

## Major Investment Project Briefing: Questions and Answers

[Date] September 3, 2025

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| [Speakers] | Takao Kusaka       | Managing Executive Officers, Group CEO, Transportation & Construction Systems Group |
|            | Tatara Ichiro      | General Manager, Commercial Aviation SBU  |
|            | Yoshinori Takayama | Executive Officer, Head of Investor Relations Dept.                                 |

### <Impact of this investment project on the Mid-Term Management Plan 2026 (MTMP2026)>

The investment project is expected to contribute to profits immediately after the investment is made, from FY2026 onwards. The company plans to achieve profit growth of ¥150 billion over 3 years of its MTMP2026, of which ¥50 billion will come from new investments, and this investment constitutes a part of that. There are no changes to the investment plan for cash flow allocation disclosed at the beginning of the fiscal year.

### <Questioner 1>

Please tell us about the background behind Air Lease Corporation (ALC)'s decision to sell and the reasons for proceeding with the sale despite the fact that the return on investment was not significant.

### <Tatara>

The investors arrived at this deal through continuous dialogue with ALC, a major industry player with a portfolio and business complementary to SMBC AC. The acquisition came about as a result of further discussions.

### <Kusaka>

We understand that the ALC Board unanimously determined that this transaction represents the best path forward for ALC and its stockholders.

### <Questioner 1>

Unlike conventional aircraft leasing acquisitions, the fund investors are participating as partners. Are there any concerns about changes in management policy or potential friction due to differing time frame for return collection?

### <Tatara>

Considering the target company's size, the acquisition is being done with two funds, Apollo and Brookfield, both of which have companies with expertise in the aircraft leasing under their umbrellas. Sumisho Air Lease Corporation (Sumisho Air Lease) shares the same management policy as both these funds, and we do not foresee any particular concerns at this time.

### <Questioner 2>

Please tell us what characteristics ALC has in terms of aircraft age, region, and customer segments.

### <Tatara>

One very attractive point of ALC is that over 80% of its fleet is comprised of young next-generation aircraft. Furthermore, ALC has built a global customer network and is not biased towards any specific region.

### <Questioner 2>

To what extent will profitability improve through economies of scale? Can we expect improvements in existing leasing businesses by streamlining orders to manufacturers? Please tell us your thoughts on the specific benefits of improving profitability through this acquisition.

**<Tatara>**

Scale benefits customers and OEMs in the aircraft leasing industry. In this industry, the scale of owned and managed aircraft is directly linked to benefits within the industry. Increasing scale allows a company to offer more aircraft and diverse services to manufacturers like Airbus and Boeing as well as individual airlines, which enhances competitiveness.

**<Kusaka>**

SMBC AC will service much of the Sumisho Air Lease fleet, enabling it to earn income from management fees. By increasing the number of aircraft under management without expanding its balance sheet, it is expected that profitability of existing businesses will improve through increased income from fees. Additionally, SMBC AC is separately purchasing 213 aircraft that were on backorder which means that from SMBC AC's perspective, aircraft that can generate reasonable lease fees will be added to its existing businesses. Also, large leasing companies tend to be more attractive to Airbus and Boeing.

**<Questioner 3>**

I got the impression that this an excellent investment project with high ROI and low risk, but what risks did your company consider when making the investment decision, and how did you address them? Please tell us the background behind your decision to make this investment.

**<Kusaka>**

The aircraft leasing business has an inherent risk of “being vulnerable to shock events.” In the past, it has suffered major damage from external factors such as financial crises, pandemics, war and terrorism. Ensuring a financial strength that can withstand such events decides the success or failure of the business. Being able to make appropriate purchases during periods of declining asset values is also vital, and a weak financial base will prevent the business from operating. For this acquisition, we examined past risk events as well as multiple even more severe scenarios, and decided that our current structure is fully capable of handling them.

Due to the large scale of the acquisition, we sought external investment and brought in co-investors, building up a scheme that utilized leverage. While it must be recognized that our co-investors' management skills and governance are also risk factors, we made the investment after giving full consideration to their suitability, structure, and governance system.

