

Consolidated Financial Highlights for the First Quarter Ended June 30, 2022

[Based on J-GAAP]

August 10, 2022

Company Name: **Mitsubishi HC Capital Inc.**
 Stock Exchange Listed on: Tokyo (Prime Market), Nagoya (Premier Market)
 Company Code: 8593 URL: <https://www.mitsubishi-hc-capital.com/english/>
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 Scheduled Date of Submission of Financial Reports: August 10, 2022
 Scheduled Commencement of Dividend Payment: —
 Supplemental Material for Financial Results: Available
 Holding of Quarterly Financial Results Meeting: No

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

1. Consolidated Results For the First Quarter Ended June 30, 2022 (April 1, 2022 – June 30, 2022)

(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 three months ended								
June 30, 2022	460,347	12.9	40,471	95.2	41,931	103.3	32,046	(3.4)
June 30, 2021	407,735	73.6	20,733	(3.8)	20,622	(7.1)	33,169	132.8

(Note) 1. Comprehensive income: Three Months Ended June 30, 2022: ¥116,914 million 145.4%
 Three Months Ended June 30, 2021: ¥47,643 million 780.4%

- As the provisional accounting treatment for the business combination executed in the Three Months ended June 30, 2021 was finalized during the Three Months ended September 30, 2021, the net income attributable to owners of the parent for the Three Months ended June 30, 2021 has been adjusted to reflect a significant review of the initial allocation of the acquisition costs.
- The Company (the former Mitsubishi UFJ Lease & Finance Company Limited) executed the business integration with Hitachi Capital Corporation on April 1, 2021. The year-on-year percentage change for the Three Months ended June 30, 2022 represents the comparison with the results of Mitsubishi UFJ Lease & Finance Company Limited.

	Earnings per share	Diluted earnings per share
For the three months ended	(Yen)	(Yen)
June 30, 2022	22.32	22.26
June 30, 2021	23.11	23.05

(2) Consolidated Financial Position

	Total assets	Total equity	Equity ratio
As of	(Millions of yen)	(Millions of yen)	%
June 30, 2022	10,733,690	1,426,825	13.1
March 31, 2022	10,328,872	1,333,467	12.7

(Reference) Shareholders' equity: As of June 30, 2022: ¥1,403,629 million
 As of March 31, 2022: ¥1,309,769 million

2. Dividends

	Dividends per share				
	1st Quarter end	2nd Quarter end	3rd Quarter end	Fiscal Year - end	Annual
For the year ended	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
March 31, 2022	—	13.00	—	15.00	28.00
March 31, 2023	—	—	—	—	—
March 31, 2023 (Forecast)	—	15.00	—	16.00	31.00

(Note) Changes from the latest released dividend forecasts: No

3. Consolidated Earnings Forecasts for the Year ending March 31, 2023 (April 1, 2022 – March 31, 2023)

(Year-on-year change %)

	Net income attributable to owners of the parent		Earnings per share
	(Millions of yen)	%	(Yen)
Full year	110,000	10.7	76.60

(Note) Changes from the latest released performance forecasts: No

* Notes

(1) Significant changes in subsidiaries during the period

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

(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 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 14.

(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 : No

(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 14.

(4) Number of outstanding shares (common shares)

(i) Number of outstanding shares (including treasury shares)	As of June 30, 2022	1,466,912,244 shares	As of March 31, 2022	1,466,912,244 shares
(ii) Number of treasury shares	As of June 30, 2022	30,914,491 shares	As of March 31, 2022	31,056,401 shares
(iii) Weighted average number of shares outstanding	For the Three Months ended June 30, 2022	1,435,962,386 shares	For the Three Months ended June 30, 2021	1,435,570,617 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.

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1. Qualitative Information concerning Financial Results for the First Quarter Ended June 30, 2022

(1) Summary of Operating Results

1) Summary of operating results and topics

Summarized results for the Three Months ended June 30, 2022 were as follows.

Net income attributable to owners of the parent decreased by ¥1.1 billion, or 3.4% year on year, to ¥32.0 billion mainly due to an absence of large gain on sales of strategic shareholdings recorded in the Three Months ended June 30, 2021 despite the business growth mainly of the subsidiaries in Europe and the U.S. in Global Business segment, the profit contribution from CAI International, Inc., a marine container leasing company that became our wholly-owned subsidiary in November 2021, and an increase in gain on sales related to real estate business.

