Mizuho Leasing Co., Ltd.

Integrated report 2022

MIZUHO

Contents/Editorial Policy

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Our Value Creation

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Data Section

To Readers

By presenting the past and present of the Mizuho Leasing Group, we have clarified our strengths, characteristics, and achievements, showing the future that we aim to achieve.
This report aims to provide a better understanding of our efforts to create sustainable value through co-creation with our stakeholders.

Websites Closely Related to the Integrated Report 2022

Sustainability

https://www.mizuho-ls.co.jp/en/sustainability.html

Main Contents
- Sustainability of Mizuho Leasing Group
- Message
- Sustainability Initiatives
- Utilization of Sustainable Finance
- Relationship with the Environment and Society
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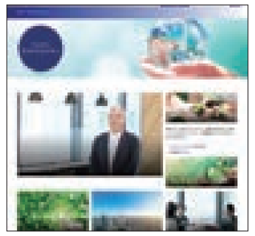

IR

https://www.mizuho-ls.co.jp/en/ir.html

Main Contents
- Top Message
- Finance/Performance/Rating
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- Disclosure and IR Policy
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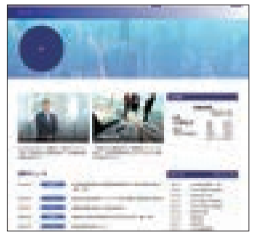

Service

https://www.mizuho-ls.co.jp/en/service.html

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About Us

https://www.mizuho-ls.co.jp/en/company.html

Main Contents
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- Management Philosophy
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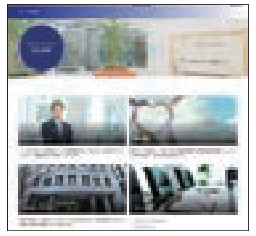
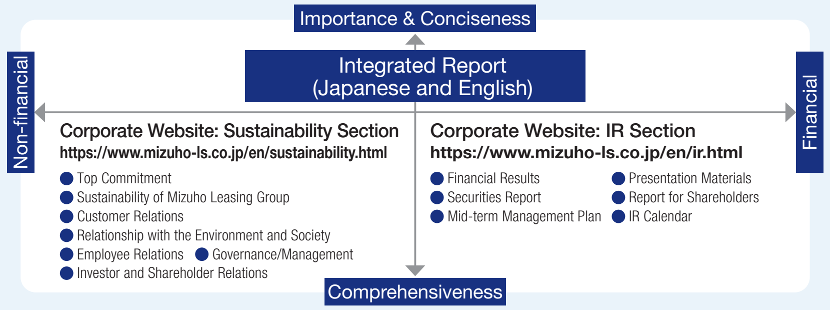


Editorial Policy

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



Reporting Period

From April 2021 to March 2022 (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.

Connect Needs to Create the Future

The Aspiration of Mizuho Leasing

Our goal at Mizuho Leasing is to help create a society
that can be passed down to future generations: a society
in which both stable economic growth and
the protection of the global environment are pursued,
resources are used effectively,
and human rights and ethics are respected.

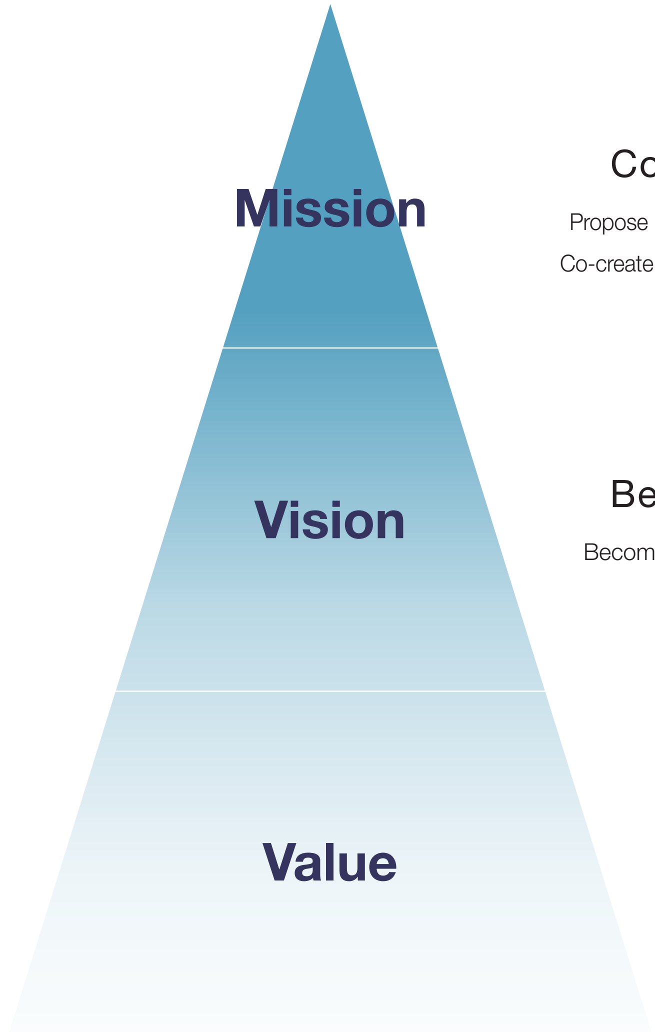
In order to build such a society,

we will collaborate
with our various stakeholders to
constantly take on challenges,
constantly make a change,
and constantly create the future.

We want to be a force for solving social issues
by identifying and connecting together client needs,
social needs,
and undiscovered needs.

This is the kind of company we aspire to be.

Mission, Vision, and Values



Connect needs to create the future

Propose new value by identifying and connecting the diverse needs of society.
Co-create an abundant future providing various financial and business solutions.

Be a creator of a sustainable world

Become creators of a sustainable world through enjoying our mission.

Challenge Change Create X Collaborate

Through collaboration, we will take on challenges,
enact change and accelerate creation.

Mission

In addition to providing the financial services that are the Group's strength, we will create the future together with our partners by proposing new solutions that go beyond finance to connect the diverse needs of society, and employing new mechanisms to solve these needs.

Vision

As a responsible corporate citizen that balances the creation of corporate value with the creation of a sustainable society, we will remain a company in which every one of our employees can work with a sense of pride.

