

Consolidated Financial Highlights for the Year Ended March 31, 2021

[Based on J-GAAP]

May 17, 2021

Company Name: **Mitsubishi HC Capital Inc.**
 (Former Mitsubishi UFJ Lease & Finance Company Limited)
 Stock Exchange Listed on: Tokyo and Nagoya Stock Exchange (First Section)
 Company Code: 8593 URL: <https://www.mitsubishi-hc-capital.com/>
 Representative: Takahiro Yanai, Representative Director, President & CEO
 For Inquiry: Satoshi Inoue, Director, Senior Managing Executive Officer TEL: +81-3-6865-3002
 Date of General Meeting of Shareholders: June 25, 2021
 Scheduled Commencement of Dividend Payment: June 11, 2021
 Scheduled Date of Submission of Annual Securities Report: June 25, 2021
 Supplemental Material for Financial Results: Available
 Holding of Financial Results Meeting: Scheduled (for Institutional Investors and Analysts)

(Amounts of less than one million yen are rounded down)

1. Consolidated Results for the Year Ended March 31, 2021 (April 1, 2020 – March 31, 2021)

(1) Consolidated Operating Results

(Year-on-year change %)

	Revenues		Operating income		Recurring income		Net income attributable to owners of the parent	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
For the year ended								
March 31, 2021	894,342	(3.2)	62,414	(32.1)	65,002	(31.1)	55,330	(21.8)
March 31, 2020	923,768	6.9	91,853	14.3	94,376	7.7	70,754	2.8

(Note) Comprehensive income: Year ended March 31, 2021: ¥53,090 million 9.9%
 Year ended March 31, 2020: ¥48,296 million (27.6%)

	Earnings per share	Diluted earnings per share	Return on equity	Recurring income to total assets	Operating margin
	(Yen)	(Yen)	%	%	%
For the year ended					
March 31, 2021	62.08	61.85	7.0	1.1	7.0
March 31, 2020	79.44	79.14	9.2	1.6	9.9

(Reference) Share of loss (profit) of entities accounted for using equity method: Year ended March 31, 2021: ¥3,261 million
 Year ended March 31, 2020: ¥3,269 million

(2) Consolidated Financial Position

	Total assets	Total Equity	Equity ratio	Equity per share
As of	(Millions of yen)	(Millions of yen)	%	(Yen)
March 31, 2021	6,009,831	821,233	13.4	905.16
March 31, 2020	6,285,966	798,820	12.4	872.78

(Reference) Shareholders' equity: As of March 31, 2021: ¥806,920 million
 As of March 31, 2020: ¥777,713 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the year
For the year ended	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
March 31, 2021	199,314	1,220	(372,808)	286,213
March 31, 2020	(252,199)	(32,988)	552,320	455,588

2. Dividends

	Dividends per share					Total dividends (For the year)	Payout ratio (Consolidated)	Dividends to equity (consolidated)
	1st Quarter end	2nd Quarter end	3rd Quarter end	Year - end	Annual			
For the year ended	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)	(Millions of yen)	%	%
March 31, 2020	—	12.50	—	12.50	25.00	22,272	31.5	2.9
March 31, 2021	—	12.75	—	12.75	25.50	22,729	41.1	2.9
March 31, 2022 (Forecast)	—	13.00	—	13.00	26.00		39.3	

(Note) As the Company executed a business integration with Hitachi Capital Corporation on April 1, 2021, the payout ratio (consolidated) for the Year ending March 31, 2022 (Forecast) is calculated based on the number of shares after the integration.

3. Consolidated Earnings Forecasts for the Year Ending March 31, 2022 (April 1, 2021 - March 31, 2022)

(Year-on-year change %)

	Net income attributable to owners of the parent		Earnings per share
	(Millions of yen)	%	(Yen)
Full year	95,000	—	66.16

(Notes) 1. Year-on-year percentage change is omitted as the Company executed a business integration on April 1, 2021.
2. Earnings per share is calculated based on the number of shares after the integration.

* Notes

(1) Significant changes in subsidiaries during the period

(Change of specific subsidiaries accompanying the change of scope of consolidation) : No

(2) Changes to accounting policies, changes to accounting estimates, and restatement of revisions

(i) Changes to accounting policies with revision of accounting standards, etc. : No

(ii) Changes to accounting policies other than (i) above : No

(iii) Changes to accounting estimates : No

(iv) Restatement of revisions : No

(3) Number of outstanding shares (common shares)

(i) Number of outstanding shares (including treasury shares)

As of March 31, 2021	895,834,160 shares	As of March 31, 2020	895,834,160 shares
As of March 31, 2021	4,368,016 shares	As of March 31, 2020	4,761,716 shares
For the Year ended March 31, 2021	891,207,275 shares	For the Year ended March 31, 2020	890,713,859 shares

(ii) Number of treasury shares

(iii) Average number of shares

(Reference) Summary of Non-Consolidated Results

1. Non-Consolidated Results for the Year Ended March 31, 2021 (April 1, 2020 – March 31, 2021)

(1) Non-consolidated Operating Results

(year-on-year change %)

