

Overview Third-Quarter Results for FY2021

February 8, 2022

Mizuho Leasing Co., Ltd.

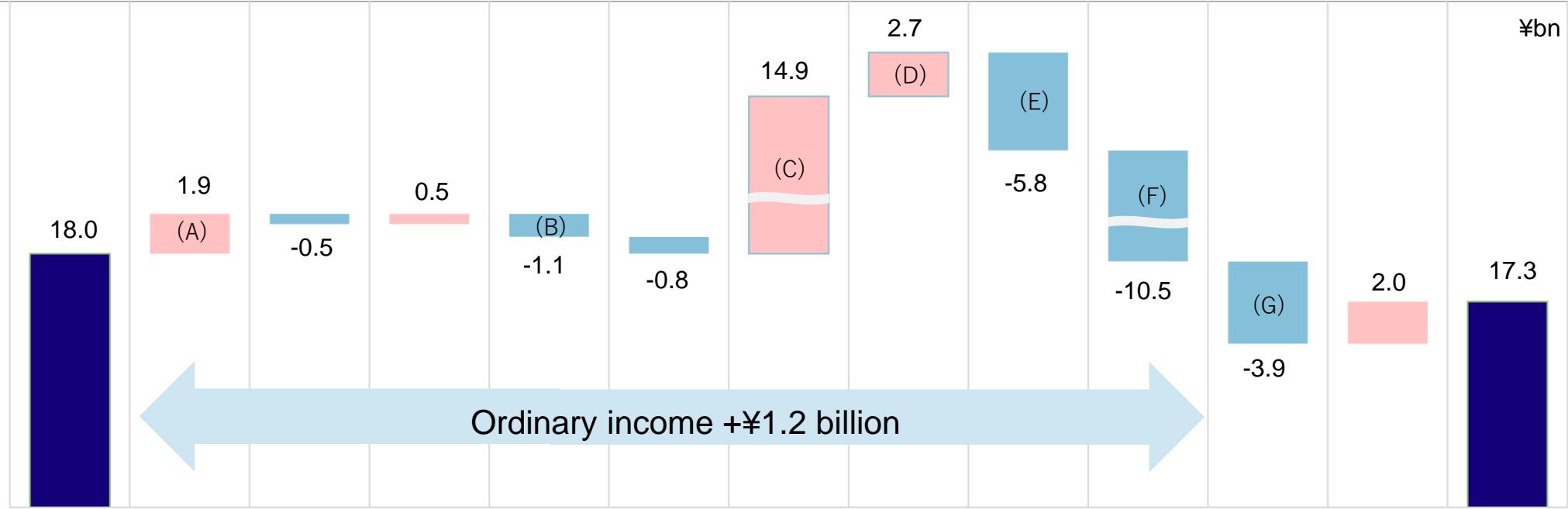


Summary of Third-Quarter Results for FY2021

- **Earning and loss of Aircastle declined**, impacted by the sluggish business performance of the airline industry (-¥5.8 billion)
- **An impairment was recognized for all of the amount equivalent to the goodwill of Aircastle** in January 2022 following a review of the long-term balance of Aircastle (-¥10.5 billion)
- On the other hand, **ordinary income increased** mainly due to recording of the amount equivalent to negative goodwill (+¥14.9 billion) resulting from the share acquisition of Nippon Steel Kowa Real Estate and Mizuho Capital, in addition to robust business performance of other equity-method affiliated companies. **The decline of extraordinary income was also absorbed by the net income.**

Income indicators (¥bn)	FY19 3Q Results	FY20 3Q Results	FY21 3Q Results	% Change	% Change
Revenues	380.5	350.1	389.5	+39.4	+11%
Gross profit before write-offs and funding costs	42.6	43.0	44.4	+1.4	+3%
Operating income	17.9	17.8	17.7	-0.1	-0%
(Earning and loss of Aircastle)	-	(2.3)	(-3.5)	(-5.8)	-
(Impairment of amount equivalent to goodwill of Aircastle)	-	-	(-10.5)	(-10.5)	-
(Amount equivalent to negative goodwill)	-	-	(14.9)	(+14.9)	-
(Other non-operating income and loss)	(0.3)	(1.8)	(4.5)	(+2.7)	(+150%)
Ordinary income	18.2	21.9	23.1	+1.2	+5%
(Extraordinary income)	(0.5)	(4.0)	(0.2)	(-3.8)	(-96%)
Net income attributable to owners of the parent	12.5	18.0	17.3	-0.7	-4%

Factors behind change in net income attributable to owners of the parent



Overview of Financial Results

(¥bn)	FY19 3Q	FY20 3Q	FY21 3Q	Change	% Change
Revenues	380.5	350.1	389.5	+39.4	+11%
Gross profit before write-offs and funding costs	42.6	43.0	44.4	+1.4	+3%
Funding costs	7.3	6.1	5.6	-0.5	-7%
Gross profit	35.2	36.9	38.8	+1.9	+5%
Credit costs	-0.6	0.7	1.7	+1.0	+159%
Operating income	17.9	17.8	17.7	-0.1	-0%
Other income	1.1	5.7	6.5	+0.8	+14%
Ordinary income	18.2	21.9	23.1	+1.2	+5%
Net income attributable to owners of the parent	12.5	18.0	17.3	-0.7	-4%
Gross profit margin before write-offs and funding costs	2.74%	2.60%	2.51%	-0.09pt	-

