COMPANY RESEARCH AND ANALYSIS REPORT

Mizuho Leasing Company, Limited

8425

Tokyo Stock Exchange Prime Market

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FISCO Ltd. Analyst
Masanobu Mizuta

FISCO Ltd.
https://www.fisco.co.jp

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Summary

In FY3/25, achieved the final-year financial targets of the Medium-term Management Plan one year ahead of schedule

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

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

The gross profit composition ratios for FY3/25 by business area were 40.8% for the domestic leasing business, 33.8% for the real estate/environment and energy business, 21.4% for the overseas/aircraft business, and 3.9% for the finance/investment business. The Company is steadily expanding core areas (domestic leasing, real estate) that form its solid earnings base, while accelerating business expansion in high potential growth areas (environment and energy) and in frontier areas (circular economy). This has created a well-balanced earnings structure supported by the three pillars of the domestic leasing business, the real estate/environment and energy business, and the overseas/aircraft business. The Company's characteristics and strengths include a strong customer base centered on the Mizuho Group, a business base built on high-quality assets, a financing base based on an external credit rating that is among the best in the industry, and a human resources base that possesses extensive knowledge and expertise about leasing transactions and financial services.

2. Significant earnings growth and record-high results in FY3/25, achieving the final-year financial targets of the Medium-term Management Plan one year ahead of schedule

In FY3/25, the Company reported consolidated revenues of ¥695,423mn (up 6.0% year on year (YoY)), operating income of ¥48,966mn (up 23.9%), ordinary income of ¥66,219mn (up 30.1%) and net income attributable to owners of the parent of ¥42,038mn (up 19.4%). Earnings increased significantly to reach record-high results, surpassing the previous forecast (ordinary income and net income attributable to owners of the parent were upwardly revised on February 5, 2025). Newly executed contract volume increased 22.3% YoY to ¥1,795,684mn, and end-of-period operating assets increased 14.8% YoY to ¥3,281,857mn, marking steady increases. The Company's core areas of domestic leasing and real estate, as well as growth areas of the overseas/aircraft businesses, all experienced growth. In addition, the Company achieved the final year financial targets (FY3/26) set out in the Medium-term Management Plan one year ahead of schedule.

3. Net income attributable to owners of the parent is expected to increase in FY3/26, supported by the steady accumulation of operating assets

For the FY3/26 consolidated results forecast, the Company expects operating income to decrease 8.1% YoY to ¥45,000mn, ordinary income to decrease 13.9% to ¥57,000mn, and net income attributable to owners of the parent to increase 2.3% to ¥43,000mn. The Company forecasts that both operating income and ordinary income will decrease, due to an increase in SG&A expenses reflecting continued investments in personnel and systems to strengthen the managerial foundations in anticipation of dramatic future growth. That said, factors such as the steady accumulation of operating assets are expected to partially offset the effects of higher funding costs associated with policy interest rate hikes, along with the absence of non-recurring revenue recorded in the previous fiscal year. Net income attributable to owners of the parent is forecast to increase, as the extraordinary losses and tax expenses recorded in the previous fiscal year expire. Given the steady performance of core areas centered on the domestic leasing and real estate businesses, as well as an upward trend in operating assets in environment and energy and overseas/aircraft business growth areas, we at FISCO believe that favorable results can be expected.

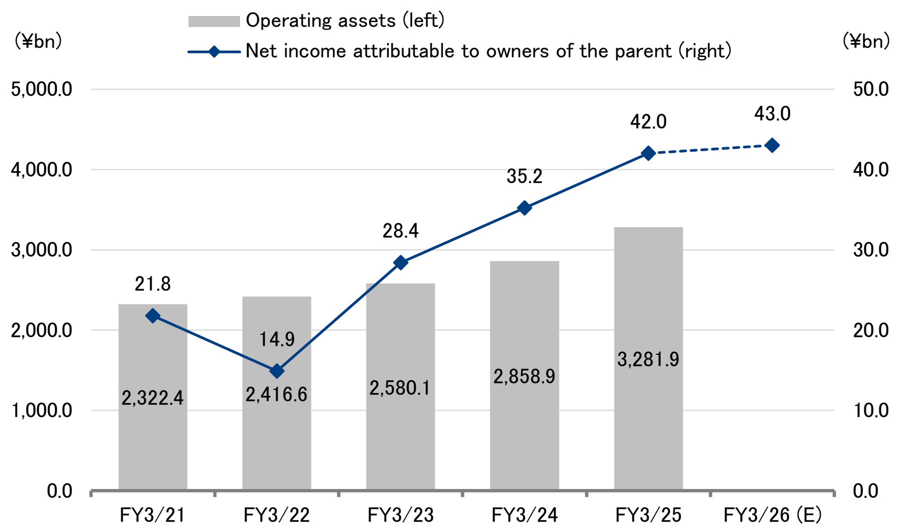
4. Advancing multi-layered business portfolio management

In May 2023, the Company formulated Medium-term Management Plan 2025 (FY3/24 to FY3/26). The Company has positioned the plan as a period of aggressive investment of managerial resources into both business and management infrastructure, in order to make great strides towards the realization of medium- to long-term ambitions “Making the great leap from a leasing company to a multi-solution platform that contributes to overcoming business and social challenges.” The basic strategy is to manage a multi-layered business portfolio with different growth time axes, categorizing it into three areas: core areas, where it aims for steady and continuous growth in businesses that serve as solid profit sources; growth areas, where it seeks to create new revenue pillars after core areas by advancing toward medium- to long-term targets; and frontier areas, where significant growth is anticipated from a long-term perspective. Furthermore, the Company will transform and raise the sophistication of its business portfolio management while actively utilizing an inorganic strategy, including M&A and alliances, with a focus on alliances with the Mizuho Group and Marubeni.

Key Points

- A major leasing company in the Mizuho Group, with a capital and business alliance with Marubeni as well
- Has a strong customer base, business base, fundraising base, and human resources base as its characteristics and strengths
- Significant earnings growth in FY3/25, achieving the final-year financial targets of the Medium-term Management Plan one year ahead of schedule
- Net income attributable to owners of the parent is expected to increase in FY3/26, supported by the steady accumulation of operating assets
- Advancing multi-layered business portfolio management

Results trends



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

Company profile

Major leasing company of the Mizuho Group

1. Company profile

The Company is a major leasing company of the Mizuho Group. It aims to accelerate growth through an inorganic M&A and alliances strategy, collaborating primarily with the Mizuho Financial Group and Marubeni. Not only this, the Company aims to become a business enterprise that grows beyond the traditional finance framework through initiatives to create new businesses.

