

Overview

First-Quarter Results for FY2022 (Consolidated)

Presentation Materials

August 4, 2022

Mizuho Leasing Co., Ltd.

MIZUHO

The Mizuho logo consists of the word "MIZUHO" in a bold, white, sans-serif font, positioned above a white, curved horizontal line that resembles a stylized wave or a bridge.

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1. Financial Results and Business Performance Overview

Summary of First-Quarter Results for FY2022

- Underlying profitability improved due to the accumulation of assets and improved profitability, primarily in focus areas. Gross profit before funding costs increased, due in part to the one-off factor of the payment after grace period related to some aircraft leasing contract.
- As a result of significant increases in equity in earnings, especially among domestic group companies, ordinary income and net income attributable to owners of the parent have increased dramatically.
- Each of the indicators saw improvements, namely ROA, ROE, and gross profit margin before funding costs.

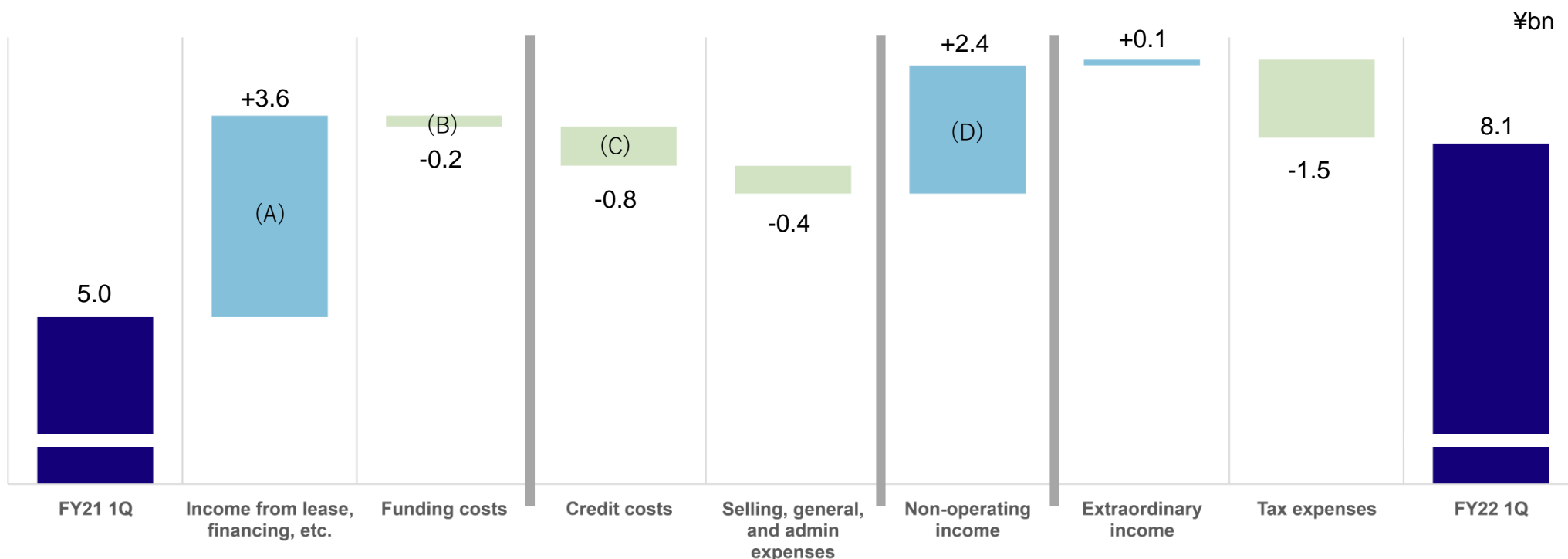
Income indicators (¥bn)	FY20 1Q	FY21 1Q	FY22 1Q	Change	% Change
Revenues	115.4	118.3	114.0	-4.3	-4%
Gross profit before funding costs	14.6	14.5	18.1	+3.6	+25%
(Credit costs)	0.3	-0.4	0.4	+0.8	-
Operating income	5.9	6.4	8.6	+2.2	+34%
(Equity in earnings and losses)	0.6	0.6	3.0	+2.4	+422%
Ordinary income	6.5	7.0	11.5	+4.5	+65%
(Extraordinary income)	4.0	0.0	0.1	+0.1	-
Net income attributable to owners of the parent	7.4	5.0	8.1	+3.1	+64%
Operating assets	2,163.0	2,326.8	2,384.0	+57.2	+2.5%
Gross profit margin before funding costs (*)	2.75%	2.50%	3.01%	+0.51pts	
ROA (*)	1.1%	1.1%	1.7%	+0.6pts	
ROE (*)	16.0%	9.7%	14.3%	+4.6pts	