In May 2022, the Company has released the “Medium- to Long-term Management Direction” which describes “Our 10-year Vision (Together we innovate, challenge and explore the frontiers of the future)” toward the realization of Our Mission and shows how we want to be recognized by our stakeholders and how we should transform to become such a company. We defined the three-phase medium-term management plans covering the next ten years as “Hop,” “Step,” and “Jump,” and are now discussing specific management and business strategies and KPIs for the new Medium-term Management Plan covering the three-year period from the year ending March 31, 2024 to the year ending March 31, 2026 (“2025 M-T Plan”) defined as “Hop,” during the process of developing the plan.

Major business topics include (a) an investment in the distributed solar power generation business in Massachusetts, the U.S. in May 2022, (b) the completion of an eco-friendly multi-tenant logistics facility “CPD Nagoya Minato”, (c) the starting operation of the Akita Tenbinno Hybrid Solar Power Plant in Akita in July 2022, which is a solar power plant newly built next to the Akita Tenbinno Wind Power Plant built in September 2015 to enable stable power supply throughout the year because wind and solar power generate electricity efficiently at different times of the day and year, and (d) also in July 2022, an investment in a newly established subsidiary of Mitsubishi Corporation, which undertakes the warehouse DX operations that have been developed by Mitsubishi Corporation, with an aim to solve social issues in the logistics industry such as labor shortages and environmental impact through this cross-industrial partnership.

(Billions of yen)

	Three Months Ended June 30, 2021	Three Months Ended June 30, 2022	Change (%)
Revenues	407.7	460.3	12.9
Gross profit	71.3	93.2	30.8
Operating income	20.7	40.4	95.2
Recurring income	20.6	41.9	103.3
Net income attributable to owners of the parent	33.1	32.0	(3.4)

(Note) As the provisional accounting treatment for the business combination executed in the Three Months ended June 30, 2021 was finalized during the Three Months ended September 30, 2021, net income attributable to owners of the parent for the Three Months ended June 30, 2021 has been adjusted to reflect a significant review of the initial allocation of the acquisition costs.

2) Operating results by reportable segments

Operating results by reportable segments were as follows.

Following the organizational changes effective April 1, 2022, the reportable segments were changed to the following seven segments.

(For details of new reportable 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.)

Figures for the Three Months ended June 30, 2021 and for the Year ended March 31, 2022 are converted into new reportable segments.

(Customer Solutions)

Segment profit increased by ¥2.9 billion, or 35.5% year on year, to ¥11.2 billion mainly thanks to large gain on sales related to real estate leasing.

(Global Business)

Segment profit decreased by ¥14 billion, or 57.7% year on year, to ¥10.2 billion mainly due to an absence of large gain on sales of strategic shareholdings posted in the Three Months ended June 30, 2021 despite a business growth mainly of the subsidiaries in Europe and the U.S. and a decrease in credit costs.

(Environment, Energy & Infrastructure)

Segment profit increased by ¥1.0 billion, or 117.0% year on year, to ¥1.9 billion mainly thanks to an increase in profits from equity-method investments accompanied with starting operation of a wind power generation project in Europe.

(Aviation)

Segment loss decreased by ¥1.5 billion year on year to ¥0.9 billion mainly due to an increase in lease revenue and a decrease in credit costs although the weakening yen resulted in exchange revaluation losses related to foreign currency-denominated borrowings in JOLCO (Japanese Operating Lease with Call Option).

(Logistics)

Segment profit increased by ¥4.6 billion year on year to ¥4.6 billion mainly thanks to profit contribution from CAI International, Inc. a marine container leasing company that became our wholly-owned subsidiary in November 2021 and steady performance of Beacon Intermodal Leasing, LLC, which also conducts marine container leasing business.

(Real Estate)

Segment profit increased by ¥1.4 billion, or 122.6% year on year, to ¥2.6 billion mainly thanks to an increase in gain on sales despite credit costs posted for a certain project in the U.S.