The Mizuho Leasing Group consists of the Company itself and over 200 subsidiaries and affiliates. Its major consolidated subsidiaries include Dai-ichi Leasing Co., Ltd., Mizuho-Toshiba Leasing Company, Limited, ML Estate Company, Limited, Mizuho Auto Lease Company, Limited, Universal Leasing Co., Ltd., Mizuho Leasing (China) Ltd., Mizuho Leasing (Singapore) Pte. Ltd., PT Mizuho Leasing Indonesia Tbk, Mizuho RA Leasing Pvt. Ltd. (India; renamed from Rent Alpha Pvt. Ltd. in March 2025), Mizuho Capsave Finance Pvt. Ltd. (India; renamed from Capsave Finance Pvt. Ltd. in May 2025), Mizuho Leasing (UK) Limited, and IBJ Air Leasing (US) Corp. Its major equity method affiliates include Mizuho Marubeni Leasing Corporation, RICOH LEASING COMPANY, LTD.<8566>, Nippon Steel Kowa Real Estate Co., Ltd., Mizuho Capital Co., Ltd., GECOSS <9991>, Krungthai Mizuho Leasing Co., Ltd. (Thailand), Aircastle Limited (USA), and Vietnam International Leasing Co., Ltd. The Company is an equity method affiliate of Mizuho Financial Group and Marubeni.

At the end of FY3/25, the Company had total assets of ¥3,898,061mn, net assets of ¥401,495mn, shareholders' equity of ¥326,983mn, and an equity ratio of 9.8%. The number of shares issued was 282,666,300 shares (including 2,763,080 shares of treasury stock). The Company executed a 5-for-1 share split on April 1, 2024 (effective date).

2. History

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

History

Year Month	Main events
December 1969	Pacific Lease Co., Ltd. established based on investment from 15 companies centered on The Industrial Bank of Japan (now Mizuho Bank, Ltd.)
November 1981	Company name changed to IBJ Leasing Company, Limited
February 1987	Established IBJ Leasing (UK) Limited in the UK (now Mizuho Leasing (UK) Limited, a consolidated subsidiary)
February 1992	Acquired the equity interests of Krung Thai IBJ leasing Co., Ltd. (now Krungthai Mizuho Leasing Co., Ltd., an equity method affiliate)
December 1993	Established Yaesu Leasing Company, Limited (now ML Estate Company, Limited, a consolidated subsidiary)
February 1999	Acquired Nissan Leasing Co., Ltd. (merger acquisition in April 2015)
June 2000	Acquired shares of Saison Auto Lease Systems Co., Ltd. (now Mizuho Auto Lease Company, Limited, a consolidated subsidiary)
June 2001	Acquired shares of Universal Leasing Co., Ltd. (now a consolidated subsidiary)
October 2004	Shares listed on the Second Section of the Tokyo Stock Exchange (TSE)
September 2005	Redesignated to First Section of TSE
October 2005	Established Marunouchi Shoji Company, Limited (now ML Shoji Company, Limited, a consolidated subsidiary)
March 2006	Acquired Dai-ichi Leasing Co., Ltd. (now a consolidated subsidiary)
April 2007	Established KL Office Service Company, Limited (now ML Office Service Company, Limited, a consolidated subsidiary)
July 2008	Established IBJ Leasing (China) Ltd. in China (now Mizuho Leasing (China) Ltd., a consolidated subsidiary)
August 2010	Established PT. IBJ VERENA FINANCE in Indonesia (now PT Mizuho Leasing Indonesia Tbk, a consolidated subsidiary)
February 2012	Acquired shares of TF Asset Service Co., Ltd. (now Mizuho-Toshiba Leasing Company, Limited, a consolidated subsidiary), which succeeded the corporate financial services business of Toshiba Finance Corporation
February 2016	Established IBJ Air Leasing Limited (now a consolidated subsidiary), a joint venture with U.S. aircraft leasing company Aircastle Limited
August 2016	Established IBJ Air Leasing (US) Corp. as a joint venture with Aircastle Limited
January 2019	Acquired shares of PT. VERENA MULTI FINANCE Tbk of Indonesia (now PT Mizuho Leasing Indonesia Tbk, a consolidated subsidiary)
March 2019	Became an equity method affiliate of Mizuho Financial Group, Inc. through a capital and business tie-up Acquired shares of MG Leasing Corporation (now Mizuho Marubeni Leasing Corporation, an equity method affiliate, a joint venture with Marubeni Corporation)
July 2019	Merged with PT. IBJ VERENA FINANCE, with PT. VERENA MULTI FINANCE Tbk (now PT Mizuho Leasing Indonesia Tbk) as the surviving company
October 2019	Changed company name to Mizuho Leasing Company, Limited
March 2020	Acquired the equity interests of Aircastle Limited, (now an equity method affiliate, joint operating company with Marubeni) Acquired the equity interests of PLM Fleet, LLC, a U.S. freezer/refrigerated trailer leasing and rental company (now an equity method affiliate, jointly operated with Marubeni)
April 2020	Acquired equity interests of Vietnam International Leasing Co., Ltd. (now an equity method affiliate) Acquired RICOH LEASING COMPANY, LTD. (now an equity method affiliate)
March 2021	Singapore subsidiary Mizuho Leasing (Singapore) Pte. Ltd. started operations (now a consolidated subsidiary)
May 2021	Acquired the equity interests of Mizuho Capital Co., Ltd. (now an equity method affiliate)
August 2021	Acquired equity interests of Nippon Steel Kowa Real Estate Co., Ltd. (now an equity method affiliate)
January 2022	Acquired Affordable Car Leasing Pty Ltd, an Australian automobile sales and financing company (now an equity method affiliate, jointly operated with Marubeni)
April 2022	Moved to the Prime Market in conjunction with the TSE's market reclassifications
June 2023	Acquired shares of Rent Alpha Pvt. Ltd. (now Mizuho RA Leasing Pvt. Ltd.), an Indian leasing company (now a consolidated subsidiary along with its wholly owned subsidiary Capsave Finance Pvt. Ltd. (now Mizuho Capsave Finance Pvt. Ltd.))
February 2024	Established MIRAIZ CAPITAL Co., Ltd. (a consolidated subsidiary)
April 2024	Formed a capital and business alliance with GECOSS CORPORATION (now an equity method affiliate)
May 2024	Formed a capital and business alliance with Marubeni, and became an equity method affiliate
April 2025	Established ML ITAD Solution Co., Ltd. to promote the realization of a circular economy

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

Business overview

Offers various financial services centered on leases

1. Business overview

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

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

In FY3/25, revenues by segment (revenues to outside customers) were ¥645,193mn for Leasing and Installment Sales, ¥41,488mn for Finance, and ¥8,742mn for Other. Operating income (before adjustment for Company-wide expenses, etc.) was ¥28,356mn for Leasing and Installment Sales, ¥23,808mn for Finance, and ¥1,402mn for Other. Newly executed contract volume was ¥957,031mn for Leasing and Installment Sales (comprising ¥389,832mn for finance leases, ¥507,350mn for operating leases, and ¥59,848mn for installment sales), ¥814,940mn for Finance, and ¥23,712mn for Other. Operating assets totaled ¥1,970,339mn for Leasing and Installment Sales (comprising ¥1,040,972mn for finance leases, ¥815,415mn for operating leases, and ¥113,951mn for installment sales), ¥1,217,493mn for Finance, and ¥94,024mn for Other. Based on operating income, Leasing and Installment Sales, and Finance serve as the two main pillars of earnings.