	Revenues		Operating income		Recurring income		Net income	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
For the year ended								
March 31, 2021	445,125	(5.5)	22,776	(7.6)	61,337	49.3	63,361	63.4
March 31, 2020	470,854	(0.7)	24,659	(10.2)	41,087	(19.1)	38,768	(16.2)

	Earnings per share	Diluted earnings per share
For the year ended	(Yen)	(Yen)
March 31, 2021	71.10	70.83
March 31, 2020	43.53	43.36

(2) Non-consolidated Financial Position

	Total assets	Total Equity	Equity ratio	Equity per share
As of	(Millions of yen)	(Millions of yen)	%	(Yen)
March 31, 2021	4,176,384	559,494	13.4	625.87
March 31, 2020	4,476,092	508,589	11.3	569.07

(Reference) Shareholders' equity: As of March 31, 2021 ¥557,941 million
As of March 31, 2020 ¥507,082 million

* This Consolidated Financial Highlights is outside the scope of an audit by certified public accountants or an audit firm.

* Explanation regarding the appropriate use of the forecasts, etc.

(Remarks on forward-looking statements)

The forward-looking statements in this report, including earnings forecasts, have been prepared using information available to the Company on the date of release and certain assumptions deemed reasonable by the Company, and are not intended to assure that the Company will achieve such results. Actual earnings may differ significantly from the forecasts for various reasons.

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1. Summary of Operating Results, etc.

(1) Summary of Operating Results for the Year ended March 31, 2021

Consolidated operating results for the year ended March 31, 2021 were as follows.

■ Gross profit for the year ended March 31, 2021 decreased ¥21.3 billion, or 11.8% year on year, to ¥160.5 billion mainly due to decrease in lease revenues and decline in sales gains in Aviation Business despite solid performance in Real Estate Business.

■ Net income attributable to owners of the parent decreased ¥15.4 billion, or 21.8% year on year, to ¥55.3 billion due to increases in credit costs in Aviation Business and overseas Customer Business and in expenses related to the business integration with Hitachi Capital Corporation.

(Millions of yen)

	Year Ended March 31, 2020	Year Ended March 31, 2021	Change (%)
Revenues	923,768	894,342	(3.2)
Gross profit	181,964	160,581	(11.8)
Operating income	91,853	62,414	(32.1)
Recurring income	94,376	65,002	(31.1)
Net income attributable to owners of the parent	70,754	55,330	(21.8)

(Changes in reportable segments and Operating Results by segment)

In light of the business division system introduced in the previous Medium-term Management Plan, the Group has launched an initiative whereby each Customer Business and business division develops its own management plan and implements a PDCA cycle, and has set up a system to use financial information by such unit to evolve strategies; and accordingly, we made changes in reportable segments, etc.

As a result, effective April 1, 2020, the reportable segments have been changed from two segments of "Customer Finance Business" and "Asset Finance Business" to seven segments of "Customer Business," "Environment & Energy," "Healthcare," "Real Estate," "Aviation," "Logistics," and "Infrastructure & Investment."

(Please refer to Page 15 "3. Consolidated Financial Statements and Notes, (5) Notes to Consolidated Financial Statements (Segment Information)" for details of the new reportable segments.

Operating results by reportable segment were as follows. (Segment profit represents the amount shown in reportable segment.)

Effective April 1, 2020, segment profit was changed from operating income to net income attributable to owners of the parent. The comparative figures below have been reclassified to those under the new segmentation.

Segment assets include operating assets, equity-method investments, goodwill and investment securities, etc. attributable to each reportable segment.

Operating results by segment

(Millions of yen)

	Customer Business	Environment & Energy	Healthcare	Real Estate	Aviation	Logistics	Infrastructure & Investment	Subtotal	Adjustment	Total
Gross profit	59,980	7,711	4,967	46,259	27,556	5,032	2,091	153,597	6,983	160,581
Segment profit	25,567	3,734	741	28,037	2,807	1,878	304	63,072	(7,741)	55,330
Segment assets	2,127,064	198,592	157,373	955,654	1,203,858	545,525	111,688	5,299,758	710,072	6,009,831

(Millions of yen)

	Customer Business	Environment & Energy	Healthcare	Real Estate	Aviation	Logistics	Infrastructure & Investment	Subtotal	Adjustment	Total
New transactions volume (on a principal basis)										
Amount	587,203	33,188	39,591	146,445	106,080	75,140	15,510	1,003,159	52	1,003,212
YoY change (%)	(27.7)	(11.3)	(3.1)	(52.0)	(50.0)	(35.2)	4.0	(34.8)	(46.3)	(34.8)

1) Customer Business

Segment profit increased ¥8.6 billion, or 51.6% year on year, to ¥25.5 billion mainly due to gains on sales of strategic shareholdings and own-used assets despite an increase in overseas credit costs.

2) Environment & Energy

Segment profit increased ¥0.3 billion, or 11.4% year on year, to ¥3.7 billion mainly due to an increase in electricity sales revenues despite a decrease in earnings due to reduction of sales gains posted in the Year ended March 31, 2020.

3) Healthcare

Segment profit slightly increased year on year, to ¥0.7 billion mainly due to an increase in investment earnings in healthcare funds.

4) Real Estate

Segment profit increased ¥3.1 billion, or 12.6% year on year, to ¥28 billion mainly due to an increase in sales gains and compensation received in association with the redevelopment project.