(Mobility)

Segment profit increased by ¥0.3 billion, or 38.1% year on year, to ¥1.3 billion mainly thanks to an increase in gain on sales of vehicles for which the lease term matured, against a backdrop of strong used car market in Japan.

Segment profits or loss by reportable segments

(Billions of yen)

		Three Months Ended June 30, 2021	Three Months Ended June 30, 2022	Change (%)
Reportable segments	Customer Solutions	8.3	11.2	35.5
	Global Business	24.2	10.2	(57.7)
	Environment, Energy & Infrastructure	0.8	1.9	117.0
	Aviation	(2.4)	(0.9)	—
	Logistics	0.0	4.6	16,706.0
	Real Estate	1.1	2.6	122.6
	Mobility	0.9	1.3	38.1
Adjustments		(0.0)	0.8	—
Total		33.1	32.0	(3.4)

- (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, and profit adjustments 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. As the provisional accounting treatment for the business combination executed in the Three Months ended June 30, 2021 was finalized during the Three Months ended September 30, 2021, figures for the Three Months ended June 30, 2021 have been adjusted to reflect a significant review of the initial allocation of the acquisition costs.

Segment assets by reportable segments

(Billions of yen)

		As of March 31, 2022	As of June 30, 2022	Change (%)
Reportable segments	Customer Solutions	3,337.6	3,282.1	(1.7)
	Global Business	2,316.3	2,485.9	7.3
	Environment, Energy & Infrastructure	417.9	434.7	4.0
	Aviation	1,365.1	1,440.6	5.5
	Logistics	1,026.7	1,084.8	5.7
	Real Estate	712.7	711.3	(0.2)
	Mobility	129.4	127.0	(1.9)
Adjustments		39.3	37.4	(5.0)
Total		9,345.3	9,604.1	2.8

- (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 company-wide investment securities, which are not attributable to any reportable segments, and offsets in transactions between segments.

(2) Summary of Consolidated Financial Position

Total assets as of June 30, 2022 increased by ¥404.8 billion to ¥10,733.6 billion, total equity increased by ¥93.3 billion to ¥1,426.8 billion, and interest-bearing debt (excluding lease obligations) increased by ¥359.6 billion to ¥8,425.7 billion.

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

The progress made toward the consolidated earnings forecasts announced on May 16, 2022 (net income attributable to owners of the parent of ¥110.0 billion) during the Three Months ended June 30, 2022 was generally in line with the plan at 29.1%, and accordingly, there has been no change in the consolidated earnings forecasts for the year ending March 31, 2023.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	For the Year ended March 31, 2022 (As of March 31, 2022)	For the Three Months ended June 30, 2022 (As of June 30, 2022)
Assets		
Current assets		
Cash and deposits	540,942	559,474
Installment receivables	255,143	252,077
Lease receivables and investments in leases	3,265,267	3,303,287
Operating loans receivables	1,662,226	1,713,188
Other operating loans receivable	183,749	187,469
Lease and other receivables	80,382	74,043
Securities	2,019	917
Merchandise	48,242	49,783
Other current assets	156,006	266,555
Allowance for doubtful accounts	(22,657)	(23,264)
Total current assets	6,171,321	6,383,531
Non-current assets		
Property, plant and equipment		
Leased assets		
Leased assets	3,086,149	3,227,832
Advances on purchases of leased assets	34,622	33,972
Total leased assets	3,120,771	3,261,804
Other operating assets	222,654	221,448
Own-used assets	13,782	17,054
Total property, plant and equipment	3,357,208	3,500,307
Intangible assets		
Leased assets	39,495	35,024
Other intangible assets		
Goodwill	90,326	93,227
Other	137,819	139,185
Total other intangible assets	228,145	232,413
Total intangible assets	267,641	267,437
Investments and other assets		
Investment securities	376,645	411,957
Distressed receivables	108,188	116,099
Others	119,866	134,284
Allowance for doubtful accounts	(76,791)	(84,402)
Total investments and other assets	527,908	577,939
Total non-current assets	4,152,758	4,345,684
Deferred assets		
Bond issuance costs	4,791	4,474
Total deferred assets	4,791	4,474
Total assets	10,328,872	10,733,690

(Millions of yen)

