

Consolidated Financial Highlights for the Second Quarter Ended September 30, 2021

[Based on J-GAAP]

November 12, 2021

Company Name: **Mitsubishi HC Capital Inc.**
 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
 Scheduled Date of Submission of Financial Reports: November 12, 2021
 Scheduled Commencement of Dividend Payment: December 10, 2021
 Supplemental Material for Financial Results: Available
 Holding of Quarterly Financial Results Meeting: Yes (for Institutional Investors and Analysts)

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

1. Consolidated Results for the Second Quarter Ended September 30, 2021 (April 1, 2021 – September 30, 2021)

(1) Consolidated Operating Results (Cumulative) (% represents the change from the same period in the previous fiscal year)

	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 six months ended								
September 30, 2021	833,358	83.3	58,151	80.6	59,089	75.7	60,482	146.0
September 30, 2020	454,604	—	32,199	—	33,632	—	24,586	—

(Note) 1. Comprehensive income: Six Months Ended September 30, 2021: ¥74,310 million 517.5%
 Six Months Ended September 30, 2020: ¥12,034 million -%

2. The Company (the former Mitsubishi UFJ Lease & Finance Company Limited) executed the business integration with Hitachi Capital Corporation on April 1, 2021. The consolidated operating results for the Six Months ended September 30, 2020 represent the results of the former Mitsubishi UFJ Lease & Finance Company Limited.

3. Percentages change for the Six Months ended September 30, 2020 are omitted as changes in accounting policies were applied retrospectively.

	Earnings per share	Diluted earnings per share
	(Yen)	(Yen)
For the six months ended		
September 30, 2021	42.13	42.03
September 30, 2020	27.59	27.49

(2) Consolidated Financial Position

	Total assets	Total Equity	Equity ratio
	(Millions of yen)	(Millions of yen)	%
As of			
September 30, 2021	9,459,998	1,252,420	13.0
March 31, 2021	6,014,896	817,906	13.4

(Reference) Shareholders' equity: As of September 30, 2021: ¥1,229,647 million
 As of March 31, 2021: ¥803,796 million

(Note) 1. The consolidated financial position for the Year ended March 31, 2021 represent the results of the former Mitsubishi UFJ Lease & Finance Company Limited.

2. Changes in accounting policies were applied retrospectively to figures as of March 31, 2021.

2. Dividends

	Dividends per share				
	1st Quarter end	2nd Quarter end	3rd Quarter end	Year - end	Annual
For the year ended	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
March 31, 2021	—	12.75	—	12.75	25.50
March 31, 2022	—	13.00			
March 31, 2022 (Forecast)			—	13.00	26.00

(Note) Changes from the latest released dividend forecasts: None

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	71.7	66.17

(Note) Changes from the latest released performance forecasts: None

* Notes

(1) Significant changes in subsidiaries during the period

(Change of specific subsidiaries accompanying the change of scope of consolidation) : Yes

Newly included: 13 companies

(Company name)

Capital Insurance Corporation, Mitsubishi HC Business Lease Corporation*, Hitachi Capital (UK) PLC, Mitsubishi HC Capital America, Inc.*, Mitsubishi HC Capital Canada, Inc.*, Mitsubishi HC Capital Management (China) Limited, Mitsubishi HC Capital (Hong Kong) Limited, Mitsubishi HC Capital Leasing (Beijing) Co., Ltd., Mitsubishi HC Capital Factoring (Shanghai) Co., Ltd., Mitsubishi HC Capital Asia Pacific Pte. Ltd., Mitsubishi HC Capital (Thailand) Co., Ltd.*, PT HCD Properti Indonesia, Japan Infrastructure Initiative Company Limited

*These subsidiaries have been changed the trade names since August 2021 and the trade names above are changed ones.

(2) Application of accounting treatments specific to the preparation of the quarterly

consolidated financial statements : Yes

(Note) For details, please refer to “2. Quarterly Consolidated Financial Statements and Major Notes, (3) Notes to the Quarterly Consolidated Financial Statements (Application of accounting treatments specific to the preparation of the quarterly consolidated financial statements)” on page 15.

(3) Changes in accounting policies, changes in accounting estimates, and restatement of revisions

(i) Changes in accounting policies with revision of accounting standards, etc. : Yes

(ii) Changes in accounting policies other than (i) above : Yes

(iii) Changes in accounting estimates : No

(iv) Restatement of revisions : No

(Note) For details, please refer to “2. Quarterly Consolidated Financial Statements and Major Notes, (3) Notes to the Quarterly Consolidated Financial Statements (Changes in accounting policies)” on page 15.

