Mizuho Leasing Co., Ltd.

Integrated report 2019

MIZUHO

The Mizuho Leasing Group aims to make a further leap forward by taking on challenges for enhancing corporate value and achieving value creation for stakeholders.

Corporate Philosophy

We aim to be a Group which contributes to society by offering valued financial services which lead to future prosperity.

Desired Future Image of the Mizuho Leasing Group

How the Group should be and stakeholders the Group should consider

Clients | Shareholders | Employees | Society

Mindset of each employee

Action Guidelines

The Three Cs

Challenge

Change

Create

Management Policy

1. Respond to customers' needs and provide precise and prompt services by combining the Group's total strength.
2. Endeavor to further enhance the Group's reputation and credibility among shareholders and in the market.
3. Strive to create a dynamic corporate culture full of energy and vitality in which proactive, ambitious human resources are fostered and promoted.
4. Comply with the law and its spirit, and aim to be a Group which always recognizes its social responsibility and secures understanding and sympathy from society.

Sixth Mid-term Management Plan

The Group has rolled out the Sixth Mid-term Management Plan covering a five-year period from April 2019.

Under the plan, we will continue to promote business together with clients and initiatives in focus areas in response to changes in social and industrial structures that have been implemented to date. At the same time, we will offer new solutions as a business development partner for clients in widely expanded business fields in Japan and overseas through alliances with strategic business partners and take on the challenge of co-creating value with clients and expanding business overseas with new business bases.

Vision Value-creating company tackling challenges together with clients

Flow for realization of the vision

Thorough client-oriented approach → Promote business together with clients as their partner → Tackle new business domains transcending the framework of financing → Fulfill corporate social responsibility

CONTENTS

Editorial Policy

This report contains the Mizuho Leasing Group's financial information as well as non-financial information including management strategies, environment, social and corporate governance (ESG) to help stakeholders have a better understanding of the Group's business activities. When we edited this Report, we referred to certain guidelines including "International <IR> Framework" issued by the International Integrated Reporting Council (IIRC), and explained the Group's value-creating activities over the medium to long-term in an easy-to-understand and simple manner.

Composition of communication tools

Website: www.mizuho-ls.co.jp

Overview ↕ Details

Integrated Report (Japanese and English)		
	Report for Shareholders (Japanese and English)	Report on Corporate Governance
Securities Report	Financial Results (Japanese and English)	CSR Activities (Website)

Financial information ↔ Non-financial information

Reporting Period

From April 2018 to March 2019 (including some activities that occurred outside this period)

Entities Covered

This report covers the entire Mizuho Leasing Group.

Notes concerning Future Forecast

This report contains management policies and future business performance based on the information on hand at the time of the preparation of this report. These statements may contain certain risks and uncertainties, and as such do not guarantee that such policies and performance will be achieved. Please be advised that any predictions for the future made in this report may differ significantly from the actual results due to various factors.

From IBJ Leasing to Mizuho Leasing

– Toward the Creation of Further Value –

Amid rising demand for funds for capital investment, Mizuho Leasing Company, Limited was established in 1969 as a general leasing company under the initiative of The Industrial Bank of Japan, Ltd. (now Mizuho Bank, Ltd.) and with investment from leading companies across Japanese industry. We have continued to grow and expand the products we offer on the same trajectory as the expanding role played by the leasing industry in the Japanese economy while actively expanding our business not only in Japan, but also overseas. Recently, in addition to expanding into growth fields in response to structural changes in society and industries, we have engaged in a business strategy that focuses on the commercial distributions rather than the capital investment of companies to offer services capable of comprehensively resolving the issues of clients.

While the Group has continued to grow steadily to date, in March 2019 we entered into business alliances with Mizuho Bank, Ltd. and Marubeni Corporation to achieve even more dramatic growth for the Group. On October 1, 2019, our company name was changed from IBJ Leasing Company, Limited to Mizuho Leasing Company, Limited to maximize the effects of the alliance as the only equity-method affiliate leasing company in the Mizuho Financial Group.

During this milestone year that marks our 50th anniversary, we will take advantage of the tailwinds from the expansion of business fields through both business alliances to set off on a new start for the next 50 years as Mizuho Leasing Company, Limited as we aim for further growth. Going forward, we will transform ourselves along with the changes in the times as officers and employees work as one to contribute to the advancement of society and the achievement of a prosperous future with our clients through our business. We hope for your continued understanding and support in the future.

Hiroshi Motoyama

President and CEO

Trajectory of the Mizuho Leasing Group

The Mizuho Leasing Group has developed its operations primarily in leasing and installment sales—the financing of physical items. In addition to financing related to capital expenditure, including industrial and factory equipment, information and communication equipment and medical equipment, we are expanding the scope of our business activities through initiatives in businesses to involve in commercial distributions and a broad range of financial sectors and through M&A activities, as we proactively engage in business in Japan and overseas.

Toward new growth as Mizuho Leasing

History of Our Business

- Supporting improvements in mobility
- Meeting needs for reducing the environmental load
- Catering to needs for extending the healthy life expectancy
- Supporting the establishment of social infrastructure

December 1969
Mizuho Leasing Company is established as a general leasing company under an initiative by The Industrial Bank of Japan, Ltd. (now Mizuho Bank, Ltd.), with the participation of major companies representing Japanese industries.

1972
Begins vendor leases of construction equipment as a pioneer in that field.

2000
Business department specializing in medical and welfare services is established.

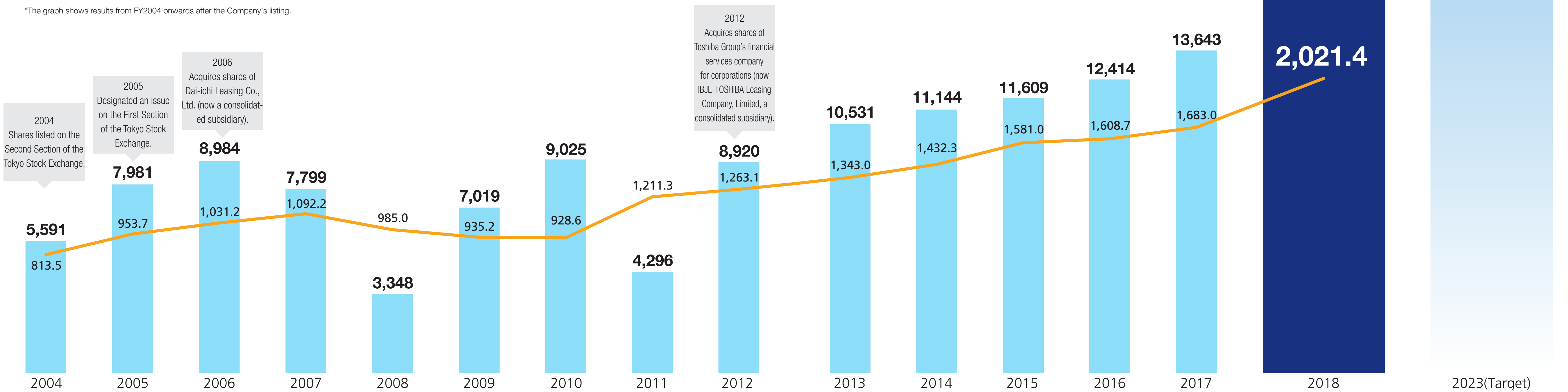
2012
Environmental Business Promotion Division is established.

2016
IBJ Air Leasing Limited (now a consolidated subsidiary) is jointly established with a U.S. aircraft leasing company to enter the aircraft operating lease business.

March 2019
Enters into capital and business alliance with Mizuho Bank, Ltd. and an alliance in the lease financing business with Marubeni Corporation
- Becomes an equity-method affiliate of the Mizuho Financial Group, Inc.
- Acquires shares of MG Leasing Corporation (now an equity-method affiliate, a joint venture with Marubeni Corporation)

October 2019
Company name is changed from IBJ Leasing Co., Ltd. to Mizuho Leasing Co., Ltd.

Net Income Attributable to Owners of the Parent (Millions of yen)
Operating Assets (Billions of yen)
*The graph shows results from FY2004 onwards after the Company's listing.



Global Business Expansion

1992
Krung Thai IBJ Leasing Co., Ltd., an overseas subsidiary, is established in Thailand (now an equity-method affiliate).

1998
PNB-IBJL Leasing and Finance Corporation, an overseas subsidiary, is established in the Philippines (now an equity-method affiliate).

2008
IBJ Leasing (China) Ltd., an overseas subsidiary, is established in China (now a consolidated subsidiary).

2010
PT. IBJ VERENA FINANCE, an overseas subsidiary, is established in Indonesia.

January 2019
Acquires shares of the Indonesian auto financing company PT. VERENA MULTI FINANCE Tbk (now a consolidated subsidiary, merges PT. IBJ VERENA FINANCE in July 2019)

Accumulated Strengths

- High expertise and extensive know-how to solve clients' issues
- Strong relationship with large and mid-sized corporate clients
- Well-balanced portfolio
- Strong fundraising base

Business of the Mizuho Leasing Group

The Mizuho Leasing Group comprises Mizuho Leasing, 32 consolidated subsidiaries and three equity-method affiliates (as of March 31, 2019). Centered on this structure, we provide wide-ranging financial services, including leasing, installment sales and loans in Japan and overseas by utilizing our understanding of equipment and extensive financial expertise.

Leasing and Installment Sales

- Consulting service for controlling optimal BS/PL control in addition to fundraising at the time of introducing equipment
- Leases in the subscription or value-added service models
- Support for clients' product sales and service provision

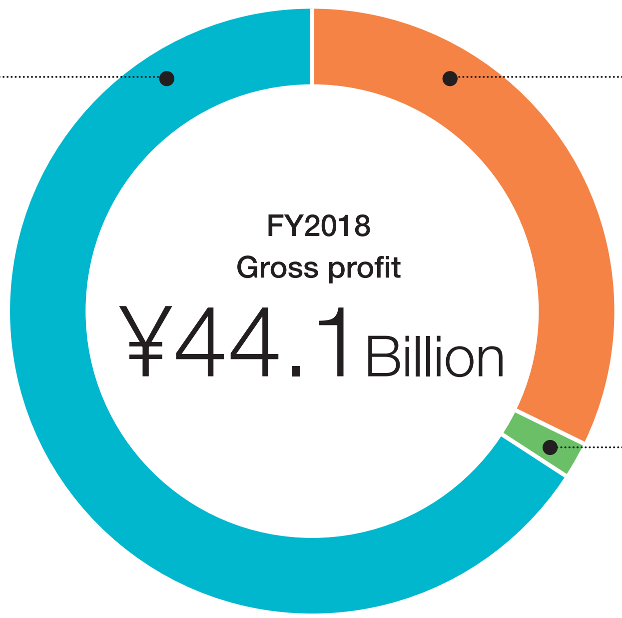
Financing and Other

- Specialized financing to deliver cash flow through real estate, aircraft, vessels and other items
- Commercial distribution finance/business finance
- Used equipment sales, photovoltaic power sales operations, etc.

Leverage our extensive know-how of equipment and highly sophisticated financial solutions to solve clients' accounting, financial and business issues

Client base centered on large and mid-sized corporations

Industrial and factory equipment | Transportation equipment | Construction equipment | Information and communication equipment | Medical equipment | Real estate | Environment-related equipment



Each Mizuho Leasing Group company aims to achieve "the expansion of cooperation with partner corporations," "the pursuit of expertise" and "the expansion of global business" and collaborate with each other, with Mizuho Leasing at the core and displaying their respective characteristics, to provide solutions that best suit the diverse needs of clients in not only Japan, but also countries around the world.

Major Group Companies (As of October 1, 2019)

Cooperation with partner corporations

Group companies/partner corporations

IBJL-TOSHIBA Leasing Company, Limited[1]/Toshiba Group
Dai-ichi Leasing Co., Ltd./The Dai-ichi Life Group
Universal Leasing Co., Ltd./Sankyu Group
MG Leasing Corporation*/Marubeni Group

Note 1: Company name will be changed to Mizuho-Toshiba Leasing Company, Limited

Pursuit of expertise

Group companies/business description

Mizuho Auto Lease Company, Limited/Auto leasing
ML Estate Company, Limited/Real estate leasing
ML Shoji Company, Limited/Used property sales and support of clients' commercial distribution
ML Office Service Company, Limited/Office services

MIZUHO
Mizuho Leasing

Expansion of global business

Group companies/locations

IBJ Leasing (China) Ltd.[2]/China
PT. Verena Multi Finance Tbk/Indonesia
IBJ Leasing (UK) Limited[3]/the U.K.
Krung Thai IBJ Leasing Co., Ltd.*/Thailand
PNB-IBJL Leasing and Finance Corporation*[4]/the Philippines
IBJ Air Leasing Limited/the U.S. and Bermuda

Note 2: Company name will be changed to Mizuho Leasing (China) Ltd.
Note 3: Company name will be changed to Mizuho Leasing (UK) Limited
Note 4: Company name will be changed to PNB-Mizuho Leasing and Finance Corporation

*An equity-method affiliate

Value Creation Process

Changes in the external environment

- Aging population with low birthrate
- Global warming
- Resource and energy shortage
- Maturity of domestic market
- Advancement of globalization
- Labor shortage due to the decreasing labor force
- Transformation of business models driven by Industry 4.0

Sixth Mid-term Management Plan

➡P15

Providing solutions that contribute to financial and business strategies for all our clients

Enhancing lease financing business by expanding client base

Evolving New Business Strategies

Creating value with clients, serving as a business platform for them

- Service business
- Managing joint ventures with clients
- Supporting clients' commercial distribution

Conducting initiatives in focus areas

Expanding the business in fields that respond to social issues

- Environment and Energy
- Medical and Healthcare
- Global
- Aircraft
- Real Estate
- Technology

Cooperation with strategic business partners

Mizuho

- One of the largest client bases in Japan and overseas
- Strong ties between Group companies including banks, trust banks, and securities firms

Strengthening and expanding the lease financing business

Jointly implementing New Business Strategies

Marubeni

- Overseas network
- Wide range of lease financing products from general trading company

Collaboration in overseas lease financing businesses

Investing in new overseas businesses

Reinforcement of management base

- Strengthening group governance
- Improving operational productivity
- HR strategy
- Increasing sophistication of risk-return management

Value creation for stakeholders

Stakeholders

Clients

Providing flexible and a wide range of services to meet clients' needs

Shareholders

Sustainable increases of corporate value and shareholder returns

Society

Solving social issues and practicing corporate social responsibility through our businesses

Employees

Creation of environment and systems where all employees are provided with a meaningful and engaging workplace

Development of a sustainable society

CSR Activities of the Mizuho Leasing Group➡P27

President's Commitment –Toward Dramatic Growth–

The Mizuho Leasing Group will merge the strengths that it has developed with the business base and know-how of the Mizuho Financial Group and the Marubeni Group in an aim to achieve dramatic growth.

President and CEO

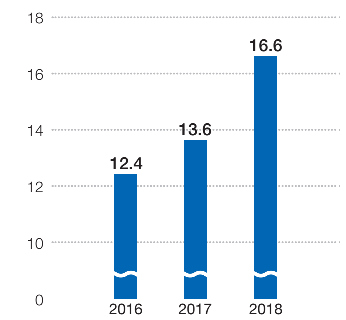
Fifth Mid-term Management Plan and Achievements in Fiscal 2018

Under the Fifth Mid-term Management Plan covering a three-year period starting from fiscal 2017, we have established the vision of a "value-creating company tackling challenges together with clients" and a basic policy of promoting businesses that are more profitable by leveraging our accumulated business know-how and financial strengths. We focused our efforts on new business strategies, including the "support clients' commercial distribution" strategy that focuses on the flows of purchase and product sales at clients, as well as on focus areas that have good potential for growth (environment and energy, medical and healthcare, aircraft, overseas subsidiaries, real estate, and technology) in line with changes in the business models of corporations and structural changes in society and industries while reinforcing the management base that supports our businesses in an aim to achieve the consolidated targets of "¥15.0 billion in net income attributable to owners of the parent," "10% ROE," and "maintaining 20% or more dividend payout ratio" by the final fiscal year of the Plan.

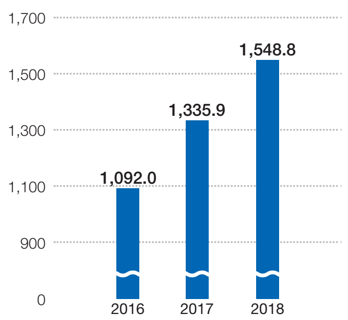
In fiscal 2018, the second year of the Fifth Mid-term Management Plan, the Group pushed forward with initiatives for business strategies and the focus areas set out in the Fifth Mid-term Management Plan, and took on challenges of entering new domains as well as proactively carrying out the formation and provision of services that were not limited to conventional financial solutions. In our new business strategy, grasping the entire commercial distribution process of clients, we engaged in the provision of solutions in line with the issues that occur in the flow from purchase to product sales as well as the product sales of clients, and promoted the formation of sales formats based on service contracts jointly with the client. In the environment and energy field, we started new initiatives in the renewable energy field, such as the participation in an offshore wind power generation project, in addition to efforts in energy saving investment projects by companies utilizing subsidies. In the medical and healthcare field, we expanded our initiatives in the nursing care and healthcare field, mainly consisting of financing of medical equipment, as well as initiatives for serviced housing for the elderly and equity investments in a healthcare real estate fund. In the real estate field, bridge scheme projects for REIT managed by leading business operators expanded, while we produced results through joint real estate investments with clients and building leases for hotels in response to rising social needs. In the aircraft business, we accumulated our balance by engaging in both loans backed by aircraft and aircraft engines and aircraft operating leases. Meanwhile, we have been expanding transactions with non-Japanese companies through our overseas subsidiaries by strengthening transactions with blue-chip companies including local conglomerates, cooperating with local partner companies, and providing local support for the sales expansion of the products and services of Japanese companies.

As a result of these efforts, net income attributable to owners of the parent for fiscal 2018 amounted to ¥16.6 billion, achieving record-breaking profit for six consecutive years, ROE was 10.3%, and the dividend payout ratio was 20.1%, meaning that we achieved all of the numeral targets of the final fiscal year of the Fifth Mid-term Management Plan one year ahead of schedule.

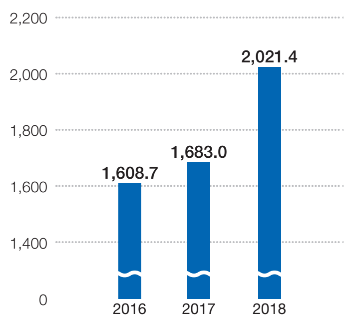
Net Income Attributable to Owners of the Parent (Billions of yen)



Contract Execution Volume (Billions of yen)



Operating Assets (Billions of yen)



Sixth Mid-term Management Plan

While the Group has continued to grow steadily to date, in March 2019 we entered into a capital and business alliance with Mizuho Bank, Ltd. and an alliance in the lease financing business with Marubeni Corporation in order to achieve dramatic growth.

In fiscal 2018, we launched the Sixth Mid-term Management Plan covering a five-year period from fiscal 2019 to fiscal 2023 as all of the targets of the three-year Fifth Mid-term Management Plan were achieved one year ahead of schedule and to strongly promote the alliances with Mizuho Bank and Marubeni. As the targets for the final fiscal year of the Plan, we aim for net income attributable to owners of the parent of ¥30.0 billion, triple the balance of operating assets in the global area of that of the end of March 2019, and aim for consolidated dividend payout ratio of 25% or more. The achievement of these targets requires us to draw on the strengths that the Group has developed to date and take on new challenges that break free from our conventional modus operandi. As our business strategy to achieve these targets, we will continue our success model from the Fifth Mid-term Management Plan, namely, jointly promoting businesses with clients and driving forward initiatives in focus areas in response to structural changes in society and industries. At the same time, we will combine our accumulated know-how with the business base and expertise of the Mizuho Financial Group and the Marubeni Group. Our alliance with Mizuho Bank, Ltd. allows for a wider range of solutions we can offer to Mizuho clients, and our alliance with Marubeni Corporation enables us to take on risks even more dynamically and expand operation in the international arena. Furthermore, we will continue reinforcing the management base that will support this business strategy by strengthening group governance, improving operational productivity, HR strategy, and enhancing risk-return management, for a stronger organizational management capable of responding to business fields that are expected to expand.

Consolidated targets for final fiscal year (FY2023)

Net income attributable to owners of the parent	¥30billion
Balance in the global area compared with that at the end of March 2019 *Balance of ¥142.5 billion at the end of March 2019	Triple
Consolidated dividend payout ratio	Aim for 25% or more

Strength to Support Growth

The business environment surrounding companies is unceasingly changing, and in order for the Group to achieve sustainable growth, it is necessary to respond agilely to these changes and continue to create value that can be shared with stakeholders. To do so, we must enhance our organizational capability through means such as the further enhancement of the corporate governance structure and the further sophistication of risk-return management and building of an environment where employees can demonstrate their capabilities at their full potential through efforts including improving operational productivity and promoting diversity.

In 2019, we have established an optional Nomination and Compensation Committee formed of a majority of independent outside directors to improve the transparency and objectivity of the decision-making process of the Board of Directors. We are also working to further enhance our corporate governance structure through the start of evaluations of the effectiveness of the Board of Directors by an assessment organization to further improve its effectiveness and functions. In addition, we have started to consider new portfolio management frameworks in an effort to optimally leverage management capital and enhance risk-return management.

Moreover, based on the recognition that the active participation of human resources with diverse perspectives and values based on various experience and skills underpins the Group's growth, we will continue to focus on promoting diversity and improving operational productivity through IT system investments and reforms in operational processes.

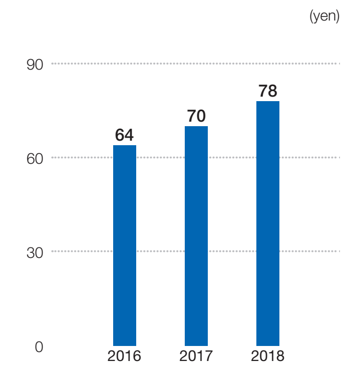
Shareholder Returns

The Company's basic policy on shareholder returns is to pay dividends in accordance with business performance in an attempt to improve profitability. At the same time, as a financial services business operator, the amount of shareholders' equity is one of the important factors to increasing corporate value. Therefore, we intend to pay dividends while maintaining a balance between shareholder returns and shareholders' equity. We plan to continue paying steady dividends. Retained earnings are effectively utilized as funds for future growth in an attempt to further expand our business base and increase ROE over the medium to long term.

In line with this policy, in fiscal 2018 we continued to increase shareholder returns by raising the annual dividend ¥8 to ¥78 per share, with the dividend payout ratio of 20.1%.

We expect to raise the annual dividend per share an additional ¥2 in fiscal 2019, to ¥80 per share, amounting to the 18th consecutive year of dividend increases.

Annual Dividend per Share



Desired Future Image of the Mizuho Leasing Group

During this milestone year that marks our 50th anniversary, the company name was changed from IBJ Leasing Company, Limited to Mizuho Leasing Company, Limited and the Group entered a new stage.

While the Group will keep providing services with client needs as the starting point by taking advantage of our business strengths we have developed over a period of 50 years, the alliances with Mizuho Bank, Ltd. and Marubeni Corporation will greatly expand our business fields in Japan and overseas and enable our business scale to grow further. As the social and industrial structures of Japan continue to change, as a Group that has cooperated with a bank and a trading company as new partners, we believe that it is important to respond agilely to these changes and create opportunities from these changes while boldly taking on the challenge of new businesses.

Going forward, the Group aims to achieve a sustainable society and improve corporate value by creating value that can be shared with stakeholders through our business through relentless improvement and transformation.

The Group aims to develop a sustainable society and improve corporate value by creating value that can be shared with stakeholders through our business through relentless self-improvement and transformation.

Sixth Mid-term Management Plan (FY2019 to FY2023)

The Group has started the Sixth Mid-term Management Plan covering a five-year period from fiscal 2019.
Under the plan, we will continue to promote business together with clients and initiatives in focus areas in response to changes in social and industrial structures that have been implemented to date. At the same time, we will leverage the alliances with Mizuho Bank, Ltd. and Marubeni Corporation formed in March 2019 as strategic partners to integrate the know-how that the Group has accumulated with the business foundation and know-how of the Mizuho Financial Group and the Marubeni Group. We will offer new solutions as a business development partner for clients in widely expanded business fields in Japan and overseas through these alliances and take on the challenge of co-creating value with clients and expanding business overseas with new business bases.

Vision of the Sixth Mid-term Management Plan

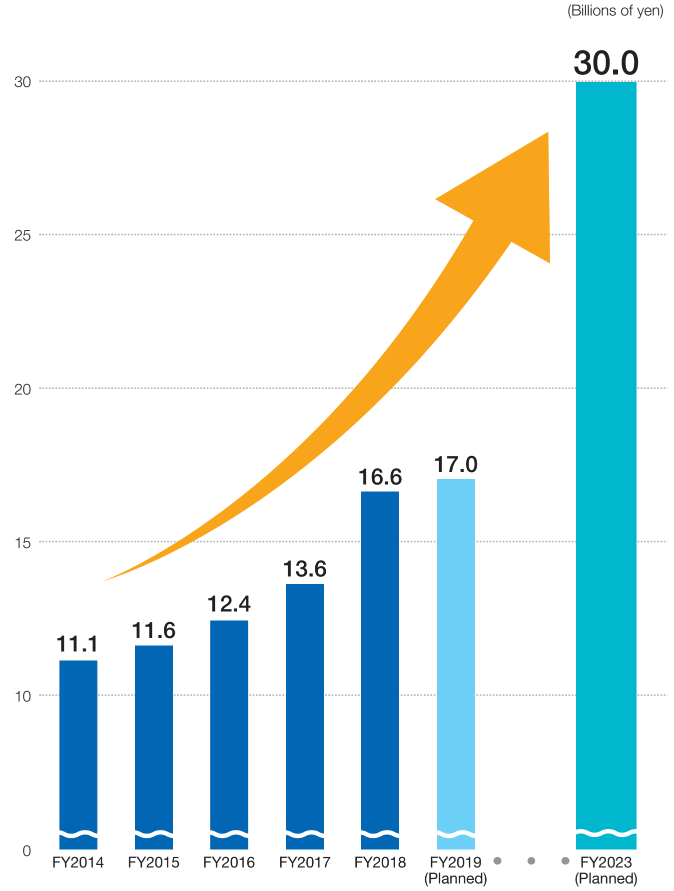
Value-creating company tackling challenges together with clients

Flow for realization of the vision

Thorough client-oriented approach → Promote business together with clients as their partner → Tackle new business domains transcending the framework of financing → Fulfill corporate social responsibility

Consolidated targets

Net Income Attributable to Owners of the Parent



Consolidated targets for the final fiscal year (FY2023)

Net Income Attributable to Owners of the Parent
¥30 billion

Balance in the global area
compared with that at the end of March 2019
Triple

Consolidated dividend payout ratio
Aim for 25% or more

Reference: FY2018 performance	
Net income attributable to owners of the parent	¥16.6 billion
Balance in the global area	¥142.5 billion
Consolidated dividend payout ratio	20.1%

Mizuho Leasing

Value-creating company tackling challenges together with clients

Providing solutions that contribute to financial and business strategies for all our clients

Enhancing lease financing business by expanding client base

Evolving New Business Strategies

Creating value with clients, serving as a business platform for them

Service business
- Service business, subscription model, sharing economy, pay-per-use business, etc.

Managing joint ventures with clients
- Management of JVs, mezzanine/equity investment, PFIs, and project financing

Supporting clients' commercial distribution
- Expanding commercial distribution support function to reduce costs and boost sales

Continuing initiatives in focus areas

- Environment and energy
- Medical and healthcare
- Global
- Aircraft
- Real estate
- Technology

Complementing each other's functions, and expand each other's business

Mizuho

Strategic partner for business development under a changing industrial structure*1

Banking / Trust / Securities / Group companies
- Client base and network within and outside Japan
- Consulting capabilities
- Industry and business knowledge
- Business match-making function
- Conducts business as a united group
- Credibility and gives sense of security

*1 Excerpt from Mizuho Financial Group's "5-Year Business Plan: Transitioning to the Next Generation of Financial Services"

Marubeni

Operates financing/leasing business that transcends industrial verticals*2

General trading company businesses and merchandise / Overseas asset financing / Overseas network
- Aircraft, aircraft engines, etc.

*2 Excerpt from Marubeni's "Medium-Term Management Strategy (FY 2019–2021) GC2021"

Expand and grow fields of business within and outside Japan

Reinforcement of Management Base

In order to achieve further growth for the Group, we will strengthen measures to reinforce the management base in response to the expansion of business fields of business within and outside Japan, namely: strengthening group governance, improving operational productivity, HR strategy, and risk-return management.