5) Aviation

Segment profit decreased ¥22.1 billion, or 88.7% year on year, to ¥2.8 billion mainly due to a decrease in lease revenues and an increase in credit costs as a result of bankruptcies of airline companies and a decrease in sales gains associated with declined liquidity in the secondary market.

6) Logistics

Segment profit increased ¥0.8 billion, or 91.7% year on year, to ¥1.8 billion mainly due to an improved operating rate of marine containers despite a decrease in earnings from railway freight cars due to deteriorating market conditions.

7) Infrastructure & Investment

Segment profit decreased ¥0.3 billion, or 56.4% year on year, to ¥0.3 billion mainly due to a decrease in equity-method investment earnings from certain investees mostly because of COVID-19 despite an increase in earnings from new investment projects.

(2) Summary of Financial Position as of March 31, 2021

1) Assets, liabilities, and equity

Total assets as of March 31, 2021 decreased ¥276.1 billion, or 4.4% year on year, to ¥6,009.8 billion mainly due to a decrease in cash and deposits. Total equity as of March 31, 2021 increased ¥22.4 billion, or 2.8% year on year, to ¥821.2 billion mainly due to the build-up of net income attributable to owners of the parent. The equity ratio rose 1.0 percentage point to 13.4%.

2) Cash flows

Cash and cash equivalents as of March 31, 2021 decreased ¥169.3 billion, or 37.1% year on year, to ¥286.2 billion, due to cash outflows in financing activities of ¥372.8 billion despite cash inflows in operating and investing activities of ¥199.3 billion and ¥1.2 billion, respectively.

Net cash provided by operating activities was ¥199.3 billion (cash used of ¥252.1 billion for the Year ended March 31, 2020), mainly consisting of cash inflows from income before income taxes of ¥83.2 billion, depreciation of leased assets and loss on disposal and sales of leased assets of ¥181.3 billion, a decrease in lease receivables and investments in leases of ¥95.1 billion, a decrease in loans receivable of ¥79.6 billion despite cash outflows from the purchase of leased assets and other operating assets of ¥218.7 billion and income taxes paid of ¥22.3 billion.

Net cash provided by investing activities was ¥1.2 billion (cash used of ¥32.9 billion in the Year ended March 31, 2020), mainly consisting of cash inflows from the withdrawal of time deposits of ¥54.2 billion, sales and redemption of investment securities of ¥14.6 billion, and sales of own-used assets of ¥3.2 billion despite cash outflows from payments into time deposits of ¥55.5 billion and purchase of investment securities of ¥15.6 billion.

Net cash used in financing activities was ¥372.8 billion (cash provided of ¥552.3 billion in the Year ended March 31, 2020), mainly consisting of net cash outflows from direct financing of ¥307.1 billion, indirect financing through bank borrowings of ¥36.1 billion, and dividends paid of ¥28 billion.

(3) Explanation of Forecast, including Consolidated Earnings Forecasts

1) Macro-environment assumptions for earnings forecasts

Although uncertain circumstances persist, including the emergence and spread of new variants of COVID-19, the global economy in 2021 is expected to recover from the sluggish previous year with continued large-scale monetary easing and fiscal policy in various countries, as well as the lifting of some restrictions on activities following vaccination rollouts.

However, it is assumed that the timing and degree of the recovery will vary by country and region based on the pace of vaccination and the extent of support offered by economic policy, etc. The assumptions we make at this point for major countries and regions are as follows:

【Japan】 While economic activity is expected to gradually return to normal with the implementation of economic policy and vaccination progress, real GDP is not expected to recover to its 2019 levels until 2022 or beyond.

【U.S.】 Real GDP is expected to recover to its 2019 levels in 2021, as the economy is currently on a recovery trend following the resumption of economic activity, the relaxation of travel restrictions due to vaccination progress, and support from fiscal and financial policies.

【U.K.】 A gradual recovery is expected to continue in 2021 with the progress of vaccination and continued fiscal and financial policies.

【China】 Real GDP in 2021 is expected see high growth of over 8% year-on-year as the economy has already reopened against the backdrop of successful control of COVID-19.

【ASEAN】 The number of new COVID cases remains elevated in certain countries and regions, and recovery to 2019 levels is not expected until 2022 or beyond.

2) Earnings forecasts and dividend forecasts for the Year ending March 31, 2022

Net income attributable to owners of the parent for the Year ending March 31, 2022 is forecast to be ¥95 billion as we expect recovery or rebound in businesses which reported profit decline in the Year ended March 31, 2021 as well as a decrease in credit costs in Aviation Business while expenses associated with the promotion of sales activities and development of platforms are expected to increase.

Based on the record of dividend increase for 22 consecutive years and the past dividend policies of the Company and Hitachi Capital Corporation, annual dividend per share is forecast to be ¥26.00, an increase of ¥0.5 year on year.

Effective April 1, 2021, the Company (former Mitsubishi UFJ Lease & Finance Company Limited) and Hitachi Capital Corporation have executed a business integration through a merger and changed the company name to "Mitsubishi HC Capital Inc." Accordingly, consolidated earnings forecasts and dividend forecasts for the Year ending March 31, 2022 are made for Mitsubishi HC Capital Inc.