(4) Number of outstanding shares (common shares)

(i) Number of outstanding shares (including treasury shares)	As of September 30, 2021	1,466,912,244 shares	As of March 31, 2021	895,834,160 shares
(ii) Number of treasury shares	As of September 30, 2021	31,232,500 shares	As of March 31, 2021	4,368,016 shares
(iii) Weighted average number of shares outstanding	For the Six Months ended September 30, 2021	1,435,598,327 shares	For the Six Months ended September 30, 2020	891,125,958 shares

(Note) As a result of the business integration with Hitachi Capital Corporation on April 1, 2021 (merger ratio:1:5.1), the number of outstanding shares increased by 571,078,084 shares to 1,466,912,244 shares.

* 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.

* 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.

Contents

1. Qualitative Information concerning Financial Results for the Second Quarter Ended September 30, 2021	4
(1) Summary of Operating Results	4
(2) Summary of Consolidated Financial Position	7
(3) Explanation on Future Forecast Information including Consolidated Earnings Forecasts	7
2. Quarterly Consolidated Financial Statements and Major Notes	8
(1) Quarterly Consolidated Balance Sheets	8
(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income	10
Quarterly Consolidated Statements of Income	
For the Six Months ended September 30, 2021 and 2020	10
Quarterly Consolidated Statements of Comprehensive Income	
For the Six Months ended September 30, 2021 and 2020	11
(3) Notes to the Quarterly Consolidated Financial Statements	12
(Segment information)	12
(Notes concerning going concern assumption)	15
(Notes concerning significant changes in shareholders' equity)	15
(Application of accounting treatments specific to the preparation of the quarterly consolidated financial statements)	15
(Changes in accounting policies)	15
(Additional information)	17

1. Qualitative Information concerning Financial Results for the Second Quarter Ended September 30, 2021

(1) Summary of Operating Results

On April 1, 2021, the Company (the former Mitsubishi UFJ Lease & Finance Company Limited, "MUL") executed the business integration with Hitachi Capital Corporation ("HC") and changed the trade name to Mitsubishi HC Capital Inc.

Accordingly, the figures for the Six Months ended September 30, 2020 in 1) Summary of operating results and topics are the sum of consolidated results of MUL and those of HC (IFRS basis) converted into J-GAAP basis in a simplified manner, which are presented as reference value.

Figures for the Six Months ended September 30, 2020 and as of March 31, 2021 in 2) Operating results by reporting segments are the sum of consolidated results of MUL and those of HC (IFRS basis) converted into J-GAAP basis in a simplified manner, which are reclassified to conform to the new segmentation and presented as reference value.

1) Summary of operating results and topics

Summarized results for the Six Months ended September 30, 2021 were as follows.

Net income attributable to owners of the parent increased by ¥23.5 billion, or 63.9% year on year (reference value) to ¥60.4 billion mainly thanks to performance improvement primarily in Europe and the U.S. in Account Solution segment, continuous replacement of the portfolio and steady promotion in asset turnover business despite a reactionary fall in sales gains and absence of compensation received in association with the redevelopment project, both recorded in Real Estate segment in the Six Months ended September 30, 2020.

In the business integration with HC, the excess of the fair value of net assets of HC as of the date of the business integration over the acquisition cost amounting to ¥0.4 billion is recognized as gain on bargain purchase.

One of the major topics, in Logistics segment in June 2021, is that the Company decided to acquire all shares of CAI International, Inc., a leading U.S. marine container leasing company, and make the company its wholly-owned subsidiary. This acquisition will enable the Company to enhance the global competitiveness in the marine container leasing business with stable demand and high profitability as the sustainable growth market and also develop the business as a driver to support the medium- to long-term growth by capitalizing on the growth potential.

We are also strengthening our efforts toward realization of prosperous and sustainable society such as decarbonization and established the Tokorozawa Kitaiwaoka Solar Power Plant in July 2021 under the solar sharing model which allows to cope with both providing electricity to Tokorozawa City, Saitama Prefecture, and cultivating blueberries. Our overseas efforts include the acquisition of shares of Trung Nam Wind Power Joint Stock Company, a Vietnamese wind power generation business developer and operator, in May 2021 to enter the wind power market in Vietnam and the investment in a solar power generation business in California, the U.S., in September 2021. In October 2021, we also made investment in Universal Hydrogen Co., a U.S. hydrogen-powered aircraft-related company, with an aim to contribute to reducing environmental impacts of the aviation sector and building hydrogen value chains.