Gross profit is on an increasing trend. Operating assets related to real estate/environment and energy increased significantly

2. Trends by business area

In addition to the reporting segments based on the financial results summary and securities report, the Company discloses gross profit, end-of-period operating assets, and newly executed contract volume by business area (domestic leasing business, real estate/environment and energy business, overseas/aircraft business, finance/investment business) based on management accounting. This report will present analysis and commentary based on business area classifications, in accordance with the Company's disclosure materials.

The trends over the past 5 fiscal years (FY3/21 to FY3/25) in gross profit and its composition ratio, end-of-period operating assets and their composition ratio, newly executed contract volume and its composition ratio by business area on a management accounting basis are as follows. In FY3/25, gross profit on a Company-wide basis was ¥86.3bn, and the gross profit composition by business area (gross profit by business area has been disclosed since the FY3/25; gross profit before funding costs were disclosed until FY3/23) was 40.8% for the domestic leasing business, 33.8% for the real estate/environment and energy business, 21.4% for the overseas/aircraft business, and 3.9% for the finance/investment business. The amounts of gross profit in the real estate/environment and energy business and overseas/aircraft business increased significantly, accompanied by a rise in their respective gross profit composition ratios. Although the gross profit composition ratio in the domestic leasing business has been on a declining trend, the gross profit amount has remained firm. As a result, the Company has established a well-balanced earnings structure supported by three pillars: the domestic leasing business, the real estate/environment and energy business, and the overseas/aircraft business.

End-of-period operating assets on a Company-wide basis increased from ¥2,322.4bn at the end of FY3/21 to ¥3,281.9bn at the end of FY3/25. Although end-of-period operating assets in the domestic leasing business decreased slightly over the same period, from ¥1,531.9bn at the end of FY3/21 to ¥1,447.9bn at the end of FY3/25, end-of-period operating assets in the real estate/environment and energy business grew significantly, from ¥437.3bn to ¥1,377.8bn. In addition, the composition ratio for end-of-period operating assets decreased from 66.0% to 44.1% in the domestic leasing business, while the composition ratio increased from 18.8% to 42.0% for the real estate/environment and energy business. Furthermore, newly executed contract volume on a Company-wide basis (newly executed contract volume by business segment has been disclosed since the FY3/24) increased from ¥1,407.5bn in FY3/23 to ¥1,795.7bn in FY3/25. In the domestic leasing business, newly executed contract volume decreased from ¥946.5bn to ¥822.3bn over the same period. Meanwhile, the real estate/environment and energy business saw a significant increase in newly executed contract volume from ¥408.3bn to ¥705.0bn, and the overseas/aircraft business rose sharply from ¥70.7bn to ¥234.8bn. This is because the Company is accelerating its business expansion into high growth potential areas such as environment and energy, and frontier areas such as circular economy.

Trends by business area (management accounting basis)

(¥bn)

Gross profit before funding costs (FY3/21–FY3/23) / Gross profit (FY3/24 and FY3/25)	FY3/21	FY3/22	FY3/23	FY3/24	FY3/25
Domestic leasing	33.5	36.2	37.3	35.5	35.2
Real estate/environment and energy	14.2	13.8	21.2	24.3	29.2
(Real estate)	-	-	-	23.0	27.4
(Environment and energy)	-	-	-	1.3	1.8
Overseas/aircraft	9.1	9.4	10.6	11.8	18.5
(Overseas affiliated companies)	-	-	-	7.7	13.2
(Aircraft, ships, etc.)	-	-	-	4.1	5.3
Finance/investment	2.5	2.8	3.2	2.1	3.4
Total	59.3	62.1	72.3	73.6	86.3

Composition ratio for gross profit before funding costs (FY3/21–FY3/23) / Composition ratio for gross profit (FY3/24 and FY3/25)	FY3/21	FY3/22	FY3/23	FY3/24	FY3/25
Domestic leasing	56.5%	58.3%	51.6%	48.2%	40.8%
Real estate/environment and energy	23.9%	22.2%	29.3%	33.0%	33.8%
(Real estate)	-	-	-	31.3%	31.7%
(Environment and energy)	-	-	-	1.8%	2.1%
Overseas/aircraft	15.3%	15.1%	14.7%	16.0%	21.4%
(Overseas affiliated companies)	-	-	-	10.5%	15.3%
(Aircraft, ships, etc.)	-	-	-	5.6%	6.1%
Finance/investment	4.2%	4.5%	4.4%	2.9%	3.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

End-of-period operating assets	End-FY3/21	End-FY3/22	End-FY3/23	End-FY3/24	End-FY3/25
Domestic leasing	1,531.9	1,508.8	1,441.6	1,416.3	1,447.9
Real estate/environment and energy	437.3	590.0	792.8	1,020.3	1,377.8
(Real estate)	-	-	-	905.7	1,240.0
(Environment and energy)	-	-	-	114.5	137.8
Overseas/aircraft	188.1	163.6	195.0	240.9	259.5
(Overseas affiliated companies)	-	-	-	78.5	105.9
(Aircraft, ships, etc.)	-	-	-	162.5	153.6
Finance/investment	165.1	154.2	150.7	181.4	196.7
Total	2,322.4	2,416.6	2,580.1	2,858.9	3,281.9

Composition of end-of-period operating assets	End-FY3/21	End-FY3/22	End-FY3/23	End-FY3/24	End-FY3/25
Domestic leasing	66.0%	62.4%	55.9%	49.5%	44.1%
Real estate/environment and energy	18.8%	24.4%	30.7%	35.7%	42.0%
(Real estate)	-	-	-	31.7%	37.8%
(Environment and energy)	-	-	-	4.0%	4.2%
Overseas/aircraft	8.1%	6.8%	7.6%	8.4%	7.9%
(Overseas affiliated companies)	-	-	-	2.7%	3.2%
(Aircraft, ships, etc.)	-	-	-	5.7%	4.7%
Finance/investment	7.1%	6.4%	5.8%	6.3%	6.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Newly executed contract volume	FY3/21	FY3/22	FY3/23	FY3/24	FY3/25
Domestic leasing	-	-	946.5	796.0	822.3
Real estate/environment and energy	-	-	408.3	495.9	705.0
(Real estate)	-	-	-	475.0	664.4
(Environment and energy)	-	-	-	20.9	40.6
Overseas/aircraft	-	-	70.7	122.5	234.8
(Overseas affiliated companies)	-	-	-	86.6	204.6
(Aircraft, ships, etc.)	-	-	-	35.9	30.2
Finance/investment	-	-	45.0	54.1	33.6
Total	-	-	1,470.5	1,468.4	1,795.7

Composition of newly executed contract volume	FY3/21	FY3/22	FY3/23	FY3/24	FY3/25
Domestic leasing	-	-	64.4%	54.2%	45.8%
Real estate/environment and energy	-	-	27.8%	33.8%	39.3%
(Real estate)	-	-	-	32.3%	37.0%
(Environment and energy)	-	-	-	1.4%	2.3%
Overseas/aircraft	-	-	4.8%	8.3%	13.1%
(Overseas affiliated companies)	-	-	-	5.9%	11.4%
(Aircraft, ships, etc.)	-	-	-	2.4%	1.7%
Finance/investment	-	-	3.1%	3.7%	1.9%
Total	-	-	100.0%	100.0%	100.0%