Note) Gross profit margin before write-offs and funding costs = Gross profit before write-offs and funding costs (annualized basis) / Operating assets (average of the beginning and ending balances)

(¥bn)	End of Mar 2020	End of Mar 2021	End of Dec 2021	Change	% Change
Operating assets	2,090.3	2,322.4	2,386.8	+64.4	+3%
Net assets	195.8	210.9	232.0	+21.1	+10%
Equity ratio	7.9%	7.7%	8.2%	+0.5pt	-

Funding costs declined due to foreign-currency factors

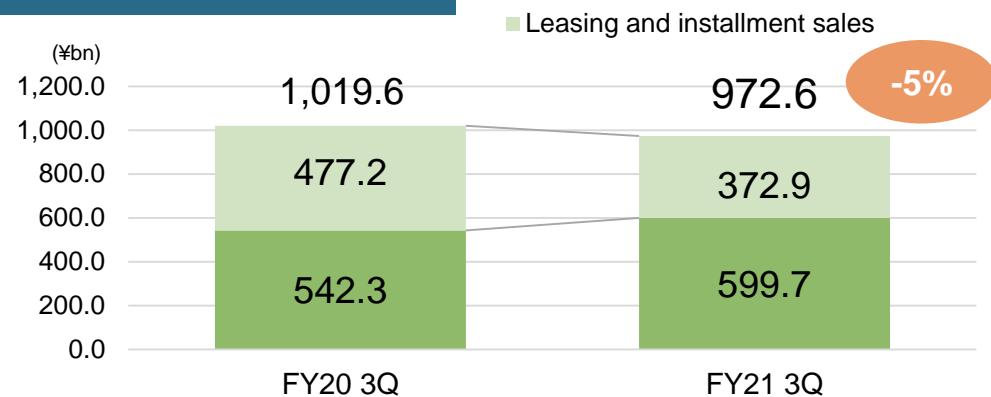
Increased since credit costs concerning aircraft related transactions were posted

Due to the accumulation of income, the latest equity ratio is at the 8.2% level

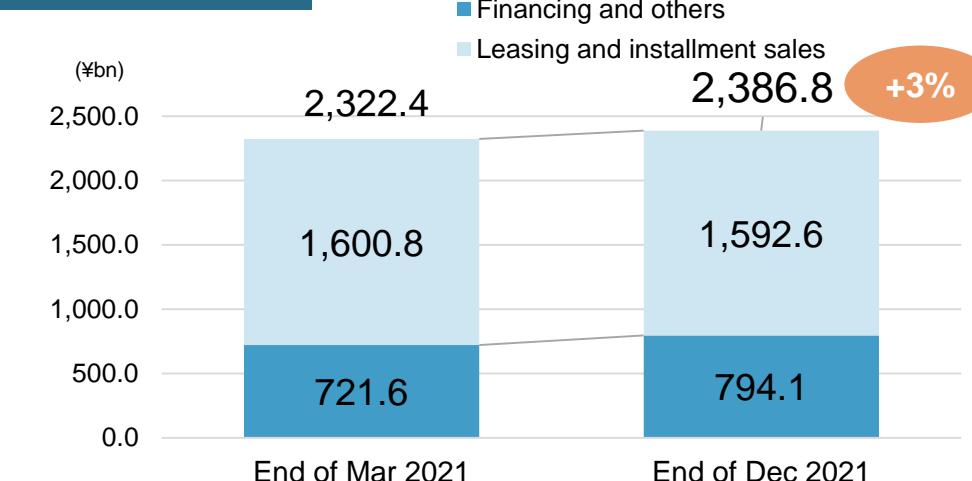
Business Performance Overview (1)

- Contract execution volume and operating assets remained flat y-o-y
- Contract execution volume was -5% y-o-y and improved from -14% in 2Q
- Thanks to the commitment to the accumulation of assets, prioritizing profit, future revenue^{*1} and profit margin^{*2} for new projects improved