Key points for reinforcing management base in the Sixth Mid-term Management Plan

Partnership with Mizuho
Partnership with Marubeni
→ Expansion of business fields in Japan and globally

	Measures	Key points
Strengthening group governance	Strengthening ties within the Group Consolidating functions within the Group	● Building a network that maximizes synergy among the Group companies in response to diversification of business fields ● Facilitating integrated management by consolidating overlapping functions within the Group
Improving operational productivity	Accelerating decision-making Re-examining structure of clerical organization	● Enhancing organizational capability in response to expansion of business ● Improving productivity by enhancing efficiency through re-examining work processes and introducing RPA and the like ● Establishing "Work Productivity Improvement Committee" to promote improvement of productivity throughout organization
HR strategy	Optimizing assignment of personnel based on productivity indicators, etc. Recruiting and developing highly specialized personnel Promoting diversity and work style reform	● Efficiently utilizing human resources ● Increasing specialized personnel in response to business diversification and globalization ● Accommodating diverse working styles by incorporating teleworking, etc.
Increasing sophistication of risk-return management	Risk management Portfolio management Financial ALM	● Promoting strategic capital management to support the expansion of business fields ● Implementing Group-wide risk capital management to establish the optimal portfolio by clarifying and identifying risks and returns ● Implementing flexible financial ALM attuned to diverse portfolios

Funding Policies

Funding Policies

The Mizuho Leasing Group offers wide-ranging financial services to meet clients' needs through funding that ensures stability and curtails costs. The Group also raises funds based on its annual cash plans and in a flexible manner that responds to fluctuations in the financial environment based on its comprehensive asset liability management (ALM) policies.

When procuring funds, we use a combination of borrowings from financial institutions and raising funds in the market, thereby achieving a balance between short- and long-term funding.

We borrow funds from more than 100 financial institutions, including city banks and regional banks, as well as insurance companies, and we maintain stable transactions with these institutions.

In addition, the Group had concluded overdraft agreements and commitment line agreements in the total amount of ¥758.0 billion with 58 financial institutions as of the end of fiscal 2018. The aim is to secure flexible fundraising and liquidity at times of deterioration in the fundraising environment. The unused balance under these agreements is ¥494.7 billion, which ensures sufficient liquidity.

The Company obtains funding from financial markets through the issuance of commercial paper and corporate bonds and the securitization of lease receivables. The Company and subsidiary IBJL-TOSHIBA Leasing have issue limits for commercial paper of ¥550.0 billion and ¥150.0 billion, respectively. The Company also actively uses corporate bonds. It procured ¥67.0 billion through bonds with maturities of 3 to 10 years in fiscal 2018.

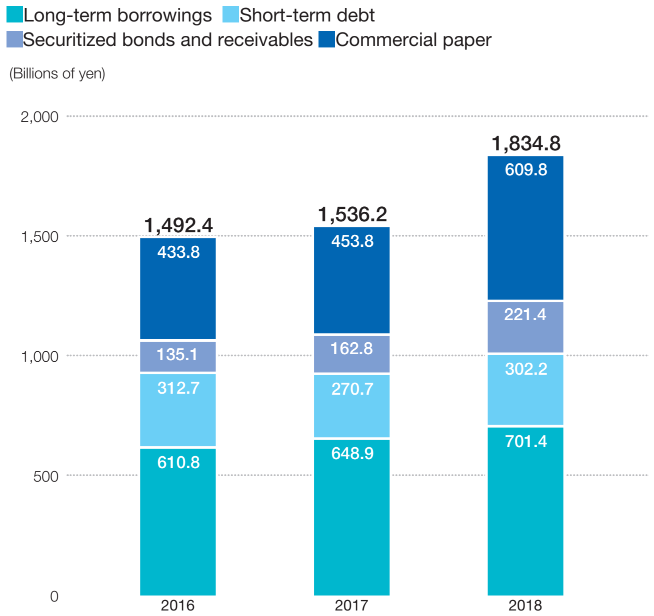
With regard to ALM operations, the Company's PM/ALM Committee, consisting of members who are officers in charge of relevant departments, holds monthly meetings to discuss the financing means that are most suitable for the portfolio composition and interest-rate outlook, and decide on the management policy. We also perform detailed analyses of the impact of interest rate volatilities on the present value of assets and liabilities, using indicators such as delta[1] and value at risk (VaR)[2], and engage in flexible operations to ensure smooth funding and cost control.

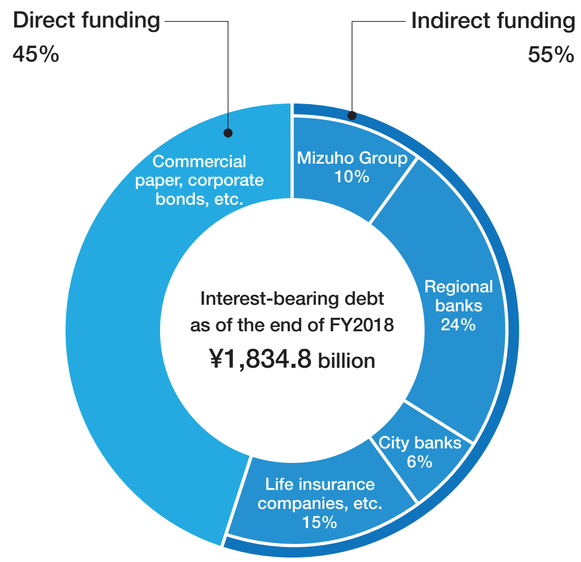
Terms

1 Delta: An indicator to show how much the present value of assets and liabilities changes in the case of increases in interest rate

2 Value at risk (VaR): A method under which calculations are made, based on past statistics, to quantify how much loss in the position of the portfolio held would be incurred during a certain period of time with certain probabilities in the case of unfavorable market situations and ascertain the maximum amount of potential loss as risk exposure.

Interest-bearing Debt





Credit Rating

Mizuho Leasing has obtained credit ratings from Rating and Investment Information, Inc. (R&I) and Japan Credit Rating Agency, Ltd. (JCR) to evaluate its creditworthiness.

Rating and Investment Information, Inc. (R&I)		Japan Credit Rating Agency, Ltd. (JCR)
Long-term rating	Short-term rating	Long-term rating
A	a–1	A

Business Strategy for the Sixth Mid-term Management Plan

The Group has started the Sixth Mid-term Management Plan covering a five-year period from fiscal 2019 to fiscal 2023. Under the previous Fifth Mid-term Management Plan, we focused on New Business Strategies in response to the increasing sophistication of the business models of clients and initiatives for focus areas with growth potential in light of structural changes in society and industries and provided solutions with client needs as the starting point. As a result of these efforts, we achieved record-breaking net income attributable to owners of the parent for six consecutive years in fiscal 2018 and achieved all of the targets of the final fiscal year of the Fifth Mid-term Management Plan one year ahead of schedule. Confident that positive developments are brought about by these efforts in New Business Strategies and focus areas so far, in the Sixth Mid-term Management Plan, we will roll out these strategies in an expanded business field through the business alliances with Mizuho Bank, Ltd. and Marubeni Corporation and integrate the know-how developed by the Group with that of our newly partnering bank and trading company to take our business scale to the next level.

To express this commitment, we have set a goal of "tripling the balance of operating assets in the global area of that of the end of March 2019" as one of the targets for the final year of the Sixth Mid-term Management Plan. While the Group has worked to identify the needs of Japanese companies for capital investment and business development overseas and expand business with non-Japanese companies to date, in order to achieve these targets we will take on new challenges that break free from our conventional modus operandi, including the further expansion of the client base through collaboration with Mizuho, the establishment of new business locations, and collaboration in asset financing handled by Marubeni Corporation overseas. In addition, in order to promote collaboration with Mizuho on an organizational level, in April 2019 we reorganized the sales structure and newly established the MIZUHO Cooperation Promotion Division, and we are beginning to achieve concrete results. As an example, in the environment and energy area that is our focus, we financed a biomass power generation project by mutually taking advantage of the knowledge Mizuho Bank, Ltd. has on business and our knowledge on equipment. We would like to grow together by providing Mizuho's clients in and outside Japan with solutions that contribute to the promotion of the client's business in its entirety.

With the spread of business models that provide value and function instead of physical ownership, such as service businesses, the sharing economy, and subscription-based business, we will enjoy unprecedented opportunities as a company that has evolved around leasing. By agilely responding to changes in the business models of clients and creating value from clients' perspective, we aim to be their choice as a business partner that will promote business together.

By creating value from clients' perspective, we aim to be their choice as a business partner that will promote business together.

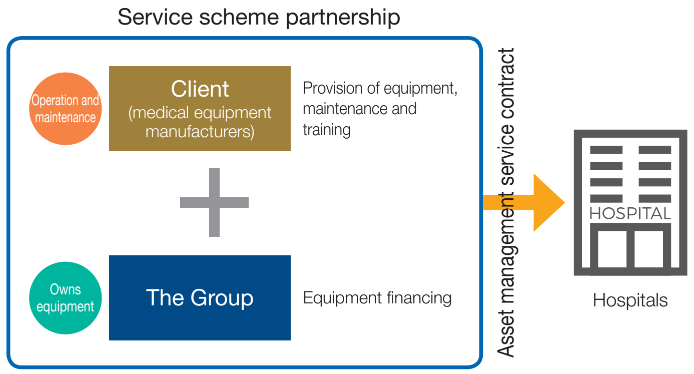
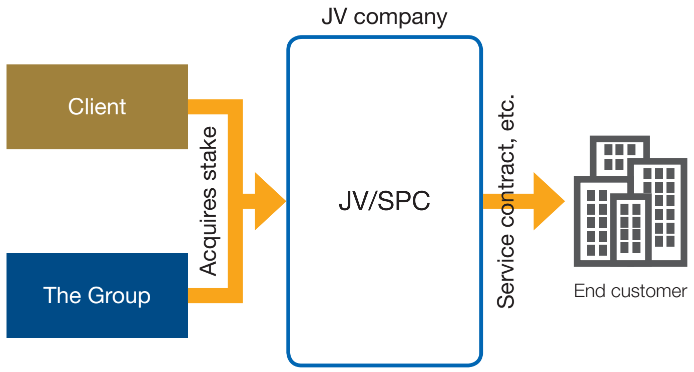
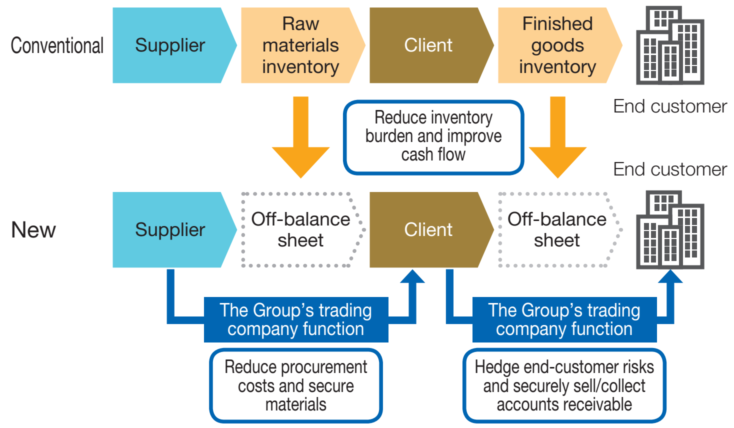
Shusaku Tsuhara
Deputy President

Business Strategy for the Sixth Mid-term Management Plan

"New Business Strategies"

In order to co-create value with clients by serving as their business platform, we will respond to the diverse needs of clients under the New Business Strategies, i.e. the service business, managing joint ventures with clients, and supporting clients' commercial distribution, to expand business in fields where high growth is expected as a result of changes in social and industrial structures.

Sales Strategies

		Business model example
Service business	■ Supporting clients build new business models ■ Service business, subscription model, sharing economy, pay-per-use, etc.	
Managing joint ventures with clients	■ Creating investment opportunities by sharing risks with clients as business partner	
Supporting clients' commercial distribution	■ Expanding commercial distribution support function to reduce costs and manage production and sales ■ Expanding business opportunities by being involved in commercial distribution from upstream to downstream	

Business Strategy for the Sixth Mid-term Management Plan

"Environment and Energy"

Amid the growing importance of environmental activities on a global scale, the Mizuho Leasing Group supports clients in their installation of environment- and energy-related equipment, energy infrastructure investments, and participation in renewable energy projects, in an effort to contribute to the prevention of global warming and the achievement of a sustainable co-existence with the natural environment.

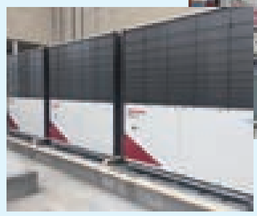
Sales Strategies

- Develop businesses in response to reforms in power systems and the trend toward local production and use of power
- Engage in initiatives to invest in energy infrastructure
- Enter renewable energy business
- Provide energy-saving solutions

Case Study Leasing of Air Conditioning Equipment for Municipality-run Educational Institutions

In response to the introduction of air conditioning equipment through a lease for all classes (468 classrooms) at kindergartens, elementary schools, and junior high schools managed by Narashino City, Chiba Prefecture, the Company made a joint proposal with a leading engineering firm in the prefecture for design and construction that achieves energy and cost saving and the introduction of environmentally friendly equipment. The proposal was adopted.

We contribute to the realization of a comfortable learning environment and the maintenance of good health for children while reducing the environmental burden through the installation of equipment that takes into consideration temperature differences in classrooms as a result of the flow of air and sunlight, as well as efficient facility operations using a centralized management system.



Business Strategy for the Sixth Mid-term Management Plan

"Medical and Healthcare"

With the advancement of the aging society, the role of the medical and healthcare field in society is becoming increasingly important. Under such circumstances, the Mizuho Leasing Group is promoting the provision of service businesses in partnership with medical equipment manufacturers and the initiatives targeting medical institutions overseas, as well as financing services for equipment so as to meet a wide variety of client needs in the medical and healthcare field.

Sales Strategies

- Engage in initiatives with medical equipment manufacturers such as pay-per-use services
- Meet investment needs of medical and nursing care services leveraging IoT
- Engage in initiatives targeting overseas hospitals
- Participate in community development with clients to revitalize local economies

Case Study Execution of Lease for Robot-assisted Endoscopic Surgery System

Abiko Toho Hospital, operated by Medical Corporation Association Taikokai, aims to contribute to community health by, for example, providing minimally invasive treatment in accordance with its mission to "build a community where citizens can live with peace of mind."

The client adopted a lease from the Company to introduce the latest model of the da Vinci X Surgical System, a robot-assisted endoscopic surgery system developed by Intuitive Surgical Inc., an American company leading the world in the field of surgery support robots. This equipment enables doctors to perform precise and quick surgeries by manipulating a computer-controlled robot arm, which supports the movement of the hand, based on a clear 3D-endoscopic image of the surgical field, contributing to the provision of better medical services.

Business Strategy for the Sixth Mid-term Management Plan

“Global”

Global business expansion beyond national borders is becoming increasingly important, amid globalization and the growing number of Japanese companies entering overseas markets. The Group has four local sales subsidiaries in the Asian region to respond to client needs related to overseas business and financing through transactions among overseas local subsidiaries, cross-border transactions, etc.

Sales Strategies

- Enhance marketing that targets non-Japanese companies by tapping leading local companies and end-customers of Japanese vendors overseas
- Leverage expanded client base to improve capability of identifying needs of Japanese companies for capital investment and rolling out businesses overseas
- Roll out joint overseas lease financing business with Marubeni Corporation: - M&As, establishing new companies, leveraging existing locations, etc.

Case Study: Launch of a Truck Operating Lease Business with Maintenance Services in Thailand

Underpinned by the growth of the electronic commerce (EC) market, logistics is becoming increasingly important in Thailand. The Company’s local subsidiary in Thailand, Krung Thai IBJ Leasing Co., Ltd. (KTIBJ), has started a truck operating lease business with maintenance services in cooperation with leading local Japanese-affiliated truck dealers. The provision of unique maintenance services, going so far as engine overhauls, allows clients to benefit from improvements in vehicle availability, thanks to appropriate maintenance and inspection by authorized dealers, a reduction in complex management operations, and the leveling of maintenance costs.

KTIBJ’s proposal of this service was adopted by SANKYU LAEM CHABANG (THAILAND) CO., LTD., the Thai local subsidiary of Sankyu Inc. which is engaged in a unique business that combines logistics, plant engineering, and operational support.

Business Strategy for the Sixth Mid-term Management Plan

“Aircraft”

The expansion of mobility worldwide and the market entry of LCCs due to the liberalization of the airline industry are fueling the global increase in travelers, leading to a growing demand for air travel. The Mizuho Leasing Group is helping to address the growing demand for aircraft by providing airline companies around the world with services including aircraft leasing and aircraft-backed loans or loans secured by engines.

Sales Strategies

- Aircraft-backed collateralized loans
- Drive forward aircraft operating lease business
- Enter businesses related to engines, parts, and other aircraft peripherals
- Set up and sell JOLCO (Japanese Operating Leases with Call Option)

Initiatives at Mizuho Leasing

The Company has been involved in the aircraft business for over 30 years. We are currently engaged in both financing backed by aircraft and engines and aircraft operating leases, mainly for leading airlines overseas. The aircraft operating lease business is conducted for airlines around the world without regional limitations, for narrow body aircraft that have a high level of versatility, based on an appropriate assessment of risks and returns.

Going forward, we will respond to a broad range of client needs by expanding services in areas peripheral to aircraft, in addition to our services to date and strengthening our alliances with the Mizuho Financial Group and the Marubeni Group.

Business Strategy for the Sixth Mid-term Management Plan

“Real Estate”

The real estate business is facing increasingly diversified needs such as increased hotel construction on the back of demand from inbound tourism, as well as the promotion of the healthcare and childcare fields as a result of an increasingly aging society with a low birthrate and women’s more active participation in society.

The Mizuho Leasing Group will respond to diversified client needs for property such as commercial facilities and logistics facilities by taking advantage of its initiatives in fields with growing social needs and accumulated know-how.

Sales Strategies

- Lease real estate in areas with high societal needs
- Provide bridge functions for REITs in Japan
- Invest in overseas real estate funds
- Jointly invest in good properties with major developers

Case Study

Hotel Leasing Project in the Tokyo Waterfront City Area

The Mizuho Leasing Group conducted a building lease for Daiwa Roynet Hotel Tokyo-Ariake, which is managed by Daiwa Royal Co., Ltd. of the Daiwa House Group. This is a case of business development in an area with high societal needs, including new hotels on the back of growing demand from inbound tourism.

The hotel was built in Tokyo Waterfront City, an area slated for further development plans with a concentration of tourism resources such as attractive commercial and leisure facilities including the Tokyo Big Sight (Tokyo International Exhibition Center), Japan’s largest convention facility*. The hotel has 368 guest rooms, the highest number for any Daiwa Roynet Hotel, and is used for both tourism and business.

*Complex for the purpose of holding exhibitions and conferences.

Business Strategy for the Sixth Mid-term Management Plan

“Technology”

The industry structure is beginning to undergo big changes as a result of the advance of IoT, big data, AI, and other technologies. The changes include a shift from the provision of uniform products and services to that of individually customized production and services and the expansion of the sharing economy that uses the Internet to match the needs of service users and providers. The Group will fully leverage the knowledge it has developed to date related to the business of equipment to provide solutions that flexibly respond to the changes in clients’ business models.

Sales Strategies

- Roll out businesses that merge the Company’s knowledge with technology, such as lease financing with IoT, data business, robotics, and MaaS-related businesses
- Create and jointly invest in new businesses by matching existing clients with startups

Initiatives at Mizuho Leasing

In response to the change in the industrial structure from a focus on selling equipment to selling solutions and experiences, the Company will focus on building networks with companies that have innovative technologies and services, in order to create new business and service opportunities. During FY2018, we pursued partnerships with promising venture companies through investments in funds managed by SBI Investment Co., Ltd. that has an abundant investment track record mainly in fields such as IT, bio, and life science and Energy & Environment Investment, Inc. that is the only venture capital firm in Japan that specializes in the field of environment and energy.

Going forward, we will take on the challenge of developing new service-oriented businesses using pioneering technologies through the utilization of the knowledge of the Mizuho Financial Group while cooperating with existing clients and venture companies.

Toward Sustainable Growth CSR Activities of the Mizuho Leasing Group

The businesses of the Mizuho Leasing Group, including financing, the management of equipment, insurance, and overseas businesses, are closely connected with the economy, society and the environment in various aspects. The Mizuho Leasing Group aims to develop a sustainable society and increase corporate value by resolving social issues through its business and creating values shared with various stakeholders including "clients," "shareholders," "society" and "employees."

Corporate Philosophy

We aim to be a Group which contributes to society by offering valued financial services which lead to future prosperity.

Efforts of the Group to achieve sustainable growth

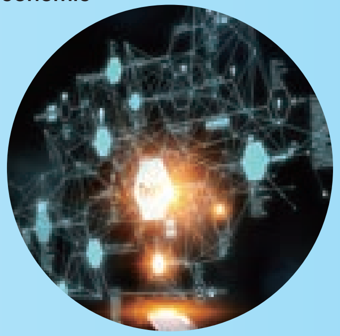
Clients	E S	Provision of optimal solutions tailored to changes in the time and environment Contribution to the development of clients' business activities
Shareholders	G	Enhancement of corporate governance Compliance Dialogue with shareholders and investors
Society	E S	Social contribution activities through business Initiatives for reducing environmental load
Employees	S	Respecting the human rights of each employee Securing and cultivating human resources with diverse perspectives and values Organizational management to create a vibrant environment in which employees feel satisfied with their jobs

E Environment S Social G Governance

Creation of shared value with stakeholders through the business

Realization of a sustainable society


Sustainable economic development


Contribution to industrial and technological advancement


Creation of productive and high-quality employment opportunities


Prosperous living


Maintenance of a healthy global environment

Management Structure

Board of Directors

President and CEO
Hiroshi Motoyama

December 2002 General Manager, Corporate Banking Division No. 9 of Mizuho Corporate Bank, Ltd.
April 2004 Executive Officer, General Manager of IT & Systems Planning Division of Mizuho Corporate Bank, Ltd.
April 2007 Managing Executive Officer, Head of Strategic Planning Group, Head of IT, Systems & Operations Group of Mizuho Financial Group, Inc.
June 2007 Executive Managing Director, Head of Strategic Planning Group, Head of IT, Systems & Operations Group of Mizuho Financial Group, Inc.
April 2009 Director of Mizuho Financial Group, Inc. (up to June 2009)
Deputy President & Representative Director, Chief Auditor of Mizuho Corporate Bank, Ltd.
June 2011 President & Representative Director of Mizuho Securities Co., Ltd.
June 2016 President and CEO of the Company (present position)

Deputy President
Shusaku Tsuhara

April 2009 General Manager of Executive Secretariat of Mizuho Financial Group, Inc.
April 2010 Executive Officer, General Manager of Executive Secretariat of Mizuho Financial Group, Inc.
April 2012 Managing Executive Officer, Director in charge of Branch Business Promotion of Mizuho Bank, Ltd.
April 2015 Senior Managing Executive Officer of Mizuho Financial Group, Inc.
June 2015 Member of the Board of Directors, Senior Managing Executive Officer and Head of Compliance Group of Mizuho Financial Group, Inc.
April 2017 Deputy President, Head of Business Promotion of Mizuho Bank, Ltd.
April 2019 Deputy President Executive Officer, Chief CSR Officer of the Company
June 2019 Deputy President, Deputy President Executive Officer, Chief CSR Officer of the Company (present position)

Managing Director
Shinichiro Maruyama

April 2010 General Manager of Corporate Banking Division No. 14 of Mizuho Corporate Bank, Ltd.
April 2012 Executive Officer, General Manager of the Corporate Business Unit (Large Corporations)
June 2012 Executive Officer, General Manager of Planning Department of the Company
June 2013 Director, Executive Officer, General Manager of Planning Department of the Company
April 2015 Managing Director, Managing Executive Officer, General Manager of Corporate Planning Department of the Company
June 2015 Managing Director, Managing Executive Officer, General Manager of Business Co-ordination Department of the Company
April 2017 Managing Director, Managing Executive Officer of the Company
February 2018 Managing Director, Managing Executive Officer, CFO of the Company (present position)

Managing Director
Hidehiko Kamata

April 1984 Joined the Company
March 2008 Manager of Corporate Business Department (Tokyo Regional No. 4) of the Company
April 2009 Manager of Corporate Business Department (Tokyo Regional No. 1) of the Company
April 2014 Executive Officer, Manager of Corporate Business Department (Tokyo Regional No. 1) of the Company
April 2015 Executive Officer of the Company
April 2016 Managing Executive Officer of the Company
June 2019 Managing Director, Managing Executive Officer of the Company (present position)

Managing Director
Yasuhisa Fujiki

April 2011 General Manager of Corporate Banking Division No.15 of Mizuho Corporate Bank, Ltd.
April 2012 Executive Officer, General Manager of International Coordination Division of Mizuho Corporate Bank, Ltd.
July 2013 Executive Officer, General Manager of International Coordination Division of Mizuho Bank, Ltd.
April 2014 Managing Executive Officer (in charge of Consumer, Health, Care, Telecom, Media, Technology, Specific Global Corporations) of Mizuho Bank, Ltd.
April 2018 Managing Executive Officer of the Company
April 2019 Managing Executive Officer, Chief Compliance Officer (CCO) and Chief Risk Officer (CRO) of the Company
June 2019 Managing Director, Managing Executive Officer, Chief Compliance Officer (CCO) and Chief Risk Officer (CRO) of the Company (present position)

Outside Director
Takao Komine

July 1969 Joined the Economic Planning Agency
June 1998 Director General, Prices Bureau of Economic Planning Agency
July 1999 Director General, Research Bureau of Economic Planning Agency
January 2001 Director General, National and Regional Planning Bureau of Ministry of Land, Infrastructure and Transport
April 2003 Professor, Graduate School of Social Science, Hosei University
April 2008 Professor, Graduate School of Regional Policy Design, Hosei University
June 2009 Outside Director (part-time) of the Company (present position)
April 2010 Senior Research Fellow, Japan Center for Economic Research
May 2012 Trustee, Senior Research Fellow, Japan Center for Economic Research (present position)
April 2017 Professor, Faculty of Regional Development, Taisho University (present position)

Outside Director
Naofumi Negishi

April 1971 Joined Sekisui Chemical Co., Ltd.
June 2003 Director (Commissioned General Manager of Corporate Finance & Accounting Department) of Sekisui Chemical Co., Ltd.
October 2008 Director, Executive Vice President, Assistant to the President and CFO (In charge of Corporate Communication Department and Corporate Finance & Accounting Department) of Sekisui Chemical Co., Ltd.
March 2009 President and Representative Director of Sekisui Chemical Co., Ltd.
March 2015 Chairman & Representative Director of Sekisui Chemical Co., Ltd.
June 2017 Chairman and Director of Sekisui Chemical Co., Ltd.
June 2018 Executive Advisor of Sekisui Chemical Co., Ltd. (present position)
June 2019 Director of the Company (part-time) (present position)

Outside Director
Hirofumi Hagihira

April 1977 Joined the Ministry of International Trade and Industry (MITI) (now: Ministry of Economy, Trade and Industry, "METI")
June 1989 Director of Industrial Policy Planning Industrial Policy Bureau, MITI
April 1994 Director of Cooperative Division, Small and Medium Enterprise Agency
June 1999 Director of Consumer Goods Division, Consumer Goods Industry Bureau, MITI
December 2000 General Manager of Paris Center Office, Japan External Trade Organization (JETRO)
October 2003 Associate Vice President of Japan Nuclear Energy Safety Organization
April 2009 Executive Director of Japan Petroleum Development Association
June 2019 Director of the Company (part-time) (present position)

Outside Director
Mari Sagiya

April 1985 Joined IBM Japan, Ltd.
July 2002 Director of IBM Japan, Ltd.
July 2005 Vice President, General Business of IBM Japan, Ltd.
July 2014 Vice President, Head of Strategy, Marketing & Communications of SAP Japan Co., Ltd.
January 2016 Vice President, Marketing of salesforce.com Co., Ltd.
June 2019 Director of the Company (part-time) (present position)
June 2019 Independent Outside Director of Kokusai Pulp & Paper Co., Ltd. (present position)

Outside Director
Daisaku Abe

April 2007 Executive Officer, General Manager of Executive Secretariat of Mizuho Corporate Bank, Ltd.
April 2009 Managing Executive Officer, Head of Strategic Planning Group, Head of IT, Systems & Operations Group, General Manager of Group Strategic Planning of Mizuho Financial Group, Inc.
June 2012 Managing Director of Mizuho Financial Group, Inc.
April 2013 Deputy President of Mizuho Financial Group, Inc.
July 2013 Deputy President & Executive Officer of Mizuho Bank, Ltd.
June 2014 Deputy President & Executive Officer of Mizuho Financial Group, Inc.
April 2019 Deputy Chairman & Executive Officer of Mizuho Financial Group, Inc. (present position)
June 2019 Director of the Company (part-time) (present position)

Outside Director
Nobuhiro Yabe

April 1982 Joined Marubeni Corporation
September 2006 General Manager, Agri-Marine Products Administration of Department of Marubeni Corporation
April 2009 Chief Financial Officer (CFO) and Chief Administrative Officer (CAO) of Marubeni America Corporation
April 2012 Executive Officer, General Manager of Finance Department of Marubeni Corporation
April 2014 Executive Officer, General Manager of Corporate Planning & Strategy Department of Marubeni Corporation
April 2016 Managing Executive Officer, CFO of Marubeni Corporation
June 2016 Managing Executive Officer, Member of the Board, CFO of Marubeni Corporation
April 2019 Senior Managing Executive Officer, Member of the Board, CFO of Marubeni Corporation (present position)
June 2019 Director of the Company (part-time) (present position)

Corporate Auditors

Outside Audit & Supervisory Board Member
Takehito Miyaguchi

April 2005 General Manager of Beijing Branch of Mizuho Corporate Bank, Ltd.
April 2007 Executive Officer, Head of the Committee for Establishment of China Subsidiary of Mizuho Corporate Bank, Ltd.
June 2007 Executive Officer of Mizuho Corporate Bank, Ltd.
Deputy Chairman & President of Mizuho Corporate Bank (China), Ltd.
April 2012 Senior General Manager of Mizuho Corporate Bank, Ltd.
Councillor of Mizuho Corporate Bank (China), Ltd.
June 2012 Senior General Manager of Mizuho Corporate Bank, Ltd.
Chairman of Mizuho Corporate Bank (China), Ltd.
October 2015 Adviser of Mizuho Research Institute Ltd.
Adviser of Mizuho Bank (China), Ltd.
June 2017 Audit & Supervisory Board Member of the Company (present position)

Outside Audit & Supervisory Board Member
Nobukatsu Funaki

April 2005 General Manager of Accounting Division of Mizuho Corporate Bank, Ltd.
March 2010 Corporate Auditor of Mizuho Bank, Ltd.
April 2013 Corporate Auditor of Mizuho Securities Co., Ltd.
June 2013 Corporate Auditor of Mizuho Financial Group, Inc.
June 2014 Member of the Board of Directors, member of the Audit Committee of Mizuho Financial Group Inc.
June 2019 Audit & Supervisory Board Member of the Company (present position)

Outside Auditor
Shinichi Takahashi

April 1984 Joined the Dai-ichi Tokyo Bar Association Nishimura & Asahi (present position)
September 1990 Joined Simpson Thacher & Bartlett LLP (New York office)
June 1991 Joined New York State Bar Association
September 1996 Statutory Auditor, Lloyd's Japan Inc.
April 2001 Liquidator, Daihyaku Mutual Life Insurance Company
June 2017 Auditor of the Company (present position)

Outside Auditor
Akira Noguchi

April 1979 Joined The Dai-ichi Mutual Life Insurance Company
April 2006 Executive Vice President of DLIBJ Asset Management Co., Ltd.
April 2011 Senior Executive Vice President of DIAM Co., Ltd.
October 2016 Director, Managing Executive Officer, Head of Institutional Marketing Division of Asset Management One Co., Ltd.
April 2018 Director of Trust & Custody Services Bank, Ltd.
June 2018 Deputy President of Trust & Custody Services Bank, Ltd. (present position)
Auditor of the Company (present position)

Corporate Executive Officers

Senior Managing Executive Officer
Katsuhiko Yoshida

Managing Executive Officers
Noriyuki Yukawa
Hironobu Yamaguchi
Kunimoto Wakasugi
Tetsuya Norimatsu
Takanori Nishiyama
Masanobu Kobayashi
Katsuzumi Orihashi
Toshikazu Ishizaka

Executive Officers
Kozo Shino
Yoshiyasu Mizutomi
Chihiro Tokiyasu
Yutaka Sasaki
Hiromichi Koyata
Noboru Otaka
Asao Tsumuji
Yasushi Hara
Kunihiro Mio
Mitsuyuki Kimura
Toru Mukojima
Koki Minami
Kazuo Seki
Kazuomi Funakawa
Takashi Yamada
Kensuke Sato

Corporate Governance and Internal Control

Corporate Governance

Basic Approach

To enhance corporate value consistently over the long term, the Group recognizes that it is essential to ensure effective corporate governance, meaning a framework governing business activities centered on a closely regulated relationship between shareholders and management, and to put in place an environment to ensure this.