(Billions of yen)

	Six Months Ended September 30, 2020 (Reference value)	Six Months Ended September 30, 2021	Change (%)
Revenues	827.0	833.3	0.8
Gross profit	144.5	161.1	11.5
Operating income	46.7	58.1	24.3
Recurring income	50.3	59.0	17.3
Net income attributable to owners of the parent	36.9	60.4	63.9

2) Operating results by reporting segments

Operating results by reporting segments were as follows.

Following the business integration with HC, the Company reorganized its reporting segments to ten segments as follows.

(For details of new reporting segments, please refer to “2. Quarterly Consolidated Financial Statements and Major Notes, (3) Notes to the Quarterly Consolidated Financial Statements (Segment information)” on page 12.

(Customer Business)

Segment profit increased by ¥17.8 billion, or 182.1% year on year (reference value), to ¥27.6 billion mainly thanks to performance improvement of a U.S. vendor finance company ENGS Holdings Inc. and an increase in gains on sales of strategic shareholdings.

(Account Solution)

Segment profit increased by ¥4.9 billion, or 57.7% year on year (reference value), to ¥13.4 billion mainly thanks to business growth primarily in Europe and the U.S. despite an increase in selling, general and administrative expenses associated with expanded sales activities.

(Vendor Solution)

Segment profit decreased by ¥0.4 billion, or 20.5% year on year (reference value), to ¥1.7 billion due to a decrease in operating assets attributable to a decline in new transactions volume in the year ended March 31, 2021.

(LIFE)

Segment profit increased by ¥0.6 billion, or 40.1% year on year (reference value), to ¥2.1 billion thanks to a steady growth of real estate-related business as well as a decrease in selling, general and administrative expenses.

(Real Estate)

Segment profit decreased by ¥7.4 billion, or 51.1% year on year (reference value), to ¥7.1 billion due to a reactionary fall in sales gains and absence of compensation received in association with the redevelopment project, both recorded in the Six Months ended September 30, 2020.

(Environment & Renewable Energy)

Segment profit decreased by ¥0.3 billion, or 9.6% year on year (reference value), to ¥3.2 billion due to a reactionary fall in sales gains related to the solar power generation business recorded in the Six Months ended September 30, 2020 despite an increase in electricity sales revenues.

(Aviation)

Segment profit increased by ¥0.9 billion, or 29.4% year on year (reference value), to ¥4.2 billion mainly thanks to stable lease revenues from major customers, an increase in gain on sale of assets and posting of gain on valuation of certain receivables from bankrupt debtors despite posting of additional credit costs for certain existing customers, expenses in relation to modification of terms for certain existing lease contracts, and foreign exchange losses related to borrowings denominated in foreign currencies in certain businesses.

(Logistics)

Segment profit increased by ¥1.7 billion, or 528.9% year on year (reference value), to ¥2.0 billion mainly thanks to increases in operating assets, an operating rate of the marine container leasing business and earnings of equity-method investees in the auto leasing business.

(Mobility)

Segment profit increased by ¥0.5 billion, or 96.2% year on year (reference value), to ¥1.0 billion mainly thanks to an increase in sales gains against a backdrop of steady used car markets in Japan and overseas.

(Others)

Segment profit decreased by ¥0.8 billion year on year (reference value) to a segment loss of ¥0.9 billion mainly due to posting of valuation loss in association with a decline in fair value of certain investees in the infrastructure business.

Segment profits or loss by reporting segments

(Billions of yen)

		Six Months Ended September 30, 2020 (Reference value)	Six Months Ended September 30, 2021	Change (%)
Reporting segments	Customer Business	9.8	27.6	182.1
	Account Solution	8.5	13.4	57.7
	Vendor Solution	2.2	1.7	(20.5)
	LIFE	1.5	2.1	40.1
	Real Estate	14.5	7.1	(51.1)
	Environment & Renewable Energy	3.6	3.2	(9.6)
	Aviation	3.2	4.2	29.4
	Logistics	0.3	2.0	528.9
	Mobility	0.5	1.0	96.2
	Others	0.0	(0.9)	-
Adjustments		(7.4)	(1.3)	-
Total		36.9	60.4	63.9

- (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 reporting segments.
 2. Segment profit (loss) is consistent with net income attributable to owners of the parent on the quarterly consolidated statements of income.

