IR Meeting on Financial Results for FY2025 Q3: Questions and Answers

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[Presenters]	Reiji Morooka	Representative Director, Executive Vice President, Chief Financial Officer
	Yoshiyasu Fuse	Head of Accounting Controlling Dept.
	Yoshinori Takayama	Executive Officer, Head of Investor Relations Dept.

<Questioner 1>
How confident are you in achieving the ¥650.0 billion profit target for the final year of the mid-term management plan? For FY2026, how much profit contribution do you expect from the U.S. aircraft leasing business and from SCSK? Also, can asset replacement and extraordinary profits/losses be expected to remain around the current forecast level of ¥60.0 billion?

<Morooka>
We expect three areas to drive future earnings growth: the aircraft -and other leasing business, the digital business centered on SCSK, and urban development led by real estate. Other businesses—transportation including shipping, retail, healthcare, electronics, and life sciences—are also on a growth trend. In contrast, steel, construction machinery, and agriculture are likely to face a challenging environment again next fiscal year. Each is working on cost reductions, operational efficiencies, and portfolio improvements to return to a growth path.
Regarding underperforming businesses, we sold Fyffes' melon business in Q3. Although we recorded a ¥5.2 billion loss on the sale and the business had been loss-making before the divestment, this negative factor will disappear next fiscal year. The banana and pineapple business is expected to generate over ¥6.0 billion in profit this year, and we aim to grow this further next year to move the segment firmly back into positive territory.
As for asset replacement and extraordinary profits/losses, we manage a large portfolio and position asset turnover at the core of our strategy. By accelerating asset recycling—along with reviewing our cash flow planning—we intend to secure solid profits, including capital gains. We will continue to pursue both recurring income and capital gains, with further details to be provided at year-end results.

<Questioner 1>
Given the view in the equity market that advances in AI will put software and SaaS companies under pressure, leading to sell-offs of related stocks, was this risk discussed when deciding to acquire shares in SCSK?
Also, regarding the new Digital AI Group to be established next fiscal year, could you explain the intent behind this organizational change, including how SCSK will be utilized across the company?

<Morooka>
We see the impact of advancing AI as not only a risk but also a significant opportunity. SCSK's core businesses—such as system development, network security, and comprehensive management of clients' IT infrastructure—are not easily replaced by AI. As Japanese companies accelerate AI adoption, demand for data platforms, networks, and strengthened security is expected to rise further, and we believe there will be ample business opportunities.
The Digital SBU of the Media & Digital Group with the DX Center and IT functions of the Corporate Group will be reorganized into new Digital AI Group to be launched next fiscal year. While fully supporting SCSK's autonomous growth, the group will drive digitalization and AI adoption across all our business operations. By positioning our own transformation as "Customer Zero," we aim to support the growth of both SCSK and Net One Systems.

<Questioner 2>
For businesses currently underperforming—such as OCTG, automotive sales & marketing, telecommunication business in Ethiopia, agriculture, and basic chemicals—will profit recovery be difficult without an improvement in external conditions? Or do you expect to achieve improvement through your own efforts? I would like to hear your view on the level of progress you are seeing.

<Morooka>
While conditions differ by business, we expect the challenging external environment to continue, and each business is taking measures—particularly cost improvements—to enhance profitability. Although we cannot provide specifics for each business at this stage, we are considering a wide range of options, including fundamental restructuring and potential alliances, to raise profit levels. For example, in the North American OCTG business, we had expected an improvement in supply conditions following U.S. tariff hikes as of Q2. However, Korean ERW pipe producers have continued exporting to the U.S. despite high tariffs and limited alternative markets, and supply–demand conditions remain difficult. Even under such circumstances, we are strengthening functions through initiatives such as new product development and the acquisition of a Canadian distributor. Although growth will be below our initial expectations, we are steadily implementing measures tailored to each business environment to drive improvement.

<Questioner 2>
Given market concerns that shareholder returns may decline or that accelerated asset sales could lead to a shrinking equilibrium, could you explain your cash allocation policy—specifically the balance and direction between cash-in for strengthening the financial base and cash-out?

<Morooka>
Our cash allocation policy remains unchanged. We will accelerate asset recycling to restore financial soundness as early as possible, while selectively investing in growth areas. We have no

intention of reducing shareholder returns; under our policy of maintaining a total shareholder return ratio of 40% or more, we will continue to consider additional returns based on business conditions and cash-flow trends. Asset sales are not aimed at downsizing the business. We carefully assess profit impacts when selecting assets for divestment, and we intend to continue pursuing solid growth going forward.

<Questioner 3>
Regarding the loss in the Indonesian auto finance business, what were the factors behind this outcome, which runs counter to the earlier explanation that credit costs were improving? At the same time, the Automotive Group's underlying profit improved from Q2 to Q3. Could you provide more details on this?