**<Questioner 3>**

Regarding the profit trends in Commercial Aviation SBU, please tell us the background behind achieving FY2030 target ahead of schedule, and your thinking on setting future targets. I would also like to hear your views on the future structure of the industry and the possibility of further acquisitions. Regarding the projected 5-6% annual growth rate, please clarify what this figure represents (passenger numbers or aircraft numbers), whether aircraft supply is keeping up with demand, how will the aircraft owned by leasing companies lead to margin improvement, and tell us your growth strategy, including the supply-demand relations.

**<Kusaka>**

Going forward, we will develop our business with an emphasis not only on absolute revenue but also on revenue efficiency. This acquisition enables Commercial Aviation SBU to significantly increase the number of managed aircraft without substantially expanding its balance sheet, and by accumulating income from fees, we expect to achieve organic growth.

The fleet currently handled by our company is primarily young, at an average 5 to 6 years old. However, since aircraft have a lifecycle of 25 to 30 years, it is also important to deal with aging aircraft. We are also engaged in the business that dismantles, resells, and recycles aircraft after leases have expired. And through the expansion of these businesses, we are advancing a strategy to continually grow our revenue base exceeding ¥30 billion.

**<Tatara>**

Alliances are accelerating in the aircraft leasing industry, with SMBC AC acquiring Goshawk in 2022. Around the same time, AerCap acquired GE Capital Aviation Services, accelerating industry reorganization. This acquisition is also part of our strategy to become a global leader, and we can expect industry expansion and reorganization to continue.

Passenger numbers are growing at an annual rate of 5-6% (most recently 3.8%), and demand for aircraft is increasing accordingly. Currently, more than half of aircraft supply are provided by leases, and the leasing business is also expected to expand in proportion to passenger numbers. Conversely, aircraft manufacturers are essentially limited to just 2 companies, and their manufacturing capacity is still recovering from personnel loss and supply chain disruptions caused by the COVID-19 pandemic. Supply shortages are expected to continue for the next 3 to 5 years, enabling companies that own and manage high-quality aircraft to increase returns to operators. Under these conditions, our aircraft group plans to expand managed fleet by leveraging partner funds in addition to our owned fleet, and enhancing profitability while maintaining the tight balance sheet.

**<Questioner 4>**

Please tell us what the "Average Age of Owned Aircraft" and "Average Remaining Lease Term" mentioned in materials mean from a perspective of total asset size and asset turnover ratio. Also, please tell us any insights or reference points for improving revenue efficiency regarding the balance between sales profits from aircraft replacement and regular lease income.

**<Tatara>**

SMBC AC has historically focused on asset turnover and operated primarily with younger aircraft. ALC, also owns many young aircraft. ALC has adopted a model of owning new aircraft for extended periods, while SMBC AC has leveraged its strength in the "Buy & Sell" model, which involves selling aircraft with leases. Going forward, Sumisho Air Lease plans to further accelerate asset turnover.

By acquiring new aircraft based on purchase agreements and promoting the sale of existing aircraft through various channels, SMBC AC will advance the strategy of maintaining a young fleet. It will improve revenue efficiency by utilizing models that continue management operations after the sale and joint ventures with overseas partners.

SMBC AC established a joint venture with Canadian fund company CDPQ last fiscal year, enabling it to handle both aircraft sales and management operations. Utilizing these various channels to pursue continuous growth in both aircraft ownership and its management is Sumisho Air Lease's future direction.

**<Questioner 4>**

Of the ¥1.8 trillion investment limit in the Mid-Term Management Plan, approximately ¥300 billion of cash outflows have occurred happening this fiscal year. Is it necessary to accelerate asset turnover and sales for the final year of the Plan? Please explain the impact on future investment plans and your cash flow management policy.

**<Takayama>**

The cash flow policy under the current three-year plan remains unchanged from what was stated at the beginning of the fiscal year. The ¥300 billion investment is also within the ¥1.8 trillion investment limit and does not exceed that limit. We are also continuing to have discussions internally about the need for cash-inflows through asset recycling.

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