	For the Year ended March 31, 2022 (As of March 31, 2022)	For the Three Months ended June 30, 2022 (As of June 30, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	184,042	130,089
Short-term borrowings	591,431	599,883
Current portion of bonds payable	443,647	520,650
Current portion of long-term borrowings	810,475	919,529
Commercial papers	682,593	827,981
Current maturities of loans from the securitizations of the minimum future rentals on lease contracts	247,900	239,820
Income taxes payable	24,818	14,309
Deferred profit on installment sales	11,110	10,813
Provision for bonuses	14,685	6,898
Provision for bonuses for directors (and other officers)	2,535	1,108
Other current liabilities	222,102	255,311
Total current liabilities	3,235,343	3,526,396
Non-current liabilities		
Bonds payable	1,820,244	1,764,075
Long-term borrowings	3,113,196	3,223,177
Loans from the securitizations of the minimum future rentals on lease contracts, less current maturities	356,592	330,619
Provision for retirement benefits for directors (and other officers)	136	88
Retirement benefit liability	8,856	6,780
Reserve for contract of insurance	11,148	11,015
Other non-current liabilities	449,886	444,710
Total non-current liabilities	5,760,061	5,780,468
Total liabilities	8,995,404	9,306,864
Equity		
Shareholders' equity		
Share capital	33,196	33,196
Capital surplus	548,586	547,714
Retained earnings	638,043	648,340
Treasury shares	(19,369)	(19,280)
Total shareholders' equity	1,200,456	1,209,970
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	14,953	16,569
Deferred gains or losses on hedges	1,460	19,229
Foreign currency translation adjustment	92,776	156,418
Remeasurements of defined benefit plans	123	1,441
Total accumulated other comprehensive income	109,313	193,659
Share acquisition rights	1,861	1,787
Non-controlling interests	21,835	21,409
Total equity	1,333,467	1,426,825
Total liabilities and equity	10,328,872	10,733,690

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income
(Quarterly Consolidated Statements of Income)
(For the Three Months ended June 30, 2022 and 2021)

(Millions of yen)

	For the Three Months ended June 30, 2021 (April 1, 2021 - June 30, 2021)	For the Three Months ended June 30, 2022 (April 1, 2022 - June 30, 2022)
Revenues	407,735	460,347
Cost of revenues	336,428	367,078
Gross profit	71,306	93,269
Selling, general and administrative expenses	50,573	52,797
Operating income	20,733	40,471
Non-operating income		
Interest income	473	138
Dividend income	308	398
Share of profit of entities accounted for using equity method	1,437	2,774
Insurance claim income	81	1,393
Other	1,270	1,989
Total non-operating income	3,571	6,694
Non-operating expenses		
Interest expenses	1,198	1,450
Foreign exchange losses	2,063	3,211
Other	420	573
Total non-operating expenses	3,683	5,235
Recurring income	20,622	41,931
Extraordinary income		
Gain on sale of investment securities	26,755	300
Gain on bargain purchase	431	—
Total extraordinary income	27,186	300
Extraordinary losses		
Loss on step acquisitions	229	—
Total extraordinary losses	229	—
Income before income taxes	47,579	42,231
Income taxes	14,117	9,813
Net income	33,462	32,418
Net income attributable to non-controlling interests	292	371
Net income attributable to owners of the parent	33,169	32,046

(Quarterly Consolidated Statements of Comprehensive Income)
(For the Three Months ended June 30, 2022 and 2021)

(Millions of yen)

	For the Three Months ended June 30, 2021 (April 1, 2021 - June 30, 2021)	For the Three Months ended June 30, 2022 (April 1, 2022 - June 30, 2022)
Net income	33,462	32,418
Other comprehensive income		
Valuation difference on available-for-sale securities	(16,158)	1,168
Deferred gains or losses on hedges	7,029	15,456
Foreign currency translation adjustment	22,065	63,465
Remeasurements of defined benefit plans, net of tax	833	1,331
Share of other comprehensive income of entities accounted for using equity method	411	3,073
Total other comprehensive income	14,181	84,495
Comprehensive income	47,643	116,914
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	47,073	115,997
Comprehensive income attributable to non-controlling interests	570	916

(3) Notes to the Quarterly Consolidated Financial Statements

(Segment information)

1. Changes in reportable segments, etc.

Effective April 1, 2022, the Group integrated business organizations having similar functions and roles in preparation for the Medium-term Management Plan (“2025 M-T Plan”) which starts in April 2023. As a result, the Group has seven reportable segments of “Customer Solutions,” “Global Business,” “Environment, Energy & Infrastructure,” “Aviation,” “Logistics,” “Real Estate” and “Mobility” from the Three Month ended June 30, 2022.