2. Basic Policy for Selection of Accounting Standards

The Group has adopted Japan GAAP considering the comparability of the consolidated financial statements between periods and companies. The Group has not yet decided whether to adopt IFRS but plans to take appropriate actions in consideration of both domestic and international situations.

3. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	For the Year ended March 31, 2020 (As of March 31, 2020)	For the Year ended March 31, 2021 (As of March 31, 2021)
Assets		
Current assets		
Cash and deposits	466,228	294,241
Installment receivables	227,280	191,043
Lease receivables and investments in leases	1,583,670	1,414,106
Operating loans receivables	1,062,740	1,021,492
Other operating loans receivable	73,657	58,393
Lease and other receivables	23,757	33,083
Securities	819	5,469
Merchandise	21,217	27,468
Other current assets	57,086	120,119
Allowance for doubtful accounts	(5,758)	(5,794)
Total current assets	3,510,701	3,159,621
Non-current assets		
Property, plant and equipment		
Leased assets		
Leased assets	2,025,596	2,051,082
Advances on purchases of leased assets	73,308	59,750
Total leased assets	2,098,904	2,110,833
Other operating assets	120,498	152,138
Own-used assets	5,967	6,248
Total property, plant and equipment	2,225,371	2,269,220
Intangible assets		
Leased assets		
Leased assets	8	4
Total leased assets	8	4
Other intangible assets		
Goodwill	65,580	57,277
Software	9,198	8,467
Telephone subscription right	37	27
Other	92,167	84,984
Total other intangible assets	166,984	150,757
Total intangible assets	166,993	150,762
Investments and other assets		
Investment securities	313,947	357,791
Distressed receivables	24,693	39,269
Deferred tax assets	14,797	8,761
Retirement benefit asset	30	21
Other investments	43,263	46,885
Allowance for doubtful accounts	(13,831)	(22,501)
Total investments and other assets	382,901	430,226
Total non-current assets	2,775,265	2,850,209
Total assets	6,285,966	6,009,831

(Millions of yen)

	For the Year ended March 31,2020 (As of March 31, 2020)	For the Year ended March 31,2021 (As of March 31, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	74,918	81,000
Short-term borrowings	454,137	236,730
Current portion of bonds payable	224,536	244,025
Current portion of long-term borrowings	329,818	372,344
Commercial papers	762,100	434,171
Current maturities of loans from the securitizations of the minimum future rentals on lease contracts	59,109	61,995
Lease obligations	25,213	23,133
Income taxes payable	6,924	10,805
Deferred profit on installment sales	12,740	10,095
Provision for bonuses	6,668	5,384
Provision for bonuses for directors (and other officers)	486	505
Other current liabilities	93,535	102,196
Total current liabilities	2,050,190	1,582,388
Non-current liabilities		
Bonds payable	945,016	980,181
Long-term borrowings	2,079,301	2,261,273
Loans from the securitizations of the minimum future rentals on lease contracts, less current maturities	76,671	44,234
Lease obligations	86,203	66,667
Asset retirement obligations	21,288	25,055
Deferred tax liabilities	53,508	52,816
Provision for retirement benefits for directors (and other officers)	119	112
Retirement benefit liability	3,344	3,060
Other non-current liabilities	171,501	172,806
Total non-current liabilities	3,436,955	3,606,209
Total liabilities	5,487,146	5,188,597
Equity		
Shareholders' equity		
Share capital	33,196	33,196
Capital surplus	167,164	167,280
Retained earnings	538,977	571,459
Treasury shares	(1,665)	(1,528)
Total shareholders' equity	737,671	770,407
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,752	30,678
Deferred gains or losses on hedges	(5,597)	(15,519)
Foreign currency translation adjustment	36,219	22,278
Remeasurements of defined benefit plans	(1,333)	(925)
Total accumulated other comprehensive income	40,041	36,512
Share acquisition rights	1,507	1,552
Non-controlling interests	19,599	12,760
Total equity	798,820	821,233
Total liabilities and equity	6,285,966	6,009,831

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
(Consolidated Statements of Income)

(Millions of yen)

	For the Year ended March 31, 2020 (April 1, 2019 – March 31, 2020)	For the Year ended March 31, 2021 (April 1, 2020 – March 31, 2021)
Revenues	923,768	894,342
Cost of revenues	741,804	733,761
Gross profit	181,964	160,581
Selling, general and administrative expenses	90,110	98,166
Operating income	91,853	62,414
Non-operating income		
Interest income	749	356
Dividend income	2,803	3,384
Rental income	334	319
Share of profit of entities accounted for using equity method	3,269	3,261
Other non-operating income	3,301	2,664
Total non-operating income	10,457	9,986
Non-operating expenses		
Interest expenses	4,849	4,205
Loss on valuation of derivatives	404	756
Foreign exchange losses	619	853
Other non-operating expenses	2,060	1,581
Total non-operating expenses	7,934	7,397
Recurring income	94,376	65,002
Extraordinary income		
Gain on sale of investment securities	1,358	10,029
Gain on sale of shares of subsidiaries and associates	237	431
Gain on step acquisitions	3,433	1,395
Compensation income	-	3,488
Gain on sale of own-used assets	-	3,112
Total extraordinary income	5,030	18,457
Extraordinary losses		
Loss on valuation of investment securities	308	-
Loss on sale of investment securities	-	242
Total extraordinary losses	308	242
Income before income taxes	99,097	83,217
Income taxes - current	20,642	22,457
Income taxes - deferred	6,288	3,918
Total income taxes	26,931	26,375
Net income	72,166	56,842
Net income attributable to non-controlling interests	1,411	1,512
Net income attributable to owners of the parent	70,754	55,330