Outline of Corporate Governance Structure (As of June 25, 2019)

Form of organization		Company with auditors
Number of directors		11, of whom 6 are outside directors
Number of auditors		4, all of whom are outside auditors
Term of office of directors		2 years
Executive officer system		Adopted
Board of Directors meetings in FY2018	Number of meetings held	19 times
	Attendance rate of directors	98%
	Attendance rate of corporate auditors	97%
Audit Committee meetings in FY2018	Number of meetings held	15 times
	Attendance rate of corporate auditors	100%
Structure of compensation for directors		With regard to the compensation for directors excluding outside directors, it is performance-based corresponding to their positions and responsibilities, and as for the compensation for outside directors, it is fixed monthly corresponding to their responsibilities. In addition, a performance-linked, share-based remuneration system has been introduced.
Independent auditor		Deloitte Touche Tohmatsu LLC

The Board of Directors and Executive Officers

The Company's Board of Directors currently has 11 members, of whom four are independent outside directors. This arrangement helps ensure the appropriateness of the supervisory function and decision making by the board.

The Company has adopted an executive officer system to ensure the rapid and efficient execution of business in accordance with the decisions of the Board of Directors, and delegates authority for business execution to the president and executive officers. The Executive Management Committee has been established as the highest decision-making body for executives to reinforce the operation of meeting bodies and Policy Planning Committees & Council have been established for each function under the Executive Management Committee, with the objective of enabling prompt and appropriate decision-making in addition to taking on challenges for new business models and responding to increasingly diversified risks.

Auditors and Audit Committee

The Company has adopted a "company with auditors" system consisting of four auditors, all of whom are outside statutory auditors. The Audit Committee audits directors' decision-making activities at Board of Directors meetings and other occasions, as well as the Company's entire business operations, to ensure that directors fulfill their legal duties, such as duty of prudence, fiduciary duties and ensuring that business operations are conducted properly.

To ensure the effectiveness of audits, corporate auditors attend important meetings, including Board of Directors meetings, and also have regular meetings with representative directors to exchange views on important audit-related issues. Corporate auditors also cooperate closely with the Audit Department, the internal audit department, to ensure efficiency, and regularly receive reports from this department regarding the plans and results of audits. Furthermore, the Audit Committee holds regular meetings with independent auditors to maintain close cooperation with them, listen to their reports on audit activities, and exchange information to raise the efficiency and quality of auditing.

Outside Standing Auditors Takehito Miyaguchi and Nobukatsu Funaki have both engaged in financial operations for many years and possess sufficient financial and accounting knowledge.

Establishment of an Optional Nomination and Compensation Committee

An optional Nomination and Compensation Committee was established in April 2019. The committee is formed by five directors, of whom four are independent outside directors, to improve the transparency of the decision-making process by the Board of Directors and further enhance the corporate governance structure. The Committee deliberates the appointment and dismissal of directors and auditors, as well as the management team, and matters related to compensation, the results of which are presented to the Board of Directors.

Implementation of Effectiveness Evaluation of the Board of Directors

In order to conduct an analysis and evaluation on the effectiveness of the Board of Directors as a whole, a questionnaire was introduced for directors and auditors on the following items by an evaluation agency from fiscal 2019.

Questionnaire items

1. Roles and functions of the Board of Directors
2. Composition and scale of the Board of Directors
3. Operation of the Board of Directors meetings
4. Coordination with auditing bodies
5. Communication with the management team
6. Shareholder and investor relations

The evaluation and analysis of the Board of Directors for fiscal 2018 by the evaluation agency based on the questionnaire results were as follows.

Evaluation and analysis of the effectiveness of Directors

1. The Board of Directors meetings are operated as a forum for discussions on the promotion of strategies including the setting of topics for discussion.
2. Open and lively discussions are held at the Board of Directors.
3. Further improvements are expected in the methods of providing information related to the Board of Directors.

We will work to improve areas where issues were pointed out, and further improve the effectiveness and functions of the Board of Directors in light of these analyses and evaluations.

Internal Audit Department

The Company's Audit Department is responsible for conducting internal audits. To ensure the independence of this function, the department reports directly to the president. The Audit Department conducts internal audits on the entire Company organization as well as consolidated subsidiaries to ensure efficiency and appropriate conduct in business operations and compliance measures, and to give specific advice, recommendations and suggestions regarding the improvement of business operations. The Audit Department cooperates with corporate auditors and independent auditors as necessary. Audit results are periodically reported to the Board of Directors, which determines, based on these results, whether improvements to systems, organizations and regulations are necessary for the avoidance of various risks.

Compensation for Directors

The maximum total amount of compensation to be paid to all directors has been set based on the resolution of the General Meeting of Shareholders. With regard to the compensation for directors excluding outside directors, it is performance-based corresponding to their positions and responsibilities (a combination of fixed monthly compensation and performance-linked compensation based on a performance evaluation in consideration of contribution to medium- to long-term business performance). As for the compensation for outside directors, it is fixed monthly corresponding to their responsibilities.

In addition, a performance-linked, share-based remuneration system has been introduced by the Company. The system aims to contribute to the improvement of business performance in the medium- to long-term and increasing corporate value, and ultimately sharing awareness of raising our stock value with our shareholders by further clarifying the linkage of the remuneration for directors (excluding the chairman of the Board of Directors and outside directors) and executive officers who do not concurrently serve as directors with the business performance and stock value of the Company.

Total amount of compensation, etc. for directors and corporate auditors in FY2018

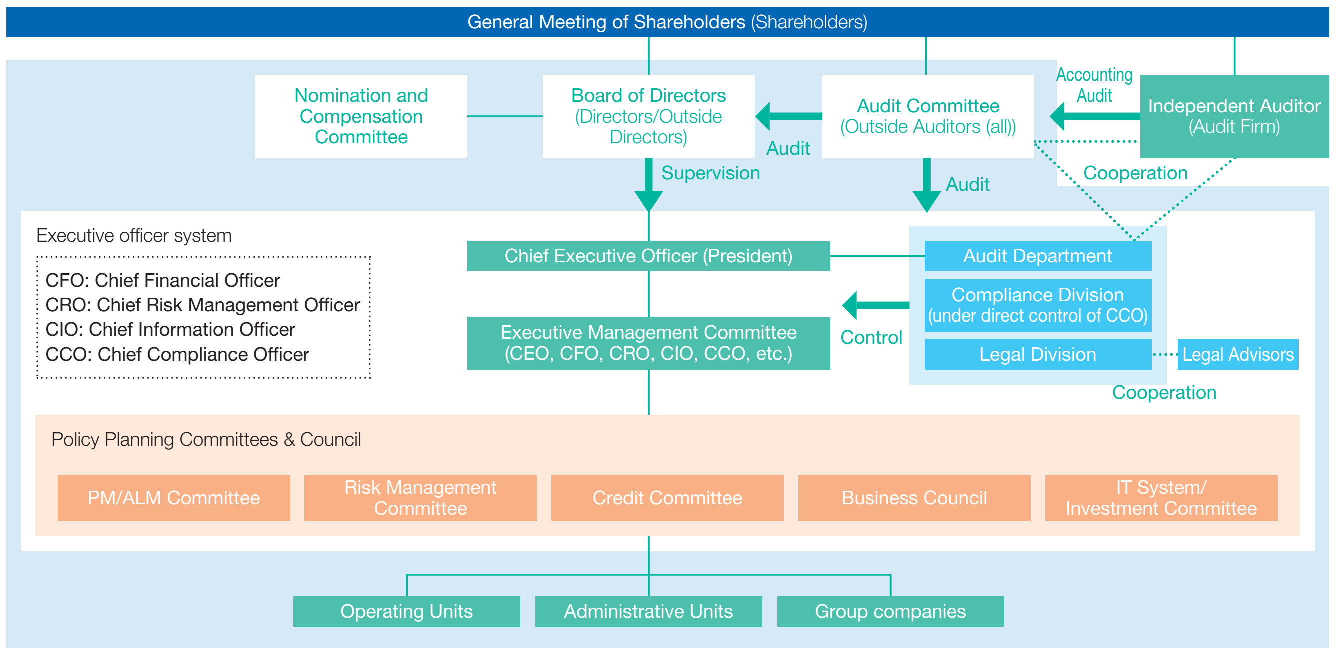
Officer category	Number recipients	Total amount of compensation, etc.	Total amount of compensation, etc.	
			Fixed compensation	Performance-linked compensation
Directors excluding outside directors	6	¥346 million	¥214 million	¥131 million
Corporate auditors excluding outside auditors	–	¥– million	¥– million	¥– million
Outside officers	8	¥91 million	¥91 million	¥– million

* This includes one outside officer who resigned on or prior to March 31, 2019. Performance-linked compensation states the amount that should be recorded as expenses in FY2018.

Internal Control

The Group regards it as a key management responsibility to maintain and ensure the appropriate operation of a system that ensures proper conduct of business operations, and to work toward strengthening internal control. Under the Companies Act, the Group is required to strengthen its internal control system, and to this end, Mizuho Leasing and seven domestic Group companies have formulated basic policies to ensure proper and effective operation. Furthermore, regarding internal control on financial reporting pursuant to the Financial Instruments and Exchange Act, the Group maintains and implements a structure to ensure reliability of its financial reports.

Corporate Governance Structure



Message from Outside Director

Over the course of my career as a government official and university faculty member spanning about half a century up until now, I have observed the Japanese economy and discussed economic policy issues. Rather than from the micro-economic level such as corporate management, I have analyzed the economy in general from the macro-economic level, such as the economic climate, economic growth, fiscal and monetary policy, and population issues. I have never worked in the private sector, nor do I have any expertise on the leasing business. However, I believe that it is my role as an outside director to check management from this different perspective and point out issues that can be hard to notice from the inside.

I think that fiscal 2019 will be a big milestone for the Company. A close partnership with Mizuho Bank, Ltd. and Marubeni Corporation commenced from March 2019, and a dramatic increase in business opportunities can be expected as a result. The company name was also changed to Mizuho Leasing Company, Limited in October, and 2019 also marks the 50th anniversary of the Company's establishment. On this occasion, the Company has literally started off with a clean slate and achieved a new start. I intend to live up to the expectations of many stakeholders including shareholders, and do all that I can to take the utmost advantage of the opportunity for new development.

Takao Komine

Professor, Faculty of Regional Development, Taisho University

Concurrent Positions Outside the Company, Reasons for Appointment and Other Relevant Matters Concerning Outside Directors and Outside Auditors

Title	Name	Significant concurrent positions outside the Company (As of June 27, 2019)	Reasons for appointment	Attendance at meetings of Board of Directors / Audit Committee
Outside director	Takao Komine	Trustee, Senior Research Fellow, Japan Center for Economic Research Professor, Faculty of Regional Development, Taisho University	We expect that he would make use of his abundant experience and broad insight in financial policy and specialized academic fields.	Board of Directors meetings: 17 out of 19 meetings
	Naofumi Negishi	—	We expect that reflecting his vast knowledge in manufacturing industry's corporate management in the Company's corporate management will contribute a new perspective to achieving sustainable growth and increasing our medium- and long-term corporate value of the Company.	(Assumed office in June 2019)
	Hirofumi Hagihira	—	We expect that that reflecting his vast experience and knowledge in the fields of economics, industry, and trade policy in our own corporate management will contribute to achieve sustainable growth and increasing our medium- and long-term corporate value of the Company.	(Assumed office in June 2019)
	Mari Sagiya	Independent Outside Director, Kokusai Pulp & Paper Co., Ltd.	We expect that that reflecting her vast knowledge and corporate management experience in systems and IT in the Company's corporate management will contribute to a new perspective towards achieving sustainable growth and increasing our medium- and long-term corporate value of the Company.	(Assumed office in June 2019)
	Daisaku Abe	Deputy Chairman & Executive Officer, Mizuho Financial Group, Inc.	In addition to his vast knowledge of financial administration, he also has vast corporate management experience having served at financial institutions. We believe that he will be able to contribute to the sustainable growth and improvement in the medium- to long term corporate value of the Company in light of his aforementioned abundant business experience.	(Assumed office in June 2019)
	Nobuhiro Yabe	Senior Managing Executive Officer, Member of the Board, CFO, Marubeni Corporation	He has vast experience and knowledge related to overseas and finance at a general trading company and also has vast corporate management experience. In light of our business alliance with the Marubeni Group, we believe that he will be able to contribute to the sustainable growth and improvement in the medium- to long term corporate value of the Company in light of his aforementioned abundant business experience and knowledge.	(Assumed office in June 2019)
Outside auditor	Takehito Miyaguchi	—	Having worked for a financial institution, he has abundant experience and broad insight in corporate administration and administrative operations, including the management of an overseas branch. We believe that he will use these qualities in carrying out the Company's audit operations.	Board of Directors meetings: 19 out of 19 meetings Audit Committee meetings: 15 out 15 meetings
	Nobukatsu Funaki	—	In addition to his broad knowledge related to financial institutions, he also has vast audit experience as a full-time corporate auditor, member of the Board of Directors and member of the Audit Committee for financial institutions. We believe that he will apply his knowledge and experience in carrying out the Company's audit operations and also that he would contribute to maintaining and raising the level of corporate governance of the Company.	(Assumed office in June 2019)
	Shinichi Takahashi	Attorney, Nishimura & Asahi	We expect that he would make use of his abundant experience and high expertise as an attorney in carrying out the Company's audit operations, and also that he would contribute to maintaining and raising the level of corporate governance of the Company.	Board of Directors meetings: 18 out of 19 meetings Audit Committee meetings: 15 out 15 meetings
	Akira Noguchi	Deputy President, Trust & Custody Services Bank, Ltd.	We expect that he would make use of his abundant experience and broad insight in financial institutions in carrying out the Company's audit operations, and also that he would contribute to maintaining and raising the level of corporate governance of the Company.	Board of Directors meetings: 14 out of 15 meetings Audit Committee meetings: 11 out of 11 meetings (Since assuming office in June 2018)

Compliance and Risk Management

Compliance

The Group duly recognizes that any issues with compliance may undermine the very foundations of management. On this understanding, the Group complies with laws and regulations and practices honest and fair business activities in accordance with the norms of society. To ensure the trust and confidence of society, the Group is firmly committed to maintaining strict compliance.

Compliance Structure

The Company has formulated Compliance Regulations to ensure compliance, appointed a chief compliance officer (CCO), and established the Compliance Division. Furthermore, each department general manager functions as the department-level head of compliance, and is tasked with supervising and enforcing its practice. In addition, the Audit Department, which undertakes internal audits, examines and assesses the current state of compliance in each department. The Company has created a system in which necessary measures are taken based on reports from the Audit Department.

As internal reporting systems, the Company has established a compliance hotline structure and maintains internal and external reporting lines via attorneys to enable all of its employees to report or consult about potential violations directly to the Compliance Division and/or the corporate auditors. The Company has also formulated Rules on the Protection of Whistleblowers to protect reporters.

Compliance Awareness Activities

The Group has formulated the Corporate Code of Conduct of the Mizuho Leasing Group, which sets out concrete action guidelines for directors and employees, as well as published a Compliance Manual, a guidebook describing key rules and regulations that must be followed to ensure full compliance within all business operations. The Compliance Manual is also available on the corporate intranet so that directors and employees can refer to it easily in the course of their daily work.

Furthermore, every year the Group arranges a Compliance Program, a set of concrete hands-on activities that raises awareness of compliance issues through education and training for general managers, as well as stratified training and/or e-learning.

Risk Management Structure

Comprehensive Risk Management Activities

As financial services become more diversified and sophisticated, the various risks that arise from business operations grow increasingly complex. In this environment, the Group recognizes that precise monitoring and analysis, as well as the proper control and management of these risks is exceedingly important for maintaining or increasing the soundness of business operations, and is strengthening and streamlining its risk management system accordingly.

The Mizuho Leasing Group has categorized risks that arise in association with the operating activities into financial risk to be managed quantitatively and operational risk to be managed qualitatively, and risk management systems are established for each risk. Moreover, the Risk Management Committee was instituted to establish a comprehensive risk management system to centrally manage operational risk and financial risk.

As for financial risk, meaning credit risk[1], market risk[2], and price fluctuation risk[3], the locations and the magnitude of risk are monitored based on the management framework centered on the allocation of risk capital. Operational risk such as administrative risk, system risk, legal risk, etc., is monitored for the status of occurrence of risk events, countermeasures, preventive measures, etc.

In addition, to realize the goal of becoming a multiple financial services company and expand our specialized financing services, we are aware that further enhancement of our risk management system, for example, monitoring and handling the various risks inherent in transactions, etc., will be more important than ever. For example, when we start handling new products and developing new businesses, we evaluate risks from the perspective of both financial risks and operational risks, and work to strengthen management through the establishment of a structure for thorough reviews in advance.

Keywords Explained

1 Credit risk is the risk of loss associated with the inability to collect lease payments, installment payments, or loan principal and interest as contracted, due to factors such as bankruptcy or deterioration of financial position of the debtor.
2 Market risk is the risk of incurring loss as a result of a decline or disappearance in, or total loss of, the value of the Company's financial assets and liabilities attendant on market price fluctuations (interest rates, stock prices, foreign exchange rates, etc.).
3 Price fluctuation risk is the risk of fluctuations in the value of items other than marketable products, for example, the risk of fluctuations in the estimated residual value in operating leases and risk inherent in real estate-related financing (risk of fluctuations in the real estate value at the expiry of a contract).

Risk Capital Allocation

The Group places an extremely high priority on the integrated monitoring and control of total financial risk. Thus we incorporate an integrated risk management structure in accordance with that of the mega-banks into our management policies in order to improve the soundness and stability of our business. Specifically, we quantify various risk factors and employ integrated and centralized control systems to ensure that our total risk exposure remains below the required percentage of our shareholders' equity (i.e., our financial strength).

In other words, we define our risk tolerance as the amount of risk capital, calculated by subtracting equity capital and part of retained income as reserves reported for the maintenance of the Company from shareholders' equity. By allocating this risk capital to each financial risk, we control losses incurred from any unforeseen situation within manageable limits, thereby maintaining our financial stability.

Key aspects, such as the amount of risk capital to be allocated for each risk, are determined as a part of the fiscal year's management plan at the Board of Directors meetings, and specific operating policies are determined through resolutions by the Executive Management Committee and Policy Planning Committees (such as the PM/ALM Committee), and reflected in business operations. Within such a framework, the Risk Management Department, which is independent from the business and treasury departments, monitors operations periodically to measure risks. The results of this monitoring are reported to the Board of Directors on a monthly basis.

Credit Risk Management Structure

The Mizuho Leasing Group aims to minimize credit costs by optimizing its credit management structure at all stages of each transaction, from entrance to exit, regarding credit risk of our clients.

Firstly, at the initial stage of deal execution under our “client credit rating system,” we grant a credit rating for each debtor, conduct a strict credit screening for each debtor when reviewing a deal, and, to avoid excessive concentrations of credit, manage credit limit by using our “credit monitoring systems by ratings.”

Next, during the contract period, we apply asset self-assessment rules, which are as stringent as those employed by megabanks, in accordance with the Financial Services Agency’s “Financial Inspection Manual,” and also implement write-offs and provide reserves based on the assessment results. Also, we periodically follow up on non-performing assets and make debt collection of assets for which we have already provided reserves to facilitate final disposal of nonperforming assets.

Meanwhile, our approach to credit portfolio management is based on the use of statistical methods to calculate the potential for losses related to credit risk. To that end, each month we calculate the expected loss (EL, i.e., credit cost), which is the average loss anticipated over the next year, and the unexpected losses (UL, i.e., credit risk amount), which is the maximum amount of any additional loss in excess of the EL.

As for expected losses, our stance is to cover an expected loss from income gained through credit transactions, and we use this amount as a reference value when estimating the cost of credit for our income plan as well as when arranging deals. Concerning unexpected losses, if an unexpected loss is incurred, our stance is to cover it from our equity capital, which we monitor in relation to the pre-allocated risk capital, and report to the Board of Directors on a monthly basis.

In addition, we are focusing on initiatives to improve our asset quality by controlling the risks inherent in the business and assets through portfolio management.

Market Risk Management Structure

The Mizuho Leasing Group establishes basic policies based on market environments, financial strength, etc., at the Board of Directors meeting each year to properly control risks in line with financial operations. In addition, ALM operating policies based on the basic policies, various credit lines for transactions, and loss limits, etc., are determined on a monthly basis at the meetings of the PM/ALM Committee, whose members include executives in charge of relevant departments. Through these measures, the Mizuho Leasing Group strives to maintain stable earnings by controlling risk.

Also, in terms of organizational structure, in order to provide effective checks and balances, we have established clearly defined dividing lines between departments handling market operations (“front office”) and departments providing back-office administration (“back office”), and an independent risk management department dedicated to risk management has been established.

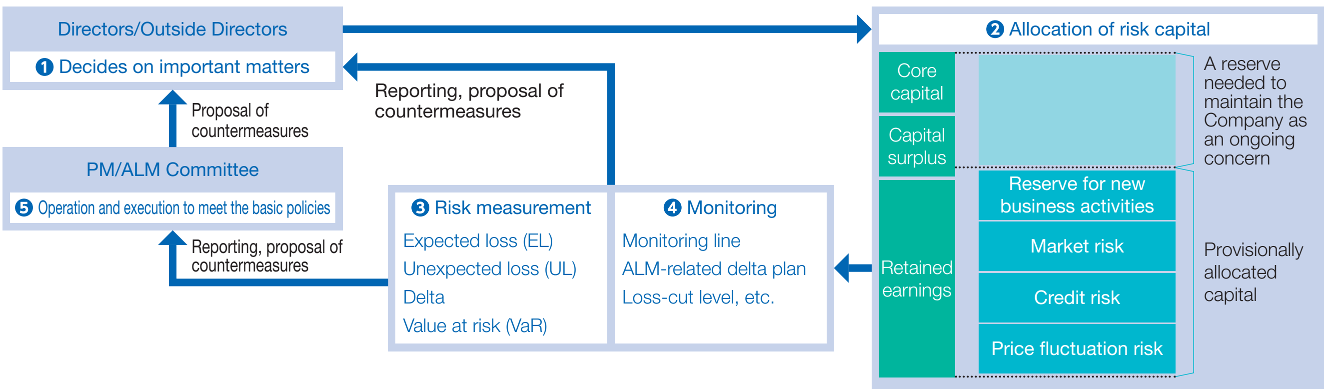
Furthermore, risk-related analyses are reported monthly at meetings of the PM/ALM Committee as well as those of the Board of Directors.

Operational Risk Management Structure

The Group’s Operational Risk Management Division of the Risk Management Department centrally collects and manages operational risk events resulting from inadequacies, administrative errors, compliance issues, inappropriate business operations, system failures and any other external factors and takes appropriate actions according to the relevant risk categories such as the formulation of countermeasures and measures to prevent recurrence.

Furthermore, risk-related analyses are reported quarterly at meetings of the Risk Management Committee, as well as those of the Board of Directors, together with financial risk.

Risk Management Framework Centered on Allocation of Risk Capital

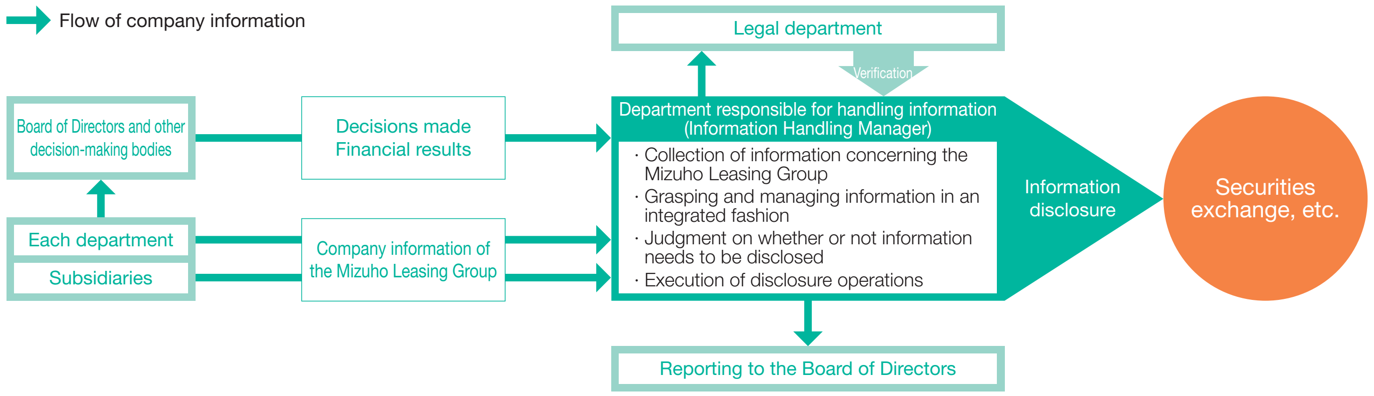


Note: The colored box on the right side of the chart above is not intended to denote the relative size of risk allocated to each risk category.

Dialogue with Shareholders and Investors

Disclosure Policy

The Company discloses information to the public on a consolidated basis of the Mizuho Leasing Group to protect rights and interests of shareholders and other stakeholders. Timely, proper and fair disclosure of information will ensure transparency of the Company’s corporate activities. A system to disclose information accurately and promptly in a positive manner is also in place and properly implemented.