Contract execution volume



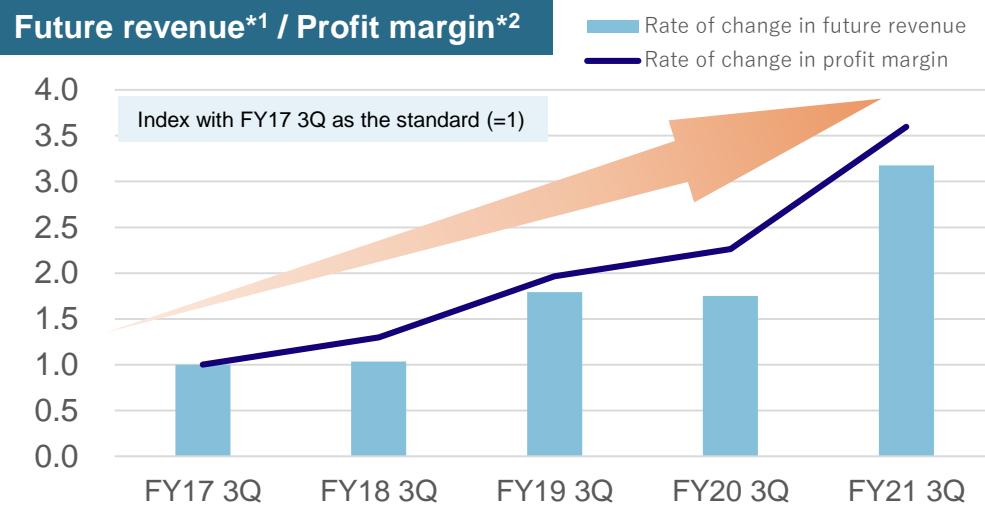
Operating assets



Execution volume (industry-wide comparison)



Future revenue^{*1} / Profit margin^{*2}

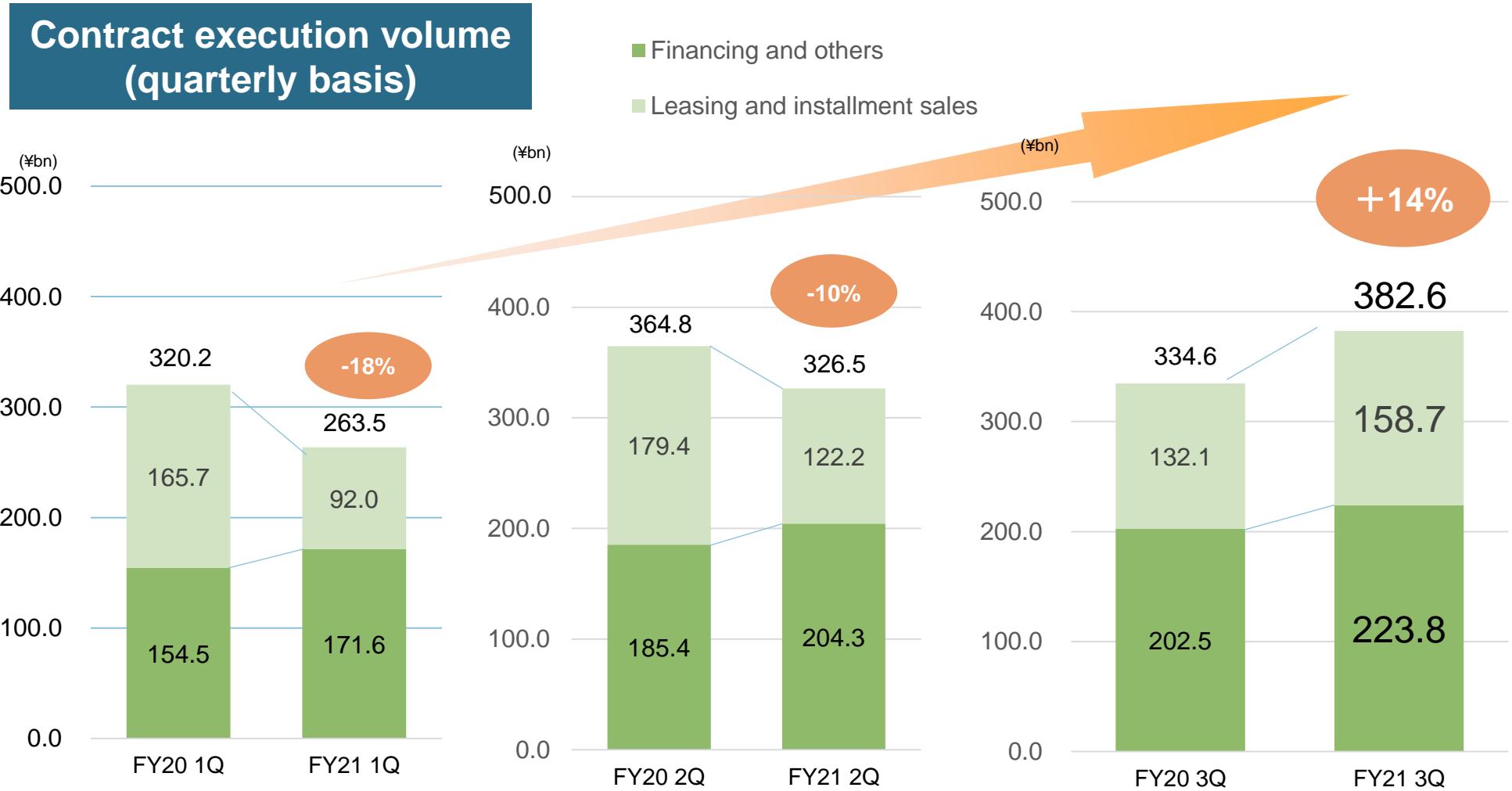


*1 Estimated future revenue to be recorded before new projects are completed

*2 Profit margin for new projects

Business Performance Overview (2)

- Compared to FY20, although the contract execution volume declined 18% in FY21 1Q and 10% in FY21 2Q y-o-y, contract execution prospects gradually advanced in the sales pipeline in 3Q, and as a result, the contract execution volume increased 14% y-o-y



Contract Execution Volume / Leasing and Installment Sales

Contract execution volume by equipment type

- Although the movement of contract execution volume in FY21 1H got off to a slow start, further improvement was made in 3Q and the percentage change for the overall business was -22%, which improved from -38% in FY21 2Q.