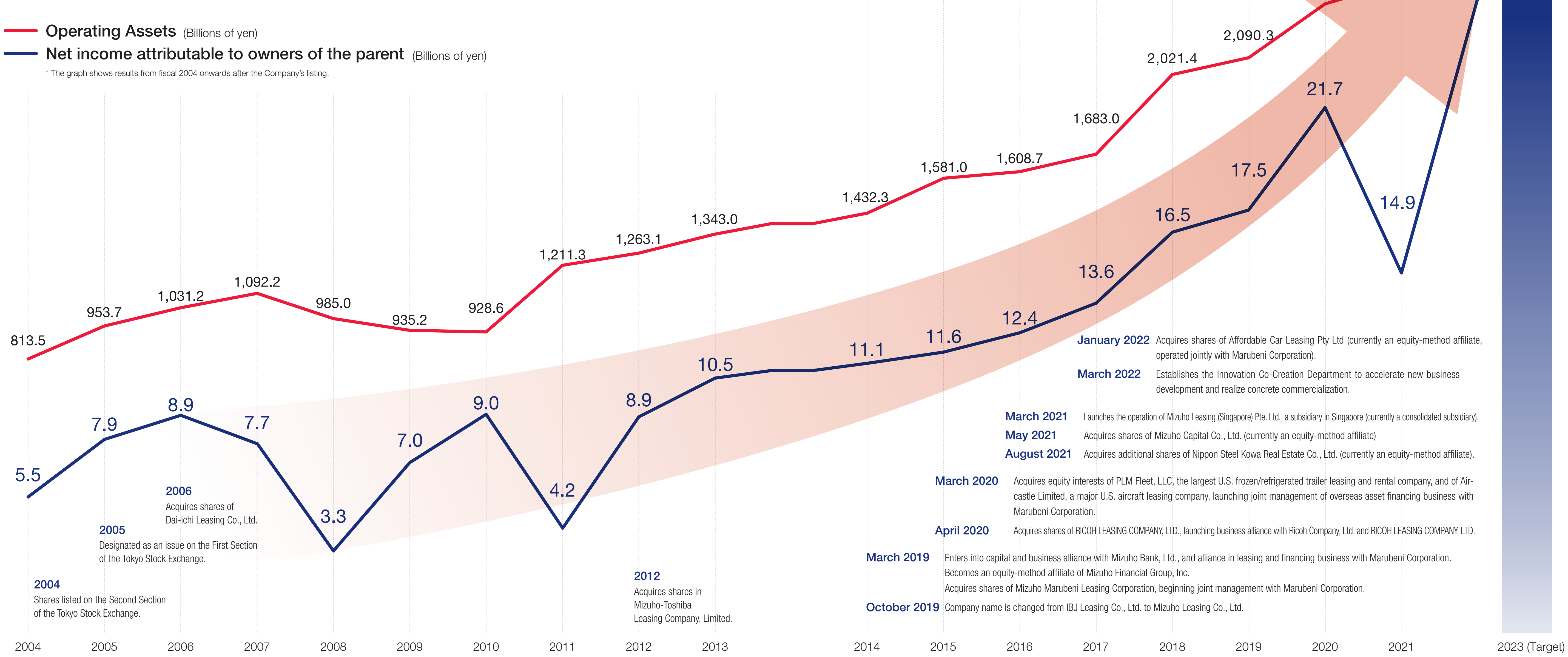
Value

We coupled our Values of "Challenge," "Change," and "Create" with "Collaboration," aiming to generate a substantial synergistic effect through alliances and collaboration with a range of stakeholders inside and outside the Group.

Trajectory of the Mizuho Leasing Group

The Mizuho Leasing Group has developed its operations primarily in leasing and installment sales—the financing of “Mono” (equipment & properties). 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 supply chain and a broad range of financial sectors and through M&A activities, as we proactively engage in business in Japan and overseas.

- In fiscal 2021, we proactively responded to potential downside risks (setting aside preventive reserves, impairment of goodwill, etc.) by taking into consideration the impact of the COVID-19 pandemic, semiconductor shortage, downturn in the airline industry, Russian invasion of Ukraine, and other factors. As a result, net income attributable to owners of the parent was lower than planned and the previous year’s result.
- In fiscal 2022, we aim to achieve a V-shaped recovery by continuing to accumulate quality assets, improving underlying profitability through collaboration with alliance partners, including strengthening ties with the Mizuho Group, and increasing the equity investment earnings.



The Group’s Contributions to Society

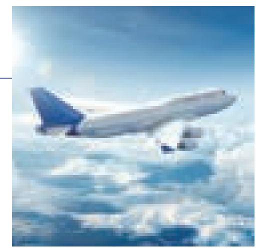
Sustained growth of companies, industries & technologies

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.

Establishment of social infrastructure

1972 Begins vendor leases of construction equipment as a pioneer in that field.
1993 Establishes a subsidiary specialized in real estate leasing.

Globalization/ improvement in mobility



Begins leasing business in Thailand in 1992, the Philippines in 1998, China in 2008, and Indonesia in 2010. Participates in aircraft operating lease business in 2016.

Health & welfare

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

Climate change, environmental load reduction

2012 Business department specializing in environmental business promotion is established.
November 2021 Issued Mizuho Leasing’s green bonds (unsecured straight bonds) through a public offering in the domestic market.

Mizuho Leasing's Businesses and Strengths

As a general leasing company, the Mizuho Leasing Group continues to expand operations with flexibility and agility, centering on businesses related to "Mono" (equipment & properties). Currently, in our Sixth Mid-term Management Plan, we have identified environment and energy, medical and healthcare, real estate, and other sectors as focus areas and are working to grasp the needs of clients and provide precise solutions by utilizing our unique knowledge in equipment & properties and know-how in supply chain. By collaborating with alliance partners, including other Mizuho Financial Group companies and Marubeni Group, we will take on the challenge of tackling new businesses and other initiatives to strive for the further development of society and realization of a prosperous future.

1. Building new business models, including subscription-based models p.26
2. Collaboration through alliances p.27
3. Expanding new business domains through partnerships with startups, etc. p.27

Connect Needs to Create the Future

Six Focus Areas

p.25,pp.30-34

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

Six Materiality Topics

p.10,pp.19-24

- Contributing to a decarbonized society
- Leading toward circular economy
- Contributing to a healthy and prosperous lifestyle
- Creating new value through technology
- Contributing to the creation of social infrastructure that supports our lifestyle
- Creating a society and workplace where everyone can thrive

Policy on Service Provision

The Group is most focused on the important theme of supporting the business strategic needs of clients that arise in response to rapidly changing social conditions. To address the financial strategic needs of clients, which are becoming more sophisticated, diverse, and complex, we provide financial services that take advantage of our high degree of flexibility as a leasing company. At the same time, as a partner in business strategy providing new solutions, we combine diverse services that draw on the Group's potential, joining with clients to pave the way for growth.

Mizuho Leasing Group's Value Creation Process

"Mizuho Leasing Group will co-create a circular society so as to contribute to realizing a sustainable society with tireless challenges and new ideas that go beyond finance."

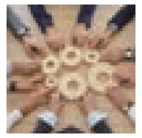
External environment

Social environment
- COVID-19
- Aging population with low birthrate
- Diversification of values
- DX acceleration

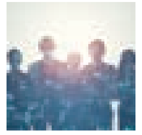
Natural environment
- Resource and energy shortages
- Global warming and climate change
- Increase in natural disasters

Economic environment
- Uncertainty in the global situation
- Changes in the interest rate environment
- Price increase

Mizuho Leasing Group's management capital and business



Intellectual capital pp.07-08
- Expertise and extensive know-how on "Mono (equipment & properties)," "commercial distribution" and "finance"
- Ability to provide solutions to clients' problems



Human capital pp.46-51
- Human resources with advanced expertise who squarely address issues
  Number of employees: 1,864 (consolidated), 784 (non-consolidated)

Social capital
- Client base centered on large- and mid-sized companies
- Broad network covering Japan and overseas
  Number of sites: 14 (Japan), 7 (overseas)

Financial capital pp.37-38
- Strong fundraising base
- Stable financial base: Net assets of ¥230.8 billion
- External ratings (long-term) R&I: A+, JCR: A+

Cooperation with business partners pp.35-36
- Strong cooperative framework with the Mizuho Financial Group
- Partnerships with companies in other industries such as manufacturers and trading companies