IR Activities

The basic stance of the Company regarding IR activities is to continuously disclose information in a fair, timely and appropriate manner and to enhance communication with shareholders and investors, to enable their further understanding about the Mizuho Leasing Group and fair evaluation of its corporate value. The Mizuho Leasing Group holds briefing sessions to explain financial results to institutional investors and analysts and individual meetings with domestic and overseas investors on a regular basis, as well as annual company information sessions, questionnaire surveys, etc. for individual investors. Through such means, we engage in active dialogue with shareholders and investors.

The Mizuho Leasing Group aims to achieve sustainable increases in corporate value by appropriately incorporating opinions and feedback obtained through dialogue into management.

Record of IR Activity in FY2018

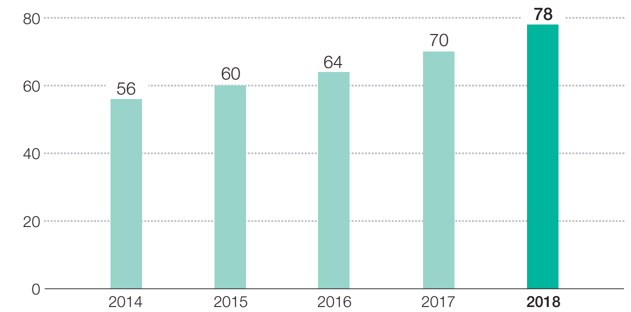
Financial results briefing session	Twice
Individual meeting with institutional investors, etc.	44 times

Shareholder Returns

Dividend Policy

The basic policy of the Company on dividends is to realize dividends based on the business performance of the Company while improving its earning capacity in due consideration of balance between return of profits to shareholders and securing shareholders’ equity.

Annual Dividend per Share



Shareholders Benefit Plan

The Company has a shareholders benefit plan to show our appreciation to shareholders. The reference date of this plan is March 31 each year.

* QUO cards will replace pre-paid book cards as shareholders benefit items from those dispatched after the general meeting of shareholders in June 2020.

Shareholders Special Benefit Plan

	If shares are held for two consecutive years or longer*
A ¥3,000 QUO card is given out to each shareholder who holds 1 unit (100 shares) or more shares.	A ¥4,000 QUO card is given out to each shareholder who holds 1 unit (100 shares) or more shares.

* Shareholders who hold 1 unit (100 shares) or more shares for two consecutive years or longer are those who are recorded in the shareholder registry on the record date (March 31) by the same shareholder number as that on the record date of the previous fiscal year.

Commitment by the Personnel Unit

Hidehiko Kamata
Managing Executive Officer

Chihiro Tokiyasu
Executive Officer, General Manager of Personnel Department

Fiscal 2019 is a milestone year that marks the 50th anniversary of the Company's establishment and a change in the company name to Mizuho Leasing, along with the start of alliances with strategic business partners.

Against this backdrop, with the aim of "developing human resources and creating a corporate culture willing to take on challenges and promoting work style reform," since fiscal 2017 we have strategically provided support through systems for the development of employees and strived to develop a fulfilling working environment for employees, through efforts divided into the four major categories of "personnel and remuneration systems," "human resource development," "human resource portfolio and strategic personnel allocation," and "the promotion of diversity and work style reform."

Over this period of two years, we have promoted diversity including work style reform through measures such as the development of personnel evaluation and remuneration systems to promote Challenge, the creation of career plans to help provide an image of one's future career, the strengthening of human resources capable of playing an active role on the global scene, and the introduction of a system for career conversions.

In an aim for the further growth of the Group in anticipation of the next 50 years, during this milestone year of fiscal 2019 we will revise the personnel and remuneration systems and introduce systems that support the participation of the senior generation as the most significant measures of our personnel strategy.

The revisions to the personnel and remuneration systems aim to better clarify the roles expected of each employment type and position from general employees to management positions, review the job requirements that have currently been established, and increase remuneration in accordance with the expected role. In addition, for general positions that are mainly responsible for administrative work, in light of their increasingly sophisticated job requirements, administrative positions will be newly established as an employment system to replace general positions. The scope of work responsibilities will be expanded for these positions along with an increase in remuneration in accordance with the expected role.

Based on the recognition that establishing opportunities for talented elderly employees who have abundant experience will be important for the further growth of the Company as the population continues to age in Japan, we will introduce a retirement age extension system that extends the retirement age to 65 and enables the active participation of elderly employees in April 2020. We will establish dedicated positions as a new employment system for employees age 60 and above which will broaden the individual lifestyle choices for people in the system, and establish four work categories in light of the considerable individual differences in terms of household circumstances and physical strength for this age group to provide a comfortable working environment that supports individual circumstances.

Because making it possible for each and every employee to continue to vigorously take on new challenges for the next 50 years will help to drive dramatic growth for the Company as a whole, we will make improvements to the work environment to enable active participation of all employees through the implementation of new personnel and remuneration systems along with future measures to further enhance career planning, education and training systems as well as diversity promotion measures, including work style reform such as teleworking.

Overview of the Personnel Strategies and Progress of Concrete Measures

Personnel strategy in anticipation of the next 50 years

Four Categories	Concrete measures in the Fifth Mid-term Management Plan	Initiatives during FY2019
Personnel and remuneration systems	•Evaluation and remuneration systems to promote Challenges •Setting up of appropriate evaluation processes and remuneration systems	•Major revisions to the personnel system and remuneration system •Introduction of a retirement age extension system ➡ From April 2020
Human resource development	•Creation of career plans •Strengthening of human resources working overseas •Utilization of external educational institutions	•Creation of succession plans •Overseas human resources recruitment and language training •Continual dispatching of overseas trainees
Human resource portfolio Personnel allocation	•Strategic personnel allocation •Human resource portfolio	•Establishment of human resources portfolio in light of the partnership with Mizuho and Marubeni •Aggressive hiring of specialized human resources
Promotion of diversity Work style reform	•Implementation of measures to promote diversity •Implementation of measures related to work style reform •Implementation of measures to invigorate communication	•Introduction of teleworking •Encouraging male employees to take childcare leave •Branch deployment of Torakoya

Desired Future Image of the Organization

Challenge
A highly-flexible organization capable of adapting itself to changes in the social environment and taking on challenges

Global
An organization capable of contributing to the development of local industries not only in Japan, but also in overseas countries

Diversity
An organization capable of allowing diverse human resources to demonstrate their skills and increasing value provided to society

Expansion of business fields in Japan and globally

Recruitment and Development of Human Resources

Human Resources Development Programs

The Mizuho Leasing Group has established detailed training programs such as operational skill training programs including stratified training based on each employee's development level and optional training and correspondence courses to support employees to improve themselves and to encourage them to acquire qualifications.

In addition, the Mizuho Leasing Group strives to develop human resources by setting up career plans for each employee as a guide for employees to understand the knowledge, skills, etc., they should acquire in each of the steps in their career, devote themselves to their duties and self-improvement by setting their own goals and undergo necessary training in a systematic manner.

Training Program Diagram

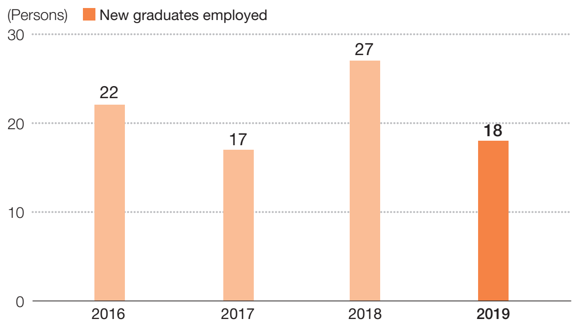
Stratified training: Career-track positions	Stratified training: Administrative	Operational skill training	Correspondence courses	Other
External management seminar Management training Selective management training Manager training Human assessment training Mid-level manager training Administrative training Follow-up training New employee training (Introduction, OJT, operational)	Management training Administrative job training Follow-up training New employee training (Introduction, OJT, operational)	Evaluator training Secondment Financial analysis lecture Mentor training Instructor training Sales skill improvement training External lecture to acquire specialized knowledge Optional training	Compulsory course Course for self-development	Career design training Life planning training e-Learning Language training

Hiring New Graduates, Mid-career Workers and Persons with Disabilities

Based on its policy to conduct fair and impartial pre-employment screening, the Mizuho Leasing Group promotes recruitment of diverse talent including new graduates, as well as mid-career workers with various backgrounds and persons with disabilities.

We believe that the future of the Mizuho Leasing Group depends on people with different personalities who perform at their full potential, think together, act together and develop together.

Past record



Internship Program

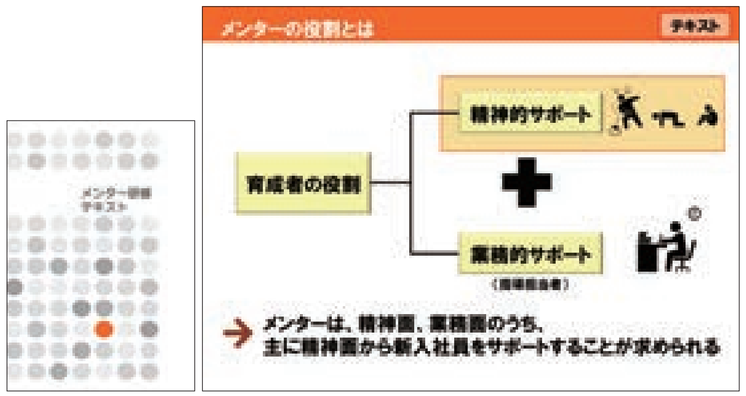
Internship Programs are provided twice per year (summer and winter) for students so that they can have a better understanding of the leasing industry and our business operations.

In the summer internship program, interns receive basic knowledge of the leasing business, learn analytical methods to understand corporate business models and engage in sales role-plays, and visit clients' locations together with Mizuho Leasing employees. In the winter internship program, interns mostly experience sales role-plays based on actual projects. The program has received favorable responses from participating students with comments such as "I was able to learn about the depth and appeal of the leasing business through work keeping in mind to make proposals that went so far as to address the management issues of customers."

On-the-Job Training (OJT) and Mentor Systems

The OJT and mentor systems have been instituted to support new employees from both operational and mental aspects so that they can learn the operations and grow effectively.

The OJT system is designed to allow trainees to deepen their understanding of their jobs and master the operations by working on practical operations together with their instructors. The mentor system allows employees who have just started their careers to designate senior employees close to their own career stage as mentors and provides an environment where they can ask for various consultations on not only questions and concerns over work, but also private matters, so that they can mitigate their anxiety.



Employees who become mentors are required to undergo mentor training beforehand.

Development of Global Human Resources

The Group has established a target for the final fiscal year of the Sixth Mid-term Management Plan to triple the balance in the Global field of that of the end of March 2019. The Group is strategically implementing the development and strengthening of human resources who can play an active role in overseas countries based on the three pillars, namely education and training of existing employees, the hiring of students who desire to work overseas, and the mid-career recruitment of employees with overseas experience.

An open call for overseas-oriented employees was started within the Company in September 2017, and as a result trainees have been dispatched to overseas subsidiaries after undergoing language training.

In addition, we focus on the hiring of students studying abroad and those who desire to work overseas, while also proactively undertaking the mid-career recruitment of employees who have overseas experience as those who can make immediate contributions to the Group.

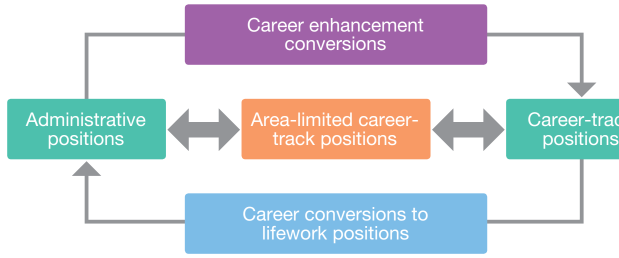
Acceptance of Trainee from Overseas

After I graduated from the University of California, San Diego, I worked for several years in China and South Korea, and during that time I also visited Japan. However, this is the first time that I have lived in Japan. While I have only been in Japan for a short amount of time, I am extremely grateful for all of the kind support that I have received. Mizuho Leasing is involved in a wide range of operations from finance leasing to M&As and environmental energy, and through my work at Mizuho Leasing I hope to improve my own skills by learning about business in Japan, while accumulating knowledge from a broad perspective that includes the Japanese labor market and Japan's position in the global economy of the 21st century that are currently undergoing changes.

Benjamin Irvine International Administration Department

System for Career Conversions

We have been striving to develop systems that allow for flexible work styles according to the life cycle of employees in order to create a meaningful and engaging corporate culture. A career conversion system has been established and proactively operated, which enables (i) career enhancement conversions (career conversions from administrative positions to career-track positions); (ii) career conversions from area-limited career-track positions to unlimited career-track positions; and (iii) career conversions to lifework positions (those who are temporarily unable to perform their duties due to reasons such as childcare, nursing care, etc. may convert from career-track positions to area-limited career-track positions or administrative positions).



Employee Feedback

Although I conducted sales in the Tokyo metropolitan area for a period of four years after joining the Company in an area-limited position, I decided that I would like to work overseas because I wanted to explore new possibilities and did not want to remain complacent with the status quo. However, because people in area-limited career-track positions are not able to work overseas, I used the system for career conversions to switch to a career-track position and applied for the open call for overseas-oriented employees at the same time. After that, I received language training and left for a long-desired post at a Chinese subsidiary as a trainee in April 2019.

Currently, I mainly engage in sales for Japanese-affiliated clients together with the locally-hired staff. Not only do I work in Shanghai where the local subsidiary is located, but also travel around China by airplane and high-speed trains to places like Beijing and Guangzhou. Every day is really exciting because the languages, culture, and business practices are completely different from those in Japan.

I hope to take on various challenges with a hungry spirit in the future as well.

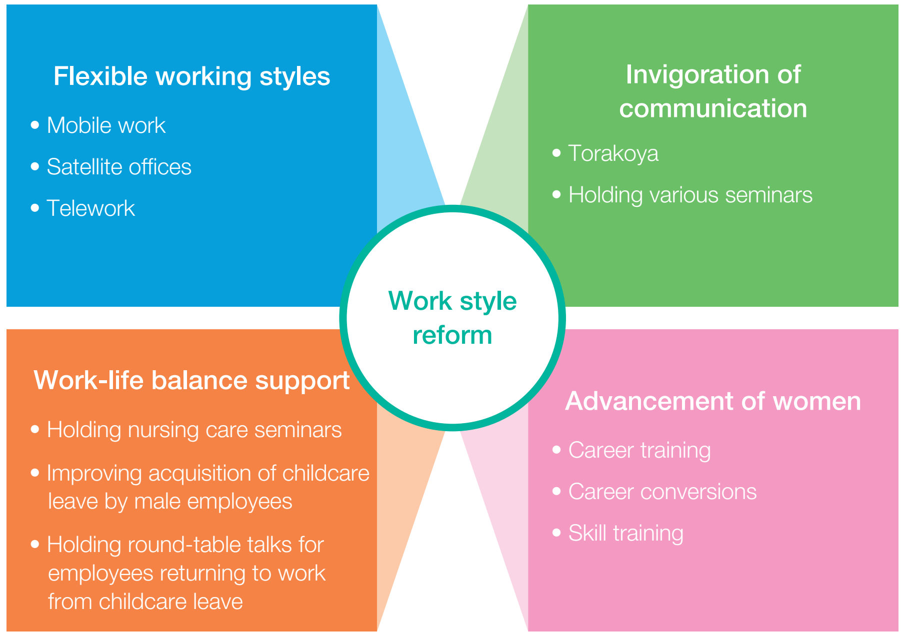
Rina Morita Trainee at Chinese subsidiary

Promotion of Work-Life Balance and Diversity

Work Style Reform Initiatives

The Group believes that it is important to conduct vibrant organizational management to ensure the diversity of employees and create and maintain an engaging workplace for each of them. By promoting the advancement of women, work-life balance, and the invigoration of communication, we are working to achieve a rewarding workplace environment where diverse ways of thinking and values are accepted and respected and that maximizes the unique abilities of each of our employees.

In fiscal 2018, we accelerated initiatives toward the improvement of company-wide operational productivity by adding work style reform to the personnel evaluation items for employees.



Initiatives for Flexible Working Styles

Telework has been gradually introduced in order to achieve flexible working styles not bound by a fixed location to improve work-life balance and operational productivity.

Mobile work started in December 2018 along with the introduction of mobile PCs, and work using satellite offices was also started from July 2019. In addition, telework tests are being conducted in stages for the administrative units and sales units to study the full-scale introduction of the telework system in order to achieve even greater flexibility in working styles.

Work-life Balance Support Initiatives

Encouraging Male Employees to Take Childcare Leave

In order to create a corporate culture in which it is easy for male employees to take childcare leave, we are encouraging male employees to take childcare leave through the distribution of leaflets that provide an overview of the work-life balance support system and a summary on how to take leave as well as awareness raising activities aimed at management positions. In April 2019, we were registered in the Ikumen Supporter Declaration as a supporting company under the Ikumen Project of the Ministry of Health, Labour and Welfare.

Childcare Leave Seminar

Childcare Leave Seminars are held to provide an opportunity to learn about the mindset for balancing work and childcare, working style support for employees returning to work after taking childcare leave, points to note regarding harassment, and support for spousal partnerships and childcare by men. Participation is encouraged for not only employees returning from childcare leave, employees using reduced work hours for childcare, and employees planning to acquire childcare leave in the future, but also for supervisors as well.

Childcare Leave Returnee Training

Childcare Leave Returnee Training is held for employees after reinstatement from childcare leave. The purpose is to strengthen awareness of participation while achieving a balance between work and childcare, learn about the approach to work after reinstatement, and knowledge related to housework and childcare. Time is also set aside for sharing uncertainties and concerns through interactions with other participants while receiving advice from an external lecturer.

Nursing Care Seminar

Work and Nursing Care Balance Seminars are held by an external lecturer for Group employees on basic knowledge concerning nursing care and the nursing care insurance system, as well as to brace themselves for nursing care. The lecturer also holds individual consultations after the seminar.

Distribution of a Work and Nursing Care Balance Handbook

A handbook has been prepared and distributed to employees to provide easy-to-understand explanations on the basic knowledge of nursing care, how to achieve a balance between work and nursing care, and the first response when faced with nursing care.

Initiatives to Invigorate Communication

Torakoya

The Mizuho Leasing Group set up Torakoya as an in-house educational institution in October 2017 with the purpose of transferring knowledge and know-how accumulated by the Group in its history and providing a venue for communication among employees beyond generations.

At Torakoya, interactive sessions are provided by seasoned employees with abundant experience as lecturers instead of classroom lectures, enabling communication that goes beyond workplaces, employment types and ages. It has been held 13 times in total so far attended by around 400 employees to date including Group companies.


Torakoya at the Head Office


Kansai Torakoya FY2018

Case Study

Lecturer: **Suguru Yanagida**
Mizuho Leasing Company, Limited

Lecturer's Voice

When I talk with customers every day, it seems that many people are worried about internal communications becoming diluted. People are just moving forward to achieve a goal that has been decided on. However, if the fun and joy of work is left behind and communication is diluted, it can lead to a decline in learning opportunities and a sense of entrapment that makes it difficult to foster a positive working environment. In Torakoya lectures, I try to convey as many people as possible about the fun and joy of work based on my past experiences, in the hopes that the positive corporate culture we have fostered at the Company up until now will be carried on by the next generation.

Details of the Lecture

Suguru Yanagida has been involved with sales throughout his career since joining the Company. He provides management support through measures including sales activities with young sales employees, and serving as a counselor for sales in general. Since the establishment of Torakoya in 2017, he has held lectures on the basics of sales and the importance of knowing customers, titled the "Soul of Sales!" In fiscal 2019, he has held lectures at several branches under this tagline as well as the new topic "Value of Tangibles" to pass down knowledge relating to equipment.

Environmental and Social Activities

Initiatives for a Recycling-Oriented Society

In lease transactions, equipment “owned” by leasing companies is “used” by clients; therefore, after the lease term expires, the equipment will be returned to the leasing companies for destruction, sale, disposal, etc. The Mizuho Leasing Group screens expired equipment that can be reused or that can be used as materials, implements 3Rs (Reduce, Reuse and Recycle) by taking appropriate disposal measures such as selling to used-item dealers and consigning to recycling companies, and thereby contributes to the creation of a recycling-oriented society.

Implementation of Environmental Management System

The Company and Seven Group companies have been awarded a certification for the international standard for environment, ISO 14001 Certification.

Organizational Structure of Environmental Management System

The Mizuho Leasing Group ensures that the environmental management system (PDCA cycle) is operated properly. To this end, the Chief CSR Officer oversees the Environmental Management Officer who is responsible for the management of environmental activities as a whole, and the Department responsible for environmental management of the Company and the Operating Officer of Environmental Management of each Group company promote activities to achieve the environmental goal.

Basic Environmental Policy

1. We strictly comply with environmental laws and regulations and continuously improve our environmental conservation activities with our corporate social responsibility in mind at all times.
2. We strive to balance environmental conservation and economic development by developing and providing goods and services that contribute to environmental conservation.
3. We properly manage equipment for which lease terms have expired, promote recycle and reuse, and thereby contribute to building a recycling-oriented society.
4. We make every effort to understand environmental impact each business activity will make, and to reduce environmental load and prevent pollution.

Main Environmental Purposes and Targets

Environmental Purposes - Medium-term target -	Environmental target -Annual target -	
	FY2018 target	Results
Reduce the amount of paper used	Maintain average monthly level (sheets used per person) of FY2013-FY2015	14% reduction from target
Reduce consumption of electric power	Maintain average monthly level of FY2013-FY2015	17% reduction from target
Sustainable contribution to building a recycling-oriented society	Achieve reuse rate* of 68% or more	Reuse rate 75% achieved
Promote 3R by purchasing used equipment	Used equipment purchases of ¥720 million	126% achieved
Ensure disposal in compliance with laws and regulations and select law-abiding recycling business operators	Regularly investigate industrial waste disposal business operators used group-wide	Implemented group-wide

* Reuse rate means the rate calculated by: Number of equipment sold ÷ Number of equipment for which the lease term or re-lease term has expired

Social Contribution Activities

Signed Official Partnership Agreement with Japan Para Athletics

The Company signed an official partnership agreement with the Japan Para Athletics (JPA) on October 1, 2019.

The JPA supervises track and field events for people with disabilities in Japan and promotes the mental and physical development and social participation of people with disabilities through the popularization and promotion of track and field events.

The Group is always aware of its corporate social responsibility and aims to be a corporate group that is widely understood and empathized with in society. We will work to support para sports through the signing of this official partnership agreement as part of our support activities for people with disabilities as we contribute to the advance of society and the achievement of a prosperous future through our business activities.

JPA elite category player Masayuki Higuchi

Consolidated Financial Data and Corporate Information

Financial Highlights

Consolidated Financial Results

	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
For the year: (Millions of yen)											
Revenues	298,707	263,598	256,059	270,066	352,492	354,779	353,733	364,174	429,405	399,738	384,893
Gross profit before funding costs	38,181	36,720	36,549	36,579	44,270	43,005	41,609	44,803	44,904	45,157	52,596
Funding costs	10,105	7,213	5,459	5,286	6,596	6,426	6,338	6,361	5,697	6,959	8,467
Gross profit	28,076	29,506	31,090	31,293	37,673	36,579	35,271	38,441	39,206	38,197	44,128
Selling, general and administrative expenses	21,320	18,248	15,646	20,601	23,007	19,877	17,325	20,868	21,244	19,034	21,214
Operating income	6,755	11,257	15,444	10,691	14,665	16,701	17,946	17,573	17,962	19,162	22,913
Net income attributable to owners of the parent	3,348	7,019	9,025	4,296	8,920	10,531	11,144	11,609	12,414	13,643	16,594
At year-end: (Millions of yen)											
Total assets	1,076,150	1,017,099	1,028,020	1,332,963	1,372,246	1,462,183	1,551,704	1,718,720	1,752,284	1,821,501	2,161,872
Operating assets	984,981	935,223	928,633	1,211,268	1,263,116	1,343,046	1,432,299	1,581,025	1,608,718	1,683,005	2,021,368
Lease	596,869	553,541	546,185	755,139	780,234	809,499	878,693	958,353	950,318	983,590	1,160,218
Installment sales receivable*	120,373	107,487	94,514	112,243	113,939	133,267	153,910	147,455	137,820	138,592	145,888
Loans	233,687	237,414	241,925	295,008	320,143	359,530	361,067	377,933	348,085	360,073	469,135
Operational investment securities	34,050	36,779	46,008	48,876	48,798	40,749	38,627	97,283	172,493	196,860	239,814
Long-term receivables	9,470	14,082	10,397	19,153	18,502	11,404	8,947	10,393	3,331	2,440	3,432
Interest-bearing debt	927,454	868,631	877,629	1,133,481	1,176,464	1,226,274	1,309,951	1,465,584	1,492,438	1,536,240	1,834,757
Equity	55,994	63,342	69,392	74,717	84,905	109,840	123,297	132,786	141,755	154,632	182,159
Per share data: (Yen)											
Net income	91.90	193.91	249.33	118.71	246.43	264.75	261.32	272.20	291.08	319.91	388.64
Equity	1,509.00	1,709.86	1,889.18	1,954.63	2,218.77	2,458.28	2,764.23	2,978.61	3,202.27	3,492.55	3,553.92
Dividends	40.00	44.00	46.00	48.00	50.00	54.00	56.00	60.00	64.00	70.00	78.00
Key indicators: (%)											
Return on equity (ROE)	6.0	12.0	13.9	6.2	11.8	11.4	10.0	9.5	9.4	9.6	10.3
Return on assets (ROA)	0.6	1.2	1.6	0.9	1.1	1.2	1.3	1.1	1.1	1.1	1.2
Equity ratio	5.1	6.1	6.7	5.3	5.9	7.2	7.6	7.4	7.8	8.2	8.0
Other (Number of persons)											
Number of employees	743	766	765	1,073	1,050	1,036	1,050	1,072	1,053	1,081	1,627

*After subtraction of deferred profit on installment sales

Analyses on Business Conditions and Results of Operations

1. Financial Results and Business Performance Overview

The global economic environment in fiscal 2018 has exhibited moderate expansion, mainly due to the growth of the US economy, despite certain modulations in the global economy and the increasing uncertainty of the political situation.

The Japanese economy continued on a moderate recovery trend due to strong personal consumption, as a result of improvements in capital investments and the employment and income environments mainly backed by improved corporate earnings.

In the leasing industry, leasing transaction volumes increased from the previous fiscal year.

In the financial market, amid the continued monetary easing policy, both long-term interest rates and short-term interest rates remained low.

Amid such a business environment, the Mizuho Leasing Group has continued to focus on the initiatives of the Fifth Mid-term Management Plan covering the three-year period from fiscal 2017 to fiscal 2019. Under this plan, the Group sets the vision of a "value-creating company tackling challenges together with clients," and aims to achieve consolidated performance targets of "¥15.0 billion in net income attributable to owners of the parent," "10% ROE," and "maintaining 20% or more dividend payout ratio" by the final fiscal year of the Plan, under the basic policy of promoting businesses with higher profitability by utilizing its accumulated business know-how and financial strengths.

In fiscal 2018, the second year of the plan, the Group focused its efforts on new business strategies, including the "support clients' commercial distribution" strategy that focuses on the flows of purchase and product sales at clients, as well as on focus areas, in line with changes in the business models of corporations and structural changes in society and industries, and further promoted the provision of services with the needs of its clients as the starting point. As a result of these efforts, the contract execution volume reached ¥1,548,817 million, operating assets amounted to ¥2,021,368 million, net income attributable to owners of the parent reached ¥16,594 million, and ROE was 10.3%, resulting in the achievement of the targets of net income attributable to owners of the parent and ROE for the final fiscal year, one year ahead of schedule.

As for the business condition in fiscal 2018, the Group pushed forward with initiatives for business strategies and the focus areas set out in the Fifth Mid-term Management Plan, and took on challenges of entering new domains as well as proactively carrying out the formation and provision of services that were not limited to conventional financial solutions. The Group established a track record of achievements through new business strategies mainly by surveying the entire business process of clients, proactively engaging in the provision of solutions in line with the issues that occur in the flow from purchase to product sales as well as the product sales of the clients, and promoting the formation of sales formats based on service contracts jointly with the client. At the same time, the Group also places its focus on the fields where business expansion can be expected in association with the structural changes in society and industries in Japan.

In the environment and energy area, the Group started new initiatives in the renewable energy field, such as the participation in an offshore wind power generation project, in addition to attracting corporate investment in energy saving projects utilizing subsidies. Additionally, the Group promoted initiatives to contribute to the local community, including support for the installation of air-conditioning equipment at education establishments run by local public agencies through leases. In the medical and healthcare area, the Group expanded its initiatives in the nursing care and healthcare field, which mainly included the financing of medical equipment such as the leasing of the latest surgery assistance robots, as well as initiatives for serviced housing for the elderly and equity investments in a healthcare real estate fund. In the real estate area, bridge scheme projects for REIT managed by leading business operators increased, while the Group continued to carry out joint real estate investments with clients and building leases for hotels in response to rising social needs. In the global area, the Group has been expanding transactions with non-Japanese companies through its overseas subsidiaries by strengthening transactions with good-standing companies including local conglomerates, cooperating with local partner companies, and providing local support for the sales expansion of the products and services of Japanese companies. Additionally, in January 2019, the Group made PT. VERENA MULTI FINANCE Tbk, an Indonesian company engaged in auto finance for retail clients, a consolidated subsidiary, and expanded its business domain in the focus area of Asia. In the aircraft business, the Group has been engaged in both loans collateralized by aircraft and aircraft engines and aircraft operating leasing. In aircraft operating leasing, in addition to initiatives by the subsidiary established jointly with Aircastle Limited, a leading US aircraft leasing company, the Group has started in-house operation of aircraft utilizing know-how acquired at the subsidiary.