Segment assets by reporting segments

(Billions of yen)

		As of March 31, 2021 (Reference value)	As of September 30, 2021	Change (%)
Reporting segments	Customer Business	2,129.5	2,050.9	(3.7)
	Account Solution	2,109.2	2,135.5	1.2
	Vendor Solution	434.4	436.8	0.6
	LIFE	321.8	327.8	1.9
	Real Estate	955.6	944.6	(1.2)
	Environment & Renewable Energy	322.4	320.7	(0.5)
	Aviation	1,203.8	1,305.8	8.5
	Logistics	545.5	583.3	6.9
	Mobility	161.1	165.0	2.4
	Others	355.7	342.6	(3.7)
Adjustments		65.4	10.4	(84.0)
Total		8,604.8	8,623.9	0.2

- (Note) 1. Segment assets include operating assets, equity-method investments, goodwill and investment securities.
 2. Adjustments of segment assets consist mostly of goodwill recognized when Diamond Lease Company Limited and UFJ Central Leasing Co., Ltd. merged and became Mitsubishi UFJ Lease & Finance Company Limited in 2007 and other segment assets such as investment securities related to Corporate, which are not attributable to any reporting segments, and offsets in transactions between segments.

(2) Summary of Consolidated Financial Position

Total assets as of September 30, 2021 increased by ¥3,445.1 billion to ¥9,459.9 billion because of the business integration with HC on April 1, 2021. Total equity as of September 30, 2021 increased by ¥434.5 billion to ¥1,252.4 billion and interest-bearing debt (excluding lease obligations) increased by ¥2,782.2 billion to ¥7,417.1 billion.

(3) Explanation on Future Forecast Information including Consolidated Earnings Forecasts

The progress made toward the consolidated earnings forecasts (net income attributable to owners of the parent of ¥95.0 billion) during the Six Months ended September 30, 2021 was almost in line with the plan at 63.7%, with the major contributing factor being gains on sales of strategic shareholdings, which was already taken into account in the consolidated earnings forecasts announced on May 17, 2021. The consolidated earnings forecasts for the year ending March 31, 2022 remains the same as there is still uncertainty in the macro environment.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	For the Year ended March 31, 2021 (As of March 31, 2021)	For the Six Months ended September 30, 2021 (As of September 30, 2021)
Assets		
Current assets		
Cash and deposits	294,241	405,912
Installment receivables	191,043	259,413
Lease receivables and investments in leases	1,628,749	3,087,635
Operating loans receivables	809,345	1,533,632
Other operating loans receivable	58,393	155,246
Lease and other receivables	31,198	67,805
Securities	5,469	4,040
Merchandise	27,468	35,668
Other current assets	120,042	157,055
Allowance for doubtful accounts	(5,794)	(19,390)
Total current assets	3,160,157	5,687,020
Non-current assets		
Property, plant and equipment		
Leased assets		
Leased assets	2,051,082	2,728,387
Advances on purchases of leased assets	59,750	37,612
Total leased assets	2,110,833	2,766,000
Other operating assets	152,138	234,729
Own-used assets	6,248	14,852
Total property, plant and equipment	2,269,220	3,015,581
Intangible assets		
Leased assets	4	53,941
Other intangible assets		
Goodwill	57,277	57,764
Other	93,479	131,844
Total other intangible assets	150,757	189,609
Total intangible assets	150,762	243,550
Investments and other assets		
Investment securities	357,791	364,460
Distressed receivables	39,269	96,037
Others	56,742	113,326
Allowance for doubtful accounts	(22,501)	(64,414)
Total investments and other assets	431,301	509,409
Total non-current assets	2,851,284	3,768,541
Deferred assets		
Bond issuance costs	3,454	4,435
Total deferred assets	3,454	4,435
Total assets	6,014,896	9,459,998

(Millions of yen)

	For the Year ended March 31, 2021 (As of March 31, 2021)	For the Six Months ended September 30, 2021 (As of September 30, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	88,062	135,797
Short-term borrowings	236,730	413,325
Current portion of bonds payable	244,025	413,543
Current portion of long-term borrowings	372,344	674,006
Commercial papers	434,171	655,788
Current maturities of loans from the securitizations of the minimum future rentals on lease contracts	61,995	257,969
Income taxes payable	10,805	17,224
Deferred profit on installment sales	10,095	11,978
Provision for bonuses	5,384	9,276
Provision for bonuses for directors (and other officers)	505	1,239
Other current liabilities	126,660	210,040
Total current liabilities	1,590,780	2,800,190
Non-current liabilities		
Bonds payable	980,181	1,735,276
Long-term borrowings	2,261,273	2,990,439
Loans from the securitizations of the minimum future rentals on lease contracts, less current maturities	44,234	276,823
Provision for retirement benefits for directors (and other officers)	112	122
Retirement benefit liability	3,060	8,076
Reserve for contract of insurance	-	10,592
Other non-current liabilities	317,345	386,057
Total non-current liabilities	3,606,209	5,407,388
Total liabilities	5,196,990	8,207,578
Equity		
Shareholders' equity		
Share capital	33,196	33,196
Capital surplus	167,280	548,623
Retained earnings	568,335	617,791
Treasury shares	(1,528)	(19,478)
Total shareholders' equity	767,283	1,180,132
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	30,678	15,169
Deferred gains or losses on hedges	(15,519)	(9,459)
Foreign currency translation adjustment	22,278	43,841
Remeasurements of defined benefit plans	(925)	(35)
Total accumulated other comprehensive income	36,512	49,515
Share acquisition rights	1,552	1,942
Non-controlling interests	12,557	20,830
Total equity	817,906	1,252,420
Total liabilities and equity	6,014,896	9,459,998