<Fuse>
In our two wheel and four-wheel finance businesses in Indonesia, we reviewed the restructured loan portfolio—loans whose terms were relaxed after COVID19 to improve recoverability. Due to a shrinking middle-income segment and weaker purchasing power, market conditions deteriorated and recovery rates declined. As a result, these loans were reclassified as fully impaired and written down in one-time charges.
As for the Automotive Group's underlying profit, performance remained solid in businesses such as automotive distribution and Sumitomo Mitsui Auto Service, and we have maintained our full year forecast.

<Morooka>
In addition, Indonesia's financial regulator tightened rules last year, prompting an industry-wide review of loan quality. This also contributed to the deterioration becoming more visible in the restructured loan portfolio.

<Questioner 3>
Since announcing the full acquisition of SCSK, how are you managing your investment pipeline? Once investment activity is scaled back, it generally takes time to re-accelerate. For example, do you operate under internal rules that require new investments to be funded by cash generated from asset replacements within the group? I would like to understand how you are managing and operating the pipeline under the current framework.

<Morooka>
Regarding the investment and asset recycling pipeline, each business group continues to submit candidate projects, and we monitor these quarterly at the management meeting. We also review each group's business portfolio and align on strategic priorities. For asset recycling, although the current mid-term management plan targets ¥800.0 billion, we have had more candidate projects

than that from the outset and are discussing ways to accelerate execution.
For new investments, we prioritize securing high quality opportunities. Each business group maintains a broad pipeline, which we manage separately from the cash in generated through asset replacements. In terms of overall business strategy—including investments and divestments—preliminary reviews are conducted by GIPC, an advisory body to the management council, while individual cases go through the Investment and Loan Committee before being deliberated at the management council. We continue to see a steady flow of investment proposals, and the pipeline remains robust.

<Questioner 4>
Regarding the forecasts for Mineral Resources Group, market prices have been highly volatile recently, and some group companies have revised their forecasts. What is the reason the Group's overall forecasts have not changed? I would also like to hear about the current situation at Ambatovy.

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Regarding the forecasts for Mineral Resources Group, at the time of Q2 we had already incorporated our own SBU level assumptions—such as production volumes and costs—into upstream businesses where our internal view differed from the group companies' plans. In this update, we simply aligned our forecasts with the revised outlooks of each group company. Since those assumptions had already been reflected previously, there is no change to the Group level forecasts.
As for Ambatovy, operations have remained generally stable, continuing the trend from the first half, and production volumes are up year on year. There was also no additional funding in Q3. For FY2026, our basic policy is to prioritize safety and maintain stable operations, targeting annual production in the mid-30,000-ton range. Regarding potential funding needs, we anticipate maintenance work associated with aging facilities, and depending on nickel prices and input material costs, additional contributions may be required. However, we are also seeing positive results from operational improvements and cost competitiveness initiatives. Even if additional funding is needed, we expect it to remain at a manageable level for the company.

<Questioner 4>
Investment increased by about ¥800.0 billion in Q3. Could you explain the investments made excluding SCSK? In particular, since real estate is expected to be a key driver of earnings growth, is the buildup of real estate assets progressing as planned?

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Of the roughly ¥800.0 billion in investments, about ¥680.0 billion relates to SCSK, while the remaining ¥120.0 billion is made up of several smaller investments. Investments for future growth—

including in real estate—are progressing steadily.

<Questioner 5>
PACIFIC SUMMIT ENERGY's performance has improved significantly, resulting in a substantial upward revision from the initial forecast. Could you explain the background behind this improvement and your outlook for the coming fiscal years?

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PACIFIC SUMMIT ENERGY posted ¥14.9 billion in Q3, of which roughly ¥6.0 billion was a gain from the transfer of a long-term contract. Even excluding this, the full year forecast has improved significantly from the initial forecast. The main driver is stronger monetization of winter gas demand in the U.S., and we expect further profit accumulation toward year-end.
From next fiscal year onward, the Energy Transformation Group's underlying profits are expected to be around ¥80.0–85.0 billion, reflecting the 50% sale of Van Phong. This year's results are generally in line with that level. Going forward, in addition to stable underlying profit, we aim to drive profit growth by capturing gains from asset recycling.

<Questioner 5>
Although there was no Q3 disclosure for the telecommunication business in Ethiopia, we understand that its performance this fiscal year has not been strong. How do you view the outlook for next fiscal year?

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Operational performance has been solid, but higher depreciation associated with network expansion has kept results roughly flat year on year. For the full year, further local currency depreciation has led to a weaker outlook compared with the October forecast, and we now expect full year results to be roughly in line with last year. Customer acquisition continues to be strong, and the number of 90-day active users is increasing. Pricing had been a challenge, but following regulatory guidance to promote healthier competition in the telecom market, a significant price increase was implemented in December, and we are beginning to see a path toward more appropriate ARPU levels.
For next fiscal year, we will look for EBITDA improvement, taking into account both operating performance and forex effects. As for the timing of EBITDA breakeven, although the target had been to achieve a single month profit in FY26, we now expect this may be delayed.

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