Business management
Service business
Lease financing

Sixth Mid-term Management Plan p.29

Consolidated Numerical Targets for Final Fiscal Year (FY2023)

Net income attributable to owners of the parent	¥30.0 billion
Balance in the global area	Triple compared to March 31, 2019
Dividend payout ratio	Aim for 25% or more

Focus Areas pp.30-34
- Environment and Energy
- Global
- Medical and Healthcare
- Aircraft
- Real Estate
- Technology

Tireless challenges and new ideas that go beyond finance

Reinforcement of Management Base
- Group Governance
- Compliance
- Human Resource Strategy
- Risk-return Management

Alliance and Cooperation
- MIZUHO
- Marubeni
- RICOH
- RICOH LEASING
- NIPPON STEEL KOWA REAL ESTATE

Materiality pp.19-24

Renewable energy
Contributing to a decarbonized society (SDGs 7, 13)

Medical, nursing care, and healthcare
Contributing to a healthy and prosperous lifestyle (SDGs 3, 11)

Cities, infrastructure, and mobility
Contributing to the creation of social infrastructure that supports our lifestyle (SDGs 9, 11, 13)

Circular economy
Leading toward a circular economy (SDGs 12, 13)

Technology
Creating new value through technology (SDGs 8, 9)

Human resources, education, and governance
Creating a society and workplace where everyone can thrive (SDGs 4, 5, 8, 10)

Co-create a circular society and contribute to the realization of a sustainable society

Connecting People with People through an Array of Businesses. This Creative Activity is the Very Engine of the Group's Growth.

Shusaku Tsuhara
President and CEO

We Want to Convey Our Message Clearly and Intelligibly

——Mizuho Leasing has entered the fourth year of its Sixth Mid-term Management Plan, a five-year plan that began in fiscal 2019. Recently, amid the continuing impact of COVID-19, Russia suddenly invaded Ukraine. How has the company responded to this unstable global situation?

The Group has offices overseas, and the current situation alerts us again to how the entire world is connected. I am deeply saddened by reports from Ukraine showing an increasing number of victims, including civilians. With regard to the impact on the global economy as well, the invasion has caused surging prices, not only for wheat and other foodstuffs but also for natural gas, petroleum, and other resources, as well as sharp increases in personnel expenses, material costs, and other costs.

Movement restrictions put in place because of COVID-19 are being relaxed, and economic activities are clearly resuming, which is positive news, but the unstable conditions in society are yet to be dispelled. Regarding the leasing industry as a whole, capital investment and other indicators have not recovered and transaction volumes are down from the previous fiscal year. Rising interest rates, especially in the U.S., are also having an impact.

In light of these conditions, we will need to be keenly aware of the current trends in society. As far as how the Group is responding, I strongly perceive the importance of conveying our message in ways that are easier to understand in order to further reassure our clients.

This is related to the reporting of our results for fiscal 2021.

In fiscal 2021, the Group collectively focused on providing solutions to meet the strategic needs of clients, in terms of business and finance. As a result, operating assets totaled ¥2,416.6 billion, increasing ¥94.2 billion from the end of the previous fiscal year. Our earning power is steadily increasing as a result of strengthening initiatives that emphasize profitability in the real estate business and other areas.

At the same time, in aircraft leasing, which continues to be impacted by COVID-19, we took the decisive step of conducting goodwill impairment related to Aircastle Limited, in which Mizuho Leasing and Marubeni Corporation own equity stakes, ahead of schedule as a part of settlement procedures for the third quarter.

In addition, with supply chains being disrupted by semiconductor shortages brought on by COVID-19, we set aside preventive reserves to prepare for future downside risk.

Along with these accounting procedures, with the Russian invasion of Ukraine affecting Aircastle, net income attributable to owners of the parent resulted in ¥14.9 billion. Our initial forecast was ¥23.0 billion, so it is true that our result fell well short of our projection. Meanwhile, as a preventative measure, we worked to disclose related information and provide detailed explanations and are grateful that this was received positively.

With regard to our full-year financial results forecast for fiscal 2022, we are targeting net income attributable to owners of the parent of ¥26.0 billion and will work hard to bring about a V-shaped recovery.

——The understanding of employees is an important factor in making proactive management decisions. What are your views on employee engagement?

I think the source of energy within a company is the power of communication. Something I'm trying to do even more than last year is converse directly with employees. And, since my own individual efforts are not enough, I have told the company's executives, as members of management moving in the same direction as myself, to create more opportunities to communicate with employees.

I personally hold Monday meetings every week with our executives, primarily the members of the Executive Management Committee, which is an advisory body to the president. At these meetings, we do not necessarily create meeting documents; we just talk candidly with one another to further deepen our understanding of each other.

I try to engage directly with employees when I visit our branch offices around the country. Opportunities to converse are created by holding luncheons and small town hall-style meetings.

At one point I noticed that good communication was not necessarily taking place among people working at the head office, and so I thought I needed to create opportunities to convey my thoughts. Now I am having meetings with employees being split up into small groups to engage in various conversations. I believe this initiative has been a meaningful forum, with some constructive proposals coming out of the process.

Online communication will also continue to be an important tool. After meetings of general managers, I have all employees watch me online answering questions provided in advance while talking about that day's topics. We also take into consideration the timing of the meetings and try to choose days and times that make it easier for everyone to participate.

There is no one right way to communicate, and saying something just one time is generally not enough for your message to get across to everyone. It can be the case, too, that the message will gradually come across when it is conveyed not only by myself but also by people of different positions using their own varied ways of expressing the same fundamental points.

Meeting for communication between the president and employees held in April 2022

The key, though, is never giving up. What can I do to have people take an interest in what I'm saying? Is my message getting across? I'm always searching, looking for that best style while trying out various formats.

Deepening Relationships Between People for a More Prosperous Society

——What are your thoughts on deepening collaboration with alliance partners, which include the Mizuho Financial Group, Marubeni Group, Ricoh Company, Ltd., and RICOH LEASING COMPANY LTD.?

Mizuho Leasing's principal shareholder changed from Mizuho Bank to Mizuho Financial Group, Inc. as of March 31, 2022. This has further expanded a broad range of collaborations, including with trust banks and securities companies, and has also increased the potential for creating new solutions by combining functions with Mizuho Group companies.

Mizuho Leasing is a highly flexible player capable of freely utilizing the strengths of the Mizuho Financial Group. We intend to take full advantage of our position capable of providing new products and services that help solve issues faced by clients.

In addition, because the job of financing does not involve the actual creation of physical goods, it goes without saying that collaborating with alliance partners is important. The depth of our personal networks is also important when deepening alliances with other companies.

We are now beginning to conduct personnel exchanges with our alliance partners. Specifically, for a certain period of time we will take in employees from alliance partners and send our own employees to them to develop the talent pool.

Currently, plans are already underway to exchange personnel with the Marubeni Group, which is a trading company, meaning its line of business is completely different from the Mizuho Leasing Group. I think it will be a very stimulating experience for everyone involved.