ROA: Ratio of ordinary income to total assets

ROE: Ratio of net income to equity

(*) The balance is based on the average of the beginning and ending balances.

Factors behind Changes in Net Income Attributable to Owners of the Parent



(A) Income from lease, financing, etc.	In addition to the accumulation of assets in the profitable financing business segment, the payment after grace period related to some aircraft leasing contract, a one-off factor, also contributed to the increase.
(B) Funding costs	The main reasons for the increase were the rising interest rates for foreign currencies and the increase in borrowings accompanying the accumulation of assets.
(C) Credit costs	In contrast to the ¥0.4 bn reversal from the previous fiscal year, there was a ¥0.4 bn provision this fiscal year due to foreign exchange and other factors.
(D) Non-operating income	Equity in earnings increased significantly, especially among domestic group companies

Operating Assets and Gross Profit before Funding Costs by Business Area

- Operating assets are slightly down since end FY2021.
 - The domestic leasing business decreased due to reductions in short-term commercial distribution financing.
 - Balances grew in the growing focus areas of real estate, environment and energy, finance, and investment.
- Earnings grew steadily in all business areas due to stepped-up efforts to focus on profitability.

Operating assets

(¥bn)	End of Mar. 2022	End of Jun. 2022	Change
Domestic Leasing - Leases, construction machinery, auto leases, etc.	1,508.8	1,437.7	-71.1
Real Estate / Environment and Energy	590.0	612.3	+22.3
Finance / Investment - Funds, investment in startups, etc.	154.2	167.4	+13.2
Overseas / Aircraft - Overseas affiliates, aircraft, vessels, etc.	163.6	166.7	+3.1
Total	2,416.6	2,384.0	-32.6

Gross profit before funding costs

	FY21 1Q	FY22 1Q	Change
	8.7	9.3	+0.6
	3.0	5.1	+2.1
	0.8	0.8	0.0
	2.1	3.0	+0.9
	14.5	18.1	+3.6

Equity in Earnings and Losses (Other non-operating Income)

- Equity in earnings increased to ¥3.0 billion in 1Q FY22, driven by new investments in domestic group companies in the previous fiscal year.
- Although the deficit narrowed, equity in earnings and losses of Aircastle remained in the red.

Equity in Earnings and Losses (¥bn)	FY20 1Q	FY21 1Q	FY22 1Q	Change
Domestic Group Companies	0.5	1.1	2.7	+1.6
Overseas Group Companies	0.1	-0.6	0.3	+0.9
Aircastle	-	-0.9	-0.2	+0.7
Total	0.6	0.6	3.0	+2.4

Net income attributable to owners of the parent amounted to US\$8M due to trends of recovering passenger demand in Latin America, North America, Europe, and India and a decrease in impairment losses.

- Due to preferred share dividends, etc., equity in losses was ¥0.2 bn.