As a result of these developments, the contract execution volume increased 15.9% year on year to ¥1,548,817 million, while operating assets increased 20.1% compared with the previous year to ¥2,021,368 million.

The financial results for each segment are as follows.
(Revenues indicate revenues to external customers.)

[Leasing and Installment Sales]

Revenues in leasing and installment sales decreased 5.2% year on year to ¥366,095 million partly due to the recording in the previous fiscal year of a series of sales of real estate for which the lease term had expired. Nevertheless, operating income increased 16.2% year on year to ¥18,046 million, mainly due to the growth of the global field.

Operating assets at the end of fiscal 2018 increased ¥183,923 million compared with the previous year to ¥1,306,106 million.

[Financing]

Revenues in financing increased 33.7% year on year to ¥16,724 million while operating income increased 20.4% year on year to ¥9,587 million, as the Group responded to diverse client needs including financing for clients' commercial distribution.

Operating assets at the end of fiscal 2018 increased ¥152,016 million compared with the previous year to ¥708,950 million.

[Other]

In the other segment, revenues increased 69.8% year on year to ¥2,073 million, while operating income increased 67.9% year on year to ¥660 million, mainly due to the increase in photovoltaic power sales.

Operating assets at the end of fiscal 2018 increased ¥2,422 million compared with the previous year to ¥6,311 million.

■ Contract Execution Volume

(Millions of yen)

	2014	2015	2016	2017	2018
Leasing and installment sales	456,381	465,505	475,661	430,482	549,418
Financing	486,752	599,847	616,366	901,485	996,700
Other	—	—	—	3,941	2,698
Total	943,134	1,065,352	1,092,027	1,335,909	1,548,817

■ Operating Assets

(Millions of yen)

	2014	2015	2016	2017	2018
Leasing and installment sales	1,032,603	1,105,808	1,088,139	1,122,183	1,306,106
Financing	399,695	475,216	520,579	556,933	708,950
Other	—	—	—	3,888	6,311
Total	1,432,299	1,581,025	1,608,718	1,683,005	2,021,368

2. Results of Operations and Financial Position

Revenues

Revenues decreased ¥14,844 million year on year to ¥384,893 million, partly due to the recording in the previous fiscal year of a series of sales of real estate for which the lease term had expired.

Gross profit and operating income

Cost of revenues decreased ¥20,775 million year on year to ¥340,765 million following a decrease in revenues. Of this amount, funding costs increased ¥1,507 million year on year to ¥8,467 million due to reasons such as an increase in foreign currency borrowing following the expansion of initiatives in the global business.

As a result of the above, gross profit increased ¥5,931 million year on year to ¥44,128 million.

Selling, general and administrative expenses increased ¥2,180 million year on year to ¥21,214 million. Of this amount, personnel and facilities costs increased ¥1,591 million year on year to ¥21,373 million. In addition, the provision of the allowance for doubtful accounts, etc. amounted to ¥(193) million, due to the reversal once again this year of a portion of the provision of allowance for doubtful receivables incurred in the previous fiscal year, despite the increase of ¥588 million of the provision of the allowance for doubtful accounts, etc. from the previous year.

As a result of the above, operating income increased ¥3,750 million year on year to ¥22,913 million.

Net income attributable to owners of the parent

As for extraordinary income and loss, extraordinary income was ¥950 million and extraordinary loss was ¥61 million, recording a net extraordinary income of ¥888 million.

The extraordinary income was partly due to the sales of investment securities and shares of equity-method affiliates. The extraordinary loss was partly due to the recording of a loss on devaluation of investment securities.

Income before income taxes increased ¥4,579 million year on year to ¥25,114 million.

Corporate taxes, current income taxes and deferred income taxes amounted to ¥7,909 million, while net income attributable to non-controlling interests was ¥611 million.

As a result of the above, net income attributable to owners of the parent increased ¥2,950 million year on year to ¥16,594 million.

Operating assets

The Group continued to focus its efforts on the initiatives for business strategies set out in the Fifth Mid-term Management Plan, carried out initiatives for new business strategies and focus areas that focused on the flows of purchase and product sales at clients, in line with the changes in the business models of corporations and the structural changes in society and industries, and further promoted the provision of services with the needs of its clients as the starting point. As a result, operating assets at the end of fiscal 2018 increased ¥338,362 million compared with the previous year to ¥2,021,368 million.

Total assets

Total assets at the end of fiscal 2018 also increased ¥340,590 million compared with the previous year to ¥2,161,872 million.

Interest-bearing debt

Interest-bearing debt at the end of fiscal 2018 increased ¥298,517 million compared with the previous year to ¥1,834,757 million following an increase in operating assets.

Equity

Total equity at the end of fiscal 2018 increased ¥27,527 million compared with the previous year to ¥182,159 million, as a result of a capital increase through third-party allotment to Mizuho Bank, Ltd. in March 2019, in addition to the income during the year.

Source of capital and liquidity of funds

In order to offer wide-ranging financial services to meet customer needs, the Group strives for funding that ensures stability and curtails costs. The Group also raises funds flexibly based on its annual cash plans and comprehensive asset liability management (ALM) policies that respond to fluctuations in the financial environment.

The Group's funds comprise long-term and short-term procurements using a combination of indirect funding via borrowing from financial institutions and direct funding from the market. At the end of fiscal 2018, indirect funding increased ¥83,943 million compared with the previous year to ¥1,003,565 million. Direct funding increased ¥214,573 million compared with the previous year to ¥831,192 million, partly due to the issuance of commercial paper and bonds.

In addition, the Group has concluded overdraft agreements and commitment line agreements in the total amount of ¥758,035 million with 58 financial institutions as of the end of fiscal 2018 with the aim of securing the liquidity of working capital and efficient fundraising. The unused balance under these agreements is ¥494,715 million, which ensures sufficient liquidity.

Status of cash flows

Net cash used in operating activities was ¥295,701 million partly due to an increase in operating assets.

Net cash used in investing activities was ¥7,945 million due to ongoing system investments and the acquisition of shares of MG Leasing Corporation in March 2019 in conjunction with the alliance with Marubeni Corporation in the lease financing business.

Net cash provided by financing activities as a whole was ¥299,546 million, with ¥72,756 million of cash inflow from indirect funding and ¥230,224 million of cash inflow from direct funding through a capital increase through third-party allotment to Mizuho Bank, Ltd., in addition to funding through the issuance of commercial paper and bonds.

As a result of the above activities, the balance of cash and cash equivalents as of the end of fiscal 2018 decreased ¥4,168 million compared with the previous year to ¥25,438 million.

Business Risks and Other Risks

The following factors constitute the principal business risks that have the potential to affect the business results, stock price and financial position of the Mizuho Leasing Group. Forward-looking statements contained herein represent the judgment of the Mizuho Leasing Group as of June 25, 2019.

1. Trends in Corporate Capital Investment and Investments in Leased Plant and Equipment

In Japan, lease transactions are widely used as a fund procurement technique when companies undertake capital investments.

Trends in the amount of corporate capital investment and in the amount of investment in leased plant and equipment tend to follow the same underlying pattern, and the amount of investment in leased plant and equipment may be affected by trends in corporate capital investment.

Trends in the amount of contracts executed by the Mizuho Leasing Group, the amount of corporate capital investment and the amount of investment in leased plant and equipment do not always coincide. However, any significant decrease in the amount of corporate capital investment and the amount of investment in leased plant and equipment may affect the future business performance of the Mizuho Leasing Group.

2. Interest Rate Fluctuation Risk and Effect of Changes in the Funding Environment

Although many leasing fees and installment payments are based on the interest rate levels prevalent at the time of agreements, and the majority is fixed revenue, interest-bearing debt includes debt with floating interest rates. Therefore, funding costs, which are part of the cost and expenses, fluctuate. As a result, interest rate fluctuations may affect the business performance of the Mizuho Leasing Group. Also, while it is possible to reduce the effects of interest rate fluctuations by raising the weight of interest-bearing debt with fixed interest rates, gross margins may contract since fixed-rate interest is generally higher than floating-rate interest. Accordingly, the weighting and component ratios of interest-bearing debt with fixed-rate interest and interest-bearing debt with floating-rate interest may affect the business performance of the Mizuho Leasing Group.

The Group uses derivative transactions to hedge the risk of such interest rate fluctuations. Specifically, we manage the matching ratio (setting the ratio of the portion of assets not subjected to interest rate fluctuation risk by allocating liabilities and derivatives with fixed-rate interest and floating-rate interest to assets with fixed-rate and floating-rate yields) through the use of asset liability management (ALM) techniques. Accordingly, with respect to transactions subject to interest rate fluctuations, fluctuations in market interest rates may affect the business performance of the Mizuho Leasing Group.

The Mizuho Leasing Group's fund procurement methods include commercial paper and other direct funding in addition to indirect funding. Therefore, changes in the funding environment may affect the procurement of funds.

3. Credit Risk

Lease transactions involve the provision of credit to customers in the form of leases over relatively long terms (averaging five years). The initial expected profit is secured by collecting the full amount of leasing fees from the customer. Therefore, the Mizuho Leasing Group assesses the appropriateness of entering into contracts by conducting strict credit checks of each customer, and by assessing the future second-hand value of leased equipment. We also strive to control and minimize credit risk within the operating assets portfolio through quantitative monitoring of credit risks. Moreover, in instances when a customer's credit status has deteriorated and non-payment of leasing fees, etc., occurs, we work to recover as much as possible of the outstanding amount through the sale or transfer of leased equipment to other customers.

Furthermore, from the perspective of credit risk management, we conduct self-assessments of assets in compliance with the Financial Inspection Manual of the Financial Services Agency, which is recommended by "Temporary treatment of accounting and auditing on the application of accounting standard for financial instruments in the leasing industry." (Report No. 19 of the Industry Auditing Committee of the Japanese Institute of Certified Public Accountants)

As a result, the portion of credit in "doubtful operating receivables and receivables, etc., equivalent to the foregoing" in fiscal 2018 was ¥8,406 million. The Group provides allowance against 100% of this amount and directly reduces the entire amount as the amount deemed uncollectible.

Nonetheless, depending upon future economic trends, new bad debts caused by the deterioration of the credit status of companies may affect the business performance of the Mizuho Leasing Group.

4. Risk of Changes to Regulatory Systems

The Mizuho Leasing Group provides comprehensive financial services, mainly leases, rentals, installment sales and loans, in accordance with current laws and regulations, tax systems and accounting standards. Significant changes to such regulatory systems and standards may affect the business performance of the Mizuho Leasing Group.

5. Other Risks

Other risks that may affect the business performance of the Mizuho Leasing Group include operational risk (including administrative risk (the risk of inappropriate processing of clerical work), systems risk (the risk of IT systems failure or incorrect operation), and compliance risk (the risk of illegal or antisocial activities)) and price fluctuation risk (the risk of the estimated residual value of operating leases falling below the originally anticipated level).

Consolidated Financial Statements

Consolidated Balance Sheet

Mizuho Leasing Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
ASSETS			
Current Assets:			
Cash and Cash Equivalents (Note 18)	¥ 25,438	¥ 29,607	$ 229,155
Marketable Securities (Notes 5 and 18)	—	520	—
Lease Receivables and Investments in Lease (Notes 6, 9, 17 and 18)	930,318	823,384	8,380,489
Receivables (Notes 6, 9, 18 and 25):			
Notes and Accounts	1,015	363	9,144
Lease	3,336	4,289	30,057
Installment Sales	147,979	138,851	1,333,031
Loans	235,279	230,405	2,119,442
Factoring	233,106	125,538	2,099,870
Other	750	4,130	6,756
Total Receivables	621,467	503,577	5,598,300
Operational Investment Securities (Notes 5, 6, 9, 18 and 23)	239,814	196,860	2,160,295
Prepaid Expenses and Other (Note 23)	51,121	50,760	460,515
Allowance for Doubtful Receivables	(1,555)	(2,265)	(14,010)
Total Current Assets	1,866,604	1,602,444	16,814,744
Property and Equipment:			
Leased Assets (Notes 3(1), 6, 7, 9 and 17)	229,817	160,100	2,070,240
Advances for Purchases of Leased Assets	6,042	5,858	54,429
Other Operating Assets (Notes 3(1) and 6)	6,311	3,888	56,853
Advances for Purchases of Other Operating Assets	—	1,873	—
Own-used Assets (Notes 3(1), 8 and 9)	3,360	2,992	30,276
Total Property and Equipment	245,531	174,714	2,211,798
Investments and Other Assets:			
Investment Securities (Notes 5, 9 and 18)	18,215	21,680	164,086
Investments in Unconsolidated Subsidiaries and Associated Companies	13,770	8,359	124,050
Long-term Receivables (Note 18)	3,432	2,440	30,918
Goodwill (Note 4(1))	528	133	4,759
Intangible Leased Assets (Note 6)	82	105	747
Deferred Tax Assets (Notes 2(s) and 12)	2,338	2,006	21,063
Asset for Employees' Retirement Benefits (Note 11)	11	—	106
Other	11,573	9,567	104,252
Allowance for Doubtful Receivables	(215)	(171)	(1,945)
Total Investments and Other Assets	49,736	44,123	448,036
Total Assets	¥ 2,161,872	¥ 1,821,282	$ 19,474,578

See accompanying Notes to Consolidated Financial Statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
LIABILITIES and EQUITY			
Current Liabilities:			
Short-term Borrowings (Notes 9, 10, 18 and 23)	¥ 994,386	¥ 788,165	$ 8,957,630
Current Portion of Long-term Debt (Notes 9, 10, 18 and 23)	197,959	202,054	1,783,258
Lease Payable (Notes 17 and 18)	8,010	7,251	72,160
Accounts Payable - trade (Notes 18 and 25)	56,040	54,383	504,828
Accrued Expenses (Note 23)	3,561	2,669	32,086
Income Taxes Payable	4,654	2,015	41,928
Deferred Profit on Installment Sales (Note 6)	2,091	258	18,840
Accruals for Debt Guarantees	31	27	284
Other	27,442	25,318	247,205
Total Current Liabilities	1,294,178	1,082,143	11,658,219
Long-term Liabilities:			
Long-term Debt (Notes 9, 10, 18 and 23)	642,411	546,020	5,786,973
Deposits Received	33,217	29,126	299,227
Liability for Employees' Retirement Benefits (Note 11)	2,461	2,410	22,172
Reserve for Management Board Benefit Trust (Note 2(aa))	144	—	1,297
Other	7,299	6,947	65,758
Total Long-term Liabilities	685,534	584,505	6,175,427
Commitments and Contingent Liabilities (Note 13)			
Equity: (Notes 2(aa), 14,21,23 and 24)			
Common Stock Authorized, 140,000,000 Shares; Issued, 49,004,000 Shares as of March 31, 2019 and 42,649,000 Shares as of March 31, 2018	26,088	17,874	235,006
Capital Surplus	23,941	16,070	215,670
Retained Earnings	118,219	105,148	1,064,942
Treasury Stock - at cost 147,127 shares as of March 31, 2019 and 583 shares as of March 31, 2018	(400)	(1)	(3,607)
Accumulated Other Comprehensive Income:			
Unrealized Gain on Available-for-sale Securities	6,755	9,047	60,851
Deferred (Loss) Gain on Derivatives under Hedge Accounting	(502)	141	(4,528)
Foreign Currency Translation Adjustments	(577)	621	(5,198)
Defined Retirement Benefit Plans	109	48	987
Total	173,633	148,951	1,564,123
Non-controlling Interests	8,526	5,681	76,809
Total Equity	182,159	154,632	1,640,932
Total Liabilities and Equity	¥ 2,161,872	¥ 1,821,282	$ 19,474,578

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Income

Mizuho Leasing Co., Ltd. and Consolidated Subsidiaries
For the year ended March 31, 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Revenues	¥ 384,893	¥ 399,738	$ 3,467,197
Cost and Expenses	340,765	361,541	3,069,681
Gross Profit	44,128	38,197	397,516
Selling, General and Administrative Expenses (Note 15)	21,214	19,034	191,108
Operating Income	22,913	19,162	206,408
Other Income (Expenses):			
Interest Income (Note 23)	5	2	46
Dividend Income	515	516	4,644
Equity in Earnings of Associated Companies	332	124	2,994
Profit from Investments (Note 23)	1,512	445	13,626
Interest Expenses (Note 23)	(526)	(308)	(4,744)
Foreign Exchange Loss (Note 3(2))	(109)	(31)	(982)
Bond Issuance Costs	(345)	(3)	(3,108)
Stock Issuance Costs	(143)	—	(1,297)
Gain on Sales of Investment Securities	908	586	8,180
Gain on Step Acquisition (Note 4(1))	42	—	384
Loss on Devaluation of Investment Securities	(53)	(16)	(481)
Loss on Impairment of Long-lived Assets (Note 8)	(8)	—	(76)
Other — net	71	56	645
Income before Income Taxes	25,114	20,535	226,239
Income Taxes: (Note 12)			
Current	7,581	5,380	68,300
Deferred	327	984	2,950
Total	7,909	6,365	71,250
Net Income	17,205	14,169	154,989
Net Income attributable to Non-controlling Interests	611	526	5,505
Net Income attributable to Owners of the Parent	¥ 16,594	¥ 13,643	$ 149,484

	Yen		U.S. dollars (Note 1)
	2019	2018	2019
Amounts per Share of Common Stock (Notes 2(x) and 24)			
Net Income attributable to Owners of the Parent per Share	¥ 388.64	¥ 319.91	$ 3.50
Cash Dividends applicable to the fiscal year	¥ 78.00	¥ 70.00	$ 0.70

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

Mizuho Leasing Co., Ltd. and Consolidated Subsidiaries
For the year ended March 31, 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Net Income	¥ 17,205	¥ 14,169	$ 154,989
Other Comprehensive (Loss) Income: (Note 20)			
Unrealized (Loss) Gain on Available-for-sale Securities	(2,295)	1,020	(20,675)
Deferred (Loss) Gain on Derivatives under Hedge Accounting	(647)	112	(5,833)
Foreign Currency Translation Adjustments	(1,223)	126	(11,024)
Defined Retirement Benefit Plans	64	169	583
Share of Other Comprehensive (Loss) Income in Associated Companies	(40)	97	(368)
Total Other Comprehensive (Loss) Income	(4,142)	1,525	(37,317)
Comprehensive Income	¥ 13,062	¥ 15,695	$ 117,672
Total Comprehensive Income attributable to:			
Owners of the Parent	¥ 12,519	¥ 15,210	$ 112,778
Non-controlling Interests	543	485	4,894

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

Mizuho Leasing Co., Ltd. and Consolidated Subsidiaries
For the year ended March 31, 2019

	Thousands	Millions of yen										
						Accumulated Other Comprehensive Income						
	Number of shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-sale Securities	Deferred (Loss) Gain on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Non-controlling Interests	Total Equity
Balance as of April 1, 2017	*42,648*	¥ 17,874	¥ 16,086	¥ 94,319	¥ (1)	¥ 8,036	¥ 24	¥ 348	¥ (116)	¥ 136,571	¥ 5,183	¥ 141,755
Net Income attributable to Owners of the Parent				13,643						13,643		13,643
Cash Dividends Paid				(2,814)						(2,814)		(2,814)
Purchase of Treasury Stock												
Issuance of New Stock												
Change in Scope of Application of Equity Method												
Change in an Interest in Subsidiary by Sales Transaction												
Change in an Interest in Subsidiary due to Transactions with Non-controlling Interests			(15)							(15)		(15)
Net change during year						1,011	117	273	164	1,566	497	2,064
Balance as of March 31, 2018	*42,648*	¥ 17,874	¥ 16,070	¥ 105,148	¥ (1)	¥ 9,047	¥ 141	¥ 621	¥ 48	¥ 148,951	¥ 5,681	¥ 154,632
Net Income attributable to Owners of the Parent				16,594						16,594		16,594
Cash Dividends Paid				(3,241)						(3,241)		(3,241)
Purchase of Treasury Stock (Note 21)					(399)					(399)		(399)
Issuance of New Stock (Note 21)	*6,208*	8,213	8,213							16,427		16,427
Change in Scope of Application of Equity Method				(282)						(282)		(282)
Change in an Interest in Subsidiary by Sales Transaction			(59)							(59)		(59)
Change in an Interest in Subsidiary due to Transactions with Non-controlling Interests			(283)							(283)		(283)
Net change during year						(2,292)	(644)	(1,198)	61	(4,074)	2,845	(1,229)
Balance as of March 31, 2019	*48,856*	¥ 26,088	¥ 23,941	¥ 118,219	¥ (400)	¥ 6,755	¥ (502)	¥ (577)	¥ 109	¥ 173,633	¥ 8,526	¥ 182,159

	Thousands of U.S. dollars (Note 1)										
					Accumulated Other Comprehensive Income						
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-sale Securities	Deferred (Loss) Gain on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Non-controlling Interests	Total Equity
Balance as of March 31, 2018	$ 161,014	$ 144,764	$ 947,199	$ (9)	$ 81,502	$ 1,278	$ 5,602	$ 435	$ 1,341,785	$ 51,176	$ 1,392,961
Net Income attributable to Owners of the Parent			149,484						149,484		149,484
Cash Dividends Paid			(29,198)						(29,198)		(29,198)
Purchase of Treasury Stock (Note 21)				(3,598)					(3,598)		(3,598)
Issuance of New Stock (Note 21)	73,992	73,992							147,984		147,984
Change in Scope of Application of Equity Method			(2,543)						(2,543)		(2,543)
Change in an Interest in Subsidiary by Sales Transaction		(535)							(535)		(535)
Change in an Interest in Subsidiary due to Transactions with Non-controlling Interests		(2,551)							(2,551)		(2,551)
Net change during year					(20,651)	(5,806)	(10,800)	552	(36,705)	25,633	(11,072)
Balance as of March 31, 2019	$ 235,006	$ 215,670	$ 1,064,942	$ (3,607)	$ 60,851	$ (4,528)	$ (5,198)	$ 987	$ 1,564,123	$ 76,809	$ 1,640,932

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows

Mizuho Leasing Co., Ltd. and Consolidated Subsidiaries
For the year ended March 31, 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Cash Flows from Operating Activities:			
Income before Income Taxes	¥ 25,114	¥ 20,535	$ 226,239
Adjustments for:			
Income Taxes Paid	(4,938)	(4,565)	(44,487)
Depreciation and Disposal of Fixed Assets	13,227	11,679	119,158
Equity in Earnings of Associated Companies	(332)	(124)	(2,994)
Profit from Investments	(1,512)	(445)	(13,626)
Loss on Impairment of Long-lived Assets	8	—	76
Decrease in Allowance for Doubtful Receivables	(1,022)	(1,037)	(9,208)
Increase (Decrease) in Accruals for Debt Guarantees	4	(40)	39
Gain on Sales of Marketable and Investment Securities	(908)	(586)	(8,180)
Loss on Devaluation of Marketable and Investment Securities	53	16	481
Change in assets and liabilities:			
Increase in Lease Receivables and Investments in Lease	(107,665)	(14,175)	(969,876)
Increase in Receivables	(105,120)	(14,931)	(946,947)
Increase in Operational Investment Securities	(43,330)	(24,366)	(390,331)
Decrease in Accounts Payable — trade	1,739	955	15,667
Gain on Step Acquisition	(42)	—	(384)
Purchases of Leased Assets	(120,504)	(92,767)	(1,085,525)
Proceeds from Sales of Leased Assets	38,874	57,834	350,186
Increase in Interest Payable	193	50	1,739
Other — net	10,461	7,773	94,235
Total Adjustments	(320,816)	(74,731)	(2,889,977)
Net Cash Used in by Operating Activities	(295,701)	(54,196)	(2,663,738)
Cash Flows from Investing Activities:			
Purchases of Own-used Assets	(3,368)	(1,637)	(30,340)
Purchases of Marketable and Investment Securities	(9,812)	(825)	(88,396)
Proceeds from Sales and Redemption of Marketable and Investment Securities	6,434	650	57,963
Purchase of Subsidiaries causing Changes in Scope of Consolidation (Note 22)	(711)	—	(6,408)
Other — net	(487)	(284)	(4,394)
Net Cash Used in Investing Activities	(7,945)	(2,096)	(71,575)
Cash Flows from Financing Activities:			
Net Increase in Short-term Borrowings	193,162	5,643	1,740,045
Proceeds from Long-term Debt	304,488	210,921	2,742,894
Repayments of Long-term Debt	(211,098)	(169,286)	(1,901,614)
Proceeds from Common Stock Issuance	16,427	—	147,984
Cash Dividends Paid	(3,241)	(2,814)	(29,198)
Other — net	(192)	(146)	(1,734)
Net Cash Provided by Financing Activities	299,546	44,317	2,698,377
Foreign Currency Translation Adjustments on Cash and Cash Equivalents	(68)	19	(619)
Net Increase in Cash and Cash Equivalents	(4,168)	(11,955)	(37,555)
Cash and Cash Equivalents at Beginning of Year	29,607	41,563	266,710
Cash and Cash Equivalents at End of Year	¥ 25,438	¥ 29,607	$ 229,155

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Mizuho Leasing Co., Ltd. (“MHLS”) and its consolidated subsidiaries (together with MHLS, “MHLS Group”) have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the company’s financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2018 consolidated financial statements to conform to the classifications used in 2019.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which MHLS is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥111.01 to US$1.00, the approximate rate of exchange at March 31, 2019. The translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate. The amounts indicated in millions of yen are rounded down by truncating the figures below one million. As a result, totals may not add up exactly.

2. Summary of Significant Accounting Policies

(a) Consolidation

The consolidated financial statements include the accounts of MHLS Group, which include IBJL-TOSHIBA Leasing Company, Limited, Dai-ichi Leasing Co., Ltd., Mizuho Auto Lease Company, Limited, ML Estate Company, Limited, IBJ Leasing (China) Ltd., PT. VERENA MULTI FINANCE Tbk, PT. IBJ VERENA FINANCE, IBJ Air Leasing Limited and IBJ Air Leasing (US) Corp.

The number of consolidated subsidiaries as of March 31, 2019 and 2018 was 32 and 26, respectively. The consolidated financial statements for the year ended March 31, 2019 newly include the accounts of PT. VERENA MULTI FINANCE Tbk, Aircraft MSN 7316 LLC and Aircraft MSN 7791 LLC, of which MHLS acquired shares, as well as the accounts of IBJL Aircraft Lotus Co., Limited, IBJL Aircraft Rafflesia Co., Limited, Aircraft MSN 33212 LLC and IBJ Air Leasing (Ireland) 2 Limited as they were newly incorporated. The accounts of IBJ Air Funding (US) LLC were excluded from the consolidated financial statements, as it was liquidated during the year.

The number of associated companies accounted for under the equity method as of March 31, 2019 and 2018 was 3. Investments in associated companies consist of MG Leasing Corporation, Krung Thai IBJ Leasing Co., Ltd. and PNB-IBJL Leasing and Finance Corporation.

Kaikias Leasing Co., Ltd. and 106 other subsidiaries are neither consolidated nor accounted for under the equity method, as they are acting as operators under Tokumei Kumiai agreements and the leased assets and liabilities do not substantially belong to the subsidiaries. Aries Line Shipping S.A. and 28 other subsidiaries are also not consolidated or accounted for under the equity method, as they are immaterial. IBJ ROYAL LINE S.A. and 1 associated company are not accounted for under the equity method, as they are immaterial.

Upon consolidation, significant intercompany accounts and transactions have been eliminated. In addition, all significant unrealized profit included in assets resulting from transactions within MHLS Group has also been eliminated.

The accounting standard for consolidated financial statements requires a company to consolidate all subsidiaries where the company controls the operations, irrespective of whether or not the company owns a majority of their shares. Control is considered to exist where the company has (a) the power to appoint or remove the majority of the Board of Directors or an equivalent governing body, and/or (b) the power to cast the majority of the votes at a meeting of the Board of Directors or an equivalent governing body.

The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition is recorded as Goodwill and is amortized on a straight-line basis over the estimated benefit period.

Implementation Guidance No. 15, “Implementation Guidance on Disclosures about Certain Special Purpose Entities,” issued by the Accounting Standards Board of Japan (“ASBJ”) permits companies to avoid consolidation of certain Special Purpose Entities (“SPEs”) that were established and are being operated for the purpose of securitization of receivables.

MHLS securitizes its lease receivables to diversify its funding sources and ensure stable funding. In the securitization structures, MHLS uses SPEs that include *Tokurei Yugen Kaisha* and *Kabushiki Kaisha*. MHLS transfers the lease receivables to the SPEs in the securitization structures. The SPEs procure funds, such as borrowings, backed by the transferred assets and these funds flow back to MHLS as sales proceeds of the transferred assets. MHLS also provides collection services to the SPEs. A portion of the receivables is not transferred and is held by MHLS. These receivables held by MHLS are properly evaluated at the end of the fiscal year, and these are appropriately reflected in the consolidated financial statements.