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	For the Year ended March 31, 2020 (April 1, 2019 – March 31, 2020)	For the Year ended March 31, 2021 (April 1, 2020 – March 31, 2021)
Net income	72,166	56,842
Other comprehensive income		
Valuation difference on available-for-sale securities	(10,321)	19,845
Deferred gains or losses on hedges	(8,400)	(10,516)
Foreign currency translation adjustment	(5,351)	(14,194)
Remeasurements of defined benefit plans, net of tax	(10)	330
Share of other comprehensive income of entities accounted for using equity method	213	782
Total other comprehensive income	(23,869)	(3,751)
Comprehensive income	48,296	53,090
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	47,015	51,801
Comprehensive income attributable to non-controlling interests	1,280	1,288

(3) Consolidated Statements of Changes in Equity

For the Year ended March 31, 2020 (April 1, 2019 – March 31, 2020)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of the period	33,196	167,147	491,963	(1,867)	690,439
Changes during the period					
Dividends of surplus			(23,601)		(23,601)
Net income attributable to owners of the parent			70,754		70,754
Change in scope of consolidation			(139)		(139)
Change in scope of equity method					-
Change in ownership interest of parent due to transactions with non-controlling interests		2			2
Disposal of treasury shares		14		201	216
Net changes in items other than shareholders' equity					
Total changes during the period	-	17	47,013	201	47,232
Balance at the end of the period	33,196	167,164	538,977	(1,665)	737,671

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total equity
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of the period	21,032	2,431	41,742	(1,425)	63,780	1,471	22,890	778,582
Changes during the period								
Dividends of surplus								(23,601)
Net income attributable to owners of the parent								70,754
Change in scope of consolidation								(139)
Change in scope of equity method								-
Change in ownership interest of parent due to transactions with non-controlling interests								2
Disposal of treasury shares								216
Net changes in items other than shareholders' equity	(10,279)	(8,028)	(5,522)	92	(23,739)	35	(3,291)	(26,994)
Total changes during the period	(10,279)	(8,028)	(5,522)	92	(23,739)	35	(3,291)	20,237
Balance at the end of the period	10,752	(5,597)	36,219	(1,333)	40,041	1,507	19,599	798,820

For the Year ended March 31, 2021 (April 1, 2020 – March 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of the period	33,196	167,164	538,977	(1,665)	737,671
Changes during the period					
Dividends of surplus			(22,501)		(22,501)
Net income attributable to owners of the parent			55,330		55,330
Change in scope of consolidation			(336)		(336)
Change in scope of equity method			(10)		(10)
Change in ownership interest of parent due to transactions with non-controlling interests		83			83
Disposal of treasury shares		32		137	169
Net changes in items other than shareholders' equity					
Total changes during the period	-	115	32,482	137	32,735
Balance at the end of the period	33,196	167,280	571,459	(1,528)	770,407

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total equity
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of the period	10,752	(5,597)	36,219	(1,333)	40,041	1,507	19,599	798,820
Changes during the period								
Dividends of surplus								(22,501)
Net income attributable to owners of the parent								55,330
Change in scope of consolidation								(336)
Change in scope of equity method								(10)
Change in ownership interest of parent due to transactions with non-controlling interests								83
Disposal of treasury shares								169
Net changes in items other than shareholders' equity	19,925	(9,922)	(13,940)	407	(3,528)	45	(6,838)	(10,322)
Total changes during the period	19,925	(9,922)	(13,940)	407	(3,528)	45	(6,838)	22,413
Balance at the end of the period	30,678	(15,519)	22,278	(925)	36,512	1,552	12,760	821,233