(¥bn)	FY19 3Q	FY20 3Q	FY21 3Q	Change	% Change
Information and communications	110.7	142.0	118.7	-23.3	-16%
Real estate	134.0	116.8	91.2	-25.6	-22%
Industrial and factory	111.0	101.5	54.5	-47.0	-46%
Transport	63.5	28.9	26.0	-2.9	-10%
Construction	28.6	26.5	18.2	-8.3	-31%
Commerce and services	21.9	17.6	12.1	-5.5	-31%
Medical	12.6	8.3	7.9	-0.4	-5%
Other	35.8	35.7	44.3	+8.6	+24%
Total	518.2	477.2	372.9	-104.3	-22%

Increased mainly due to initiatives for a project investment type lease in the hydroelectric power generation business and subscription services

Contract Execution Volume / Financing

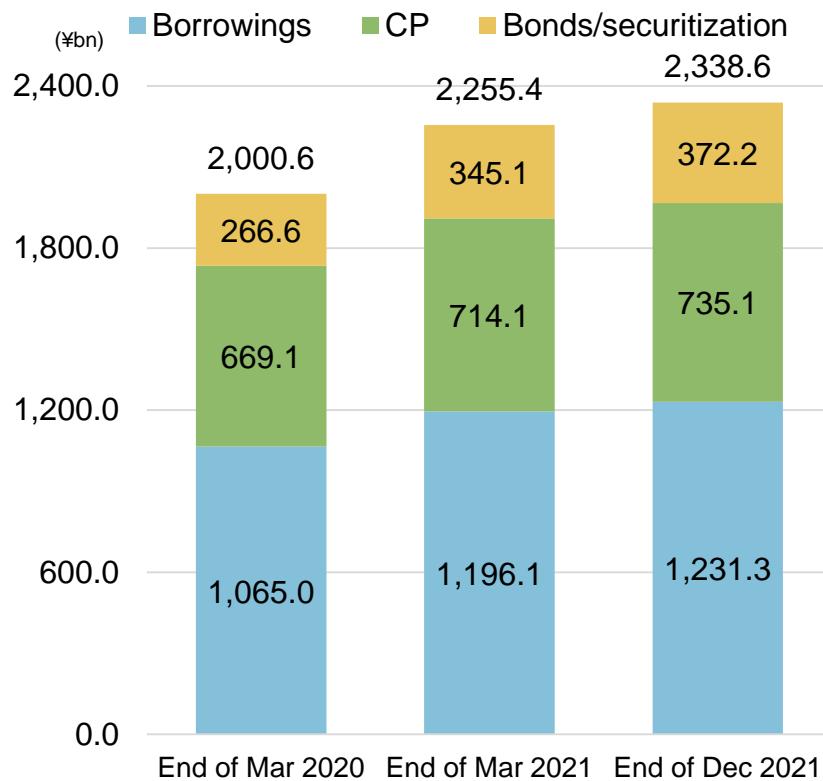
Contract execution volume

(¥bn)	FY19 3Q	FY20 3Q	FY21 3Q	Change	% Change	
Commercial distribution finance / loan, etc.	389.7	473.7	477.5	+3.8	+1%	Increased due to large projects executed
Real estate	43.1	49.8	118.4	+68.6	+138%	Transactions declined mainly due to stagnation in the need for vessel introduction resulting from factors such as a surging vessel price and weakened needs for services that address off-balance sheet from shipping companies caused by soaring market freight rate index
Vessel	15.9	15.9	3.7	-12.2	-77%	
Aircraft	18.0	3.0	0.0	-3.0	-100%	In response to sluggish demand on the back of the COVID-19 pandemic, new initiatives were restrained in FY20 and FY21. Based on elements such as the market recovery situation, we are planning to work on selected initiatives from FY21 3Q onwards
Total	466.6	542.3	599.7	+57.4	+11%	

Funding

- Funding costs and funding costs ratio both decreased due to factors such as lower foreign currency funding interest rates
- Promoted initiatives for diversifying funding sources and addressing environmental issues through the issuance of our first green bond on December 10, 2021

Interest-bearing debt



Funding costs (ratio)

(¥bn)	FY19 3Q	FY20 3Q	FY21 3Q
Funding costs	7.3	6.1	5.6
Funding costs ratio	0.47%	0.37%	0.32%