As a result of securitizations, MHLS had 20 SPEs that were not consolidated under Guidance No. 15 as of March 31, 2019 and 2018. Total assets (simply compiled amount) of such SPEs as of March 31, 2019 and 2018 were ¥124,429 million ($1,120,889 thousand) and ¥120,601 million, respectively. Total liabilities (simply compiled amount) of such SPEs as of March 31, 2019 and 2018 were ¥124,935 million ($1,125,444 thousand) and ¥121,161 million, respectively. MHLS owns no voting rights in most of the SPEs while some employees of MHLS serve as directors.

The total amount of Lease Receivables and Investments in Lease transferred from MHLS to such SPEs in 2019 and 2018 was ¥11,151 million ($104,940 thousand) and ¥2,109 million, respectively, with no gain/loss on the transfer of such receivables. MHLS holds subordinated interests of such transferred receivables of ¥212 million ($2,002 thousand) and ¥81 million in 2019 and 2018, respectively. MHLS recognized profit dividends of ¥173 million ($1,633 thousand) and ¥153 million, respectively, for the years ended March 31, 2019 and 2018, and servicing fees received of ¥1 million ($12 thousand) with respect to the transactions with such SPEs for both of the years ended March 31, 2019 and 2018. These amounts do not include transactions with SPEs that do not meet the criteria for off-balance-sheet transactions, because MHLS treats these asset transfer transactions to the SPEs as financial transactions.

(b) Business Combinations

Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. The acquirer recognizes any bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interests is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

(c) Cash Equivalents

Cash Equivalents are short-term investments that are readily convertible into cash and exposed to insignificant risk of changes in value. Cash Equivalents include time deposits, certificates of deposit, commercial paper and bond funds, all of which mature or become due within three months of the date of acquisition.

(d) Lease Accounting

In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions. As a lessor, all finance leases that are deemed to transfer ownership of the leased property to the lessee are recognized as Lease Receivables, and all finance leases that are deemed not to transfer ownership of the leased property to the lessee are recognized as Investments in Lease. All other leases are accounted for as operating leases.

As a lessee, all finance leases that are deemed to transfer ownership of the leased property to the lessee are capitalized.

(e) Installment Sales

For installment sales contracts, Installment Sales Receivables are recognized for the principal equivalent portion of the total contract amounts when properties are delivered. Interest equivalent amounts are recognized as Installment Sales when the related installment receivables become due.

For sales-type contracts, Installment Sales and the corresponding Installment Cost of Sales are fully recognized when the property is sold. Interest equivalent amounts applicable to the portion to be collected are deferred and recorded as Deferred Profit on Installment Sales.

(f) Marketable Securities, Operational Investment Securities and Investment Securities

Marketable Securities, Operational Investment Securities and Investment Securities are classified as Available-for-sale Securities based upon management's intent. Available-for-sale Securities, which have a readily determinable fair value, are stated at fair value with changes in net unrealized gain or loss, net of applicable income taxes, included directly in Equity (cost of securities sold is calculated by the moving average method). Available-for-sale Securities, which do not have readily determinable fair value, are stated at cost.

Operational Investment Securities is held for the purpose of generating operational financial income. The income from Operational Investment Securities is stated in Revenues in the Consolidated Statement of Income.

(g) Loans Receivables and Factoring Receivables

Loans to customers and receivables arising from factoring are included in Loans Receivables and Factoring Receivables, respectively. Income from these receivables is recognized as Revenues.

(h) Property and Equipment

1. Leased Assets
   Leased Property and Equipment are stated at cost and depreciated over the lease term by the straight-line method to the residual value, which is an amount to be realized at the time when the lease contract is terminated.
2. Other Operating Assets
   Other Operating Assets are stated at cost and depreciated over the estimated useful lives by the straight-line method.
3. Own-used Assets
   Own-used Assets of MHLS and its domestic consolidated subsidiaries are stated at cost and depreciated over the following estimated useful lives mainly by the declining-balance method:

Buildings	3-65 years
Fixtures and furniture	2-20 years

(i) Long-lived Assets

MHLS Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

(j) Intangible Assets

1. Leased Assets
   Intangible Leased Assets are accounted for in the same way as Leased Property and Equipment.
2. Own-used Software
   Own-used Software is amortized over the internally estimated useful lives (5 years) by the straight-line method.
3. Other Intangible Assets
   Other Intangible Assets are stated at cost. Amortization of intangible assets by MHLS and its domestic consolidated subsidiaries is mainly computed by the straight-line method over the estimated useful lives.

(k) Stock Issue Costs and Bond Issue Costs

Costs for stock issuance and bond issuance are expensed upon payment.

(l) Allowance for Doubtful Receivables

Allowance for Doubtful Receivables is provided based on the estimated historical default rate for general trade receivables, and is based on individual reviews for receivables from doubtful and legally bankrupt creditors.

The amounts of Long-term Receivables considered uncollectible, which include receivables from legally bankrupt creditors, were directly written-off. The amounts directly written-off were ¥8,406 million ($75,728 thousand) and ¥8,400 million at March 31, 2019 and 2018, respectively.

(m) Reserve for Bonus Payments

MHLS and certain domestic consolidated subsidiaries provide a reserve for future bonus payments to employees. This reserve is maintained at the estimated amount payable after the year-end, based on the services provided during the fiscal year.

(n) Reserve for Bonus Payments to Directors

MHLS and certain domestic consolidated subsidiaries provide a reserve for future bonus payments to executive officers. This reserve is maintained at the estimated amount payable for the fiscal year.

(o) Retirement and Pension Plans

MHLS and certain consolidated subsidiaries have a corporate pension plan and/or lump-sum severance payment plan as a defined benefit retirement benefits plan as well as a corporate retirement plan as a defined contribution retirement benefits plan. There are some cases in which extra retirement benefits are paid to employees when they retire.

MHLS and certain consolidated subsidiaries account for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects and are recognized in profit or loss over 10 to 15 years no longer than the expected average remaining service period of the employees. The discount rate is determined using a single weighted-average discount rate reflecting the estimated timing and amount of benefit payment.

(p) Reserve for Management Board Benefit Trust

Reserve for Management Board Benefit Trust is provided for the payment of MHLS's shares, etc. to executive officers based on the estimated amount of stock benefit obligations at the end of the fiscal year.

(q) Asset Retirement Obligations

An asset retirement obligation is recorded for a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

(r) Accruals for Debt Guarantees

MHLS and certain domestic consolidated subsidiaries provide Accruals for Debt Guarantees for losses that might occur in relation to guarantees of the indebtedness of others, taking the debtors' financial condition into consideration.

(s) Income Taxes

MHLS and its domestic consolidated subsidiaries are subject to corporate tax, inhabitants' taxes and enterprise taxes. Deferred income taxes are recorded by the asset and liability method based on the differences between the tax bases of assets and liabilities and those as reported in the consolidated financial statements, using enacted tax rates that will be in effect when the differences are expected to reverse.

On February 16, 2018, the ASBJ issued ASBJ Statement No. 28, "Partial Amendments to Accounting Standard for Tax Effect Accounting," which requires deferred tax assets and deferred tax liabilities to be classified as investments and other assets and long-term liabilities, respectively. Deferred tax assets were previously classified as current assets and investments and other assets, and deferred tax liabilities were previously classified as current liabilities and long-term liabilities under the previous accounting standard. The revised accounting standard is effective for annual periods beginning on or after April 1, 2018.

The Company retrospectively applied the revised accounting standard effective April 1, 2018, and deferred tax assets of ¥1,595 million ($14,369 thousand), which were previously classified as Current Assets as of March 31, 2018, have been reclassified as Investments and Other Assets in the accompanying consolidated balance sheet. As a result of this change, the amount of Deferred Tax Assets in Investments and Other Assets as of March 31, 2018 was restated as ¥2,006 million ($18,076 thousand) from ¥631 million ($5,687 thousand). The restated amount of Deferred Tax Assets includes ¥1,595 million ($14,369 thousand) of Current Assets, and offset by ¥219 million ($1,980 thousand) of Long-term Liabilities. As a result, Total Assets decreased by ¥219 million ($1,980 thousand) compared with the numbers before restatement.

(t) Recognition of Revenues and Cost of Sales

Revenues and cost of sales relating to finance lease transactions are recognized when lease payments are received.

(u) Translation of Foreign Currency Assets and Liabilities

1. Translation of foreign currency transactions
   All monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the Consolidated Statement of Income as income or expenses.
   Revenue and expense items arising from transactions denominated in foreign currencies are generally translated into Japanese yen at the rates effective at the respective transaction dates.
2. Translation of foreign currency financial statements
   The assets, liabilities, revenues and expenses of overseas consolidated subsidiaries are translated into Japanese yen at the exchange rates at the balance sheet dates of each subsidiary. Differences arising from such translation are shown in either Non-controlling Interests or Foreign Currency Translation Adjustments under Accumulated Other Comprehensive Income in a separate component of Equity.

(v) Derivatives and Hedging Activities

MHLS Group uses derivative financial instruments to manage its exposures to fluctuations in foreign currency exchange and interest rates. Interest rate swaps are utilized to manage interest rate risks associated with certain assets and liabilities, including Loans Receivables and Long-term Debt. Short-term Borrowings is utilized to reduce risks from fluctuations of foreign currency exchange rates associated with certain assets including Operational Marketable Securities. Interest rate and currency swaps are utilized to manage interest rate risks as well as foreign currency risks. MHLS Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the Consolidated Statement of Income and b) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense.

(w) Consumption Taxes

MHLS and its domestic consolidated subsidiaries are subject to Japanese consumption taxes. Japanese consumption taxes are excluded from the transaction amounts.

(x) Per Share Information

Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits. Cash dividends per share shown in the Consolidated Statement of Income are the amounts applicable to the respective fiscal years including dividends to be paid after the end of the year.

(y) Accounting Changes and Error Corrections

Under ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections," and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections," accounting treatments are required as follows: (1) Changes in Accounting Policies - When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions in which case the entity shall comply with the specific transitional provisions. (2) Changes in Presentation - When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates - A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior-Period Errors - When an error in prior-period financial statements is discovered, those statements are restated.

(z) New Accounting Pronouncement

Revenue Recognition—On March 30, 2018, the ASBJ issued ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition," and ASBJ Guidance No. 30, "Implementation Guidance on Accounting Standard for Revenue Recognition.

In May 2014, the International Accounting Standard Board ("IASB") and the Financial Accounting Standards Board ("FASB") issued "Revenue from Contracts with Customers", i.e., IFRS 15 from IASB and Topic 606 from FASB. They are comprehensive accounting standards for revenue recognition as a consequence of the cooperative development project by the two boards.

ASBJ developed a comprehensive accounting standard for revenue recognition and published it in conjunction with the Implementation Guidance in the light of the circumstances where IFRS 15 will be applied from the fiscal year starting on and after January 1, 2018, and Topic 606 will be applied from the fiscal year starting on or after December 15, 2017.

The basic policy of the ASBJ in developing the accounting standard for revenue recognition is, first, to take in the basic principles of IFRS 15 to be consistent with it and keep comparability. If there are practices that are prevailing in Japan and need to be treated differently, then, the ASBJ develops an alternative accounting treatment to the extent it does not harm the comparability of the other accounting standard.

MHLS Group expects to apply the accounting standard and guidance for the fiscal year beginning on or after April 1, 2021, and is in the process of measuring the effects of applying the accounting standard and guidance in future applicable periods.

(aa) Additional Information

Management Board Benefit Trust system (the "BBT")

MHLS has introduced a performance-linked stock compensation system (the "Stock Compensation System") for directors (excluding a chairperson and outside directors) and executive officers who are not concurrently serving as director (directors and executive officers are collectively referred to as "Directors, etc."). The Stock Compensation System contributes to the improvement of medium- and long-term performance and increase in corporate value, and as a result, aims to share with shareholders the sense of increasing stock value, by clarifying the link between compensation for Directors, etc., and MHLS's performance and stock value.

(1) Outline of Stock Compensation System

The Stock Compensation System is a performance-linked stock-based system where MHLS shares are acquired through a trust by fund contributed by MHLS, and MHLS shares and/or the money equivalent to the market value of MHLS shares (the "MHLS Stock, etc.") are paid to Directors, etc., through trusts in accordance with MHLS's executive share benefit rules. Directors, etc., receive MHLS Stock, etc., at a certain time after the end of each medium-term management plan period or after their retirement.

(2) Shares of the Company held in trust

Shares of MHLS held in trust are recorded as Treasury Stock in Equity at book value in the trust (excluding accompanying expenses). The carrying amount of such Treasury Stock for the year ended March 31, 2019 was ¥399 million ($3,597 thousand), while the number of such treasury stock was 146,500 shares.

3. Change in Presentation

(1) Property and Equipment

On and prior to the years ended March 31, 2018, the depreciable assets in Property and Equipment section of the Consolidated Balance sheet, namely, Leased Assets, Other Operating Assets and Own-used Assets were presented by subtracting the accumulated depreciation amount from the acquisition cost. From the year ended March 31, 2019, such amounts are presented only net amounts in the Consolidated Balance sheet and the numbers for the year ended March 31, 2018 are restated.

The acquisition cost and the accumulated depreciation of Leased Assets as of March 31, 2019 and 2018 were ¥317,103 million ($2,856,532 thousand) and ¥87,286 million ($786,292 thousand), ¥251,467 million and ¥91,366 million, respectively. The acquisition cost and the accumulated depreciation of Other Operating Assets as of March 31, 2019 and 2018 were ¥6,630 million ($59,732 thousand) and ¥319million ($2,879 thousand), ¥3,941 million and ¥52 million, respectively. The acquisition cost and the accumulated depreciation of Own-used Assets as of March 31, 2019 and 2018 are ¥6,987 million ($62,945 thousand) and ¥3,626 million ($32,669 thousand), ¥6,315 and ¥3,322 million, respectively.

(2) Foreign Exchange Loss

Prior to April 1, 2018, Foreign Exchange Loss was included in "Other—net" in the Other Income (Expenses) section in the Consolidated Statement of Income. Since this fiscal year ended March 31, 2019, such amount is disclosed separately as the amount increased significantly. The amount of "Other—net" of ¥57 million in the Other Income (Expenses) section for the year ended March 31, 2018, was restated as Foreign Exchange Loss of ¥31 million and Other—net of ¥26 million.

4. Business Combination

(1) Business combination by acquisition

(a) Outline of the business combination:

(i) Name and business of the acquired company

Name of the acquired company:

PT. VERENA MULTI FINANCE Tbk("VMF")

The description of the business:

Auto finance business

(ii) Reason for the implementation of business combination:

MHLS established PT. IBJ VERENA FINANCE, an Indonesian company, in a joint venture with VMF in August 2010, and provided financial services to Japanese companies expanding into Indonesia, local state-owned companies and large private companies, etc.

VMF is a listed company on the Indonesian Stock Exchange, with Indonesia's leading commercial bank PT Bank Pan Indonesia Tbk. as the largest shareholder. VMF is developing an auto finance business centered on retail in major cities in Indonesia.

Indonesia, which boasts the largest economic scale of ASEAN, has a population of 260 million,and the car penetration rate has been rising along with the expansion of the middle income class, and development and expansion of the car market is expected in the future.

The acquisition of VMF shares is intended to expand the business area in the Asian region in which MHLS Group is focusing.

(iii) Effective date of the business combination:

January 23, 2019

(iv) Legal form of the business combination:

Acquisition of shares in consideration for cash

(v) Company name after the business combination:

It will not change.

(vi) Ratio of voting rights acquired:

Ratio of voting rights before the date of the business combination	19.99%
Ratio of voting rights additionally acquired on the date of the business combination	43.64%
Ratio of voting rights additionally acquired after the date of the business combination	3.81%
Ratio of voting rights after the acquisitions	67.44%

(vii) Reason for determining the acquiring company:

It is based on the fact that MHLS acquired the shares with cash consideration.

(b) Period for which the operations of the acquired company are included in the consolidated financial statements

As the deemed acquisition date is set to the end of the fiscal year, the results of VMF are not included in the consolidated statement of income for the year ended March 31, 2019.

(c) Acquisition cost of the acquired company and its breakdown

	Millions of yen	Thousands of U.S. dollars
	2019	2019
The market value of VMF share held before the date of business combination	¥ 517	$ 4,659
Consideration in cash for the acquisition of additional shares	3,580	32,253
Total	¥ 4,097	$ 36,912

(d) Main acquisition-related costs

Advisory fee ¥236 million ($2,130 thousand)

(e) Difference between "acquisition cost of the acquired company" and "total transaction costs that resulted in the acquisition"

Gain on step acquisition ¥42 million ($384 thousand)

(f) Amount and cause of goodwill, and amortization method and period

Amount of goodwill	¥429 million ($3,868 thousand)
Cause of goodwill	As the acquisition costs exceed the fair value of the net assets acquired at the time of the business combination, the difference is recognized as goodwill.
Amortization method and period	Amortized on a straight-line method over four years

(g) Assets accepted and liabilities assumed at the date of the business combination and their main components

	Millions of yen	Thousands of U.S. dollars
	2019	2019
Current Assets	¥ 15,486	$ 139,508
Non-Current Assets	1,910	17,214
Total Assets	17,397	156,722
Current Liabilities	10,125	91,209
Long-term Liabilities	1,770	15,947
Total Liabilities	¥ 11,895	$ 107,156

(2) Transactions under common control, etc.

(a) Outline of the transactions:

(i) Name of the business involved and the description of the business:

The name of the business involved:

Real estate leasing (operating leasing) business of MHLS

The description of the business:

Real estate leasing (operating leasing) business

(ii) Effective date of the business combination:

March 29, 2019

(iii) Legal form of the business combination:

An absorption-type corporate split, with MHLS, as the splitting company and ML Estate Company, Limited as the absorbing company

(iv) Company name after the business combination:

It will not change.

(v) Supplemental outline of the transaction:

MHLS has entered into a capital and business alliance agreement with Mizuho Bank, Ltd., a consolidated subsidiary of Mizuho Financial Group, Inc. ("MHFG"), and implemented a third-party allotment of capital for the purpose of making MHLS an equity-method affiliate of MHFG. The alliance agreement is aimed at further expanding the business as competition intensifies inside and outside the leasing industry, and moves to restructure the industry.

(b) Accounting treatment applied for this business combination

This business combination was accounted for as transactions under common control in accordance with "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013) and "Guidance for Business Combinations and Business Divestitures" (ASBJ Statement No. 10,September 13, 2013).

5. Marketable Securities, Operational Investment Securities and Investment Securities

(1) Available-for-sale Securities whose fair values are readily determinable as of March 31, 2019 and 2018 were as follows:

Available-for-sale Securities

Securities with carrying amounts exceeding acquisition costs

	Millions of yen					
	2019			2018		
	Carrying amount	Acquisition cost	Unrealized gain	Carrying amount	Acquisition cost	Unrealized gain
Equity Securities Bonds	¥ 17,893	¥ 11,805	¥ 6,088	¥ 20,612	¥ 11,812	¥ 8,800
National and Local Government Bonds	2,003	2,000	3	4,024	4,000	24
Corporate Bonds	130,250	126,281	3,969	104,485	100,061	4,424
Other	7,958	7,739	218	5,754	5,590	163
Total	¥ 158,105	¥ 147,826	¥ 10,279	¥ 134,877	¥ 121,464	¥ 13,412

	Thousands of U.S. dollars		
	2019		
	Carrying amount	Acquisition cost	Unrealized gain
Equity Securities Bonds	$ 161,186	$ 106,344	$ 54,842
National and Local Government Bonds	18,045	18,016	29
Corporate Bonds	1,173,326	1,137,567	35,759
Other	71,689	69,722	1,967
Total	$ 1,424,246	$ 1,331,649	$ 92,597

Securities with carrying amounts not exceeding acquisition costs

	Millions of yen					
	2019			2018		
	Carrying amount	Acquisition cost	Unrealized loss	Carrying amount	Acquisition cost	Unrealized loss
Equity Securities Bonds	¥ 630	¥ 996	¥ (366)	¥ 752	¥ 857	¥ (105)
Corporate Bonds	—	—	—	1,494	1,500	(5)
Other	9,239	9,422	(182)	6,129	6,393	(263)
Total	¥ 9,870	¥ 10,419	¥ (549)	¥ 8,376	¥ 8,751	¥ (375)

	Thousands of U.S. dollars		
	2019		
	Carrying amount	Acquisition cost	Unrealized loss
Equity Securities Bonds	$ 5,675	$ 8,978	$ (3,303)
Corporate Bonds	—	—	—
Other	83,236	84,883	(1,647)
Total	$ 88,911	$ 93,861	$ (4,950)

(2) Proceeds from sales of Available-for-sale Securities for the years ended March 31, 2019 and 2018 were ¥6,499 million ($58,546 thousand) and ¥1,165 million, respectively. Gross realized gains on these sales were ¥1,071 million ($9,648 thousand) and ¥600 million for the years ended March 31, 2019 and 2018, respectively.

(3) MHLS Group recorded impairment losses on investment securities of ¥53 million ($481 thousand) and ¥16 million for the years ended March 31, 2019 and 2018, respectively.

6. Operating Assets

(1) Operating Assets as of March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Leasing and Installment Sales:			
Finance Lease	¥ 930,318	¥ 823,384	$ 8,380,489
Operating Lease	229,900	160,206	2,070,987
Installment Sales (*1)	145,888	138,592	1,314,191
Leasing and Installment Sales total	1,306,106	1,122,183	11,765,667
Finance	708,950	556,933	6,386,363
Other	6,311	3,888	56,853
Total Operating Assets	¥ 2,021,368	¥ 1,683,005	$ 18,208,883

(*1) The amount of Installment Sales represents "Installment Sales Receivables" less "Deferred Profit on Installment Sales".

(2) The total amounts of new contracts for the years ended March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Leasing and Installment Sales:			
Finance Lease	¥ 374,218	¥ 283,525	$ 3,371,038
Operating Lease	120,314	87,285	1,083,816
Installment Sales (*1)	54,885	59,671	494,417
Leasing and Installment Sales total	549,418	430,482	4,949,271
Finance	996,700	901,485	8,978,477
Other	2,698	3,941	24,305
Total	¥ 1,548,817	¥ 1,335,909	$ 13,952,053

(*1) The amount of Installment Sales represents "Installment Sales Receivables" less "Deferred Profit on Installment Sales".

7. Investment Property

Certain domestic consolidated subsidiaries own certain rental properties such as commercial facilities with land in Tokyo and other areas. Net rental income for these rental properties for the years ended March 31, 2019 and 2018 was ¥4,676 million ($42,123 thousand) and ¥2,755 million, respectively. Rental income and operating expenses are mainly recognized as "Revenues" and "Cost and Expenses", respectively.

Gain on sales of rental properties for the years ended March 31, 2019 and 2018 was ¥165 million ($1,491 thousand) and ¥564 million, respectively. Proceeds from sales of rental properties and costs are recognized as "Revenues" and "Cost and Expenses", respectively, otherwise net gain on sales is recognized as "Other Income (Expense)".

The carrying amounts, changes in such balances and market prices of such properties are as follows:

Millions of yen			
Carrying Amount			Fair Value
April 1, 2018	Increase	March 31, 2019	March 31, 2019
¥ 112,432	¥ 56,237	¥ 168,670	¥ 179,301

Millions of yen			
Carrying Amount			Fair Value
April 1, 2017	Increase	March 31, 2018	March 31, 2018
¥ 95,653	¥ 16,779	¥ 112,432	¥ 118,507

Thousands of U.S. dollars			
Carrying Amount			Fair Value
April 1, 2018	Increase	March 31, 2019	March 31, 2019
$ 1,012,813	$ 506,602	$ 1,519,415	$ 1,615,185

(*1) Carrying amount recognized in the Consolidated Balance Sheets is net of accumulated depreciation.
(*2) "Increase" for the years ended March 31, 2019 and 2018 primarily represents the acquisition of certain properties for ¥95,602 million ($861,203 thousand) and ¥74,667 million, respectively.
(*3) Fair values of properties are mainly determined by appraisal reports issued by real estate appraisers.

8. Long-lived Assets

MHLS Group reviewed its long-lived assets for impairment as of March 31, 2019. As a result, certain consolidated subsidiaries recognized an impairment loss aggregating ¥8 million ($76 thousand) as Other Expenses.

Impairment loss was recognized for certain software due to the replacement of the core system. The carrying amounts of such assets were written down to the recoverable amount for the year ended March 31, 2019. The recoverable amounts are estimated based on the value in use, but they were evaluated as zero because no future cash flow is expected. There was no impairment loss in 2018.

9. Pledged Assets

Assets pledged as collateral as of March 31, 2019 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2019	2019
Lease Receivables and Investments in Lease	¥ 13,835	$ 124,637
Installment Sales Receivable	7,926	71,405
Loans Receivables	6,470	58,292
Operational Investment Securities	24,541	221,075
Leased Assets	15,580	140,352
Own-used Assets	100	909
Investment Securities	8	75
Total	¥ 68,464	$ 616,745

Liabilities secured by the above assets as of March 31, 2019 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2019	2019
Short-term Borrowings	¥ 25,966	$ 233,911
Current Portion of Long-term Debt	4,659	41,970
Long-term Debt	28,282	254,778
Total	¥ 58,908	$ 530,659

10. Short-term Borrowings and Long-term Debt

(1) "Short-term Borrowings" as of March 31, 2019 and 2018 was as follows:

	Millions of yen		Thousands of U.S. dollars	Weighted average interest rate
	2019	2018	2019	2019
Short-term Borrowings				
Short-term Borrowings from banks and other financial institutions	¥ 302,209	¥ 270,743	$ 2,722,364	1.09%
Commercial Paper	609,800	453,800	5,493,199	0.03%
Payables under securitized lease receivables	82,376	63,621	742,067	0.12%
Total	¥ 994,386	¥ 788,165	$ 8,957,630	
Current Portion of Long-term Debt				
Bonds payable, Japanese Yen	¥ 20,000	¥ 20,000	$ 180,164	0.151~0.534%
Bonds payable, Indonesian Rupiah	777	—	7,002	10.000%
Long-term Debt from banks and other financial institutions	177,182	182,054	1,596,092	0.74%
Total	¥ 197,959	¥ 202,054	$ 1,783,258	

(2) "Long-term Debt" as of March 31, 2019 and 2018 was as follows:

	Millions of yen		Thousands of U.S. dollars	Weighted average interest rate
	2019	2018	2019	2019
Long-term Debt				
Bonds payable	¥ 85,000	¥ 38,000	$ 765,697	0.151~0.534%
Long-term Debt from banks and other financial institutions	524,173	466,824	4,721,859	0.92%
Payables under securitized lease receivables	33,238	41,196	299,417	0.28%
Total	¥ 642,411	¥ 546,020	$ 5,786,973	

(*1) MHLS Group has entered into overdraft contracts with 58 and 63 financial institutions that provide MHLS Group with credit facilities amounting to ¥758,035 million ($6,828,529 thousand) and ¥928,137 million as of March 31, 2019 and 2018, respectively. The unused facilities maintained by MHLS Group as of March 31, 2019 and 2018 amounted to ¥494,715 million ($4,456,492 thousand) and ¥676,567 million, respectively.
(*2) "Payables under securitized lease receivables" is a type of financing based on the law for the regulation of specific claims. The lease receivables sold under this law as of March 31, 2019 and 2018 were ¥142,889 million ($1,287,179 thousand) and ¥126,554 million, respectively.
(*3) The aggregate annual maturities of "Long-term Debt" as of March 31, 2019 were as follows:

	Millions of yen	Thousands of U.S. dollars
Years Ending March 31	2019	2019
2021	¥ 160,632	$ 1,447,012
2022	157,575	1,419,464
2023	85,173	767,258
2024	94,569	851,900
2025 and thereafter	144,461	1,301,339
Total	¥ 642,411	$ 5,786,973

11. Retirement and Pension Plans

Outline of plans

MHLS and certain consolidated subsidiaries have a corporate pension plan and/or lump-sum severance payment plan as a defined benefit retirement benefits plan as well as a corporate retirement plan as a defined contribution retirement benefits plan. There are some cases in which extra retirement benefits are paid to employees when they retire.

Defined benefit plan

(1) The changes in defined benefit obligation for the years ended March 31, 2019 and 2018, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Balance at beginning of year	¥ 6,505	¥ 6,364	$ 58,606
Current service cost	365	362	3,296
Interest cost	25	25	233
Actuarial gains	(86)	(33)	(777)
Benefits paid	(255)	(212)	(2,301)
Balance at end of year	¥ 6,555	¥ 6,505	$ 59,057

(*1) Certain consolidated subsidiaries that have lump-sum severance payment plans use the simplified method in determining the projected benefit obligations.

