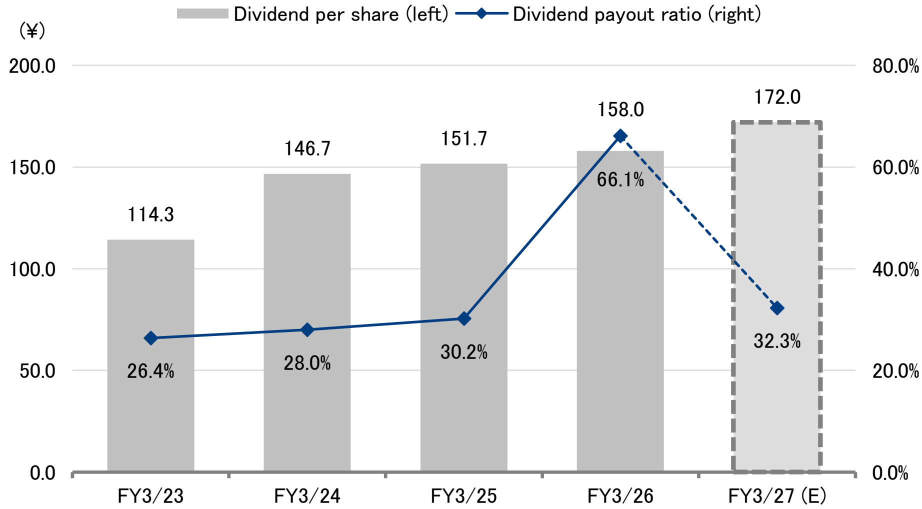
Conducted a 3-for-1 stock split in April 2025, and plans to continue dividend increases in FY3/27

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.

In FY3/26, the Company paid a dividend per share of ¥158 (interim ¥79, year-end ¥79), an increase of ¥6.3 YoY.* For FY3/27, the Company plans a dividend per share of ¥172 (interim ¥86, fiscal year-end ¥86), an increase of ¥14 from FY3/26 (projected dividend payout ratio of 32.3%). Going forward, the Company aims for stable profit growth and plans to strengthen shareholder returns based on the newly set dividend payout ratio target of 32% or higher.

* These figures have been retroactively revised to account for the impact of the 3-for-1 stock split with an effective date of April 1, 2025.

Dividend per share and dividend payout ratio



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

Disclaimer

FISCO Ltd. ("FISCO") offers stock price and index information for use under the approval of the Tokyo Stock Exchange, the Osaka Exchange, and Nikkei Inc.

This report is provided solely for the purpose of offering information and is not a solicitation of investment nor any other act or action.

FISCO has prepared and published this report based on information it deems reliable. However, FISCO does not warrant the accuracy, completeness, certainty, nor reliability of the contents of this report or the said information.

The issuers' securities, currencies, commodities, and other financial instruments mentioned in this report may increase or decrease in value or lose their value due to influence from corporate activities, economic policies, world affairs, and other factors. This report does not make any promises regarding any future outcomes. If you use this report or any information mentioned herein, regardless of the purpose therefor, such use shall be based on your judgment and responsibility, and FISCO shall not be liable for any damage incurred by you as a result of such use, irrespective of the reason.

This report was prepared at the request of the subject company, with information provided by the company through telephone interviews and other means, and with compensation from the company. Hypotheses, conclusions and all other content contained in this report are based on FISCO's analysis. The contents of this report are current as of the date of preparation and are subject to change without notice. FISCO is not obligated to update this report.

FISCO and its affiliated companies, as well as the directors, officers, and employees thereof, may currently or in the future trade or hold the financial instruments or the securities of issuers that are mentioned in this report.

Please use the information in this report with an understanding and acceptance of the above points.

■ For inquiries, please contact: ■
FISCO Ltd.
5-13-3 Minami Aoyama, Minato-ku, Tokyo, Japan 107-0062
Phone: 03-5774-2443 (IR Consulting Business Division)
Email: support@fisco.co.jp