In addition, in real estate, NIPPON STEEL KOWA REAL ESTATE is an important alliance partner, and if there are employees interested in studying real estate as a specialty, we would be able to assign them to the company as well. And, if there are people who want to learn about startups, we can assign them to Mizuho Capital, one of our equity-method affiliates. Getting work experience at Mizuho Capital would no doubt allow participating employees to expand their networks with people active on the frontlines of startups. The potential is there for appealing collaborations to be formed with these alliance partners, the kind that inspires employees on both sides to actively volunteer to participate.

There are various styles of alliances, but when personal relationships deepen between the companies, this inevitably enhances the substance of the alliance and propels its further evolution. I believe that this is an extremely important force for business as well.

——At the same time, for employees, it is a major opportunity for them to greatly advance their careers.

That's exactly right. This idea originally came out of one of the town hall meetings I mentioned previously. Employees strive to develop their own careers, of course, but couldn't we create opportunities for learning through temporary assignments, for example? This opinion came up at one of the meetings, and I thought, yes, let's make it happen.

Last year, Mizuho Leasing selected six materiality topics: "Contributing to a decarbonized society," "Contributing to a healthy and prosperous lifestyle," "Contributing to the creation of social infrastructure that supports our lifestyle," "Leading toward a circular economy," "Creating new value through technology," and the sixth is "Creating a society and workplace where everyone can thrive."

In considering how to achieve the SDGs and sustainable management, the six materiality topics are all important, but even among them, people are always foremost. Taking good care of the mental and physical health of every employee and their families is a fundamental part of our management, and when I became president I made the promise that Mizuho Leasing would continue being a company that enables employees to work with vitality and peace of mind and faithfully look after their families. I would like to reiterate this promise this year as well.

Our collaborations with alliance partners also help lay the foundation for achieving this important goal, and I feel we have taken at least a small step forward in this regard.

Creating a Corporate Culture of Innovation

——The Innovation Co-Creation Department was established in 2022. What are your thoughts on new businesses?

Mizuho Leasing has formed an alliance with Mizuho Capital, a venture capital firm, and is beginning to work together with them. More specifically, Mizuho Capital has built a network that brings together unique people with great future potential.

Finding and launching new businesses through startup companies is extremely important, and the ideas that are actually presented are wonderful. But, they have their own challenges as well. For example, in order for such businesses to survive in a sustainable way, they must have the ability to monetize the ideas and new products. We are in finance, so we thought there would be things we could do as the alliance partner in materializing ideas that open up a new world.

Of course, at Mizuho Leasing in the past, ideas for new businesses would come up and then disappear. We lacked the ability to execute. Given this, we created a new dedicated department, the Innovation Co-Creation Department, which will work to unearth new businesses and promote and support collaborations internally and externally. In order to enhance its effectiveness, Deputy President Nakamura was appointed as the officer in charge.

At a company of our size, it is indeed difficult to appoint a dedicated personnel, but results will not come to fruition with concurrent appointments alone. This is why we chose to assign a small number of talented young employees on a dedicated basis. It has only been a few months since the department was launched, but there have already been talks on new businesses in new business domains such as the circular economy, agriculture, space industry, metaverse, and more. I was surprised when the idea of working in agriculture came up, but we decided to give it a try anyway. We sent our employees out so that they can consider the possibility of joining the farm, including the possibility of taking up a hoe and working with the farmers themselves.

These projects are in the early consideration phase, and I don't know where they will lead; there may be some failures along the way. What is important, though, is fostering an organizational culture that is conducive to taking on new challenges. Even if new businesses do not generate results immediately, this is not the responsibility of any individual employee, but the responsibility of the entire company. We tackle new initiatives collectively as a company—it is important that we take this stance.

Companies with a corporate culture of innovation do not even need departments like the Innovation Co-Creation Department. On this point, I am aware that we have gotten off to a very late start. Even so, we need to personally commit to new businesses and move down the road to change.

——What is your vision for the Mizuho Leasing Group five and ten years from now?

With society changing as rapidly as it is, making predictions can be difficult, but, at the same time, doing nothing is not an option.

What will our company be like in ten years? With this perspective, and with their various backgrounds, it is important that our employees have opportunities to speak freely and comfortably without hesitation. Ideas that emerge from this could be given tangible form by the Innovation Co-Creation Department, for example. It may also be possible to have them developed with alliance partners when relationships deepen through personnel exchanges. Just like with farming, seeds are sown in an organizational culture capable of making this possible, grown with care, and then harvested. Depending on the business, it may take as long as ten years, but I think this process is certain to become a major strength of the Group.

Also, in any discussion of the future, environmental measures are absolutely essential. Most greenhouse gases, the cause of climate change, are emitted from everyday living, the food, clothing, and shelter needed by each and every citizen. Some studies put this at around 60% of the total domestic emission, so it is important that all members of the Group, including myself, take personal responsibility.

First on our list of materiality topics is "Contributing to a decarbonized society."This means, truly, we will take action with a sense of ownership, and it also expresses our commitment to actualizing our intentions through corporate activities on the major theme of protecting the environment.

As an internal initiative, we established the Sustainability Committee in April 2022, and we have been carrying out company-level discussions on climate change. It is also important to grasp the related business opportunities, and we are strengthening finance and investment for environmentally friendly real estate and also focusing on the renewable energy business.

For example, the renewable energy business that will be up and running in autumn 2022, in partnership with AEON Mall Co., Ltd. and Eco Style Co., Ltd., is extremely unique. Electricity acquired from approximately 740 low-voltage, distributed solar power plants around the country is supplied to around 30 AEON Mall facilities nationwide in a business format called self-consignment. Eco Style supports power plant installation, operations, and maintenance, and the Group arranges financing. The self-consignment format is effective in promoting investment in renewable energy facilities and is a method that is drawing attention globally. This project will be among the largest in Japan. By further developing businesses like this for a decarbonized society, we will come to more fully embody the vision of Mizuho Leasing, which is to "Be a creator of a sustainable world."

——Lastly, please share with us your message to stakeholders.

The work of the Group is, in essence, to connect people, to connect businesses. This applies of course to the alliances we are currently focused on. The word "connect" has various meanings, and while it may be somewhat vague, it is also malleable and has the potential to broaden in various ways.

Going forward, it is "connecting" in various settings and situations—through collaborations with Mizuho and other alliance partners, with clients on the business side, and with startups, for example—that will no doubt be the key to the Group's sustained growth. This, truly, is the meaning of "Connect needs to create the future," the mission of the Mizuho Leasing Group.

Under our new mission, vision, and values, we will keenly identify the needs of clients and provide valuable services and solutions, including new business investment, to continue to work to solve social issues together with our clients into the future. To all of our stakeholders, we look forward to your continuing support.

Comments from the Chief Sustainability Officer

Sustainability Management Must Not Be Mere Performance

Toward Sustainability as Routine Practice

Toshiyuki Takahashi Managing Director

Significance and indispensability of a sustainability commitment in corporate management has been pointed out in various places, and many companies are sincerely engaged in sustainability initiatives. Mizuho Leasing of course is one such company, but what is important is that these initiatives do not degenerate into the mere attempt to look good to the outside world, or fall into effectively having only superficial consistency; we must not neglect to question ourselves in this regard.

Last year, the Mizuho Leasing Group identified and selected six materialities and created a common awareness of them both internally and externally as a value concept supporting business strategies, but if we become satisfied with simply having selected and announced them, they will lose their meaning. The question is how to translate these topics into concrete actions and initiatives, and if each and every executive and employee embody these principles in a tangible way in their interactions with clients, society, and communities. This is precisely what is at stake in our future practice.