Note) Funding costs ratio = Funding costs (annualized basis) / Operating assets (average of the beginning and ending balances)

External ratings

Rating agency	Rating	
R&I	Long-term	A
	Short-term	a-1
JCR	Long-term	A+
	Short-term	-

Earnings Forecasts and Dividends

- We have not changed our full-year earnings forecasts for FY2021
 - Going forward, we will continue to closely watch the impact on the economy from the recent rapid and wide spread of Omicron variant
- Interim dividend of ¥55/share, an increase of ¥15/share y-o-y, paid out as forecast at beginning of fiscal year
- The plan is also to increase annual dividend by ¥18/share y-o-y to ¥110/share, as forecast at beginning of fiscal year

(¥bn)	FY2020 (Results) (A)	FY2021 (Forecast) (B)	3Q Results	% Progress	Change (B)-(A)	% Change (B)/(A)
Revenues	497.9	550.0	389.5	71%	+52.1	+10%
Operating income	26.0	30.0	17.7	59%	+4.0	+16%
Ordinary income	27.5	33.0	23.1	70%	+5.5	+20%
Net income attributable to owners of the parent	21.8	23.0	17.3	75%	+1.2	+6%
Annual dividend	¥92	¥110	+¥18			
Interim dividend	¥40	(Result) ¥55	+¥15			
Year-end dividend	¥52	(Forecast) ¥55	+¥3			
Dividend payout ratio	20.4%	23.1%	+2.7pt			

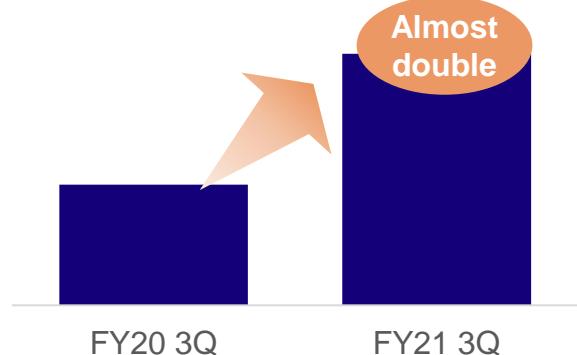
Appendix

Cooperation with Mizuho Financial Group

Sales cooperation

- Future revenue* almost doubled compared to the previous year
 - Collaboration expanded steadily in areas such as real estate and environment
 - The number of cooperation projects in the sales pipeline in 4Q is close to double the level seen at the beginning of 3Q, and accumulation of future revenue is underway

Future revenue* through cooperation

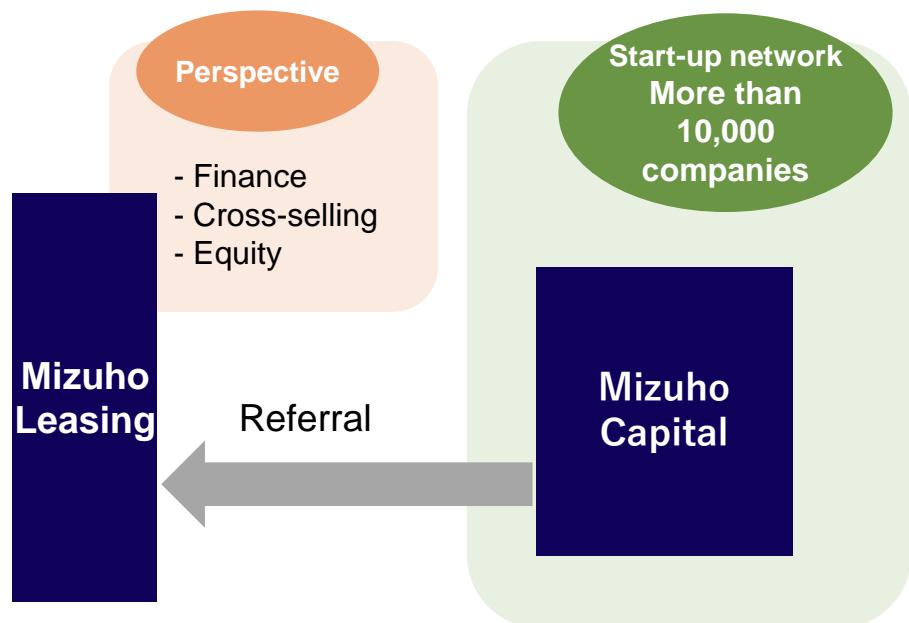


(*Estimated future revenue total to be recorded before new projects are completed)

- Collaboration in strategic areas such as sustainability and technology was also deepened
 - Mizuho SDGs Leases (from June) is expanding steadily
 - Development and offering of a subscription service for the logistics robot

Mizuho Capital became an equity-method affiliated company of Mizuho Leasing

- Mizuho Capital became an equity-method affiliated company of Mizuho Leasing in December
 - Dispatched 1 director (Voting right ratio: 15.01%)
 - Cooperation and collaboration will be further deepened
- Referral of start-up companies in our strategic areas to Mizuho Leasing by Mizuho Capital
 - Logistics, healthcare, renewable energy, etc.