Aircastle Results

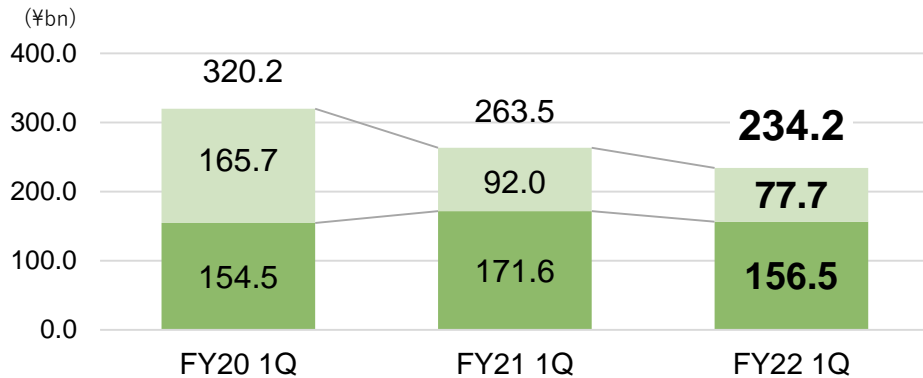
	(US\$M)		
	FY21 1Q	FY22 1Q	Change
Revenues	166	176	+10
Impairment	-21	-4	+17
Net income attributable to owners of the parent	-10	8	+18

Business Performance Overview

- Despite a y-o-y decline in contract execution volume due to a decrease in short-term commercial distribution financing, operating assets are on an increasing trend.
- Although there are variations from quarter to quarter, future profit and profit margin remain steady.