Notes: 1. Gross profit before funding costs has been reclassified and disclosed as gross profit from the results briefing materials for FY3/25. The figures for FY3/24 have been restated to reflect this change.
Notes: 2. Newly executed contract volume has been disclosed from the results briefing materials for FY3/24.
Notes: 3. Breakdowns of the real estate/environment and energy business and the overseas/aircraft business have been disclosed from the results briefing materials for FY3/25.
Source: Prepared by FISCO from the Company's results briefing materials

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

3. Characteristics and strengths, risk factors and earnings characteristics, issues and measures to address them

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

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

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

Results trends

Significant earnings growth and record-high results in FY3/25, achieving the final-year financial targets of the Medium-term Management Plan one year ahead of schedule

1. Overview of FY3/25 consolidated results

In FY3/25, the Company reported consolidated revenues of ¥695,423mn (up 6.0% YoY), operating income of ¥48,966mn (up 23.9%), ordinary income of ¥66,219mn (up 30.1%) and net income attributable to owners of the parent of ¥42,038mn (up 19.4%). It posted significant earnings growth and achieved record-high results exceeding the previous forecast. (On February 5, 2025, although the operating income forecast was left unchanged, the ordinary income forecast was raised by ¥5,000mn, while the forecast for net income attributable to owners of the parent was raised by ¥2,000mn. As a result, the operating income forecast was ¥47,000mn, the ordinary income forecast was ¥60,000mn, and the forecast for net income attributable to owners of the parent was ¥40,000mn). Newly executed contract volume on a Company-wide basis increased 22.3% to ¥1,795,684mn, and end-of-period operating assets increased 14.8% to ¥3,281,857mn, marking steady increases. The Company's core areas of domestic leasing and real estate, as well as in the growth areas of overseas/aircraft businesses, all experienced growth.

Overview of FY3/25 consolidated results

(¥mn)

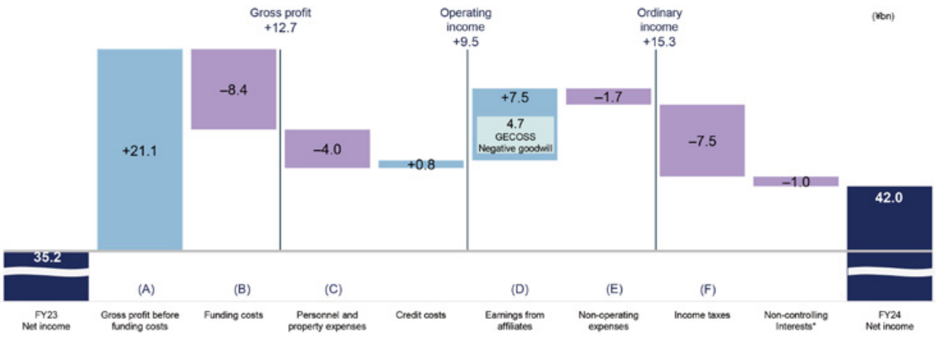
	FY3/24		FY3/25		YoY	
	Result	Vs. revenues	Result	Vs. revenues	Change	% Change
Revenues	656,127	100.0%	695,423	100.0%	39,296	6.0%
Gross profit	73,621	11.2%	86,343	12.4%	12,722	17.3%
SG&A expenses	34,109	5.2%	37,377	5.4%	3,268	9.6%
Operating income	39,511	6.0%	48,966	7.0%	9,455	23.9%
Other income	15,178	2.3%	22,629	3.3%	7,451	49.1%
Dividend income	2,026	0.3%	1,024	0.1%	-1,002	-49.5%
Equity in earnings of affiliates	10,482	1.6%	18,008	2.6%	7,526	71.8%
Gain on investments	2,072	0.3%	2,543	0.4%	471	22.7%
Other expenses	3,792	0.6%	5,377	0.8%	1,585	41.8%
Interest expenses	2,787	0.4%	4,676	0.7%	1,889	67.8%
Ordinary income	50,897	7.8%	66,219	9.5%	15,322	30.1%
Extraordinary income	211	0.0%	403	0.1%	192	91.0%
Extraordinary loss	28	0.0%	748	0.1%	720	-
Net income attributable to owners of the parent	35,220	5.4%	42,038	6.0%	6,818	19.4%
Newly executed contract volume	1,468,441	-	1,795,684	-	327,243	22.3%
End-of-period operating assets	2,858,898	-	3,281,857	-	422,959	14.8%
Ratio of gross profit to operating assets	2.7%	-	2.8%	-	0.1pp	-
ROA	1.6%	-	1.8%	-	0.2pp	-
ROE	12.3%	-	12.2%	-	-0.1pp	-

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

Gross profit increased 17.3% YoY, and the gross profit margin rose 1.2 percentage points (pp) to 12.4%. SG&A expenses rose 9.6% while the SG&A ratio rose 0.2pp to 5.4%. As a result, the operating income margin increased 1.0pp YoY to 7.0%. In terms of other income and expenses, although dividend income decreased ¥1,002mn and interest expenses rose ¥1,889mn, equity in earnings of affiliates increased ¥7,526mn (¥10,482mn in FY3/24, ¥18,008mn in FY3/25). As a result, the ordinary income margin increased 1.7pp to 9.5%, the net profit margin increased 0.6pp to 6.0%, ROA (ratio of ordinary income to total assets) increased 0.2pp to 1.8%, and ROE (ratio of net income to equity) decreased 0.1pp to 12.2%. Furthermore, the Company achieved the final year financial targets of the Medium-term Management Plan (FY3/26), including targets for ROA and ROE, one year ahead of schedule.

The factors behind the increase and decrease in net income attributable to owners of the parent (¥6.8bn increase from the previous fiscal year) were: an increase of ¥12.7bn at the gross profit level (¥21.1bn increase due to an increase in gross profit before funding costs, ¥8.4bn decrease due to an increase in funding costs), an increase of ¥9.5bn at the operating income level (¥4.0bn decrease due to an increase in personnel and property expenses, ¥0.8bn increase due to a decrease in credit costs), an increase of ¥15.3bn at the ordinary income level (¥7.5bn increase due to an increase in equity in earnings of affiliates, a ¥1.7bn decrease due to a deterioration in non-operating income and expenses), and a ¥7.5bn decrease due to an increase in income tax expenses, etc. and a ¥1.0bn decrease due to non-controlling interests. Gross profit before funding costs increased steadily due to growth in the real estate/environment and energy business and the effect of the full-year consolidation of an Indian subsidiary. Funding costs increased in line with an increase in yen interest rates and an expansion in operating assets. Personnel and property expenses increased due to factors including an increase in personnel headcount and wages associated with business expansion, as well as IT investments. Equity in earnings of affiliates increased due to the effect of having GECOSS as an equity-method affiliate (including a non-recurring gain of ¥4.7bn from negative goodwill), as well as the effect of improved profitability of Aircastle (USA). By business area, equity in earnings of affiliates increased by ¥6.5bn to ¥8.7bn in the domestic leasing business, increased ¥0.1bn to ¥4.5bn in the real estate/environment and energy business, and increased ¥1.0bn to ¥4.6bn in the overseas/aircraft business (including an increase of ¥2.3bn to ¥1.3bn at Aircastle (USA)), and decreased ¥0.1bn to ¥0.2bn in the finance/investment business. Other non-operating income and expenses were affected by an increase in interest expenses due to rising domestic interest rates. Income taxes, etc. were affected by the recording of ¥0.7bn as an allowance for expenses associated with headquarters relocation (scheduled for spring 2026) under extraordinary loss, and by a ¥3.7bn reversal of a deferred tax asset recognized for Aircastle under the CFC tax regime.