The Sustainability Committee, which Mizuho Leasing established this fiscal year, has this practice as its goal. Executives in charge of operating units and administrative units meet to coordinate the direction of sustainability promotion, set various goals and manage their progress, and deliberate on needed measures. In addition, the committee is meant to be a venue where participants engage in candid discussions and share their understanding of issues not only in connection with their respective areas of responsibility but broadly from companywide and group-wide perspectives. It is an important organ that forms the core of Mizuho Leasing's sustainability management.

Maintaining dialogue with stakeholders is an important facet of sustainability management. It could be said that the first step in this is full and accurate disclosure of information. Mizuho Leasing has begun to conduct analysis and information disclosure related to climate change issues in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The risks presented by climate change need to be accurately understood, but at the same time, it is also important to appropriately grasp the other side of the coin, the business opportunities. We will steadfastly build a structure by which we ourselves take the lead in providing solutions that address climate change.

For us as a company, a collection of people and a presence in society that continues to march toward the future, sustainability management should not be premised on something special. We should do it as routine practice as soon as possible. We do not need any fancy rhetoric.

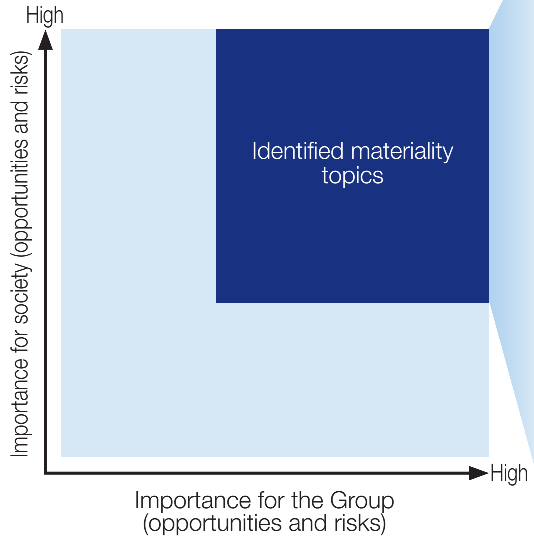
The importance of corporate efforts to address environmental and social issues has been increasingly growing. In response, the Mizuho Leasing Group has identified six important issues as materiality topics that need to be addressed on a priority basis through its business activities. We will promote initiatives for these materiality topics by integrating them with our business strategies.

Process to Identify Materiality Topics

STEP 1 Extracting issues	STEP 2 Analyzing issues	STEP 3 Assessing issues	STEP 4 Identifying materiality topics
Made a list of approximately 300 issues extracted from SDGs, SASB Materiality Map, and so on, to be addressed in Japan and abroad in a long span in terms of environment, society, economy, and other perspectives.	Scored each issue by drawing on the insights of external experts concerning the degree of importance of each issue for society and for the Group. Selected issues that the Group can contribute to solving through its business, or issues that the Group is aiming to contribute to solving them.	Conducted interviews with management and a questionnaire survey for employees to assess the importance of each issue from the standpoint of opportunities and risks for society and the Group, respectively. Organized and selected issues that we place priority on addressing, and narrowed them down to a list of six themes.	Deeply discussed where we should place our priority with regard to six themes, consulted and deliberated on the validity of the materiality in the Executive Management Committee, and decided in a Board of Directors' meeting.

To Identify Materiality Topics

We made a comprehensive list of issues extracted from SDGs, SASB Materiality Map, and so on, to be addressed in Japan and abroad in a long span in terms of environment, society, economy, and other perspectives. Then we identify issues that need to be addressed on a priority basis from the perspective of the respective opportunities and risks for society and the Group, based on the multiple standpoints of management, employees, and external experts.



Themes to be addressed	Materiality	Examples of initiatives
Renewable energy	Contributing to a decarbonized society	p.19
Medical, nursing care, and healthcare	Contributing to a healthy and prosperous lifestyle	p.20
Cities, infrastructure, and mobility	Contributing to the creation of social infrastructure that supports our lifestyle	p.21
Circular economy	Leading toward a circular economy	p.22
Technology	Creating new value through technology	p.23
Human resources, education, and governance	Creating a society and workplace where everyone can thrive	p.24

Contributing to a decarbonized society

Relevant SDGs: 7, 13

Social issues
- Worsening environmental issues (global warming, etc.)
- Increased demand for energy/food/water and resource depletion
- Expanded demand for and use of renewable energy

Risks for Mizuho Leasing
- Rising costs of responding to climate change risks
- Shrinking market for products whose environmental impact is difficult to measure and continuously reduce
- Introduction of laws and regulations related to energy efficiency and its impact on corporate activities

Opportunities for Mizuho Leasing
- Increased business opportunities associated with changes in social and industrial structures with renewable energy as the starting point
- Expected role as equity holder and fund provider for projects related to renewable energy
- Strengthening of alliances with clients and suppliers with the common goal of expanding clean energy

Major initiatives for materiality
- Create management systems for generating, transmitting, storing, and using electric power
- Expand business fields by participating in renewable energy projects
- Enhance solutions for saving energy and improving energy efficiency

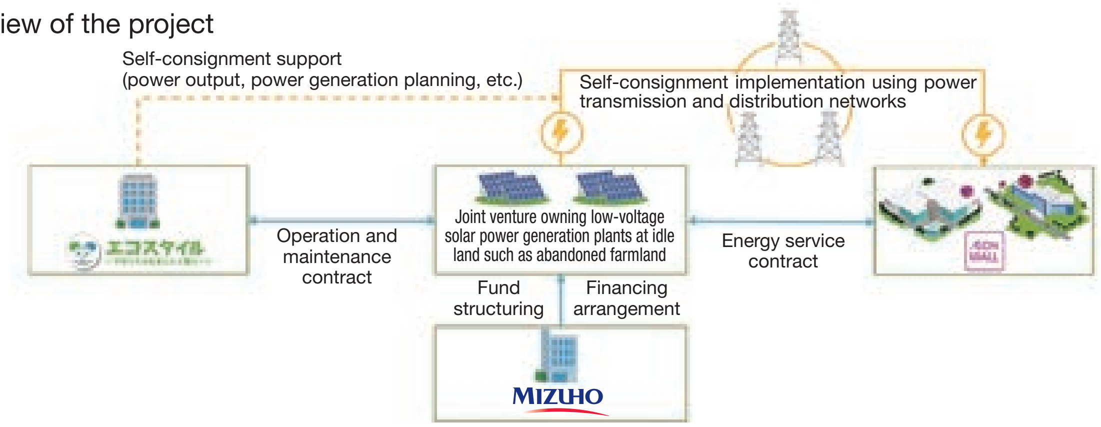
Examples: Procurement of renewable energy through low voltage, distributed solar power generation facilities using the self-consignment method

In May 2022, Mizuho Leasing Company, Limited, Mizuho Bank, Ltd., Mizuho Securities Co., Ltd., AEON MALL Co., Ltd., an electricity consumer, and Eco Style Co., Ltd., an off-site PPA developer (collectively referred to as the Companies) reached a basic agreement on the procurement of renewable energy through low-voltage, distributed solar power generation facilities using the self-consignment method (the Scheme), which will be among the largest in Japan. The Scheme enables the procurement of large-capacity renewable energy-derived electricity upon satisfying various conditions, including economic efficiency. The speedy establishment of the Scheme through collaboration among the Companies has been highly evaluated, attracting attention from various fields.