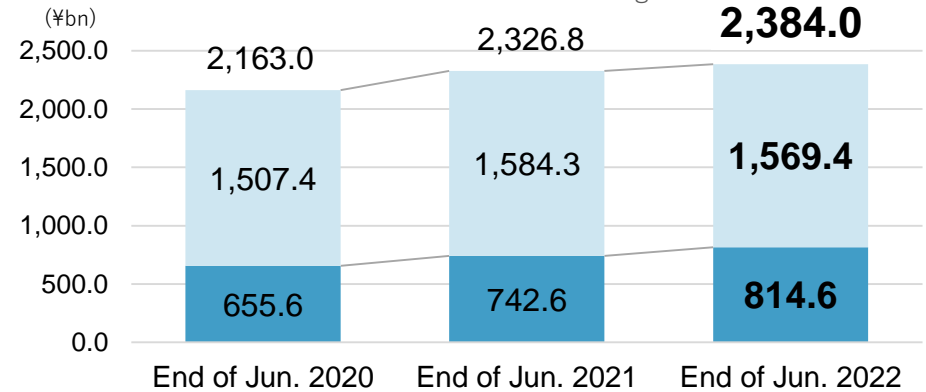
Contract execution volume

■ Leasing and installment sales
■ Financing and others

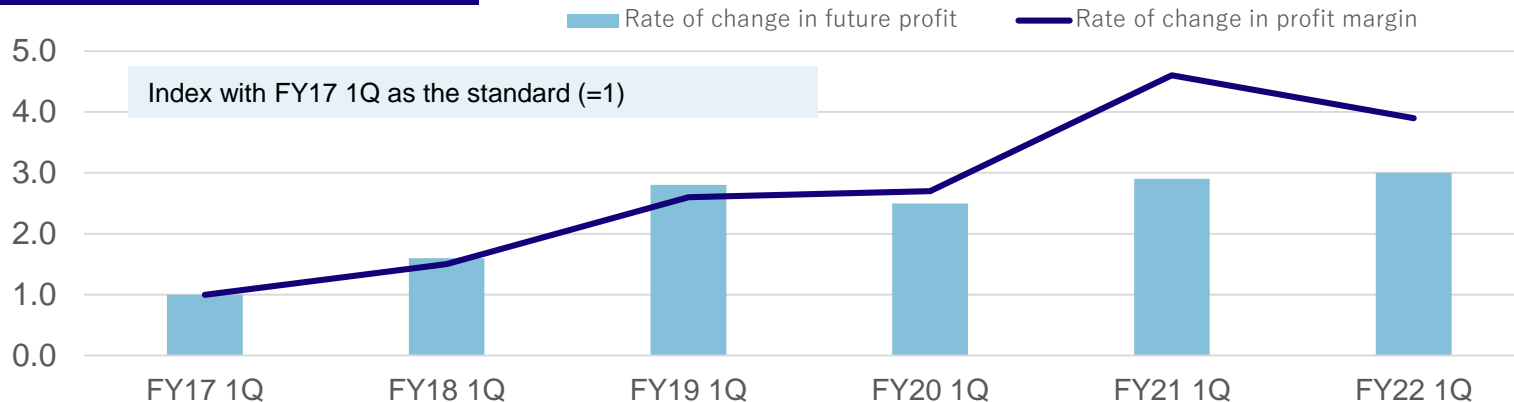


Operating assets

■ Leasing and installment sales
■ Financing and others



Future Profit*1 and Profit Margin*2



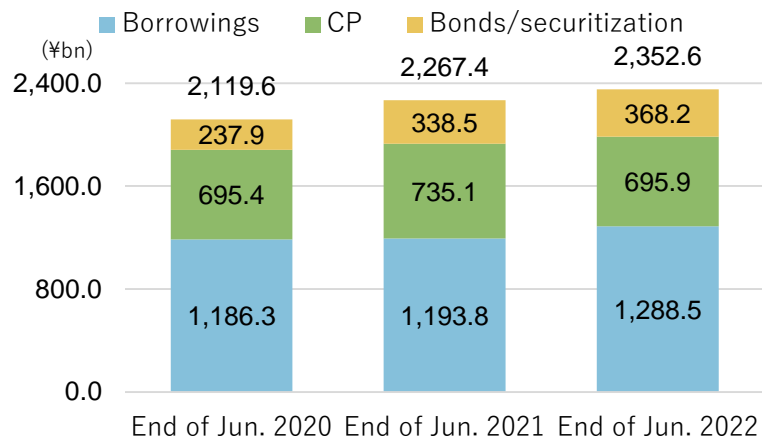
*1. Estimated future profit to be recorded before new projects are completed

*2. Profit margin for new projects

Funding

- Interest-bearing debt increased in accordance with the increase in operating assets, and stabilizing the funding structure.
- Funding costs increased due to higher funding accompanying the accumulation of assets and higher interest rates for foreign currencies.
- In June 2022, credit rating by R&I (A→A+), outlook by JCR (Stable→Positive)

Balance of interest-bearing debt



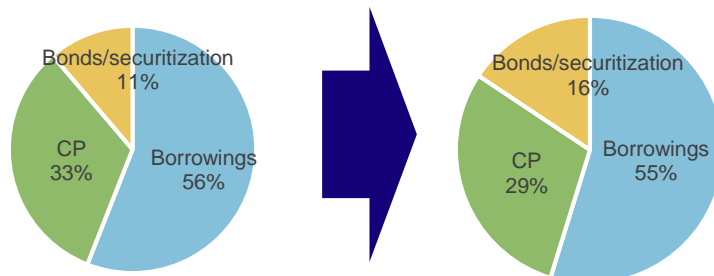
Funding costs (ratio)

(¥bn)	FY20 1Q	FY21 1Q	FY22 1Q
Funding costs	2.2	1.9	2.1
Funding costs ratio	0.41%	0.33%	0.35%

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

Sources of interest-bearing debt

End of Jun. 2020 End of Jun. 2022



External ratings

Rating agency	Rating (outlook)		
	Long-term	Short-term	Outlook
R&I	A+	a-1	(stable)
JCR	A+	-	(positive)

2. Progress Toward Earnings Forecasts

Progress Toward Earnings Forecast

- Profits for each stage in the first quarter progressed steadily against the full-year forecast. Although recovery from the COVID-19 pandemic is expected, we are keeping an eye on the impact of rising inflationary pressure from rising resource prices due to the situation in Ukraine, economic slowdown due to interest rate hikes in Europe and the US, the depreciation of the yen, and so on.