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



Source: The Company's results briefing materials

Significant growth in the real estate/environment and energy business and the overseas/aircraft business

2. Trends by business area

Looking at the results by business area (management accounting basis), gross profit for domestic leasing business decreased ¥0.3bn YoY to ¥35.2bn, while the real estate/environment and energy business increased ¥4.9bn to ¥29.2bn (real estate increased ¥4.4bn to ¥27.4bn and environment and energy increased ¥0.5bn to ¥1.8bn), the overseas/aircraft business increased ¥6.7bn to ¥18.5bn (overseas affiliated companies increased ¥5.5bn to ¥13.2bn, and aircraft, ships, etc. increased ¥1.2bn to ¥5.3bn), the finance/investment business increased ¥1.3bn to ¥3.4bn. Newly executed contract volume rose ¥26.3bn to ¥822.3bn for the domestic leasing business, while the real estate/environment and energy business increased ¥209.1bn to ¥705.0bn (real estate rose ¥189.4bn to ¥664.4bn, environment and energy rose ¥19.7bn to ¥40.6bn), the overseas/aircraft business increased ¥112.3bn to ¥234.8bn (overseas affiliated companies rose ¥118.0bn to ¥204.6bn, while aircraft, ships, etc. decreased ¥5.7bn to ¥30.2bn) and the finance/investment business decreased ¥20.5bn to ¥33.6bn. End-of-period operating assets were ¥1,447.9bn for the domestic leasing business, up ¥31.6bn, ¥1,377.8bn for the real estate/environment and energy business, up ¥357.5bn (real estate was ¥1,240.0bn, up ¥334.3bn, and environment and energy was ¥137.8bn, up ¥23.2bn), while in the overseas/aircraft business, operating assets were up ¥18.6bn to ¥259.5bn (overseas affiliated companies rose ¥27.4bn to ¥105.9bn, while aircraft, ships, etc. decreased ¥8.9bn to ¥153.6bn), and in the finance/investment business, operating assets rose ¥15.3bn to ¥196.7bn.

In the domestic leasing business, gross profit declined slightly due to the absence of a gain from the cancellation of a large contract (approximately ¥1.4bn) recorded in the previous fiscal year, but excluding this factor, gross profit remained generally steady. In the real estate/environment and energy business, gross profit increased significantly, supported in part by the signing of large bridge financing projects in the real estate business. Gross profit in the overseas/aircraft business also expanded substantially. At overseas affiliated companies, this was driven by the effect of the full-year consolidation of an Indian subsidiary and the recognition of gains on the cancellation/sale of large-scale contracts. In the finance/investment business, gross profit increased steadily due to the accumulation of operating assets.

Overview by business area for FY3/25 (management accounting basis)

(¥bn)

	FY3/24		FY3/25		YoY	
	Amount	Composition	Amount	Composition	Change	% Change
Gross profit total	73.6	100.0%	86.3	100.0%	12.7	17.3%
Domestic leasing	35.5	48.2%	35.2	40.8%	-0.3	-0.8%
Real estate/environment and energy	24.3	33.0%	29.2	33.8%	4.9	20.2%
(Real estate)	23.0	31.3%	27.4	31.7%	4.4	19.1%
(Environment and energy)	1.3	1.8%	1.8	2.1%	0.5	38.5%
Overseas/aircraft	11.8	16.0%	18.5	21.4%	6.7	56.8%
(Overseas affiliated companies)	7.7	10.5%	13.2	15.3%	5.5	71.4%
(Aircraft, ships, etc.)	4.1	5.6%	5.3	6.1%	1.2	29.3%
Finance/investment	2.1	2.9%	3.4	3.9%	1.3	61.9%
Total contract execution volume	1,468.4	100.0%	1,795.7	100.0%	327.3	22.3%
Domestic leasing	796.0	54.2%	822.3	45.8%	26.3	3.3%
Real estate/environment and energy	495.9	33.8%	705.0	39.3%	209.1	42.2%
(Real estate)	475.0	32.3%	664.4	37.0%	189.4	39.9%
(Environment and energy)	20.9	1.4%	40.6	2.3%	19.7	94.3%
Overseas/aircraft	122.5	8.3%	234.8	13.1%	112.3	91.7%
(Overseas affiliated companies)	86.6	5.9%	204.6	11.4%	118.0	136.3%
(Aircraft, ships, etc.)	35.9	2.4%	30.2	1.7%	-5.7	-15.9%
Finance/investment	54.1	3.7%	33.6	1.9%	-20.5	-37.9%
Total end-of-period operating assets	2,858.9	100.0%	3,281.9	100.0%	423.0	14.8%
Domestic leasing	1,416.3	49.5%	1,447.9	44.1%	31.6	2.2%
Real estate/environment and energy	1,020.3	35.7%	1,377.8	42.0%	357.5	35.0%
(Real estate)	905.7	31.7%	1,240.0	37.8%	334.3	36.9%
(Environment and energy)	114.5	4.0%	137.8	4.2%	23.2	20.3%
Overseas/aircraft	240.9	8.4%	259.5	7.9%	18.6	7.7%
(Overseas affiliated companies)	78.5	2.7%	105.9	3.2%	27.4	34.9%
(Aircraft, ships, etc.)	162.5	5.7%	153.6	4.7%	-8.9	-5.5%
Finance/investment	181.4	6.3%	196.7	6.0%	15.3	8.4%

Notes: 1. Gross profit before funding costs has been reclassified and disclosed as gross profit from the results briefing materials for FY3/25. The figures for FY3/24 have been restated to reflect this change.
Notes: 2. Breakdowns of the real estate/environment and energy business and the overseas/aircraft business have been disclosed from the results briefing materials for FY3/25.
Notes: 3. YoY changes have been calculated by FISCO based on figures rounded to the nearest ¥100mn.
Source: Prepared by FISCO from the Company's results briefing materials

Maintaining a solid financial condition due to a high credit rating

3. Financial position

Looking at the Company's financial condition, at the end of FY3/25, total assets were ¥3,898,061mn, an increase of ¥534,725mn versus the end of FY3/24. Total liabilities rose ¥463,030mn to ¥3,496,565mn, while net assets increased ¥71,695mn to ¥401,495mn. As business expanded, operating assets increased, while interest-bearing debt increased ¥435,643mn to ¥3,278,071mn. The breakdown (composition ratio) of interest-bearing debt was borrowings (yen) 54%, commercial paper 20%, corporate bonds (yen) 14%, foreign currency 8%, and payables under securitized lease receivables 3%. Regarding net assets, a capital increase via third-party allotment of new shares (paid in June 2024) was carried out with Marubeni and Mizuho Financial Group as recipients of shares, and capital and capital surplus both increased. In addition, retained earnings increased due to the posting of net income attributable to owners of the parent. As a result, the equity ratio increased 0.6pp to 9.8%. Although interest-bearing liabilities are on the rise as the business expands, this is not a particular cause for concern. Taking into account factors such as the Company's consistently high credit rating, stable fundraising through diversification of financing methods, and an upward trend in its equity ratio, we at FISCO believe that the Company's financial soundness is being maintained.