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	For the Year ended March 31, 2020 (April 1, 2019 – March 31, 2020)	For the Year ended March 31, 2021 (April 1, 2020 – March 31, 2021)
Cash flows from operating activities		
Income before income taxes	99,097	83,217
Depreciation of leased assets	125,252	135,610
Loss on disposal and sales of leased assets	125,152	45,783
Depreciation of other operating assets	3,488	5,488
Depreciation and loss on disposal of own-used assets	3,693	3,557
Other depreciation	1,260	1,286
Amortization of goodwill	5,931	5,866
Increase (decrease) in allowance for doubtful accounts	(143)	9,810
Interest and dividend income	(3,552)	(3,741)
Financial expenses and interest expenses	63,646	65,803
Loss (gain) on valuation of investment securities	308	-
Loss (gain) on sale of investment securities	(1,358)	(9,787)
Loss (gain) on sale of shares of subsidiaries and associates	(237)	(431)
Loss (gain) on step acquisitions	(3,433)	(1,395)
Compensation income	-	(3,488)
Loss (gain) on sales of own-used assets	-	(3,112)
(Increase) decrease in rental income and other receivables	(2,428)	(28,439)
(Increase) decrease in installment receivables	7,006	23,824
(Increase) decrease in lease receivables and investments in leases	(32,523)	95,110
(Increase) decrease in loans receivable	(39,334)	79,633
(Increase) decrease in operating securities and investments in private equity securities	(17,516)	(17,293)
Purchases of leased assets	(412,643)	(185,989)
Purchases of other operating assets	(47,073)	(32,781)
Increase (decrease) in trade payables	(14,519)	7,483
Other	(32,377)	1,275
Subtotal	(172,305)	277,289
Interest and dividends received	4,561	5,338
Interest paid	(63,864)	(64,466)
Proceeds from compensation	-	3,488
Income taxes paid	(20,590)	(22,335)
Cash flows from operating activities	(252,199)	199,314
Cash flows from investing activities		
Purchase of own-used assets	(4,330)	(2,648)
Proceeds from sale of own-used assets	9	3,272
Purchase of investment securities	(14,542)	(15,699)
Proceeds from sale and redemption of investment securities	2,924	14,664
Payments for acquisition of newly consolidated subsidiaries	(20,808)	-
Proceeds from sales of consolidated subsidiaries	3,871	2,019
Payments into time deposits	(1,641)	(55,524)
Proceeds from withdrawal of time deposits	1,648	54,250
Other	(120)	886
Cash flows from investing activities	(32,988)	1,220

(Millions of yen)

	For the Year ended March 31, 2020 (April 1, 2019 – March 31, 2020)	For the Year ended March 31, 2021 (April 1, 2020 – March 31, 2021)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	143,201	(211,716)
Net increase (decrease) in commercial papers	19,900	(328,318)
Proceeds from loans from the securitizations of the minimum future rentals on lease contracts	141,750	103,767
Repayments of loans from the securitization of the minimum future rentals on lease contracts	(151,353)	(132,989)
Proceeds from long-term borrowings	579,134	578,241
Repayments of long-term borrowings	(268,898)	(402,652)
Proceeds from issuance of bonds	351,409	280,426
Redemption of bonds	(237,137)	(230,079)
Dividends paid	(23,601)	(22,501)
Dividends paid to non-controlling interests	(2,149)	(5,530)
Other	65	(1,456)
Cash flows from financing activities	552,320	(372,808)
Effect of exchange rate change on cash and cash equivalents	1,670	2,818
Net increase (decrease) in cash and cash equivalents	268,803	(169,455)
Cash and cash equivalents at the beginning of the period	186,489	455,588
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	294	80
Cash and cash equivalents at the end of the period	455,588	286,213

(5) Notes to the Consolidated Financial Statements

(Notes concerning going-concern assumption)

Not applicable

(Segment information, etc.)

1. Overview of reportable segments

The Company's reportable segments are components of the Company for which separate financial information is available that are reviewed by the Board of Directors regularly to make decisions regarding the allocation of management resources and evaluate operating performance.

In light of the business division system introduced in the previous Medium-term Management Plan, the Group has launched an initiative whereby each Customer Business and business division develops its own management plan and implements a PDCA cycle, and has set up a system to use financial information by such unit to evolve strategies; and accordingly, we made changes in reportable segments, etc.

As a result, effective April 1, 2020, the reportable segments have been changed from two segments of "Customer Finance Business" and "Asset Finance Business" to seven segments of "Customer Business," "Environment & Energy," "Healthcare," "Real Estate," "Aviation," "Logistics," and "Infrastructure & Investment," and segment profit was changed from operating income to net income attributable to owners of the parent.

Details of new reportable segments are as follows.

	Reportable segments	Main services and business description
1	Customer Business	Equipment leasing and finance Sale and purchase of used equipment
2	Environment & Energy	Power generation by renewable energy, environment-related equipment leasing and finance, Energy Service Company (ESCO) business
3	Healthcare	Medical equipment leasing and finance, sale and purchase of used medical equipment Consulting services for new medical equipment installation and management support
4	Real Estate	Real estate leasing and finance Real estate securitization, real estate revitalization investment
5	Aviation	Aircraft leasing Aircraft engine leasing
6	Logistics	Marin container leasing, railway freight car leasing Ship finance, auto leasing
7	Infrastructure & Investment	Investment and financing to social infrastructure PFI business, corporate investment business

Segment information for the Year ended March 31, 2020 is presented under new segmentation.

2. Calculation of profit or loss and assets by reportable segment

The accounting treatments applied to reported business segments are consistent with those adopted in preparation of the consolidated financial statements.

Profit of reportable segments are based on net income attributable to owners of the parent.

Intersegment earnings and transfers are based on market prices.

3. Information on profit or loss and assets by reportable segment

For the Year ended March 31, 2020 (April 1, 2019 – March 31, 2020)

(Millions of yen)

	Reportable segments								Adjustment (Note) 1	Amount recorded in consolidated financial statements (Note) 2
	Customer Business	Environment & Energy	Healthcare	Real Estate	Aviation	Logistics	Infrastructure & Investment	Total		
Segment profit (loss)	16,869	3,351	661	24,902	24,932	980	698	72,396	(1,641)	70,754
Segment assets (Note) 3	2,362,937	185,035	152,654	980,124	1,162,335	522,304	95,485	5,460,876	825,090	6,285,966

(Note) 1. Adjustments of segment profit (loss) consist mostly of adjustments of company-wide expenses included in selling, general and administrative expenses not allocated to any reportable segments.