(¥bn)	FY2021 (Results)	FY2022 (Forecast)	1Q Results	Rate of Progress
Revenues	554.8	570.0	114.0	20%
Credit costs	10.5	3.0	0.4	13%
Operating income	17.9	28.0	8.6	31%
Equity in earnings and losses	2.0	8.0	3.0	38%
Ordinary income	20.1	35.0	11.5	33%
Net income attributable to owners of the parent	14.9	26.0	8.1	31%

Appendix

Consolidated B/S (Assets)

(¥bn)	End-Mar. 2019	End-Mar. 2020	End-Mar. 2021	End-Mar. 2022 (1)	End-Jun. 2022 (2)	Change (2) - (1)	% Change (2) / (1)
Current assets	1,866.6	1,947.3	2,085.1	2,166.7	2,133.6	-33.1	-1.5%
Cash and deposits	25.9	22.8	21.1	25.3	25.0	-0.4	-1.4%
Investment in lease	930.3	1,082.1	1,174.1	1,172.6	1,150.9	-21.8	-1.9%
Installment sales receivable	148.0	141.8	127.1	109.4	104.3	-5.1	-4.7%
Operational loans	469.1	401.0	500.7	582.5	558.8	-23.7	-4.1%
Operational investment securities	239.8	221.9	221.0	239.8	255.8	+16.0	+6.7%
Allowance for doubtful receivables	-1.6	-1.8	-2.2	-1.2	-1.2	-0.0	-
Property & equipment	295.3	401.1	518.1	582.1	593.9	+11.8	+2.0%
Leased assets	229.9	245.6	302.3	315.0	317.3	+2.3	+0.7%
Investment securities	32.0	119.1	172.0	203.7	214.1	+10.4	+5.1%
Doubtful operating receivables	3.4	5.4	11.5	32.7	32.3	-0.4	-1.2%
Allowance for doubtful receivables	-0.2	-0.5	-0.5	-8.5	-8.7	-0.2	-
Total assets	2,161.9	2,348.4	2,603.2	2,748.8	2,727.5	-21.3	-0.8%
Total operating assets	2,021.4	2,090.3	2,322.4	2,416.6	2,384.0	-32.4	-1.3%

Consolidated B/S (Liabilities and Equity)

(¥bn)	End-Mar. 2019	End-Mar. 2020	End-Mar. 2021	End-Mar. 2022 (1)	End-Jun. 2022 (2)	Change (2) - (1)	% Change (2) / (1)
Current liabilities	1,294.2	1,314.1	1,492.9	1,548.4	1,505.6	-42.8	-2.8%
Short-term borrowings	302.2	256.7	317.8	380.3	378.6	-1.7	-0.4%
Current portion of corporate bonds	20.8	-	40.0	30.0	30.0	-	-
Current portion of long-term debt	177.2	185.4	228.4	240.5	230.3	-10.2	-4.2%
Commercial paper	609.8	669.1	714.1	707.1	695.9	-11.2	-1.6%
Payables under securitized lease receivables	82.4	105.2	101.5	92.9	88.9	-4.0	-4.3%
Long-term liabilities	685.5	838.5	899.5	969.6	974.2	+4.6	+0.5%
Long-term debt	524.2	622.9	649.9	682.0	679.6	-2.4	-0.3%
Corporate bond	85.0	135.3	170.4	221.0	231.7	+10.7	+4.8%
Payables under securitized lease receivables	33.2	26.0	33.3	21.6	17.6	-4.0	-18.4%
Total liabilities	1,979.7	2,152.6	2,392.3	2,518.0	2,479.7	-38.3	-1.5%
Net assets	182.2	195.8	210.9	230.8	247.8	+17.0	+7.4%
Shareholders' equity	167.8	179.9	197.5	207.3	212.7	+5.4	+2.6%
Total liabilities and net assets	2,161.9	2,348.4	2,603.2	2,748.8	2,727.5	-21.3	-0.8%
Total interest-bearing debts	1,834.8	2,000.6	2,255.4	2,375.2	2,352.6	-22.6	-1.0%
Equity ratio	8.0%	7.9%	7.7%	8.0%	8.6%	+0.6pts	