Consolidated balance sheet and cashflow statement (simplified)

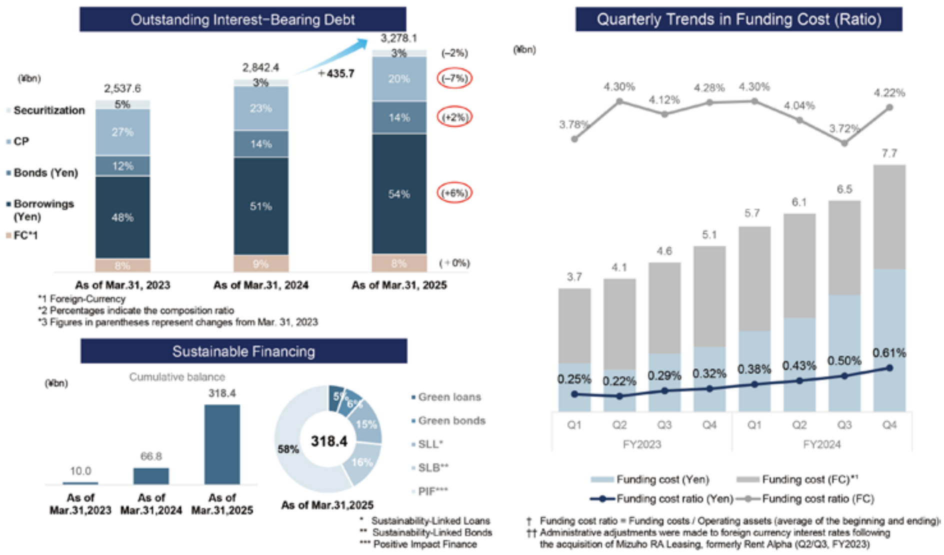
(¥mn)

	End-FY3/21	End-FY3/22	End-FY3/23	End-FY3/24	End-FY3/25	Change
Total assets	2,603,190	2,748,810	2,954,634	3,363,336	3,898,061	534,725
Current assets	2,085,064	2,166,681	2,279,668	2,378,063	2,542,515	164,452
Property & equipment	518,126	582,128	674,965	985,272	1,355,545	370,273
Total liabilities	2,392,337	2,518,007	2,678,800	3,033,535	3,496,565	463,030
Current liabilities	1,492,850	1,548,375	1,573,455	1,715,242	1,991,876	276,634
Long-term liabilities	899,486	969,632	1,105,345	1,318,293	1,504,688	186,395
Total net assets	210,852	230,803	275,834	329,800	401,495	71,695
Shareholders' equity	197,452	207,286	229,896	257,171	326,983	69,812
Equity ratio	7.7%	8.0%	8.9%	9.2%	9.8%	0.6pp

	FY3/21	FY3/22	FY3/23	FY3/24	FY3/25
Cash flows from operating activities	-196,820	-68,495	-117,816	-192,205	-393,324
Cash flows from investing activities	-53,160	-27,712	-17,111	-51,969	-53,184
Cash flows from financing activities	248,210	99,810	143,518	266,524	457,132
Cash and cash equivalents	20,406	24,502	33,453	56,194	67,999

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

Funding



Source: The Company's results briefing materials

Outlook

Net income attributable to owners of the parent is expected to continue increasing in FY3/26

● Overview of FY3/26 consolidated results forecasts

For the FY3/26 consolidated results, the Company is forecasting operating income to decrease 8.1% YoY to ¥45,000mn, ordinary income to decrease 13.9% to ¥57,000mn, and net income attributable to owners of the parent to increase 2.3% to ¥43,000mn. The Company forecasts that both operating income and ordinary income will decrease, due to an increase in SG&A expenses reflecting continued investments in personnel and systems to strengthen managerial foundations in anticipation of dramatic future growth. That said, factors such as the steady accumulation of operating assets are expected to partially offset the effects of higher funding costs associated with policy interest rate hikes, along with the absence of non-recurring revenue recorded in the previous fiscal year. Net income attributable to owners of the parent is forecast to increase, as the extraordinary losses and tax expenses recorded in the previous fiscal year expire. Given the steady performance of core areas centered on the domestic leasing and real estate businesses, as well as an upward trend in operating assets in the environment and energy business and the overseas/aircraft business, which are positioned as growth areas, we at FISCO believe that favorable results can be expected.

Overview of FY3/26 consolidated results forecasts

(¥mn)

	FY3/25 Result	FY3/26 Forecast	YoY	
			Change	% Change
Operating income	48,966	45,000	-3,966	-8.1%
Ordinary income	66,219	57,000	-9,219	-13.9%
Net income attributable to owners of the parent	42,038	43,000	962	2.3%

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

Growth strategy

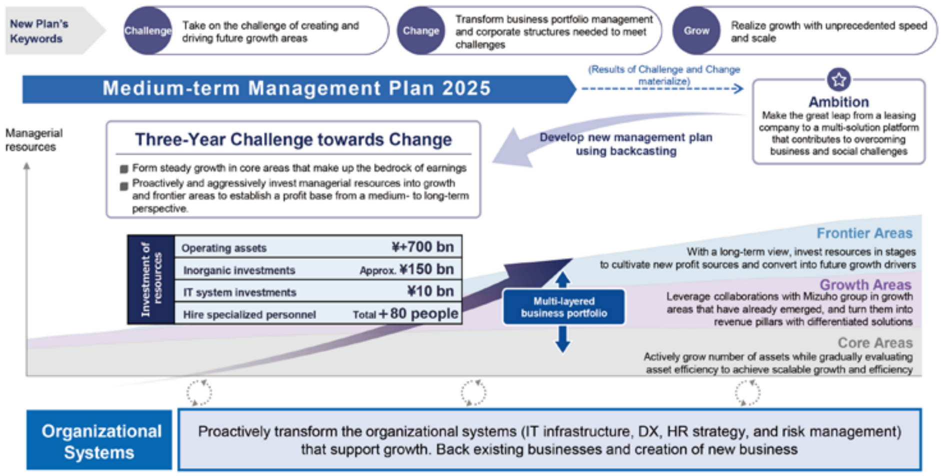
Medium-term Management Plan 2025: a "Three-Year Challenge towards Change"

1. Medium-term Management Plan 2025

In May 2023, the Company formulated Medium-term Management Plan 2025 (FY3/24 to FY3/26). The Company has positioned the plan as a period of aggressive investment of managerial resources into both business and management infrastructure, in order to make great strides towards the realization of its ambitions. The keywords of the Medium-term Management Plan are Challenge, Change, and Grow, and the Company's medium- to long-term ambitions are defined as "Making the great leap from a leasing company to a multi-solution platform that contributes to overcoming business and social challenges." Regarding management targets for FY3/26, the plan's final year, the Company aims for net income attributable to owners of the parent of ¥42.0bn, ROA of 1.6% or more, and ROE of 12% or more. In addition, regarding the investment of management resources, the Company targets an increase of more than ¥700.0bn in operating assets, approximately ¥150.0bn in inorganic investments, over ¥10.0bn in IT system investments, and the hiring of more than 80 specialized personnel.