Adjustments of segment assets consist mostly of assets other than those allocated to reportable segments such as cash and deposits, own-used assets, and goodwill recognized when Diamond Lease Company Limited and UFJ Central Leasing Co., Ltd. merged and became Mitsubishi UFJ Lease & Finance Company Limited in 2007.

2. Segment profit (loss) is adjusted to net income attributable to owners of the parent on the consolidated financial statements.

3. Segment assets include operating assets, equity-method investments, goodwill and investment securities, that are attributable to each reportable segment.

For the Year ended March 31, 2021 (April 1, 2020 – March 31, 2021)

(Millions of yen)

	Reportable segments								Adjustment (Note) 1	Amount recorded in consolidated financial statements (Note) 2
	Customer Business	Environment & Energy	Healthcare	Real Estate	Aviation	Logistics	Infrastructure & Investment	Total		
Segment profit (loss)	25,567	3,734	741	28,037	2,807	1,878	304	63,072	(7,741)	55,330
Segment assets (Note) 3	2,127,064	198,592	157,373	955,654	1,203,858	545,525	111,688	5,299,758	710,072	6,009,831

(Note) 1. Adjustments of segment profit (loss) consist mostly of adjustments of company-wide expenses included in selling, general and administrative expenses not allocated to any reportable segments.

Adjustments of segment assets consist mostly of assets other than those allocated to reportable segments such as cash and deposits, own-used assets, and goodwill recognized when Diamond Lease Company Limited and UFJ Central Leasing Co., Ltd. merged and became Mitsubishi UFJ Lease & Finance Company Limited in 2007.

2. Segment profit (loss) is adjusted to net income attributable to owners of the parent on the consolidated financial statements.

3. Segment assets include operating assets, equity-method investments, goodwill and investment securities, that are attributable to each reportable segment.

4. Information regarding impairment losses of non-current assets for each reportable segment

For the Year ended March 31, 2020 (April 1, 2019 – March 31, 2020)

Not applicable.

For the Year ended March 31, 2021 (April 1, 2020 – March 31, 2021)

(Millions of yen)

	Reportable segments								Corporate/ elimination	Total
	Customer Business	Environment & Energy	Healthcare	Real Estate	Aviation	Logistics	Infrastructure & Investment	Total		
Impairment losses (Note)	-	-	-	-	2,578	-	-	2,578	-	2,578

(Note) Impairment losses are included in cost of revenues.

(Per share information)

	For the Year ended March 31,2020 (April 1, 2019 – March 31, 2020)	For the Year ended March 31,2021 (April 1, 2020 – March 31, 2021)
Equity per share	¥872.78	¥905.16
Earnings per share	¥79.44	¥62.08
Diluted earnings per share	¥79.14	¥61.85

(Note) The basis for calculation of equity per share, earnings per share, and diluted earnings per share is as follows.

1. Equity per share

	For the Year ended March 31,2020 (As of March 31, 2020)	For the Year ended March 31,2021 (As of March 31, 2021)
Total equity (millions of yen)	798,820	821,233
Amount deducted from total equity (millions of yen)	21,107	14,313
(Of which, share acquisition rights (millions of yen))	(1,507)	(1,552)
(Of which, non-controlling interests (millions of yen))	(19,599)	(12,760)
Equity related to common shares at end of the period (millions of yen)	777,713	806,920
Number of common shares used for calculation of equity per share at the end of the period (thousand shares)	891,072	891,466

2. Earnings per share and diluted earnings per share

	For the Year ended March 31,2020 (April 1, 2019 – March 31, 2020)	For the Year ended March 31,2021 (April 1, 2020 – March 31, 2021)
Earnings per share		
Net income attributable to owners of the parent (millions of yen)	70,754	55,330
Amount not attributable to common shareholders (millions of yen)	-	-
Net income attributable to common shareholders of the parent (millions of yen)	70,754	55,330
Average number of shares during the period (thousand shares)	890,713	891,207
Diluted earnings per share		
Adjustment to net income attributable to owners of the parent (millions of yen)	-	-
Increase in common shares (thousand shares)	3,333	3,334
(Of which, share acquisition rights (thousand shares))	(3,333)	(3,334)
Summary of potential dilutive shares not included in the calculation of diluted earnings per share due to their anti-dilutive effect	—	—

(Significant subsequent events)

(Business integration with Hitachi Capital Corporation)

Effective April 1, 2021, Mitsubishi UFJ Lease & Finance Company Limited (“Mitsubishi UFJ Lease”) and Hitachi Capital Corporation (“Hitachi Capital”) have executed a business integration (“Business Integration”) and changed the company name to “Mitsubishi HC Capital Inc.”