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income
(Quarterly Consolidated Statements of Income)
(For the Six Months ended September 30, 2021 and 2020)

(Millions of yen)

	For the Six Months ended September 30, 2020 (April 1, 2020 - September 30, 2020)	For the Six Months ended September 30, 2021 (April 1, 2021 - September 30, 2021)
Revenues	454,604	833,358
Cost of revenues	373,753	672,183
Gross profit	80,850	161,175
Selling, general and administrative expenses	48,650	103,024
Operating income	32,199	58,151
Non-operating income		
Interest income	210	492
Dividend income	1,779	931
Share of profit of entities accounted for using equity method	1,798	3,081
Other	1,149	2,084
Total non-operating income	4,937	6,589
Non-operating expenses		
Interest expenses	1,842	2,382
Loss on valuation of derivatives	948	-
Foreign exchange losses	-	2,264
Other	713	1,004
Total non-operating expenses	3,504	5,650
Recurring income	33,632	59,089
Extraordinary income		
Gain on sale of investment securities	1,430	26,842
Compensation income	3,488	-
Gain on bargain purchase	-	431
Total extraordinary income	4,918	27,274
Extraordinary losses		
Loss on step acquisitions	-	229
Total extraordinary losses	-	229
Income before income taxes	38,551	86,135
Income taxes	13,331	25,177
Net income	25,219	60,958
Net income attributable to non-controlling interests	633	476
Net income attributable to owners of the parent	24,586	60,482

(Quarterly Consolidated Statements of Comprehensive Income)
(For the Six Months ended September 30, 2021 and 2020)

(Millions of yen)

	For the Six Months ended September 30, 2020 <small>(April 1, 2020 - September 30, 2020)</small>	For the Six Months ended September 30, 2021 <small>(April 1, 2021 - September 30, 2021)</small>
Net income	25,219	60,958
Other comprehensive income		
Valuation difference on available-for-sale securities	8,951	(15,512)
Deferred gains or losses on hedges	(12,777)	5,507
Foreign currency translation adjustment	(9,055)	21,667
Remeasurements of defined benefit plans, net of tax	169	868
Share of other comprehensive income of entities accounted for using equity method	(473)	821
Total other comprehensive income	(13,185)	13,351
Comprehensive income	12,034	74,310
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	11,608	73,484
Comprehensive income attributable to non-controlling interests	425	825

(3) Notes to the Quarterly Consolidated Financial Statements

(Segment information)

1. Changes in reporting segments, etc.

On April 1, 2021, the Company (the former Mitsubishi UFJ Lease & Finance Company Limited, "MUL") executed the business integration with Hitachi Capital Corporation ("HC") and changed the trade name to Mitsubishi HC Capital Inc.

Following the business integration, the Company reorganized part of the reporting segments of MUL and HC and changed them to the following ten segments effective April 1, 2021; "Customer Business," "Account Solution," "Vendor Solution," "LIFE," "Real Estate," "Environment & Renewable Energy," "Aviation," "Logistics," "Mobility," and "Others."

Segments of "Healthcare," "Infrastructure & Investment," and other businesses are aggregated into "Others" in accordance with the aggregation criteria set forth in the "Accounting Standard for Disclosures about Segments of an enterprise and Related Information."

Details of new reporting segments after the change are as follows.

Reporting segments	Main services and business description
Customer Business	Finance solutions for corporations
Account Solution	Financial services for companies, government agencies, and vendors
Vendor Solution	Sales finance provided through collaboration with vendors
LIFE	Development, operation, and leasing of logistics and commercial facilities, community development, food and agriculture and living essentials industry, non-life insurance
Real Estate	Real estate securitization finance, real estate revitalization investment business, real estate asset management business, real estate leasing business
Environment & Renewable Energy	Power generation by renewable energy, environment related equipment leasing and finance
Aviation	Aircraft leasing business, aircraft engine leasing business
Logistics	Marine container leasing business, railway freight car leasing business, auto leasing business
Mobility	Auto leasing business and supplementary services
Others	Servicing, trust, settlement services, medical equipment leasing and finance, social infrastructure investment business, etc.