Cooperation with the Marubeni Group, Ricoh and Ricoh Leasing

Marubeni Group

■ Mizuho Marubeni Leasing

- Income increased significantly y-o-y in FY21 3Q
- Mainly for overseas projects, sales prospects in the sales pipeline are being accumulated

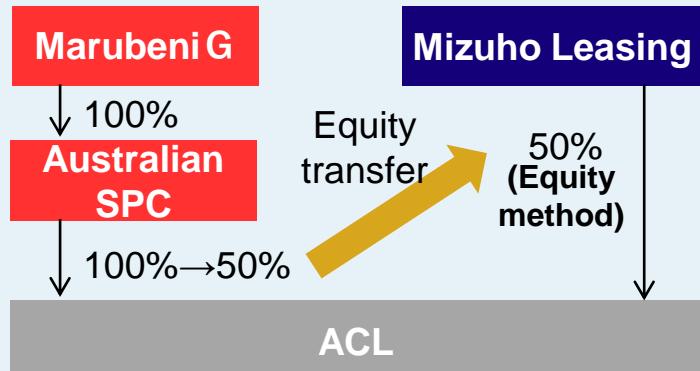
■ Joint investment with Marubeni

- For overseas financial businesses, etc., initiatives mainly include participation in syndicated loans for the companies that Marubeni invests in and joint acquisition with Marubeni

Highlight

■ Equity transfer of an Australian automobile financing company

[Affordable Car Leasing Pty Ltd (ACL)]



Ricoh and Ricoh Leasing

■ Vendor financing business

- Started taking advantage of Ricoh Leasing's vendor transactions expertise and infrastructure (in November)
- Promotion of bringing in and examining specific projects is underway

■ Accumulation of cases of arranging for referrals and collaboration (joint participation)

- Grab opportunities to generate income in areas each has strength in
- Handle large projects by risk sharing

Contract volume through cooperation

FY2021 target

¥10.0 billion

Results to date

¥6.7 billion

■ Medium-term initiatives to create and improve value

- Collaboration in areas such as sustainability, digital transformation (DX), etc.

Aircastle and Negative Goodwill

Aircastle

[Earnings]

- Due to the decline in lease revenues and loss related to aircraft leased to Garuda Indonesia, the net income attributable to owners of the parent was -USD 68 million
- **Mizuho Leasing's earning and loss was -¥3.5 billion (before tax effect)**

[Impairment of amount equivalent to goodwill]

- **Reviewing long-term recoverability assessment of Aircastle in January 2022**
 - Conservatively evaluated recovery speed from the impact of the spread of COVID-19
- Based on the evaluation, reviewed collectability of the goodwill recorded at the time of acquisition. As a result, **an impairment of -¥10.5 billion (all of the amount equivalent to the goodwill of Aircastle) was recognized.**
- Therefore, **there will be no amortization of goodwill from the next quarter.**

Aircastle's results

	FY20 3Q	FY21 3Q	Change
Sales	635	515	—
Impairment	-300	-111	—
Net income attributable to owners of the parent	-237	-68	—

	(¥bn)
Earning and loss (*)	2.3
Impairment of goodwill	-
Equity in earnings and losses of associated companies	2.3

* Incorporates portion for 6 months from April to September for Aircastle (fiscal year end: December) for FY20 3Q
Incorporates portion for 9 months from March to November for Aircastle (fiscal year end: February, changed in September 2020) for FY21 3Q