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

Reportable segments	Main services and business description
Customer Solutions	Finance solutions for companies and government agencies, sales finance provided through collaboration with vendors, real estate leasing, and financial services
Global Business	Finance solutions, sales finance provided through collaboration with vendors in Europe, the Americas, China, and ASEAN region
Environment, Energy & Infrastructure	Renewable energy power generation business, energy-saving business, and overseas infrastructure investment business
Aviation	Aircraft leasing business, aircraft engine leasing business
Logistics	Marine container leasing business, railway freight car leasing business
Real Estate	Real estate securitization finance, real estate revitalization investment business, and real estate asset management business
Mobility	Auto leasing business and supplementary services

Figures in the segment information for the Three Months ended June 30, 2021 are converted into new reportable segments.

2. Information on revenues, profit or loss by reportable segments

For the Three Months Ended June 30, 2021 (April 1, 2021 to June 30, 2021)

(Millions of yen)

	Reportable segments							Adjustments (Note) 1	Amount recorded in consolidated financial statements (Note) 2,3
	Customer Solutions	Global Business	Environment, Energy & Infrastructure	Aviation	Logistics	Real Estate	Mobility		
Segment profit (loss)	8,335	24,291	878	(2,485)	27	1,197	964	(40)	33,169

(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. It also includes a profit adjustment of ¥759 million related to the merger with Hitachi Capital Corporation under the purchase method.

- Segment profit (loss) is consistent with net income attributable to owners of the parent on the quarterly consolidated statements of income.
- As the provisional accounting treatment for the business combination executed in the Three Months ended June 30, 2021 was finalized during the Three Months ended September 30, 2021, segment information for the Three Months ended June 30, 2021 has been adjusted to reflect a significant review of the initial allocation of the acquisition costs.

For the Three Months Ended June 30, 2022 (April 1, 2022 to June 30, 2022)

(Millions of yen)

	Reportable segments							Adjustments (Note) 1	Amount recorded in consolidated financial statements (Note) 2
	Customer Solutions	Global Business	Environment, Energy & Infrastructure	Aviation	Logistics	Real Estate	Mobility		
Segment profit (loss)	11,294	10,265	1,906	(900)	4,629	2,665	1,332	851	32,046

(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. It also includes a profit adjustment of ¥476 million related to the merger with Hitachi Capital Corporation under the purchase method.

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

(Notes concerning going concern assumption)

Not applicable

(Notes concerning significant changes in shareholders' equity)

Not applicable

(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 Three Months ended June 30, 2022 by the reasonably estimated effective tax rate (after tax effect accounting) applicable to income before income taxes for the year ending March 31, 2023.

(Changes in accounting policies)

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

On April 1, 2022, the Company applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No.31, June 17, 2021, "Implementation Guidance on Accounting Standard for Fair Value Measurement"), and the new accounting policies stipulated in the Implementation Guidance on Accounting Standard for Fair Value Measurement are applied prospectively pursuant to the transitional treatment stipulated by Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement.

The impact of this application on the quarterly consolidated financial statements is insignificant.

(Application of Accounting Standards Update (ASU) 2016-02 "Leases")

Certain overseas consolidated subsidiaries applied ASU 2016-02 "Leases" on April 1, 2022. As a result, lease assets and lease liabilities are recognized in general on the balance sheet of these overseas consolidated subsidiaries for all lease transactions entered into as a lessee.

The impact of this change on the quarterly consolidated financial statements is insignificant.

(Additional information)

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

As of June 30, 2022, there has been no significant change in the assumptions related to the impact of COVID-19 described in (Significant Accounting Estimates) in the Annual Securities Report for the year ended March 31 2022.