The segment information for the Six Months ended September 30, 2020 and the Year ended March 31, 2021 was prepared and reported under the classification of reporting segments of MUL.

As described in "2. Quarterly Consolidated Financial Statements and Major Notes, (3) Notes to the Quarterly Consolidated Financial Statements (Changes in accounting policies)," the Company changed its accounting policies effective April 1, 2021, and the new accounting policies have been retrospectively applied to the figures in the segment information for the Six Months ended September 30, 2020 and the Year ended March 31, 2021.

2. Information on profit or loss by reporting segments

For the Six Months Ended September 30, 2020 (April 1, 2020 to September 30, 2020)

(Millions of yen)

	Reporting segments							Adjustments (Note) 1	Amount recorded in quarterly consolidated statements of income (Note) 2
	Customer Business	Environment & Energy	Healthcare	Real Estate	Aviation	Logistics	Infrastructure & Investment		
Segment profit	9,813	2,427	327	14,577	3,259	326	92	(6,238)	24,586

- (Note) 1. Adjustments of segment profit consist mostly of adjustments of company-wide expenses included in selling, general and administrative expenses not allocated to any reporting segments.
2. Segment profit is consistent with net income attributable to owners of the parent on the quarterly consolidated statements of income.

For the Six Months Ended September 30, 2021 (April 1, 2021 to September 30, 2021)

(Millions of yen)

	Reporting segments						
	Customer Business	Account Solution	Vendor Solution	LIFE	Real Estate	Environment & Renewable Energy	Aviation
Segment profit (loss)	27,689	13,467	1,774	2,146	7,129	3,265	4,217

(Millions of yen)

	Reporting segments			Adjustments (Note) 1	Amount recorded in quarterly consolidated statements of income (Note) 2
	Logistics	Mobility	Others		
Segment profit (loss)	2,054	1,055	(938)	(1,380)	60,482

- (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 reporting segments, and profit adjustments of ¥1,397 million recorded by purchase method associated with the merger with Hitachi Capital Corporation.
2. Segment profit (loss) is consistent with net income attributable to owners of the parent on the quarterly consolidated statements of income.

3. Information on assets by reporting segments

(Significant increase in assets because of a merger, etc.)

For the Six Months ended September 30, 2021, segment assets increased significantly because of the business integration through a merger with HC on April 1, 2021.

For the Year Ended March 31, 2021 (As of March 31, 2021)

(Millions of yen)

	Reporting segments						
	Customer Business	Environment & Energy	Healthcare	Real Estate	Aviation	Logistics	Infrastructure & Investment
Segment assets (Note)1	2,129,561	198,592	157,373	955,654	1,203,858	545,525	111,688

(Millions of yen)

	Adjustments (Note)2	Total	Amount adjusted to total assets in consolidated balance sheets (Note)3	Amount recorded in consolidated balance sheets
Segment assets (Note)1	34,426	5,336,681	678,215	6,014,896

- (Note)
1. Segment assets include operating assets, equity-method investments, goodwill and investment securities.
 2. Adjustments of segment assets consist mostly of goodwill recognized when Diamond Lease Company Limited and UFJ Central Leasing Co., Ltd. merged and became Mitsubishi UFJ Lease & Finance Company Limited in 2007 and other segment assets such as investment securities related to Corporate, which are not attributable to any reporting segments.
 3. "Amount adjusted to total assets in consolidated balance sheets" represents the difference between total consolidated assets and total segment assets including Corporate, which consists of assets other than segment assets such as cash and deposits and own-used assets.