Negative goodwill

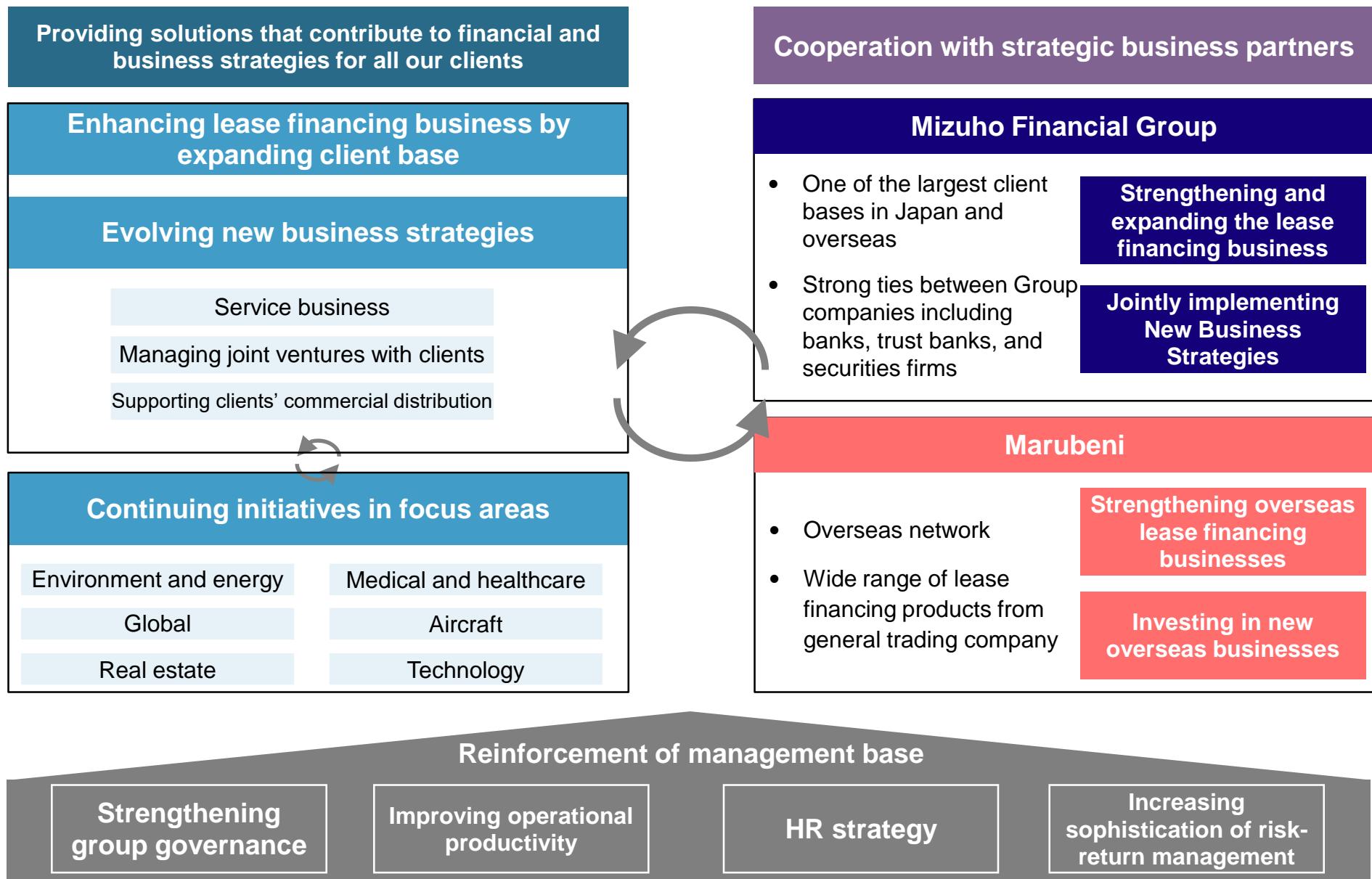
For Nippon Steel Kowa Real Estate and Mizuho Capital, which became equity-method affiliated companies in September 2021 and December 2021, respectively, **the amount equivalent to negative goodwill was posted as equity in earnings and losses of associated companies.**

- The amounts of net asset value (equity held by Mizuho Leasing) exceeding the acquisition prices of each company

Nippon Steel Kowa Real Estate: ¥9.1 billion

Mizuho Capital: ¥5.8 billion

Overview of Sixth Mid-term Management Plan (FY 2019-2023)



Consolidated Targets for the Final Fiscal Year of Sixth Mid-term Management Plan (FY 2019-2023)