(2) The changes in plan assets for the years ended March 31, 2019 and 2018, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Balance at beginning of year	¥ 4,095	¥ 3,831	$ 36,889
Expected return on plan assets	22	34	207
Actuarial gains	4	201	37
Contributions from the employer	181	177	1,630
Benefits paid	(196)	(148)	(1,773)
Balance at end of year	¥ 4,106	¥ 4,095	$ 36,990

(3) Reconciliation between the liability recorded in the Consolidated Balance Sheet and the balances of defined benefit obligation and plan assets as of March 31, 2019 and 2018 :

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Defined benefit obligation	¥ 4,094	¥ 4,113	$ 36,884
Plan assets	(4,106)	(4,095)	(36,990)
Total	(11)	18	(106)
Unfunded defined benefit obligation	2,461	2,392	22,172
Net liability arising from defined benefit obligation	¥ 2,449	¥ 2,410	$ 22,066

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Asset for employees' retirement benefits	¥ (11)	¥ —	$ (106)
Liability for employees' retirement benefits	2,461	2,410	22,172
Net liability arising from defined benefit obligation	¥ 2,449	¥ 2,410	$ 22,066

(4) The components of net periodic benefit costs for the years ended March 31, 2019 and 2018, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Service cost	¥ 365	¥ 362	$ 3,296
Interest cost	25	25	233
Expected return on plan assets	(22)	(34)	(207)
Recognized actuarial losses	1	9	14
Net periodic benefit costs	¥ 370	¥ 362	$ 3,336

(*1) Service cost includes retirement benefits expenses of certain consolidated subsidiaries that use the simplified method.

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2019 and 2018, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Actuarial gains	¥ 93	¥ 243	$ 841
Total	¥ 93	¥ 243	$ 841

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2019 and 2018, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Unrecognized actuarial gains (losses)	¥ 142	¥ 49	$ 1,284
Total	¥ 142	¥ 49	$ 1,284

(7) Plan assets as of March 31, 2019 and 2018:

a. Components of plan assets

Plan assets consisted of the following:

	2019	2018
Domestic debt investments	19.6%	18.4%
Domestic equity investments	21.8	23.7
Foreign debt investments	7.4	7.6
Foreign equity investments	20.0	19.4
Insurance assets (general account)	28.4	28.1
Others	2.8	2.8
Total	100.0%	100.0%

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return that are expected currently and in the future from the various components of the plan assets.

(8) Assumptions used for the years ended March 31, 2019 and 2018, are set forth as follows:

	2019	2018
Discount rate	0.30 - 0.47%	0.30 - 0.47%
Expected rate of return on plan assets	0.56%	0.89%
Expected rate of future salary increases	4.38 - 9.27%	4.01 - 9.27%

Defined contribution plan

MHLS Group's contributions to the defined contribution retirement plan for the years ended March 31, 2019 and 2018, were ¥61 million ($550 thousand) and ¥59 million, respectively.

12. Income Taxes

MHLS and certain consolidated subsidiaries are subject to a number of taxes based on income, which, in the aggregate, resulted in a normal effective statutory tax rate in Japan of approximately 30.6% for the years ended March 31, 2019 and 2018.

Deferred Tax Assets and Liabilities consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Deferred Tax Assets:			
Allowance for Doubtful Receivables	¥ 810	¥1,194	$ 7,300
Depreciation	597	550	5,383
Liability for Employees' Retirement Benefits	364	435	3,286
Write-off of Securities	163	213	1,474
Accrued Enterprise Tax	336	169	3,031
Other	3,838	3,568	34,581
Deferred Tax Assets Subtotal	6,111	6,131	55,055
Valuation Allowance	(328)	(332)	(2,959)
Total Deferred Tax Assets	5,783	5,799	52,096
Deferred Tax Liabilities:			
Net unrealized gain on Available-for-sale Securities	(2,925)	(3,938)	(26,358)
Investments in Lease	(156)	(192)	(1,406)
Other	(458)	(422)	(4,128)
Total Deferred Tax Liabilities	(3,540)	(4,553)	(31,892)
Net Deferred Tax Assets	¥2,242	¥1,245	$ 20,204

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the years ended March 31, 2019 and 2018 is not presented as the difference is less than 5% of the effective statutory tax rate.

13. Commitments and Contingent Liabilities

(1) Commitments

MHLS had loan commitment agreements as of March 31, 2019 and 2018 of ¥7,620 million ($68,647 thousand) and ¥6,063 million, respectively. The loans provided under these credit facilities as of March 31, 2019 and 2018 amounted to ¥6,674 million ($60,121 thousand) and ¥4,947 million, respectively. Many of these facilities expire without being utilized and the related borrowings are subject to periodic reviews of the borrowers' credibility. Any unused amount will not necessarily be utilized in full.

(2) Contingent Liabilities

Contingent Liabilities as of March 31, 2019 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2019	2019
Guarantee Obligations with respect to operating activities (*1)	¥ 11,221	$ 101,082
Other Guarantee Obligations	15,933	143,532
Total	¥ 27,154	$ 244,614

(*1) The amount includes bank loans and trade receivables provided by Mizuho Bank, Ltd. and others, which are guaranteed by MHLS.

14. Equity

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividends upon resolution at the shareholders meeting. Additionally, for companies that meet certain criteria such as (1) having a Board of Directors, (2) having independent auditors, (3) having a Board of Audit & Supervisory Board members, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if MHLS has prescribed so in its articles of incorporation. However, MHLS cannot do so because it does not meet (4) of the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to certain limitations and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases / decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of the aggregate amount of legal reserves and additional paid-in capital equals 25% of common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserves may be reversed without limitation. The Companies Act also provides that common stock, legal reserves, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula.

15. Selling, General and Administrative Expenses

Major components of Selling, General and Administrative Expenses were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Reversal for Doubtful Receivables	¥ (586)	¥ (746)	$ (5,279)
Accruals/(reversal) for Debt Guarantees	4	(40)	39
Salaries and Wages	7,692	7,203	69,298
Provision for Bonus Payments	907	784	8,179
Provision for Bonus Payments to Directors	130	67	1,172
Retirement Benefits Costs for Employees	431	421	3,887
Provision for Reserve for Management Board Benefit Trust	144	—	1,297

16. Segment Information

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures," and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity whose separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1) Description and revision of reportable segments

The reportable segments of MHLS Group are those for which separate financial information is available and regular evaluation by MHLS management is being performed in order to decide periodically how resources are allocated among the MHLS Group.

MHLS Group provides total financial services such as leasing business, installment sales and loan business to a wide range of customers from large companies to small and medium-sized companies. MHLS Group has three business segments based on its services: "Leasing and Installment Sales", "Finance" and "Other".

"Leasing and Installment Sales" segment represents leasing business for industrial machinery, transportation equipment and information-related equipment (including sales of subject properties upon expiration or cancellation of lease agreements) and installment sales business. "Finance" segment represents loan business, factoring business and securities business which invests in securities that are held for the purpose of generating operational revenues. "Other" segment represents buying and selling of used properties business and sales of solar power business etc.

(2) Methods of measurement for the amounts of sales, profit, assets, liabilities and other items for each reportable segment

Value Creation by the Mizuho Leasing Group
Growth Strategy
Strength to Support Growth
Consolidated Financial Data and Corporate Information

(3) The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies".

Information about sales, profit, assets, liabilities and other items for the years ended March 31, 2019 and 2018 was as follows:

Millions of yen

	2019					
	Reportable segment					
	Leasing and Installment Sales	Finance	Other	Total	Reconciliations (*1)(*2)(*3)	Consolidated (*4)
Sales:						
Sales to external customers	¥ 366,095	¥ 16,724	¥ 2,073	¥ 384,893	¥ —	¥ 384,893
Intersegment sales and transfers	333	700	119	1,153	(1,153)	—
Total	366,429	17,424	2,193	386,047	(1,153)	384,893
Operating Expenses	348,382	7,837	1,532	357,753	4,227	361,980
Segment Profit	¥ 18,046	¥ 9,587	¥ 660	¥ 28,294	¥ (5,380)	¥ 22,913
Segment Assets	¥ 1,320,729	¥ 842,165	¥ 11,940	¥ 2,174,835	¥ (12,962)	¥ 2,161,872
Others						
Depreciation and Amortization	11,460	—	—	11,460	1,767	13,227
Capital Expenditure	120,504	—	—	120,504	3,368	123,872

Millions of yen

	2018					
	Reportable segment					
	Leasing and Installment Sales	Finance	Other	Total	Reconciliations (*1)(*2)(*3)	Consolidated (*4)
Sales:						
Sales to external customers	¥ 386,007	¥ 12,510	¥ 1,220	¥ 399,738	¥ —	¥ 399,738
Intersegment sales and transfers	372	337	107	817	(817)	—
Total	386,379	12,848	1,327	400,555	(817)	399,738
Operating Expenses	370,855	4,884	934	376,674	3,901	380,575
Segment Profit	¥ 15,524	¥ 7,963	¥ 393	¥ 23,881	¥ (4,718)	¥ 19,162
Segment Assets	¥ 1,199,470	¥ 609,459	¥ 8,692	¥ 1,817,622	¥ 3,659	¥ 1,821,282
Others						
Depreciation and Amortization	10,119	—	—	10,119	1,544	11,664
Capital Expenditure	92,767	—	—	92,767	1,637	94,404

Thousands of U.S. dollars

	2019					
	Reportable segment					
	Leasing and Installment Sales	Finance	Other	Total	Reconciliations (*1)(*2)(*3)	Consolidated (*4)
Sales:						
Sales to external customers	$ 3,297,860	$ 150,659	$ 18,678	$ 3,467,197	$ —	$ 3,467,197
Intersegment sales and transfers	3,006	6,308	1,079	10,393	(10,393)	—
Total	3,300,866	156,967	19,757	3,477,590	(10,393)	3,467,197
Operating Expenses	3,138,301	70,604	13,805	3,222,710	38,079	3,260,789
Segment Profit	$ 162,565	$ 86,363	$ 5,952	$ 254,880	$ (48,472)	$ 206,408
Segment Assets	$ 11,897,394	$ 7,586,391	$ 107,561	$ 19,591,346	$ (116,768)	$ 19,474,578
Others						
Depreciation and Amortization	103,234	—	—	103,234	15,920	119,154
Capital Expenditure	1,085,525	—	—	1,085,525	30,340	1,115,865

(*1) The details of Reconciliations to Segment Profit for the years ended March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Elimination of intersegment transactions	¥ (426)	¥ (256)	$ (3,846)
Administrative expenses not allocated to the reportable segments	(4,953)	(4,462)	(44,626)
Total	¥ (5,380)	¥ (4,718)	$ (48,472)

(*2) The details of Reconciliations to Segment Assets as of March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Elimination of intersegment transactions	¥ (49,664)	¥ (29,865)	$ (447,390)
Corporate assets not allocated to the reportable segments	36,702	33,524	330,622
Total	¥ (12,962)	¥ 3,659	$ (116,768)

(*3) Reconciliations of "Depreciation and Amortization" and "Capital Expenditure" are related to corporate assets not allocated to the reportable segments.

(*4) Segment Profits are reconciled to Operating Income in the Consolidated Statement of Income.

(4) Information about Geographical Areas

Property and Equipment

Millions of yen

2019				
Japan	Europe	North America / Latin America	Asia	Total
¥ 216,669	¥ 9,515	¥ 18,933	¥ 413	¥ 245,531

Thousands of U.S. dollars

2019				
Japan	Europe	North America / Latin America	Asia	Total
$ 1,951,801	$ 85,716	$ 170,556	$ 3,725	$ 2,211,798

(*1) Assets are classified by country or region based on the location of MHLS and consolidated subsidiaries.

(*2) Information by geographic segment of Property and Equipment for the year ended March 31, 2018 is not presented as domestic assets exceeded 90% of all segments.

(*3) Information by geographic segment of Sales for the years ended March 31, 2019 and 2018 is not presented as domestic sales exceeded 90% of all segments.

(5) Impairment loss of long-lived assets per reportable segment:

Millions of yen

	2019					
	Reportable segment					
	Leasing and Installment Sales	Finance	Other	Total	Reconciliations	Consolidated
Impairment loss	¥ —	¥ —	¥ —	¥ —	¥ 8	¥ 8

Thousands of U.S. dollars

	2019					
	Reportable segment					
	Leasing and Installment Sales	Finance	Other	Total	Reconciliations	Consolidated
Impairment loss	$ —	$ —	$ —	$ —	$ 76	$ 76

Not applicable for the year ended March 31, 2018

(6) Goodwill per reportable segment:

Not applicable

17. Lease Transactions

Operating Leases as lessee

The minimum rental commitments under non-cancellable operating leases at March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Due within one year	¥ 7	¥ 6	$ 65
Due after one year	14	8	130
Total	¥ 21	¥ 15	$ 195

Finance Leases as lessor

(1) The net investments in lease were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Lease contract receivables	¥948,306	¥777,746	$8,542,529
Estimated residual value	1,187	1,468	10,701
Interest income equivalents	(94,500)	(28,707)	(851,276)
Total	¥854,993	¥750,508	$7,701,954

(2) Maturities of Lease Receivables for finance leases that were deemed to transfer ownership of the leased property to the lessee were as follows:

	Millions of yen	Thousands of U.S. dollars
	2019	2019
2020	¥ 22,686	$ 204,365
2021	17,169	154,669
2022	13,905	125,267
2023	9,522	85,783
2024	5,449	49,092
2025 and thereafter	9,515	85,721
Total	¥ 78,250	$ 704,897

(3) Maturities of Investments in Lease for finance leases that were deemed not to transfer ownership of the leased property to the lessee were as follows:

	Millions of yen	Thousands of U.S. dollars
	2019	2019
2020	¥ 274,937	$ 2,476,689
2021	204,550	1,842,635
2022	150,549	1,356,182
2023	96,443	868,784
2024	75,354	678,804
2025 and thereafter	146,470	1,319,435
Total	¥ 948,306	$ 8,542,529

Operating Leases as lessor

Future lease receivables under non-cancellable operating leases were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Due within one year	¥ 96,880	¥ 48,099	$ 872,720
Due after one year	119,341	96,358	1,075,051
Total	¥ 216,222	¥ 144,458	$ 1,947,771

Sub-lease transactions

Among the receivables and obligations relating to the sub-lease transactions, the amounts before deducting interest equivalents and included in the Consolidated Balance Sheet as of March 31, 2019 and 2018 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Lease Receivable	¥ 632	¥ 1,082	$ 5,696
Investments in Lease	7,199	5,933	64,858
Lease Payable	8,007	7,223	72,132

18. Financial Instruments and Related Disclosures

(1) Policy for financial instruments

MHLS Group provides comprehensive financial services, including leasing, installment sales and loans. From the perspective of financial stability, MHLS Group diversifies its funding sources. In addition to the indirect funding from financial institutions, MHLS Group utilizes direct funding such as issuing bonds, commercial paper and securitization of lease receivables. Further, MHLS Group has an integrated Asset-Liability Management (ALM) program. Derivatives are used to avoid fluctuation risks such as interest rates and to secure stable profits.

(2) Nature and extent of risks arising from financial instruments

Financial assets held by MHLS Group mainly consist of lease receivables and investments in lease, installment sales receivables, loans receivables, and factoring receivables mainly due from domestic business companies. These assets are exposed to the credit risks triggered by a contractual default of a counterparty to the transactions. In the case of deterioration in the credit conditions of counterparties caused by a change in economic conditions or the environment, it is possible that the repayment of obligations under the contract may not be performed. Marketable securities and investment securities, which are mainly comprised of stocks, bonds, preferred equities and investments in partnerships, are exposed to market price fluctuation risks if they are exchange-traded in addition to the credit risk of issuers. Transactions related to real estate finance are exposed to the risk of price fluctuations in the targeted real estate.

Borrowings, bonds and commercial paper are exposed to the interest rate fluctuation risk for floating interest rate funding, and the liquidity risk that ready access to funds may not be available due to a change in the financial market environment. An ALM analysis is employed in order to make stable profit as well as to manage these funding risks.

Derivative transactions are mainly composed of interest rate swaps arranged as a part of ALM. MHLS Group enters into interest rate swap transactions as a hedging instrument and applies hedge accounting to the interest rate fluctuation risk associated with interest bearing debt such as bank loans. It is MHLS Group's basic policy to utilize hedge transactions within the limit of the debt amount to reduce interest rate risks and to improve cash flow from financial activities. The effectiveness of the hedge transactions are assessed by comparing the changes in the market price and cumulative cash flows between the hedging instrument and the hedged item from the beginning of the hedge to the time of assessment.

MHLS Group also utilizes derivative transactions such as foreign currency forward contracts and interest and currency swaps etc. to control the level of the risk associated with the assets and liabilities denominated in foreign currencies.

(3) Risk management for financial instruments

(a) Integrated risk management

MHLS Group places an extremely high priority on integrated monitoring and control of total financial risks, including credit risks and market risks which consist of interest rate risk and share price fluctuation risk. Thus, MHLS Group incorporates an integrated risk management system into its management policy in order to improve the stability of the business. Specifically, MHLS Group manages various quantified risks in an integrated fashion to control the total risk under a certain level of net equity (business capacity) of the company. In addition, a risk analysis is performed monthly, the results of which are reported to the Board of Directors.

(b) Credit risk management

MHLS Group aims to minimize credit costs by optimizing its credit management structure at all stages of each transaction, from entrance to exit to manage the credit risks of business partners.

Firstly, at the initial stage of deal execution, MHLS Group assigns a credit rating to each debtor under its client credit rating system and conducts a strict credit screening, makes judgments on contract arrangements based on the prospects of future value of leasing assets and, from the perspective of the avoidance of excessive concentrations of credit, MHLS Group monitors its credit administration ceiling by using its credit rating monitoring systems. Any large contract or matter requiring complex risk judgment requires the deliberation and the decision by the Credit Committee which enhances the risk control process. When offering new services or new products, MHLS Group thoroughly reviews the identification and evaluation of inherent risks through the Risk Control Committee.

And next, as an ongoing management measure MHLS Group provides necessary write-offs or allowances in accordance with the self-assessment rules for assets conforming to the financial inspection manual published by the Financial Services Agency, as recommended by "Temporary treatment of accounting and auditing on the application of accounting standard for financial instruments in the leasing industry". Furthermore, regarding credit risk management for the portfolio as a whole, through the quantification of the volume of the risk based on the credit rating of business customers, MHLS Group endeavors to minimize credit costs. Also, MHLS Group periodically follows up on non-performing assets and performs debt collection of assets for which MHLS Group has already provided reserves to facilitate final disposal of non-performing assets.

(c) Market risk management

MHLS Group establishes basic policies (e.g., funding policy, setting commercial paper program, hedging policy, securities trading policy) at the Board of Directors that are designed based on market environments and financial strength meeting to control risks in line with financial operations. In addition, monthly ALM operating policies based on these basic policies, position limits, and loss limits, etc., are determined on a monthly basis at the PM · ALM Committee, and MHLS Group strives to maintain stable earnings by controlling risk factors. Also, with regard to market transactions, in order to maintain a mutual check system, MHLS Group separately established the risk control department that is independent from departments that are responsible for executions or for approval of delivery settlement.

(i) Interest rate risk management

In order to manage interest rate risk, MHLS Group monitors the matching ratio (i.e., proportion of assets that is not exposed to interest rate risk without allocation of the matching fixed/floating interest bearing debt to entire assets) under ALM. Also, MHLS Group quantifies the interest rate and maturity of financial assets and liabilities based on *BPV (Basis Point Value). MHLS Group analyzes and monitors them using statistical techniques such as *VaR (Value at Risk).

In addition, compliance with the internal rules etc. is managed by the risk control department.

Sensitivity to interest rate (10BPV) interest rate risk volume (VaR) figures in MHLS Group as of March 31, 2019 and 2018, are as shown below. The Internal Models Approach applied to measure VaR is based on the assumption that past price fluctuations follow a normal distribution and the model calculates variance and covariance, based on which MHLS Group estimates maximum losses statistically (variance/covariance method).

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Sensitivity to interest rate (10BPV)	¥ (2,410)	¥ (2,550)	$ (21,710)
Interest rate risk volume (VaR)	¥ 1,520	¥ 1,350	$ 14,303

The VaR measurement method is as follows:

Variance-covariance model for linear risk

Quantitative criteria:

(1) Confidence interval: 99%;

(2) Holding period of one month; and

(3) Historical observation period of one year

(ii) Price fluctuation risk management of securities such as stock

Relating to the price fluctuation risk of securities, the risk control department captures the volume of the risk using the VaR. In addition, it monitors the status of compliance with our internal rules.

The VaR measurements in MHLS Group as of March 31, 2019 and 2018, are shown below. To measure the VaR, MHLS Group created a model that shows the price fluctuation of each stock based on the stock price index fluctuation. MHLS Group adopted the stock price fluctuation model that sets the stock price index fluctuation ratio represented by the risk factor of general market risk. Also, the inherent fluctuation portion of each stock that is unable to be shown by the stock price index is set as a risk factor of individual risk in our model.

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Price variation risk of stock (VaR)	¥ 0	¥ 0	$ 0

(Note) The VaR value shown above reflects annual realized profit or loss (including impairment loss) and unrealized profit or loss, net of corporate income taxes.

The VaR measurement method is as follows:

Quantitative criteria:

(1) Confidence interval: 99%;

(2) Holding period of one month; and

(3) Historical observation period of one year.

The market price at the measurement date is employed for marketable securities. The moving-average acquisition costs or the amortized costs are used for other securities. General market risk (risk of suffering losses due to stock market movement) and individual risk (price variance risk due to factors associated with the issuer of stock) are calculated and combined. Individual risk for non-marketable securities is calculated assuming a fluctuation ratio of 8%.

(iii) Derivative transactions

The derivative transactions carried out by MHLS Group mainly consist of interest rate swaps, entered as a part of ALM, to hedge the interest rate risks. The operating policy of hedging is determined at the monthly PM · ALM Committee to control the interest rate risk. Also, from an operational control perspective, in order to ensure a proper review function, MHLS Group has an organizational structure whereby the transaction execution department is clearly separated from the market risk control department, which is responsible for evaluation of the effectiveness of hedging transactions, and the operations department, which is responsible for delivery settlement. For the use of derivative transactions, MHLS Group enters into such transactions only with major financial institutions in order to mitigate counterparty risk.

(d) Other price fluctuation risk management

The risk mainly consists of real estate price fluctuation risks for specified bonds, preferred shares, investments in partnerships and non-recourse loans relating to a real estate finance vehicle. The risk is managed by estimating the fair value of real estate at exit and monitoring the quantified risk for loss of principal.

(e) Liquidity risk management

MHLS Group manages liquidity risk by diversifying the method of funding and balancing its long-term and short-term funding needs, depending upon the market environment.

(4) Supplemental explanation for quantitative information concerning market risk

Because quantitative information concerning market risk is based on statistical assumptions, the quantitative information may differ depending upon the quantitative basis and measurement method assumed. Also, the quantitative information is a statistical result based on certain assumptions. It is not intended to show the expected maximum losses. Because future market conditions may differ considerably from past conditions, there are many limitations on the quantitative data that is estimated using observation values of past data.

(Glossary)

*BPV: BPV is one of the interest rate risk indices indicating the change in present value of subject assets or liabilities given a basis point (0.01%) change in interest rates. MHLS Group adopts 10 basis points (0.1%) as the basis for change of value.

*VaR: VaR is a technique for estimating the probable maximum portfolio losses as a volume of risk when the market is affected adversely based on the statistical analysis of historical data under a given time and probability (99% one-sided confidence interval).

(5) Supplemental explanation for fair values of financial instruments

Fair values of financial instruments are based on the quoted prices in active markets. If a quoted price is not available, another rational valuation technique is used instead. Such prices have been calculated using certain assumptions, and may differ if calculated based on different assumptions.

(a) Fair values of financial instruments

	Millions of yen					
March 31,	2019			2018		
	Carrying amount	Fair value	Unrealized gain (loss)	Carrying amount	Fair value	Unrealized gain (loss)
Cash and Cash Equivalents	¥ 25,438	¥ 25,438	¥ —	¥ 29,607	¥ 29,607	¥ —
Securities [*1]						
Available-for-sale Securities	167,975	167,975	—	143,253	143,253	—
Lease Receivables and Investments in Lease [*2] [*3] [*4]	914,870	950,811	35,941	808,601	831,478	22,877
Installment Sales Receivables [*2] [*5]	145,571	147,962	2,391	138,472	141,124	2,652
Loans Receivables [*2]	234,615	246,816	12,200	229,707	241,234	11,527
Factoring Receivables [*2]	233,053	234,617	1,563	125,118	126,266	1,148
Long-term Receivables [*6]	3,228	3,228	—	2,281	2,281	—
Assets total	¥ 1,724,753	¥ 1,776,850	¥ 52,097	¥ 1,477,042	¥ 1,515,246	¥ 38,204
Short-term Borrowings	¥ 994,386	¥ 995,470	¥ (1,083)	¥ 788,165	¥ 788,166	¥ (0)
Lease Payable	8,010	8,042	(31)	7,251	7,240	10
Accounts Payable — trade	56,040	56,015	25	54,383	54,321	62
Long-term Debt [*7] [*8]	840,371	844,996	(4,625)	748,074	748,665	(590)
Liabilities total	¥ 1,898,809	¥ 1,904,524	¥ (5,715)	¥ 1,597,875	¥ 1,598,393	¥ (518)
Hedge accounting is not applied [*9]	¥ (30)	¥ (30)	¥ —	¥ 316	¥ 316	¥ —
Hedge accounting is applied [*9]	(956)	(956)	—	(8)	(8)	—
Derivative transactions total	¥ (987)	¥ (987)	¥ —	¥ 308	¥ 308	¥ —

March 31,	Thousands of U.S. dollars 2019 Carrying amount	Fair value	Unrealized gain (loss)
Cash and Cash Equivalents	$ 229,155	$ 229,155	$ —
Securities (*1)			
Available-for-sale Securities	1,513,158	1,513,158	—
Lease Receivables and Investments in Lease (*2) (*3) (*4)	8,241,330	8,565,096	323,766
Installment Sales Receivables (*2) (*5)	1,311,333	1,332,878	21,545
Loans Receivables (*2)	2,113,464	2,223,371	109,907
Factoring Receivables (*2)	2,099,396	2,113,480	14,084
Long-term Receivables (*6)	29,081	29,081	—
Assets total	$ 15,536,917	$ 16,006,219	$ 469,302
Short-term Borrowings	$ 8,957,630	$ 8,967,394	$ (9,764)
Lease Payable	72,160	72,445	(285)
Accounts Payable — trade	504,828	504,598	230
Long-term Debt (*7) (*8)	7,570,230	7,611,899	(41,669)
Liabilities total	$ 17,104,848	$ 17,156,336	$ (51,488)
Hedge accounting is not applied (*9)	$ (279)	$ (279)	$ —
Hedge accounting is applied (*9)	(8,621)	(8,621)	—
Derivative transactions total	$ (8,900)	$ (8,900)	$ —

(*1) Securities include Marketable Securities, Operational Investment Securities and Investment Securities.
(*2) Lease Receivables and Investments in Lease, Installment Sales Receivables, Loans Receivables and Factoring Receivables are stated net of Allowance for Doubtful Receivables.
(*3) Investments in Lease are stated net of estimated residual value of lease assets for finance leases that are deemed not to transfer ownership of the leased property to the lessee.
(*4) Unearned lease payments received are not included in Lease Receivables and Investments in Lease.
(*5) Installment Sales Receivables are stated net of Deferred Profit on Installment Sales.
(*6) Long-term Receivables are stated net of Allowance for Doubtful Receivables.
(*7) Current Portion of Long-term Debt is included.
(*8) Long-term Debt includes Payables under Securitized Lease Receivables.
(*9) Assets and liabilities incurred resulting from derivative transactions are netted. The net liability is presented in parenthesis.

Methods for determining the fair values of financial instruments are as follows:

(a) Cash and Cash Equivalents

The carrying values of bank deposits approximate fair values because of their short maturities.

(b) Marketable Securities, Operational Investment Securities and Investment Securities

The fair values of securities are measured at the quoted market price of the stock exchange for the equity instruments. The fair values of bonds are measured at the quoted price obtained from the financial institution for the debt instruments, or are determined by discounting the future cash flows, by credit risk categories for risk management, at an appropriate benchmark rate such as an interbank market rate plus a credit spread. Fair value information for securities by classifications is included in Note 5. Marketable Securities, Operational Investment Securities and Investment Securities.

(c) Lease Receivables and Investments in Lease

The fair values of Lease Receivables and Investments in Lease are principally determined by discounting the future cash flows (lease payments received less maintenance fees), by credit risk categories for risk management, at an appropriate benchmark rate such as an interbank market rate plus a credit spread.

(d) Installment Sales Receivables

The fair values of Installment Sales Receivables are determined by discounting the future cash flows, by credit risk categories for risk management, at an appropriate benchmark rate such as an interbank market rate plus a credit spread.

(e) Loans Receivables and Factoring Receivables

The fair values of Loans Receivables and Factoring Receivables are determined by discounting the future cash flows, by credit risk categories for risk management, at an appropriate benchmark rate such as an interbank market rate plus a credit spread.

(f) Long-term Receivables

The carrying values of Long-term Receivables at the balance sheet date (net of Allowance for Doubtful Receivables) approximate fair values, because the Allowance for Doubtful Receivables is determined based on the amount that is expected to be recovered from collateral and guarantees.