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

Positioning of Medium-term Management Plan 2025



Source: The Company's results briefing materials

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

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

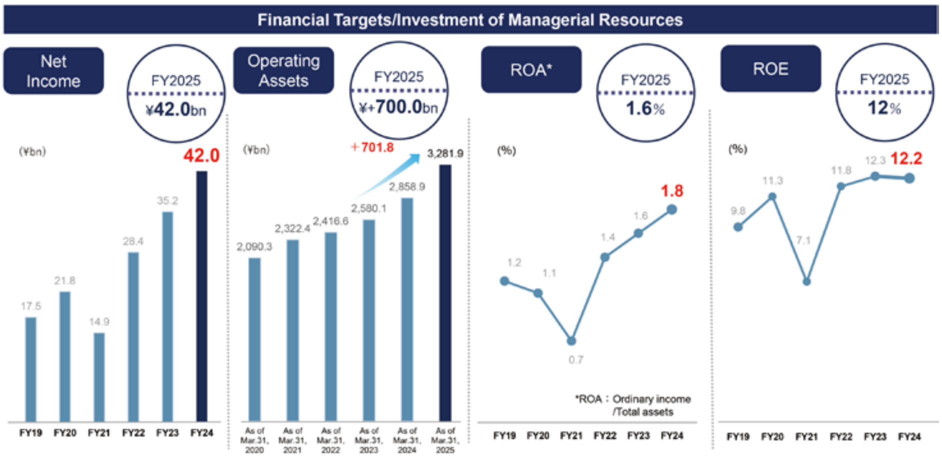
In frontier areas, particularly circular economy, the Company is building a platform to realize an advanced circular economy and decarbonized society through collaboration with alliance partners and creating maximum added value with efficient use of resources. In XaaS, the Company will strive to build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

Promoting multi-layered business portfolio management

2. Progress of Medium-term Management Plan 2025

Regarding the progress of Medium-term Management Plan 2025, the Company achieved all the financial targets originally set for FY3/26, the plan's final year, one year ahead of schedule. In FY3/25, net income attributable to owners of the parent was ¥42,038mn, operating assets increased ¥701,720mn from the end of FY3/23, ROA was 1.8%, and ROE was 12.2%.

Financial Targets



Source: The Company's results briefing materials

In the domestic leasing business, operating assets at the end of FY3/25 increased steadily, rising ¥31.6bn YoY to ¥1,447.9bn, due to factors such as strengthening the alliance with the Mizuho Group and the conversion of GECOSS into an equity-method affiliate. In promoting the circular economy, as part of efforts to strengthen the alliance with TRE HOLDINGS CORPORATION <9247>, with which the Company formed a capital and business alliance in August 2023, the Company established the joint venture METREC Co., Ltd. in August 2024. In April 2025, the Company also established ML ITAD Solution Co., Ltd. with a view to realizing a circular economy through the IT Asset Disposition (ITAD) business, which involves the collection, data erasure, reuse, and recycling of used IT assets.

As for initiatives in new businesses, the Company is accelerating its efforts to promote EVs to achieve carbon neutrality and robotics to help solve labor shortage issues. The EV Marutto Service is an EV-related comprehensive service that provides a range of services from consulting on the introduction of electric mobility to financial services. Through this service, the Company provided a maintenance lease for recharging facilities to Tokyo Metropolitan Public Corporation for Road Improvement and Management. In February 2024, the Company invested in NexT-e Solutions Inc., which possesses advanced storage battery control technologies, and signed a memorandum of agreement on a business alliance in the storage battery-related business. The alliance will explore business development aimed at providing reused storage batteries (stationary) using the Company's mobility-derived storage batteries. The Company is also engaged in initiatives related to shifting to EVs for last-mile transport. It started a proof-of-concept experiment involving converting gasoline vehicles whose leases have expired into EVs. Numerous small and medium-sized businesses are engaged in the last-mile transport business. In this field, the Company aims to create a service that enables these businesses to proactively shift to EVs. Furthermore, in January 2025, the Company signed a basic agreement for collaboration with PERSOL CROSS TECHNOLOGY CO., LTD. to promote the robotics business, helping to address social issues through business activities.

In the real estate business, operating assets as of the end of FY3/25 increased significantly, up ¥334.3bn YoY to ¥1,240.0bn. This increase was supported by efforts to strengthen existing businesses, including the expansion of stable profit sources such as mezzanine loans and real estate leases, as well as by property acquisitions and development with a view toward medium- to long-term operations. As part of its initiatives to address development projects, the Company created the office property brand MipLa and the logistics facility brand MALIEN as original brands. In FY3/25, it completed and acquired 3 properties (2 MipLa properties, 1 MALIEN property). Looking ahead, the Company will promote a portfolio shift toward asset recycling by steadily accumulating development and investment properties that it can control, while also making active use of alliances. In April 2025, the Company acquired a portion of the class A shares of Nippon Steel Kowa Real Estate Co., Ltd. and entered into a new capital and business alliance agreement. The Company will further strengthen its alliance with Nippon Steel Kowa Real Estate.

In the environment and energy business, operating assets at the end of FY3/25 increased steadily, up ¥23.3bn YoY to ¥137.8bn, due to factors such as the acquisition of new power sources, mainly solar power. Renewable energy power generation capacity totaled 708MW across 2,416 locations as of the end of FY3/25. In FY3/26, the Company will continue working to increase the number of projects with a view to securing 1GW of renewable energy power generation capacity. It will also pursue the grid storage battery business, which is expected to expand in the future as a means of adjusting power supply and demand. In June 2025, the Company announced the acquisition of high-voltage solar power plant projects at 31 locations in Japan. The aforementioned projects operate in five electric power service areas, specifically Tokyo, Hokuriku, Chubu, Kansai, and Chugoku. They have a combined power output capacity of 36MW.

In the global area, operating assets as of the end of FY3/25 in the overseas business increased steadily to ¥105.9bn, up ¥27.4bn YoY. This increase was due to initiatives to expand business fields through the inorganic growth strategy. The Company increased its shareholding ratio in Rent Alpha of India to 87.6% in August 2024 by purchasing shares from existing shareholders. Furthermore, in March 2025, Rent Alpha was renamed Mizuho RA Leasing Pvt. Ltd., and in May 2025, its wholly owned subsidiary Capsave Finance Pvt. Ltd. was renamed Mizuho Capsave Finance Pvt. Ltd. Capsave's external rating (CRISIL, an S&P-affiliated company) was upgraded from AA+ to AAA due to its enhanced creditworthiness.