The low-voltage, distributed solar power generation system generates electricity equivalent to that of mega-solar plants by installing and combining solar panels on a relatively small land area. This system effectively uses unused land without involving large-scale development of mega solar power plants. Therefore, this initiative not only contributes to the realization of a decarbonized society but also significantly contributes to solving issues in Japanese society, such as environmental problems, the utilization of abandoned farmland, and the shortage of land suitable for power generation.

We will continue to make the most of this know-how and deepen our relationship with our clients to readily capture their need. We will make further efforts to become the company chosen by our clients when it comes to the environment."

Overview of the project



Contributing to a healthy and prosperous lifestyle

Relevant SDGs: 3, 11

Social issues
- Aging society and labor shortage in the medical and nursing care field
- Regional disparities between urban and rural areas in the medical and nursing care field

Risks for Mizuho Leasing
- Loss of opportunities for market expansion mainly due to delays in upgrading to advanced medical equipment or forming alliances to that end
- Loss of growth opportunities due to the inability to meet the growing demand for medical services

Opportunities for Mizuho Leasing
- Growing demand for investment in medical and nursing care services using IoT
- Entry into real estate leasing schemes, such as elderly housing with medical and nursing care services
- Expansion of health information services and health-related markets (from treatment to prevention)

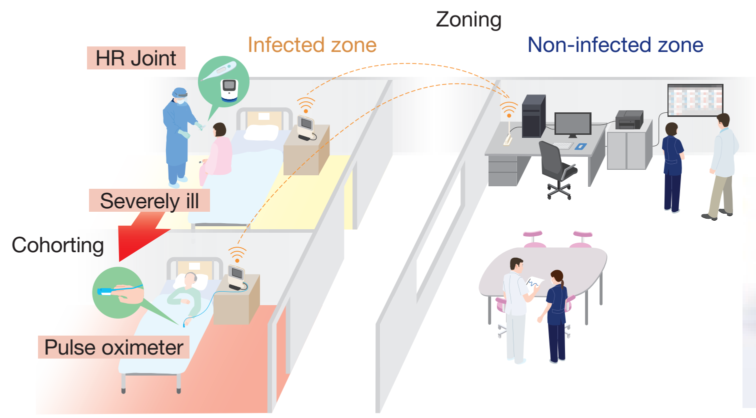
Major initiatives for materiality
- Offer integrated services that combine maintenance with data analysis and other tasks through alliances with medical manufacturers
- Provide comprehensive solutions that encompass facilities, equipment, and devices
- Sales finance connecting medical and nursing care equipment manufacturers with clients
- Real estate financing for elderly care facilities

Examples: Subscription scheme for biological information monitoring systems to help prevent nosocomial infections

In March 2022, we released a subscription scheme for the VS1 Patient Monitoring System in collaboration with Konica Minolta Japan (KMJ). With KMJ, we have established a subscription scheme for DR panels and diagnostic ultrasound systems. This is the third case of a scheme that has been horizontally expanded for another product.

This product can remotely monitor and record patients' vital signs in hospital rooms. It is attracting attention as a product that significantly contributes to preventing the spread of COVID-19, in addition to contributing to work style reform and productivity improvement in medical and nursing care settings where personnel shortages have been a concern, and improvement in users' QOL. Introducing this product to conduct appropriate management and medical treatment will improve the medical treatment category in medical fees, thereby expected to increase earnings. The scheme has no fixed contract term and termination fees, making it possible to respond flexibly to changes in the business environment, such as in medical fees.

We will continue to improve the value of subscriptions in the medical and nursing care fields and promote initiatives with higher added value to contribute to healthy and prosperous lifestyles.



Contributing to the creation of social infrastructure that supports our lifestyle

Relevant SDGs

Social issues

- Construction of social infrastructure in response to changing lifestyles
- Widening regional disparities in terms of urbanization and depopulation
- Aging and obsolescence of infrastructure

Risks for Mizuho Leasing

- Obsolescence of existing equipment and businesses due to changes in working styles and living environment
- Loss of business opportunities due to intensifying competition in urban areas and declining population and companies in rural areas
- Stagnation of socioeconomic activities due to accidents and breakdowns caused by aging infrastructure and increased damage in the event of disasters

Opportunities for Mizuho Leasing

- Increased demand for equipment and facilities in line with growing logistics demand and social changes such as digitalization and smartification, as well as creation of new opportunities for business advancement
- Expansion of business opportunities in rural areas due to the advancement of de-urbanization and a decentralized society
- Demand for infrastructure upgrades and demand for infrastructure using new technologies

Major initiatives for materiality

- Expand real estate business fields through collaboration with partners
- Provide solutions for developing infrastructure and promoting mobility
- Create mechanisms to support facilities renewal and introduction of facilities to prevent and prepare for disasters

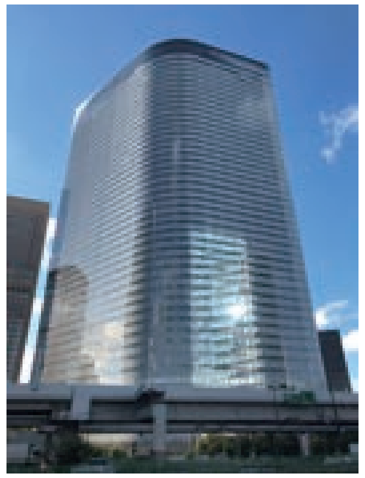
Examples: Contributing to solving corporate issues and building social infrastructure through investment in large-scale real estate projects

Changes in the social and economic environment due to the COVID-19 pandemic and other factors have diversified the value required of real estate by companies and people. The way how companies hold and use real estate is also changing.

In September 2021, we invested in an SPC that acquires trust beneficiary rights in the Shiodome A-block real estate (the Property), which is occupied by DENTSU Group Inc. This transaction is intended to increase the efficiency of the DENTSU Group's balance sheet and to respond flexibly to changes in working styles. The DENTSU Group has continued to occupy the Property even after its transfer through a sales and leaseback arrangement.

The Property is a complex facility mainly consisting of large office buildings, commercial facility Caretta Shiodome, Shiki Theatre, and annex office buildings. The Property is used by many people as it is located in one of the locations with the best traffic convenience in Tokyo.

We believe that real estate is a social infrastructure that supports and enriches the lives of its users. We will contribute to realizing a sustainable society by providing additional value in real estate through our real estate finance function and collaboration with alliances.