(g) Short-term Borrowings

Short-term Borrowings from banks and other financial institutions

The fair values of Short-term Borrowings from banks and other financial institutions are measured at the amount of principal plus interest to be paid at maturity discounted at an appropriate benchmark rate such as an interbank market rate plus a credit spread.

Commercial Paper

The fair values of Commercial Paper are measured at the amount of principal plus interest to be paid at maturity discounted at an appropriate benchmark rate such as an interbank market rate plus a credit spread.

Payables under Securitized Lease Receivables

The fair values of Payables under Securitized Lease Receivables are determined by discounting the future cash flows at an appropriate benchmark rate such as an interbank market rate plus spread for securitization.

(h) Lease Payable

The fair values of Lease Payable are principally determined by discounting the future cash flows at an appropriate benchmark rate such as an interbank market rate plus a credit spread.

(i) Accounts Payable — trade

The carrying values of Accounts Payable - trade approximate fair value because they are settled within a short period. The fair values of long-term Accounts Payable are determined by discounting the future cash flows at an appropriate benchmark rate such as an interbank market rate plus a credit spread.

(j) Long-term Debt

Bonds Payable

The fair values of Bonds Payable are measured at the amount of interest and principal to be paid at maturity discounted at an appropriate benchmark rate such as an interbank market rate plus a credit spread.

Long-term Debt from banks and other financial institutions

The fair values of Long-term Debt from banks and other financial institutions are measured at the amount of interest and principal to be paid at maturity discounted at an appropriate benchmark rate such as an interbank market rate plus a credit spread.

Payables under Securitized Lease Receivables

The fair values of Payables under Securitized Lease Receivables are determined by discounting the future cash flows at an appropriate benchmark rate such as an interbank market rate plus spread for securitization.

(k) Derivatives

Fair value information for derivatives is included in Note 19.

(b) Carrying amount of financial instruments whose fair values cannot be readily determined

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Unlisted Stocks (*1) (*2)	¥ 17,575	¥ 10,950	$ 158,323
Funds, Investments in Partnerships (*3)	53,124	39,502	478,558
Preferred Equities (*4)	3,533	1,233	31,835
Other (*4)	29,590	32,480	266,557
Total	¥ 103,824	¥ 84,166	$ 935,273

(*1) As unlisted stocks do not have quoted market prices in an active market and their fair values cannot be readily determined, they are excluded from the disclosure of market value information.
(*2) The impairment loss on certain unlisted stocks for the year ended March 31, 2019 and 2018 was ¥53 million ($481 thousand) and ¥16 million, respectively.
(*3) Investments in funds and partnerships are excluded from the disclosure of market value information, as they are composed of financial instruments whose fair values cannot be readily determined, such as unlisted stocks.
(*4) These financial instruments are excluded from the disclosure of market value information, as they do not have quoted market prices in an active market and fair values cannot be readily determined.

(6) Maturity analysis for financial assets and securities with contractual maturities

Millions of yen

March 31, 2019	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Cash and Cash Equivalents	¥ 25,438	¥ —	¥ —	¥ —	¥ —	¥ —
Securities						
Available-for-sale Securities Bonds						
National and Local government Bonds	2,000	—	—	—	—	—
Corporate Bonds	5,500	25,300	22,000	28,160	21,620	24,600
Other	33,526	5,453	10,048	10,697	4,584	8,287
Lease Receivables and Investments in Lease	270,736	201,256	148,710	95,118	73,835	140,661
Installment Sales Receivables	58,024	38,312	24,917	14,862	7,205	4,657
Loans Receivables	54,883	54,215	36,284	29,521	25,415	34,959
Factoring Receivables	210,157	10,843	4,557	2,084	1,343	4,119
Total	¥ 660,267	¥ 335,380	¥ 246,517	¥ 180,444	¥ 134,004	¥ 217,285

Millions of yen

March 31, 2018	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Cash and Cash Equivalents	¥ 29,607	¥ —	¥ —	¥ —	¥ —	¥ —
Securities						
Available-for-sale Securities Bonds						
National and Local government Bonds	2,000	2,000	—	—	—	—
Corporate Bonds	—	5,500	25,300	22,000	28,160	20,600
Other	6,338	23,285	4,831	4,915	5,120	9,490
Lease Receivables and Investments in Lease	248,361	185,200	138,861	91,498	49,104	110,357
Installment Sales Receivables	52,285	36,511	23,694	14,270	7,336	4,752
Loans Receivables	42,656	44,523	54,293	28,288	21,774	38,868
Factoring Receivables	101,916	7,144	5,992	4,134	1,594	4,754
Total	¥ 483,166	¥ 304,166	¥ 252,973	¥ 165,106	¥ 113,090	¥ 188,824

Thousands of U.S. dollars

March 31, 2019	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Cash and Cash Equivalents	$ 229,155	$ —	$ —	$ —	$ —	$ —
Securities						
Available-for-sale Securities Bonds						
National and Local government Bonds	18,016	—	—	—	—	—
Corporate Bonds	49,545	227,907	198,180	253,671	194,757	221,602
Other	302,015	49,123	90,522	96,367	41,297	74,653
Lease Receivables and Investments in Lease	2,438,847	1,812,955	1,339,611	856,843	665,123	1,267,110
Installment Sales Receivables	522,700	345,125	224,458	133,884	64,910	41,954
Loans Receivables	494,401	488,381	326,855	265,934	228,947	314,924
Factoring Receivables	1,893,141	97,682	41,056	18,779	12,103	37,109
Total	$ 5,947,820	$ 3,021,173	$ 2,220,682	$ 1,625,478	$ 1,207,137	$ 1,957,352

(*1) Please see Note 10 for annual maturities of Long-term Debt.

19. Derivatives

Fair values of derivative transactions were as follows. The fair value is measured at quoted prices obtained from the financial institutions. The contract amounts shown in the tables are the notional amounts of derivatives and do not indicate MHLS's exposure to credit or market risks:

Derivative transactions to which hedge accounting is not applied:

(1) Foreign currency forward contracts

Millions of yen

At March 31,	2019				2018			
	Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized Gain (Loss)	Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized Gain (Loss)
Selling U.S.$	¥ —	¥ —	¥ —	¥ —	¥ 2,317	¥ —	¥ 207	¥ 207
Buying U.S.$	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —

Thousands of U.S. dollars

At March 31,	2019			
	Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized Gain (Loss)
Selling U.S.$	$ —	$ —	$ —	$ —
Buying U.S.$	$ —	$ —	$ —	$ —

(2) Interest rate and currency swaps

Millions of yen

At March 31,	2019				2018			
	Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized Gain (Loss)	Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized Gain (Loss)
Payment - floating rate in Japanese Yen, receipt - floating rate in U.S. dollars	¥ 3,333	¥ 3,333	¥ (30)	¥ (30)	¥ 3,333	¥ 3,333	¥ 109	¥ 109

Thousands of U.S. dollars

At March 31,	2019			
	Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized Gain (Loss)
Payment - floating rate in Japanese Yen, receipt - floating rate in U.S. dollars	$ 30,027	$ 30,027	$ (279)	$ (279)

Derivative transactions to which hedge accounting is applied:

(1) Interest rate swaps

Millions of yen

At March 31,	Hedged item	2019 Contract Amount	2019 Contract Amount due after One Year	2019 Fair Value	2018 Contract Amount	2018 Contract Amount due after One Year	2018 Fair Value
Payment - fixed rate, receipt - floating rate	Short-term Borrowings, Long-term Debt	¥ 106,697	¥ 88,224	¥ (791)	¥ 122,378	¥ 93,750	¥ (85)
	Bonds Payable	¥ 8,000	¥ 8,000	¥ 40	—	—	—

Thousands of U.S. dollars

At March 31,	Hedged item	2019 Contract Amount	2019 Contract Amount due after One Year	2019 Fair Value
Payment - fixed rate, receipt - floating rate	Short-term Borrowings, Long-term Debt	$ 961,148	$ 794,747	$ (7,134)
	Bonds Payable	$ 72,066	$ 72,066	$ 365

(2) Interest rate and currency swaps

Millions of yen

At March 31,	Hedged item	2019 Contract Amount	2019 Contract Amount due after One Year	2019 Fair Value	2018 Contract Amount	2018 Contract Amount due after One Year	2018 Fair Value
Payment - fixed rate in Japanese Yen, receipt - fixed rate in U.S. dollars	Operational Investment Securities	¥ 9,017	¥ 9,017	¥ (207)	¥ 2,457	¥ 2,457	¥ 71
Payment - fixed rate in Indonesian Rupiah, receipt - floating rate in U.S. dollars	Long-term Debt	¥ 14	¥ —	¥ 1	¥ 130	¥ 14	¥ 5

Thousands of U.S. dollars

At March 31,	Hedged item	2019 Contract Amount	2019 Contract Amount due after One Year	2019 Fair Value
Payment - fixed rate in Japanese Yen, receipt – fixed rate in U.S. dollars	Operational Investment Securities	$ 81,230	$ 81,230	$ (1,865)
Payment - fixed rate in Indonesian Rupiah, receipt - floating rate in U.S. dollars	Long-term Debt	$ 132	$ 0	$ 13

Interest rate swaps to which specific accounting is applied:

The following interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not re-measured at market value, however, the differential paid or received under the swap agreements is recognized and included in interest expense or income. In addition, the fair value of such interest rate swaps in Note 18 is included in that of the hedged items (i.e., Loans Receivables and Long-term Debt).

Millions of yen

At March 31,	2019 Hedged item	2019 Contract Amount	2019 Contract Amount due after One Year	2018 Hedged item	2018 Contract Amount	2018 Contract Amount due after One Year
Payment - fixed rate, receipt - floating rate	Loans Receivables	¥ 3,063	¥ 3,063	Loans Receivables	¥ 4,041	¥ 4,041
	Long-term Debt	¥ 75,263	¥ 65,214	Long-term Debt	¥ 63,583	¥ 47,030
Payment - floating rate, receipt - fixed rate	Long-term Debt	¥ 12,000	¥ 12,000	—	—	—

Thousands of U.S. dollars

At March 31,	2019 Hedged item	2019 Contract Amount	2019 Contract Amount due after One Year
Payment - fixed rate, receipt - floating rate	Loans Receivables	$ 27,600	$ 27,600
	Long-term Debt	$ 677,988	$ 587,466
Payment - floating rate, receipt - fixed rate	Long-term Debt	$ 108,098	$ 108,098

20. Other Comprehensive (Loss) Income

The components of other comprehensive (loss) income for the years ended March 31, 2019 and 2018 were as follows:

	Millions of yen 2019	Millions of yen 2018	Thousands of U.S. dollars 2019
Unrealized (Loss) Gain on Available-for-sale Securities			
Gains arising during the year	¥ (2,081)	¥ 2,659	$ (18,746)
Reclassification adjustments to profit or loss	(1,227)	(1,189)	(11,054)
Amount before income tax effect	(3,308)	1,470	(29,800)
Income tax effect	(1,012)	450	(9,125)
Total	¥ (2,295)	¥ 1,020	$ (20,675)
Deferred (Loss) Gain on Derivatives under Hedge Accounting			
Losses arising during the year	¥ (1,234)	¥ (10)	$ (11,122)
Reclassification adjustments to profit or loss	302	175	2,721
Amount before income tax effect	(932)	165	(8,401)
Income tax effect	(285)	52	(2,569)
Total	¥ (647)	¥ 112	$ (5,833)
Foreign Currency Translation Adjustments			
Adjustments arising during the year	¥ (1,223)	¥ 126	$(11,024)
Reclassification adjustments to profit or loss	—	—	—
Amount before income tax effect	(1,223)	126	(11,024)
Income tax effect	—	—	—
Total	¥ (1,223)	¥ 126	$(11,024)
Defined Retirement Benefit Plans			
Adjustments arising during the year	¥ 91	¥ 234	$ 827
Reclassification adjustments to profit or loss	1	9	14
Amount before income tax effect	93	243	841
Income tax effect	28	74	258
Total	¥ 64	¥ 169	$ 583
Share of Other Comprehensive (Loss) Income in associates			
(Loss) Income arising during the year	¥ (40)	¥ 97	$ (368)
Reclassification adjustments to profit or loss	—	—	—
Total	¥ (40)	¥ 97	$ (368)
Total Other Comprehensive (Loss) Income	¥ (4,142)	¥ 1,525	$ (37,317)

21. Supplemental Information on Changes in Equity

(1) The increase of 6,355,000 issued shares in common stock is due to the issuance of new shares through the third-party allotment.

(2) The increase of 146,544 shares of treasury stock is due to the acquisition of MHLS's share under MHLS's BBT of 146,500 shares and the purchase of shares less than one unit of 44 shares. Issued shares in common stock at the end of fiscal year includes treasury stock of 146,500 shares held by MHLS's BBT. (See Note 2 (aa) for details on BBT.)

22. Supplemental Information on Cash Flows

As described in Note 4(1), MHLS acquired shares of 67.44% in VMF and included it in the scope of the consolidation. The net payment for the acquisition was calculated as the difference between the acquisition price and the cash and cash equivalents received. The details of the calculation, assets acquired and liabilities assumed at the date of the acquisition were as follows:

	Millions of yen	Thousands of U.S. dollars
	2019	2019
Current assets	¥ 15,486	$ 139,508
Fixed assets	1,910	17,215
Goodwill	429	3,868
Current liabilities	(10,125)	(91,209)
Long-term debt	(1,770)	(15,947)
Non-controlling Interest	(1,791)	(16,139)
Acquisition cost of shares	4,140	37,296
Cash and cash equivalents	(3,429)	(30,888)
Net payment	¥ 711	$ 6,408

23. Related-Party Disclosures

Transactions of MHLS Group with related parties, i.e., a major shareholder, parent company of a major shareholder, unconsolidated subsidiaries, and fellow company for the years ended March 31, 2019 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2019	2019
Borrowing funds	¥ 73,144	$ 658,897
Securitization of receivables	37,456	337,417
Issuance of commercial paper	6,800	61,256
Issuance of new shares through the third-party allotment	16,374	147,506
Payment of interest	23	209
Receipt of interest	9	84
Investment in Tokumei Kumiai	57,220	515,449
Return of investment in Tokumei Kumiai	45,399	408,964
Profit from investment	739	6,658

The balances due to or from these companies at March 31, 2019 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2019	2019
Operational investment securities	¥ 81,367	$ 732,976
Accrued income	310	2,796
Short-term borrowings	119,349	1,075,125
Commercial paper	72,700	654,896
Payables under securitized lease receivables	52,248	470,667
Current portion of bonds payable	20,000	180,164
Bonds payable	85,000	765,697
Long-term debt	66,177	596,141
Long-term payables under securitized lease receivables	29,418	265,005
Accrued expenses	270	2,435

24. Per Share Information

Details of basic net income attributable to owners of the parent per share ("EPS") for the years ended March 31, 2019 and 2018 were as follows:

	Millions of yen	Thousands of shares	Yen	U.S. dollars	Millions of yen	Thousands of shares	Yen	U.S. dollars
For the year ended March 31,	2019				2018			
	Net income attributable to owners of the parent	Weighted-average shares	EPS		Net income attributable to owners of the parent	Weighted-average shares	EPS	
Basic EPS								
Net income available to common shareholders	¥ 16,594	42,697	¥ 388.64	$ 3.50	¥ 13,643	42,648	¥ 319.91	$ 2.88

25. Effect of Bank Holiday

As financial institutions in Japan were closed on March 31, 2019, amounts that would normally have been settled on that day were collected or paid on the following business day, April 2, 2019. The effects of the settlements on April 2 instead of March 31 include the followings:

	Millions of yen	Thousands of U.S. dollars
	2019	2019
Receivables:		
Notes Receivable	¥ 0	$ 0
Payables:		
Accounts Payable - trade	¥ 1,674	$ 15,087
Other:		
Notes Deposit for Installment Sales Receivables	¥ 170	$ 1,533
Notes Deposit for Investments in Lease	10	91

26. Subsequent Events

Appropriation of Retained Earnings

The following appropriation of Retained Earning at March 31, 2019, was approved at MHLS's shareholders' meeting on June 25, 2019:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥40.00 ($0.36) per share	¥ 1,960	$ 17,657

Independent Auditor's Report

Deloitte.

Deloitte Touche Tohmatsu LLC
Marunouchi Nijubashi Building
3-2-3 Marunouchi, Chiyoda-ku
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of IBJ Leasing Company, Limited:

We have audited the accompanying consolidated balance sheet of IBJ Leasing Company, Limited and its consolidated subsidiaries as of March 31, 2019, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of IBJ Leasing Company, Limited and its consolidated subsidiaries as of March 31, 2019, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 21, 2019

Member of
Deloitte Touche Tohmatsu Limited

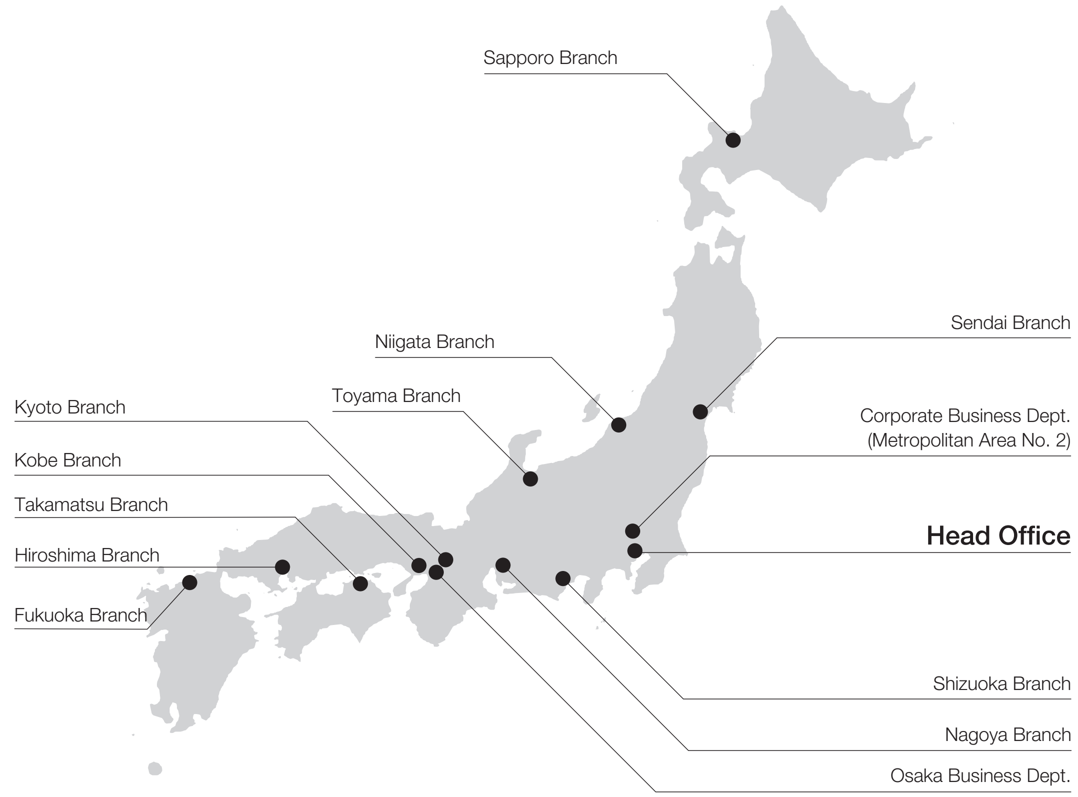
Corporate Information

Corporate Profile (As of October 1, 2019)

Company Name	Mizuho Leasing Company, Limited	**Paid-in Capital**	¥26,088 million
Head Office	2-6 Toranomon 1-chome, Minato-ku, Tokyo 105-0001, Japan Tel: +81-3-5253-6511 (main exchange)	**Number of Employees**	Consolidated: 1,627; Non-consolidated: 661 (As of March 31, 2019)
Date of Establishment	December 1, 1969	**Business Description**	Integrated financial services

Business Sites (As of October 1, 2019)

Head Office	2-6, Toranomon 1-chome, Minato-ku, Tokyo 105-0001
Sapporo Branch	2, Kita 1-jo Nishi 5, Chuo-ku, Sapporo, Hokkaido 060-0001
Sendai Branch	4-1, Ichiban-cho 2-chome, Aoba-ku, Sendai, Miyagi 980-0811
Corporate Business Dept. (Metropolitan Area No. 2)	65-2, Naka-cho 2-chome, Omiya-ku, Saitama, Saitama 330-0845
Niigata Branch	866, Rokuban-cho, Nishihori-dori, Chuo-ku, Niigata, Niigata 951-8061
Toyama Branch	5-13, Sakurabashi-dori, Toyama, Toyama 930-0004
Shizuoka Branch	5-9, Miyuki-cho, Aoi-ku, Shizuoka, Shizuoka 420-0857
Nagoya Branch	11-11, Nishiki 1-chome, Naka-ku, Nagoya, Aichi 460-0003
Kyoto Branch	659, Tearaimizu-cho, Nishikikozi-agaru, Karasuma-dori, Nakagyo-ku, Kyoto, Kyoto 604-8152
Osaka Business Dept.	1-1, Koraibashi 4-chome, Chuo-ku, Osaka, Osaka 541-0043
Kobe Branch	69, Kyomachi, Chuo-ku, Kobe, Hyogo 650-0034
Hiroshima Branch	1-22, Kamiyacho 2-chome, Naka-ku, Hiroshima, Hiroshima 730-0031
Takamatsu Branch	6-8, Bancho 1-chome, Takamatsu, Kagawa 760-0017
Fukuoka Branch	13-2, Tenzin 1-chome, Chuo-ku, Fukuoka, Fukuoka 810-0001



Major Group Companies (As of October 1, 2019)

Company Name	Paid-in Capital or Investment	Business Activity	Ownership
IBJL-TOSHIBA Leasing Company, Limited **(Company name will be changed to Mizuho-Toshiba Leasing Company, Limited.)** 2-6, Toranomon 1-chome, Minato-ku, Tokyo 105-0001	¥1,520 million	General leasing	90%
Dai-ichi Leasing Co., Ltd. 2-6, Toranomon 1-chome, Minato-ku, Tokyo 105-0001	¥2,000 million	General leasing	90%
Universal Leasing Co., Ltd. 5-3, Kachidoki 6-chome, Chuo-ku, Tokyo 104-0054	¥50 million	General leasing	90%
MG Leasing Corporation* 1-1, Hitotsubashi 2-chome, Chiyoda-ku, Tokyo 101-0003	¥4,390 million	General leasing	50%
Mizuho Auto Lease Company, Limited 2-6, Toranomon 1-chome, Minato-ku, Tokyo 105-0001	¥386 million	Auto leasing	100%
ML Estate Company, Limited 2-6, Toranomon 1-chome, Minato-ku, Tokyo 105-0001	¥10 million	Real estate leasing	100%
ML Shoji Company, Limited 2-6, Toranomon 1-chome, Minato-ku, Tokyo 105-0001	¥310 million	Used equipment sales	100%
ML Office Service Company, Limited 2-6, Toranomon 1-chome, Minato-ku, Tokyo 105-0001	¥10 million	Office services	100%
IBJ Leasing (China) Ltd. **(Company name will be changed to Mizuho Leasing (China), Ltd.)** (Shanghai Head Office) Room 08-10, 20F, Metro Plaza, No. 555, Loushanguan Road, Changning District, Shanghai, PRC (200051) (Guangzhou Branch) Room 1336, 13F Teem Tower, 208 Tianhe Road, Tianhe District, Guangzho, PRC (510620)	US$30,000 thousand	General leasing	100%
PT. Verena Multi Finance Tbk (Head Office) Bank Panin Building, 3rd Floor Jl. Pecenongan Raya No. 84 Jakarta Pusat 10120 (Corporate Finance Division) Sentral Senayan III, 13th Floor, Jl. Asia Afrika No.8, Gelora Bung Karno, Senayan, Jakarta Pusat 10270, Indonesia	IDR568,735,399 thousand	General leasing	67%
IBJ Leasing (UK) Limited **(Company name will be changed to Mizuho Leasing (UK) Limited.)** Mizuho House 30 Old Bailey London EC4M 7AU, U.K.	GBP6,000 thousand	General leasing	100%
Krung Thai IBJ Leasing Co., Ltd.* 18th Floor, Nantawan Bldg., 161 Rajdamri Road, Lumpini, Pathumwan, Bangkok 10330, Thailand	THB100,000 thousand	General leasing	49%
PNB-IBJL Leasing and Finance Corporation* **(Company name will be changed to PNB-Mizuho Leasing and Finance Corporation.)** PNB Makati Center 5th Floor, 6754 Ayala Ave. corner Legaspi Street, Makati City, Metro Manila, Philippines 1226	PHP1,000,000 thousand	General leasing	25%
IBJ Air Leasing Limited Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda	US$1	Aircraft leasing	75%
IBJ Air Leasing (US) Corp. 160 Greentree Drive, suite 101 Street, in the City of Dover Country of Kent, DE 19904, USA	US$100	Aircraft leasing	75%

*An equity-method affiliate

Stock Information (As of March 31, 2019)

Stock Information

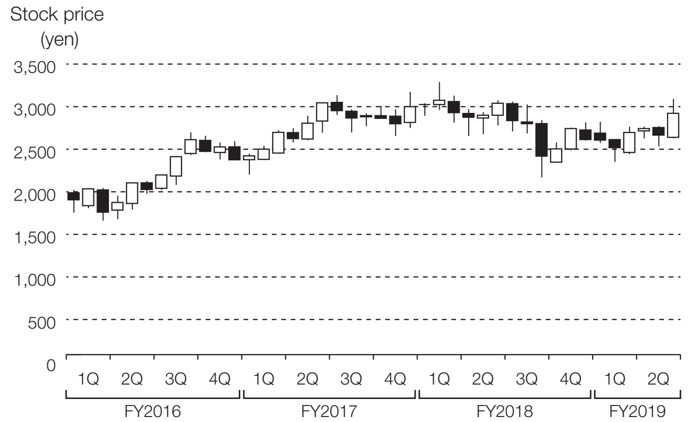
Number of Shares Authorized	140,000,000
Number of Shares Issued	49,004,000
Number of Shareholders	44,427
Stock Exchange Listing	Tokyo Stock Exchange, 1st section
Securities Code	8425
Shareholder Registry Administrator	Mizuho Trust & Banking Co., Ltd.
(Office Location)	Stock Transfer Agency Department, Mizuho Trust & Banking Co., Ltd. 2–1, Yaesu 1-chome, Chuo–ku, Tokyo

Major Shareholders (Top 20)

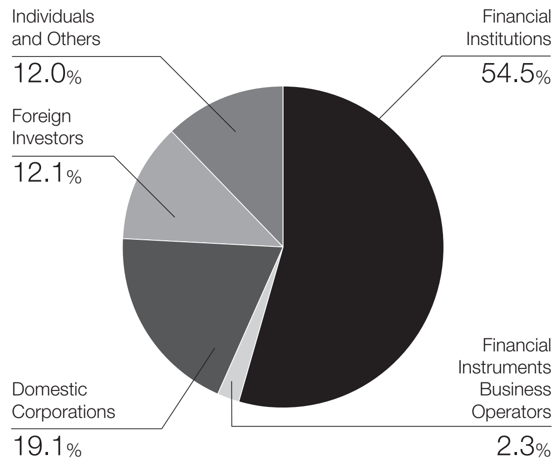
Shareholders	Number of Shares Held (1,000 shares)	Shareholding Ratio* (%)
Mizuho Bank, Ltd.	11,283	23.03
The Dai-ichi Life Insurance Company, Limited	2,930	5.98
NISSAN MOTOR CO., LTD. Retirement Benefit Trust Account, with the trustee being Mizuho Trust & Banking Co., Ltd., and re-trustee Trust & Custody Services Bank, Ltd.	1,750	3.57
UNIZO Holdings Company, Limited.	1,546	3.15
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,283	2.62
Meiji Yasuda Life Insurance Company	1,251	2.55
Japan Trustee Services Bank, Ltd. (Trust Account)	1,141	2.33
DOWA HOLDINGS CO., LTD.	1,120	2.29
SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited)	1,012	2.07
Japan Trustee Services Bank, Ltd. (TOSHIBA CORPORATION Retirement Benefit Trust Account re-entrusted by the Mitsui Sumitomo Trust & Banking Co., Ltd.)	900	1.84
Japan Trustee Services Bank, Ltd. (Trust Account 9)	861	1.76
Japan Trustee Services Bank, Ltd. (Trust Account 5)	725	1.48
Credit Saison Co., Ltd.	670	1.37
IINO KAIUN KAISHA, LTD.	666	1.36
Sompo Japan Nipponkoa Insurance Inc.	540	1.10
Nippon Life Insurance Company	504	1.03
Japan Trustee Services Bank, Ltd. (Trust Account 1)	472	0.96
Japan Trustee Services Bank, Ltd. (Trust Account 2)	444	0.91
JP MORGAN CHASE BANK 385151	436	0.89
The Master Trust Bank of Japan, Ltd. (Retirement Benefit Trust, The Senshu Ikeda Bank, Ltd. Account)	405	0.83

*Shareholding ratio is calculated by deducting treasury stock.

Stock Performance



Distribution of Shareholders



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