Next is the alliance with Marubeni. The Company had previously collaborated with Marubeni in areas related to Aircastle (USA) and other businesses. The Company has further strengthened this alliance through a capital and business alliance formed in May 2024. In June 2024, the Company began accepting executives from Marubeni. In July 2024, it established the Marubeni Collaboration Division. In August 2024, the Company held the first Business Committee meeting with Marubeni. In October 2024, the Company began accepting young and mid-career employees on secondment from Marubeni. In FY3/25, the Company achieved over ¥60.0bn in contract executions through collaboration. While the full benefits are expected to materialize beginning in FY3/26, the Company is currently exploring collaborative business opportunities for over 150 projects in business areas such as renewable energy, infrastructure, and real estate, both in Japan and overseas. By further strengthening these collaborations, the Company aims to expand its business pipeline domestically and internationally.

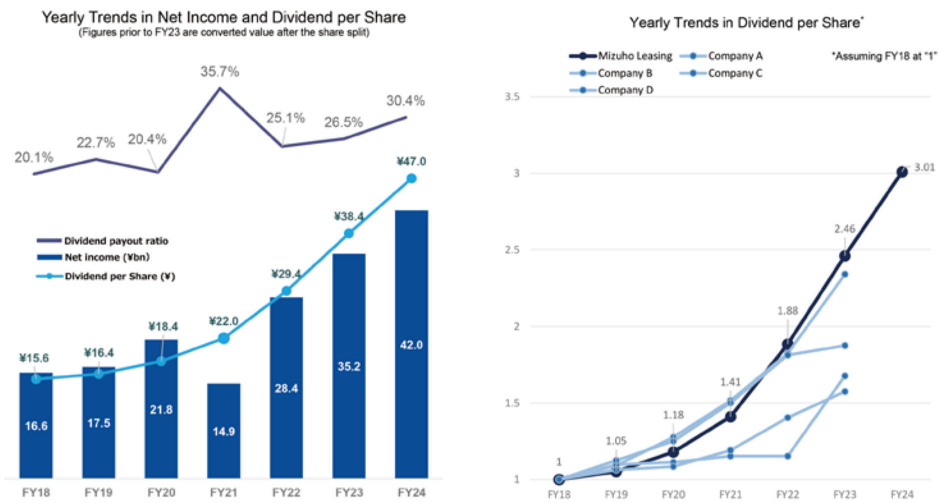
The inorganic growth strategy is as follows. Total investment amounted to approximately ¥100.0bn as of the end of FY3/25, relative to an estimated investment of ¥150.0bn over 3 years. The main investments executed were for share acquisition and additional investment in Mizuho RA Leasing (India), additional investment in Aircastle (USA), share acquisition in GECOSS, and the establishment of the joint venture METREC. Furthermore, the Company established ML ITAD Solution in April 2025 and made an additional investment in Nippon Steel Kowa Real Estate in May 2025. The Company will promote collaboration with these investee companies for growth, including business expansion and value chain expansion. In line with the expansion of collaborative businesses with Marubeni, the Company will continue to explore the possibilities of the inorganic growth strategy in a wide range of regions and business areas with a policy to accelerate growth investments to establish a solid business foundation.

Increasing the payout ratio to the 30% level

3. Shareholder return policy

The Company's basic policy on shareholder return is to pay dividends commensurate with performance while improving profitability. Under this policy, in addition to gradually increasing the payout ratio to 30% during the Medium-term Management Plan period, the Company will make effective use of retained earnings to strengthen business foundations and invest in growth, while ensuring stable returns to shareholders through continuous profit growth. Furthermore, for FY3/25, the Company raised the payout ratio to the 30% level and set the annual dividend at ¥47.00 per share (interim dividend of ¥20.00 and year-end dividend of ¥27.00), as it exceeded the financial targets of its Medium-term Management Plan in terms of business results. As a result, the payout ratio was 30.4%. The Company conducted a 5-for-1 share split on April 1, 2024 (effective date). In comparison to the annual dividend for FY3/24 of ¥38.40 per share (interim dividend of ¥16.60, year-end dividend of ¥21.80), which has been retrospectively adjusted to reflect the share split, the annual dividend will increase by ¥8.60. In addition, the annual dividend for FY3/26 is forecast to be ¥48.00 per share (interim dividend of ¥24.00 and year-end dividend of ¥24.00), an increase of ¥1.00 from FY3/25. The forecast for the payout ratio is 31.2%. We at FISCO believe that the Company can be expected to further enhance and strengthen shareholder returns in line with future expansion of business results.

Shareholder return policy



Source: The Company's results briefing materials

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

4. Sustainability management

In sustainability management, under Medium-term Management Plan 2025, the Company has set targets in the following three categories: realizing a decarbonized society, realizing the circular economy, and human capital management as a cornerstone. Progress towards these targets has been mostly steady. In July 2024, the Company was selected for inclusion in the FTSE Blossom Japan Sector Relative Index, an ESG investment index. In October 2024, the Company joined the Keidanren Initiative for Biodiversity Conservation based on its endorsement of the principles of the Keidanren Declaration for Biodiversity and Guideline, which was formulated by Keidanren (Japan Business Federation) and the Keidanren Nature Conservation Council. In January 2025, the Company received Eruboshi Certification from the Ministry of Health, Labour and Welfare. In March 2025, the Company was certified as one of the 2025 Outstanding Organizations of KENKO Investment for Health (large enterprise category) under the Recognition Program for the Outstanding Organizations of KENKO Investment for Health, jointly selected by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi. Furthermore, the Company made its fifth donation through Mizuho SDGs Lease.

Non-financial targets

Non-Financial Targets

		FY2024 Plan	FY2024 Actual	Plan 2025 FY2025 Targets
Carbon Neutral Realizing a Decarbonized Society	Securing renewable power generation capacity	855MW	708MW	1GW
	Reducing Scope 1 and 2 CO_2 emissions (Non-consolidated and 7 domestic consolidated subsidiaries)	22% (compared to FY2016)	22% (compared to FY2016)	Zero emissions (FY2030)
Circular Economy Realizing the Circular Economy	Chemical/material resource recycling rate	83% or more	84.3% (provisional figure)	85% or more (FY2027)
Human Capital Human Capital Management as a Cornerstone	Increasing the number of business professionals	+56 people (Cumulative basis)	+47 people (Cumulative basis)	+80 people or more (Cumulative basis)
	Investment amount for developing personnel	2.40x	2.93x	3x or more
	Developing digital IT personnel	-	337 people	200 people or more
	Management positions filled by women	13.3%	13.0%	15%
	Ratio of paid annual leave taken	75% or more	74.6%	80% or more
	Ratio of childcare leave taken by male employees	100%	100%	100% (annually)

Source: The Company's results briefing materials

Focusing on the status of progress with the growth strategy

5. FISCO's view

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

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■ 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