For the Six Months Ended September 30, 2021 (As of September 30, 2021)

(Millions of yen)

	Reporting segments						
	Customer Business	Account Solution	Vendor Solution	LIFE	Real Estate	Environment & Renewable Energy	Aviation
Segment assets (Note)1	2,050,970	2,135,593	436,853	327,894	944,645	320,751	1,305,868

(Millions of yen)

	Reporting segments			Adjustments (Note)2	Total	Amount adjusted to total assets in consolidated balance sheets (Note)3	Amount recorded in quarterly consolidated balance sheets
	Logistics	Mobility	Others				
Segment assets (Note)1	583,309	165,001	342,638	10,451	8,623,977	836,020	9,459,998

- (Note)
1. Segment assets include operating assets, equity-method investments, goodwill and investment securities.
 2. Adjustments of segment assets consist mostly of goodwill recognized when Diamond Lease Company Limited and UFJ Central Leasing Co., Ltd. merged and became Mitsubishi UFJ Lease & Finance Company Limited in 2007 and other segment assets such as investment securities related to Corporate, which are not attributable to any reporting segments, and offsets in transactions between segments.
 3. "Amount adjusted to total assets in consolidated balance sheets" represents the difference between total consolidated assets and total segment assets including Corporate, which consists of assets other than segment assets such as cash and deposits and own-used assets.

(Notes concerning going concern assumption)

Not applicable

(Notes concerning significant changes in shareholders' equity)

In association with the merger with Hitachi Capital Corporation, the Company delivered its common shares and acquired its shares held by Hitachi Capital Corporation; and as a result, capital surplus and treasury shares as of September 30, 2021 increased by ¥381,480 million and ¥18,022 million from March 31, 2021 to ¥548,623 million and ¥(19,478) million, respectively.

(Application of accounting treatments specific to the preparation of the quarterly consolidated financial statements)

Tax expenses of the Company and its certain consolidated subsidiaries were calculated through multiplying income before income taxes for the Six Months ended September 30, 2021 by the reasonably estimated effective tax rate (after tax effect accounting) applicable to income before income taxes for the year ending March 31, 2022.

(Changes in accounting policies)

(Application of accounting standard for revenue recognition)

On April 1, 2021, the Company applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 31, 2020, "Accounting Standard for Revenue Recognition"), etc., and recognizes revenue at an amount that it expects to receive in exchange for the promised goods or services when the control of the goods or services is transferred to a customer.

In applying the Accounting Standard for Revenue Recognition, etc., the Company followed the transitional treatment stipulated by a provisory clause of Paragraph 84 of the Accounting Standard for Revenue Recognition.

As a result, both revenues and cost of revenues for the Six Months ended September 30, 2021 decreased by ¥4,755 million, but the impact on income before income taxes was insignificant. The impact on retained earnings as of April 1, 2021 was also insignificant.

Pursuant to the transitional treatment stipulated by Paragraph 89-2 of the Accounting Standard for Revenue Recognition, the Company did not reclassify figures for the year ended March 31, 2021 to conform to the new presentation method.

(Application of accounting standard for fair value measurement, etc.)

On April 1, 2021, the Company applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No.30, July 4, 2019, "Accounting Standard for Fair Value Measurement"), etc., and the new accounting policies stipulated in the Accounting Standard for Fair Value Measurement, etc. are applied prospectively pursuant to the transitional treatment stipulated by Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). The application has no impact on the quarterly consolidated financial statements.

(Changes in accounting policies following the merger with Hitachi Capital Corporation)

The Company merged with Hitachi Capital Corporation effective on April 1, 2021.

As a result, the Company and its certain consolidated subsidiaries changed the accounting policies regarding the following items from April 1, 2021.

All changes in accounting policies were applied retrospectively to the quarterly consolidated financial statements for the Six Months ended September 30, 2020 and the consolidated financial statements for the year ended March 31, 2021.

〈Accounting treatment for recognizing revenue from extended lease agreement in lease transactions〉

Previously, the Company recognized lease payments from an extended lease agreement (usually for one year) as revenues on the date the lease agreement is extended but changed the method to recognize revenues on a monthly basis over the extended lease term.

We previously recognized lease payments from an extended lease agreement as earnings in a lump sum on the lease commencement date as asset balance related to extended lease agreements is increasing because of the merger and also extended lease agreements generally require lump sum payment of lease payments for the entire lease term on the lease commencement date and are not required to refund unearned portion in the

event the agreement is terminated. However, we decided to change the method because an extended lease agreement is a lease transaction and we believe recognizing revenues over the lease term better reflects earnings from lease transactions in the consolidated financial statements.

As a result of this change, in the consolidated balance sheets as of March 31, 2021, other current liabilities increased by ¥8,392 million, lease and other receivables and retained earnings decreased by ¥1,884 million and ¥6,926 million, respectively, compared to their respective balances before the retrospective application. Also because the cumulative effects were adjusted to the balance of total equity as of April 1, 2020, retained earnings as of April 1, 2020 decreased by ¥6,833 million.

The impact of this change on earnings and per share information for the Six Months ended September 30, 2020 is insignificant.