1. Outline of the business combination

(1) Name and business description and size of the acquiree

Name of the acquiree: Hitachi Capital Corporation

Business description: Leasing service, installment sales, other financial services, and service business

Size: For the Year ended March 31, 2021 (reference information)

Consolidated basis (IFRS)

Revenues	467,176 million yen
Net income	33,195 million yen
Total assets	3,811,002 million yen
Total equity	439,338 million yen
Number of employees	5,563

Non-consolidated basis (J-GAAP)

Revenues	36,007 million yen
Net income	14,657 million yen
Total assets	1,615,518 million yen
Total equity	240,676 million yen
Number of employees	930

(2) Reason and objective of the business combination

Background of the business integration

(a) Changes in social situation

In recent years, there have been drastic changes in the external environment as well as the accelerating trends and megatrends influencing domestic and international economies in the long term, such as “climate change and shortages of resources,” “de-carbonization to break dependence on resources and fossil fuels,” “demographic changes,” “technological innovation,” “urbanization,” “the shifting of power of the global economy,” and “global multi-polarization.”

Further, the global pandemic of COVID-19 which started in 2020 has caused a paradigm shift in economy and society at large, which is expected to promote “qualitative restructuring of supply chains,” “digitalization to adapt to a data economy” and “shifts from mass production and consumption to a circular economy” in corporate activities.

(b) Perception of challenges

In connection with these changes in the external environment, the roles required for leasing companies are changing to solve social issues through business investments and operations in addition to conventional leases and finances.

Moreover, in both during and after the COVID-19 pandemic situation, business models at an industry level are expected to change rapidly at a speed exceeding all expectations. In such circumstances where all companies need to adapt to the environmental changes, the prominence of leasing companies, holding various asset-related functions and offering flexible services that are not limited to financial functions, will increase further.

As both companies have been closely cooperating with various industries, they have reached a conclusion that, while regarding these drastic environmental changes in society and the relevant industries as new business opportunities, it is necessary to further expand the operational bases and to strengthen the financial bases of both companies to contribute to various customers and local communities and to create social value.

Purposes of the Business Integration

Until the integration, the two companies have aimed to create social value for the realization of a rich society that can adapt to environment change and to sustainably enhance corporate value through such value creation, as stated in the medium- to long-term corporate vision statements of their respective medium-term management plans. With the Business Integration, the two companies will realize (i) complementing each other’s business

domains, (ii) strengthening their management bases, and (iii) creating new value based on (i) and (ii) and grow stronger, by developing the business as an integrated entity under a unified vision and philosophy.

(i) Complementing each other's business domains

By building ideal, mutually complementary relationships, the new integrated company will establish an extensive and comprehensive lineup of businesses, and achieve diversification in its portfolios in terms of both business domains and geographical areas. This will help the new integrated company not only to establish a solid and stable revenue structure that will be less susceptible to the external environment but also to increase profitability by expanding investment activities utilizing its enhanced capabilities.

(ii) Strengthening the management base

The new integrated company aims to build strong management base which will support sustainable growth by concentrating the management resources and expertise, which are sources of corporate competitiveness, via utilization and enhancement of human resources, utilization of partner networks, reinforcement of financial bases, advancement of risk management, and promotion of digitalization.

(iii) Creating new value

The new integrated company is intended to offer new value beyond the framework of traditional leasing companies to customers by entering into new business domains and geographical areas, as well as strengthening and expanding the focal business domains.

Due to the Business Integration, the Company will be one of the largest global players in the industry in terms of both its size and business domains. The company will utilize its expanding scale and accumulating capital and accurately capture the changing needs of its customers and local communities around the world, to develop into a company that can provide solutions to modern social issues.

(3) Date of the business combination

April 1, 2021

(4) Legal form of the business combination

An absorption-type merger with Mitsubishi UFJ Lease as the surviving company and Hitachi Capital as the merged company

(5) Company name after the business combination

Mitsubishi HC Capital Inc.

2. Details of acquisition cost and consideration by type

Acquisition consideration (fair value on the date of the business combination of common shares held immediately before the business combination):	¥16,725 million
Acquisition consideration (fair value of the Company's common shares issued on the date of the business combination):	¥381,480 million
Acquisition cost:	¥398,205 million

3. Exchange ratio by share class and its calculation method and the number of shares issued

(1) Exchange ratio by share class

Company Name	Mitsubishi UFJ Lease (The surviving company)	Hitachi Capital (The merged company)
Merger ratio	1	5.10
Number of shares issued in relation to the business integration	Common shares: 571,078,084 shares	

(2) Method to calculate the ratio of share exchange

In order to ensure fairness of the merger ratio, both companies individually appointed a third party valuation institute to calculate the merger ratio, and Mitsubishi UFJ Lease has appointed Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. and Hitachi Capital has appointed Goldman Sachs Japan Co., Ltd.

After careful and repeated negotiations and discussions about the merger ratio considering financial situations

and recent trends of performance and stock prices, etc. of both companies, by reference to the calculation results provided by their respective valuation institutes, Mitsubishi UFJ Lease and Hitachi Capital have eventually determined that the above merger ratio was appropriate and thus would contribute to the benefit of their respective shareholders, and agreed on the ratio.

4. Details and amount of major acquisition-related cost

Fees and commissions for advisory services, etc. 6,494 million yen

5. The amount of goodwill recognized, reason for recognition, amortization method and the period or the amount of negative goodwill recognized and reason for recognition

It is not yet determined as the Company is currently calculating it.

*This Consolidated Financial Highlights is made in Japanese and translated into English. The Japanese text is the original and the English text for reference purposes. If there is any conflict or inconsistency between these two texts, the Japanese text shall prevail.