Consolidated P/L

(¥bn)	2018 1Q	2019 1Q	2020 1Q	2021 1Q (1)	2022 1Q (2)	Change (2) - (1)	% Change (2)-(1) / (1)
Revenues	85.4	143.2	115.4	118.3	114.0	-4.3	-3.6%
Gross profit before funding costs	12.4	14.5	14.6	14.5	18.1	+3.6	+24.5%
Funding costs	2.0	2.6	2.2	1.9	2.1	+0.2	+10.3%
Gross profit	10.4	11.9	12.4	12.6	16.0	+3.4	+26.6%
Selling, general and administrative expenses	4.9	6.4	6.5	6.3	7.4	+1.1	+18.8%
Personnel and property expenses	5.3	6.1	6.3	6.6	7.0	+0.4	+6.7%
Credit costs	-0.5	0.3	0.3	-0.4	0.4	+0.8	-
Operating income	5.5	5.5	5.9	6.4	8.6	+2.2	+34.2%
Other income	1.1	0.5	0.9	0.9	3.3	+2.4	+282.3%
Other expenses	0.1	0.2	0.3	0.3	0.4	+0.1	+45.1%
Ordinary income	6.5	5.8	6.5	7.0	11.5	+4.5	+64.7%
Extraordinary income	-	0.3	4.0	-	0.1	+0.1	-
Extraordinary loss	0.0	0.1	0.0	0.0	0.0	+0.0	+1.7%
Income before taxes	6.5	6.1	10.5	7.0	11.6	+4.6	+65.7%
Total income taxes	2.0	1.9	2.9	1.9	3.1	+1.2	+65.1%
Net income attributable to owners of the parent	4.3	4.1	7.4	5.0	8.1	+3.1	+64.1%
Gross profit margin before funding costs	2.83%	2.87%	2.75%	2.50%	3.01%	+0.51pts	
Funding cost ratio	0.46%	0.51%	0.41%	0.33%	0.35%	+0.02pts	
ROE	1.4%	1.1%	1.1%	1.1%	1.7%	+0.6pts	

Consolidated Statements of Comprehensive Income

(¥bn)	2018 1Q	2019 1Q	2020 1Q	2021 1Q (1)	2022 1Q (2)	Change (2) - (1)	% Change (2) / (1)
Net income	4.4	4.3	7.6	5.1	8.5	+3.4	+66.0%
Unrealized gain on available-for-sale securities	-1.0	-0.6	-2.2	-0.1	3.8	+3.9	-
Deferred gain/loss on derivatives under hedge accounting	-0.1	-0.0	0.2	-0.3	-1.4	-1.1	-
Foreign currency translation adjustments	-0.6	0.3	-0.8	5.1	7.8	+2.7	+53.6%
Remeasurements of defined benefit plans	0.0	0.0	0.0	-0.0	-0.0	-0.0	-
Share of other comprehensive income of associated companies	-0.1	0.0	-0.2	0.7	1.0	+0.3	+43.3%
Total other comprehensive income	-1.8	-0.3	-3.1	5.4	11.2	+5.8	+109.7%
Comprehensive income	2.7	4.0	4.6	10.5	19.7	+9.2	+88.3%

Contract execution volume by segment

Leasing and Installment Sales Segment

(¥bn)	FY20 1Q	FY21 1Q (1)	FY22 1Q (2)	Change (2) - (1)	% Change (2) / (1)
Real estate	33.2	23.3	11.8	-11.5	-49.5%
Information and communications	68.0	20.4	23.3	+2.9	+14.2%
Industry and factory	28.3	15.5	15.6	+0.1	+0.6%
Transport	10.4	9.5	8.3	-1.2	-12.8%
Construction	6.1	5.9	3.1	-2.8	-47.6%
Commerce and services	5.8	3.7	4.4	+0.7	+20.1%
Medical	2.7	2.8	2.7	-0.1	-4.5%
Other	11.3	11.0	8.6	-2.4	-21.2%
Total	165.7	92.0	77.7	-14.3	-15.5%

Financing Segment

(¥bn)	FY20 1Q	FY21 1Q (1)	FY22 1Q (2)	Change (2) - (1)	% Change (2) / (1)
Commercial distribution finance/loan, etc.	131.2	161.4	133.9	-27.5	-17.1%
Real estate	17.6	9.0	19.5	+10.5	+115.5%
Vessel	5.3	1.1	2.6	+1.5	+132.3%
Aircraft	0.3	0.0	0.6	+0.6	-
Total	154.5	171.6	156.5	-15.1	-8.8%

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Inquiries

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