〈Accounting treatment for lease transactions treated as finance transactions〉

Previously, lease agreements treated as financial transactions in substance based on their nature were recognized as operating loans receivables in the consolidated balance sheets, with interest income recognized as revenues in the consolidated statements of income. However, to reflect the nature of the agreements, we changed the method to recognize them as lease receivables and investments in leases in the consolidated balance sheets, and to recognize lease revenues and cost of lease as revenues and cost of revenues, respectively, in the consolidated statements of income.

Previously, we accounted for and presented those agreements in a similar manner as loans receivables as financial transactions in substance with leased property treated as collateral based on the intent of the contracting parties and nature of the leased property. However, we decided to change the method because of an increase in the number of agreements whereby leased property are returned to the Company after the expiration of the lease term, showing more of a characteristic of finance lease, and also because of an increase in the asset balance of similar transactions following the merger.

As a result of this change, in the consolidated balance sheets as of March 31, 2021, lease receivables and investments in leases and retained earnings increased by ¥214,643 million and ¥1,732 million, respectively, and operating loans receivables decreased by ¥212,146 million. In the consolidated statements of income for the Six Months ended September 30, 2020, both revenues and cost of revenues increased by ¥26,393 million, compared to their respective figures before the retrospective application. Also because the cumulative effects were adjusted to the balance of total equity as of April 1, 2020, retained earnings as of April 1, 2020 increased by ¥1,732 million.

The impact of this change on earnings and per share information for the Six Months ended September 30, 2020 is insignificant.

〈Accounting treatment for deferred assets (bond issuance costs)〉

Previously, bond issuance costs related to bonds issued by the Company and its domestic subsidiaries were expensed as incurred, but the method was changed to amortize the costs over the period until the redemption of the relevant bonds using the interest method.

We decided to change the method to better reflect the Group's funding activities in the consolidated financial statements because bond issuance costs are funding costs as with bond interest and also because the international accounting standards require such costs to be amortized using the interest method and therefore the Company's overseas subsidiaries amortize their bond issuance costs using the interest method.

As a result of this change, in the consolidated balance sheets as of March 31, 2021, bond issuance costs and retained earnings increased by ¥3,454 million and ¥2,070 million, respectively, compared to their respective balances before the retrospective application. Also because the cumulative effects were adjusted to the balance of total equity as of April 1, 2020, retained earnings as of April 1, 2020 increased by ¥1,993 million.

The impact of this change on earnings and per share information for the Six Months ended September 30, 2020 is insignificant.

(Additional information)

(Accounting estimate related to the spread of COVID-19 infections)

As of September 30, 2021, we made estimates taking into account the impact of COVID-19 on the economic conditions and the future.

(Conclusion of a definitive agreement to acquire CAI International, Inc.)

At the Board of Directors meeting held on June 18, 2021, we resolved to acquire all shares of CAI International, Inc. ("CAI") through a merger of Cattleya Acquisition Corp. ("Acquiring Subsidiary"), our wholly-owned subsidiary in Delaware, the U.S. established for the acquisition, and CAI (reverse triangular merger), and a definitive agreement was concluded among the Company, the Acquiring Subsidiary and CAI.

1. Outline of the business combination

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

Name of the acquiree: CAI International, Inc.

Business description: Marine container leasing business

(2) Reason for acquiring the subsidiary

The Company decided to proceed with the acquisition with an aim to enhance "global assets," one of our focal business domains, as a growth driver for our medium- to long-term management strategy. CAI which will become our subsidiary after the merger ranked sixth in the global market share of the marine container leasing industry (TEU* basis) and is strong in the global platform of marketing/operation sites and container depots around the world. Combined with our marine container leasing company Beacon Intermodal leasing, LLC, the Group will join the world's second rank group in term of the number of containers owned, so we will make effective use of platforms of both companies and combine the experience and insights to further increase earnings and accelerate growth. This acquisition will increase our global competitiveness in the marine container leasing business and also provide opportunities for the business to further grow as a driver to support our medium- to long-term growth.

* TEU: a measure of volume in units of twenty-foot long containers

(3) Scheduled date of business combination

Third quarter of the fiscal year ending March 31, 2022

(4) Legal form of the business combination

Acquisition of shares for cash consideration through a "reverse triangular merger"

(5) Company name after the business combination

There is no plan to change the company name after the business combination.

(6) Voting rights to be acquired

100%

(7) Background for deciding the acquiree

To obtain the majority of voting rights of CAI through this merger agreement

2. Acquisition costs of the acquiree and the breakdown

Acquisition costs (including estimated purchase price for shares and advisory fees) are estimated to be approximately US\$1,108 million.