Leading toward a circular economy

Relevant SDGs

Social issues

- Environmental conservation by moving away from a mass-production and mass-consumption society
- Responding to changes in social trends from ownership to use
- Shorter product cycles due to technological innovation

Risks for Mizuho Leasing

- Adverse effects on the natural environment due to resource depletion and increased waste, and increased burden on companies due to soaring resource prices and environmental regulations resulting from environmental degradation
- Loss of opportunities for growth and innovation due to the inability to capture demand associated with the shift from ownership to use
- Deterioration of corporate performance due to increased capital investment costs to respond to rapid technological innovation and social change

Opportunities for Mizuho Leasing

- Expansion of new businesses and technological development in response to changes in the way goods are used
- Widespread use of sharing and subscription services that are highly compatible with leasing
- Increased business opportunities for the Company due to a shorter capital investment cycle
- Environmental improvement through conservation of the natural environment and reduction of waste and pollutants

Major initiatives for materiality

- Maximize the utility value of goods (subscription, sharing, etc.)
- Provide support at all stages of the supply chain
- Reduce the life-cycle costs through collaboration with manufacturers

Examples: Responding to changing technologies and contributing to a circular economy Providing subscription services for machining centers

In response to a request from ENSHU Limited, a machine tool manufacturer for automobile and motorcycle parts in Shizuoka Prefecture, to develop a new sales method for machining centers, we proposed a unique subscription scheme to the company and commenced the service in September 2022.

The automobile and motorcycle parts industry is undergoing remarkable technological innovation, including for EVs and hydrogen engines. Environmental targets are set with specific time limits, making it difficult for companies to respond quickly to new technologies through normal leasing and purchasing.

On the other hand, replacing a machining center after a few years will be costly and difficult. And there are also concerns about disposing of products that still have utility value.

In collaboration with ENSHU Limited, a machine tool manufacturer and parts processor using its own machining centers, we estimated future utility value and resale value to solve this problem. We deducted those values to set a reasonable lease fee for a period of three years. Then, we established a scheme where clients can choose either to return the equipment or purchase it after the expiration of the three-year term.

This service will make it easier for clients to use machining centers and contribute to a circular economy by allowing other clients to reuse returned equipment.

Another major achievement of this initiative is that the introduction of subscription services has allowed us to develop a continuous relationship with clients with whom we only had a relationship through the sales of sellout merchandise.

We will remain committed to further expanding these initiatives to become a driving force in a circular economy.

WE30Ve

#30 Vertical machining center

EV450Te

#40 Vertical machining center

GE480H

#40 Horizontal machining center

Creating new value through technology

Relevant SDGs

Social issues
- Expectations for solving problems with new technologies (robots, AI, etc.)
- Increasing demand for data utilization
- Expectations for improved access to information through advances in information technology

Risks for Mizuho Leasing
- Obsolescence of existing business models due to the rise of new technologies such as IoT and AI
- Obsolescence of existing assets held and a decline in residual value
- Leakage of core information and suspension of business operations

Opportunities for Mizuho Leasing
- Creation of new markets, provision of innovative services, and transformation to a business model that considers sustainability
- Establishment of a solid information infrastructure and improvement in information literacy
- Capturing corporate investment demand and expanding business to promote the use of IoT and robotics

Major initiatives for materiality
- Provide a platform that uses big data and AI
- Create new businesses by investing in startups
- Boost operational efficiency through the use of technology

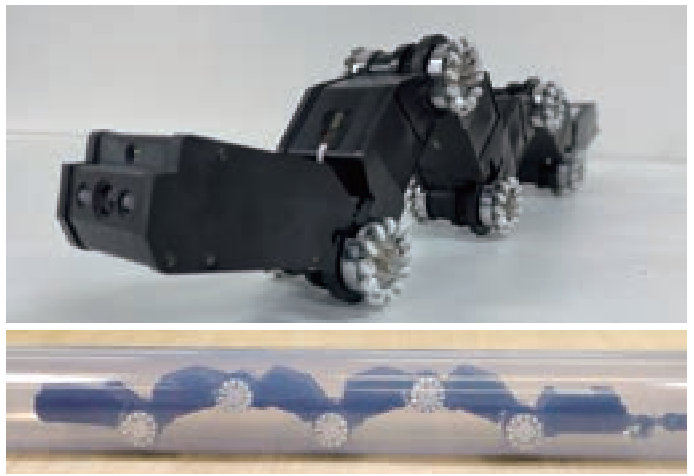
Examples: Realizing a society where robots play an active role through collaboration

Robotics has been attracting increasing attention in recent years due to problems faced by the Japanese economy, such as labor shortages and operational efficiency, as well as the spread of COVID-19. We have also seen an increasing number of cases where we collaborate with robotics-related partners in the areas of subscription schemes, service contracts, vendor financing, and so on. The robots we handle are used in various applications, including cleaning, catering, sterilization, and delivery in logistics warehouses.

Many clients hesitate to purchase and use a robot because it is a new technology. However, it makes it easier for clients to adopt robots by offering a subscription scheme with leasing, rental, and maintenance options, while customizing the robots to the partner's requirements. We will continue to do our utmost to support the widespread use of high-value services created by technology.

Example of collaboration with KOEI DREAMWORKS Co., Ltd: A pipe inspection robot named Haikan-kun®

In the conventional piping maintenance and repairs, the condition of the piping could not be determined due to a lack of or inadequate drawings, and there was no choice but to carry out work that turned out to be unnecessary. Koei Dreamworks, one of our alliance partner in diverse financing schemes, offers Haikan-kun®, a pipe inspection robot that can self-drive through pipework and visualize its inside, thereby eliminating unnecessary work. In this way, it can contribute to solving social issues, such as effective use of resources and cost reduction.



Creating a society and workplace where everyone can thrive

Relevant SDGs

Social issues
- Expectations for work style reform
- Growing importance of respect for diversity and human rights
- Necessity of appropriate governance structure and internal control

Risks for Mizuho Leasing
- Outflow of human resources due to inadequate labor and employment management, and training of employees
- Reputation risk due to inadequate harassment response
- Business continuity risks associated with governance failures and dysfunction of internal control

Opportunities for Mizuho Leasing
- Expansion of opportunities to secure excellent talent by promoting diverse work styles with a high degree of flexibility
- Strengthening of organizational capabilities by making the most of employees' abilities
- Establishing a foundation for stable growth by establishing a solid governance structure

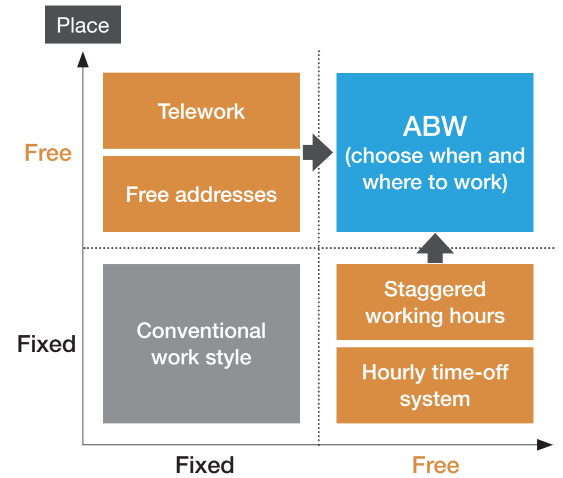
Major initiatives for materiality
- Increase flexibility to choose when and where to work
- Secure a diverse talent pool by hiring experienced mid-career people; provide support for women to take active roles
- Develop human resources through training and other means
- Strengthen governance and internal controls

Examples: Initiatives to increase flexibility in choosing when and where to work

As part of our efforts to create a society and workplace where everyone can play an active role, we are working to increase flexibility in choosing when and where to work. We are creating an environment where our employees, who are our assets, can work comfortably by providing a hybrid work style in the post-COVID-19 world based on the Activity Based Working (ABW) concept in which employees can freely choose when and where to work. The two main measures are "ABW in the office environment" and "business operations support that do not require employees to come to the office." In fiscal 2021, as part of the ABW initiative, we expanded the use of free addresses without predetermined seats and increased the number of telework booths. We also distributed mobile terminals to all executives and employees, and expanded mail scanning services, and mail pickup and delivery services to support their business operations. These efforts led to a 74.0% reduction in the number of fixed-line telephones at our head office and a significant reduction in the burden of general administrative tasks within departments.