Net income attributable to owners of the parent

¥30.0 billion

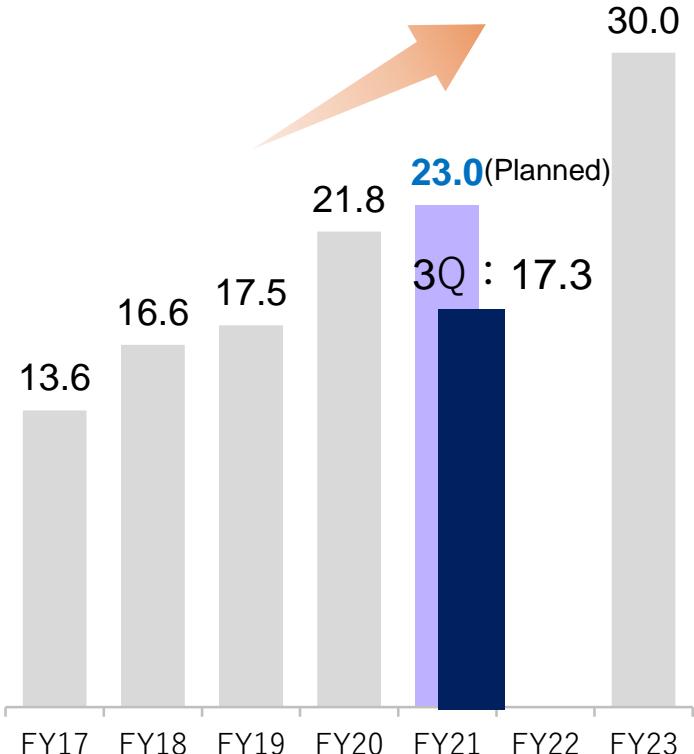
Balance in the global area

Triple
compared with that at the end of March 2019

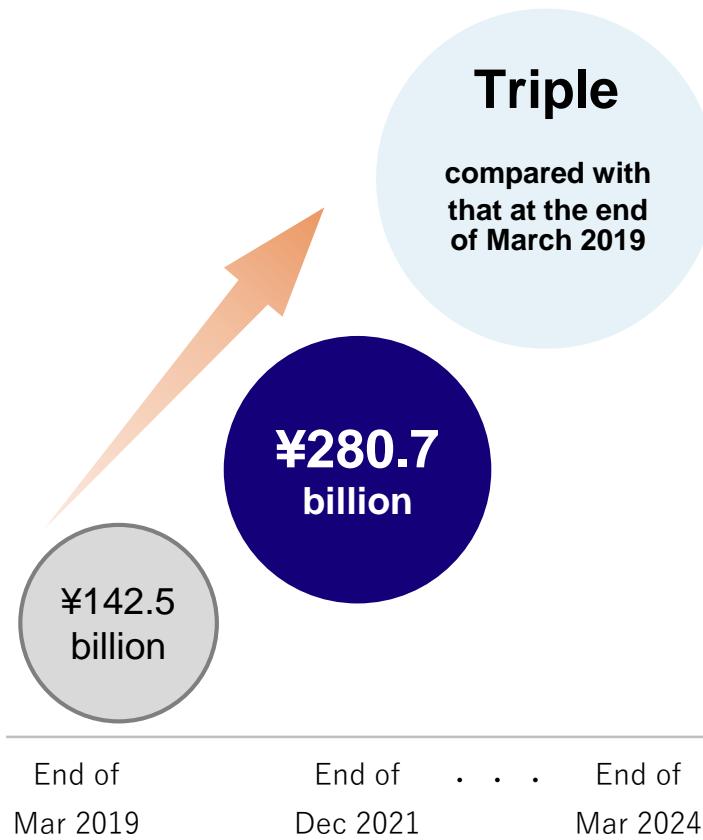
Dividend payout ratio

Aim for 25% or more

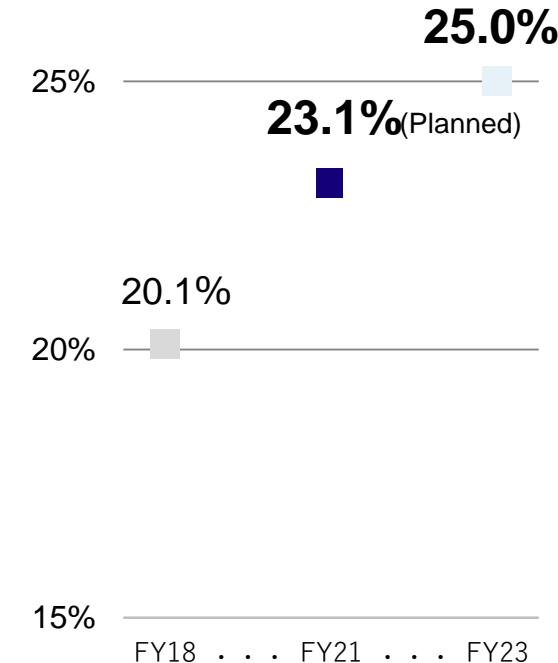
(¥bn)



FY21 3Q results ¥17.3 billion



Balance as of end of Dec 2021
¥280.7 billion



FY21
dividend payout ratio
23.1% (planned)

Main Topics (Examples of Initiatives by the Group)

October to December (3Q)

Issued our first green bond

- Issued Mizuho Leasing's first green bonds (unsecured straight bonds) through a public offering in the domestic market in December 2021.
- We aim to contribute to the realization of a sustainable society by implementing further environmental improvement businesses with the funds raised by the green bond.

Australian automobile financing company, Affordable Car Leasing Pty Ltd (ACL) became an equity-method affiliated company

- Resolved the transfer of 50% of the shares of Australian automobile financing company, ACL, from the Marubeni Group to Mizuho Leasing. Subsequently, it was decided that ACL would be an equity-method affiliated company of the Marubeni Group and Mizuho Leasing.
- ACL will be Mizuho Leasing's first business deployment in Australia, and we will further strengthen our competitive edge and profitability in Australia's high-growth potential automobile financing market through joint business with Marubeni and strive for improving our presence in the global market.

Investment in CCReB Advisors Inc.

- Investment in CCReB Advisors, a startup in Japan that visualizes corporate needs in Corporate Real Estate (CRE) and provides support for CRE sales by utilizing AI x IoT technologies.
- We will leverage the AI technology and knowledge that CCReB Advisors Inc. possesses to promote the digital transformation (DX) of Mizuho Leasing and further improve work efficiency and create opportunities to acquire real estate projects.

Completion of application for the selection of a new market segment "Prime Market"

- The Board of Directors meeting held in November 2021 resolved the selection and application of the Prime Market for new market segments of the Tokyo Stock Exchange, Inc., and we submitted an application to the Tokyo Stock Exchange in December 2021.
- We aim to further increase corporate value by improving the effectiveness and transparency of our corporate governance to encourage many investors to obtain our shares as well as carrying out open-book management.

Connect needs to create the future

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