Through these efforts, we will create an environment where employees can concentrate on their work. By doing so, we will help them focus all their energy on their primary job of understanding and supporting the needs of our clients. In the next fiscal year and beyond, we will do our utmost to expand these measures to regional sites and build highly flexible, worker-friendly offices nationwide.

Partitioned video conference spaces inside an office



As a Partner in Business Strategy, We Have the Power to Pioneer New Worlds for Clients

Akira Nakamura Deputy President

Amidst the accelerating changes in the global environment and society as a whole, not to mention the impact of COVID-19, clients in all industries are facing new business challenges and scrambling to solve them. The energy for this springs from the strong needs of clients themselves. There is no doubt a sense of crisis with respect to the current situation, but there is also a desire to change or a desire to grow in better ways. The strength of this desire, I think, is what leads to these needs.

We at the Mizuho Leasing Group feel the same.

With society in a period of transition, we ask ourselves, what can we do to help our clients? We have long provided services related to "Mono" (equipment & properties) and finance, but going forward, while leveraging this strength, we will aim to co-create new businesses with clients as their partner in business strategy.

The change from ownership of goods to the use of services, and changes in overall lifestyles because of digitalization have become prominent trends and are likely to transform society. For example, subscription services are rapidly becoming more widespread as a new business for clients such as manufacturers. When clients engage in this new business on their own, they must pioneer a market that had not existed previously, and while this will contribute to higher earnings, it will also entail administrative work for assets, contracts, and other items and give rise to funding needs and the like. This is where we would encourage clients to freely make use of Mizuho Leasing. Collaborating with us lessens the administrative burden on the client, and sales can be recognized all at once because we purchase the property, so there are various advantages. Truly, the very soil for collaboration is being cultivated of its own accord.

As we move forward with clients as their partner in business strategy, leveraging one another's strengths and collaborating will make it possible to take in client needs from all angles and make a diverse range of proposals.

Mizuho Leasing is by no means an isolated industry player. We have a strong roster of partner companies, including Mizuho Financial Group companies, the Marubeni Group, Toshiba Group, Ricoh Group, and others.

We are brimming with the power to pioneer a transformation of the times.

In this day and age when the structure of society is changing drastically, business strategies will change in bold and unique ways that go beyond conventional approaches. It will be necessary to quickly perceive nascent needs when they appear and rapidly and conscientiously cultivate them. In all cases, sustainability management is the fundamental starting point at the base of all our businesses. Toward the government's goal of achieving carbon neutrality by 2050, Mizuho Leasing must steadily and faithfully move forward to carry out relevant measures.

A higher level of social value will be required, but, at the same time, new business opportunities are arising in an expanding range of business domains. There is truly a broad range of new domains, including the circular economy, robotics, data business, life sciences, electric vehicles and storage batteries, and metaverse. These are an ongoing presence that is growing. There is also no doubt a broad range of initiatives in line with our materiality topics, in areas like renewable energy and medicine, as well as new businesses coming out of DX.

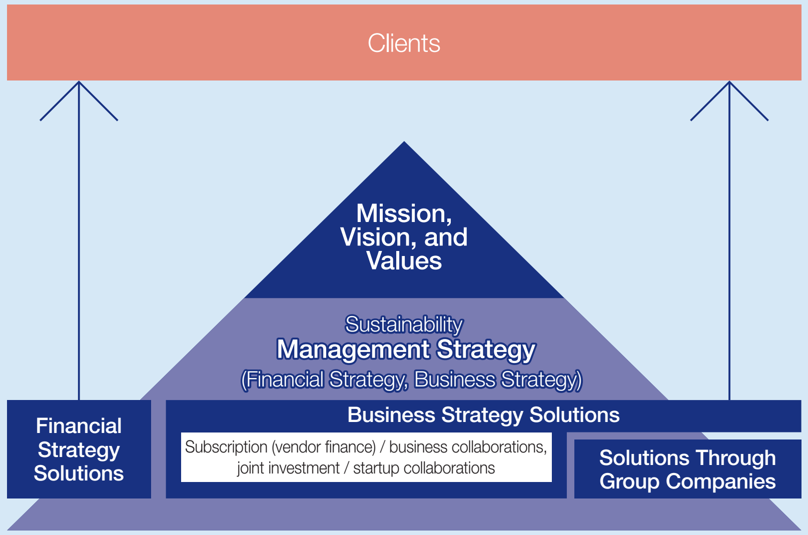
Amid these trends, I think collaboration can play an important role in strengthening relationships with startups, promoting non-asset businesses, and transforming the existing business models of clients. Focusing on businesses with high levels of social need will result in sustainability and the Group's growth being aligned in the same direction.

In order to more actively develop these activities, we established the Innovation Co-Creation Department and will continue to explore new business domains.

We also formed a corporate venture capital fund (Future Creation Investment Limited Partnership) with Mizuho Capital. Through the fund, we will promote startup investment, and, along with investment, we plan to generate further synergies through collaborations with our own businesses.

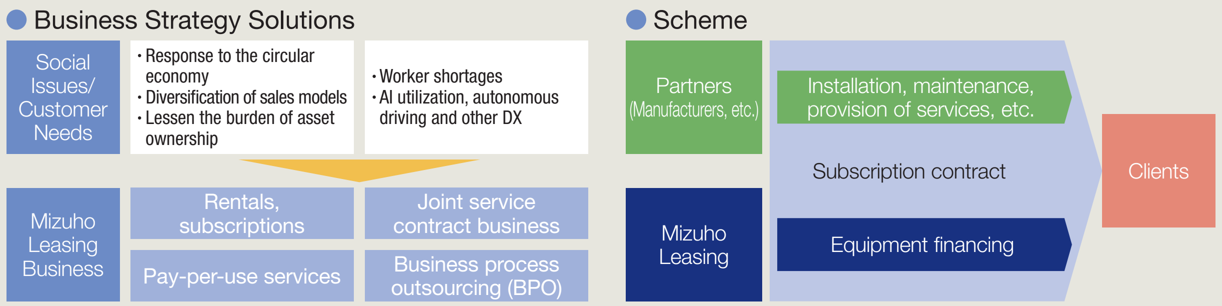
Mizuho Leasing's Overall Strategy

Propose new value by identifying and connecting the diverse needs of society—this is our mission, and based on sustainability as a fundamental of society, we work as a partner in business strategy to collaborate with clients seeking to diversify their business models. Drawing on Mizuho Financial Group, Inc.'s client base, one of the largest in Japan, and our non-bank functions, we will take on the challenge of new businesses with clients and our partner companies. Through direct investment and fund investment, we are strengthening startup-related initiatives.



1 Building New Business Models, Including Subscription

The strategic needs of clients, both financial and business, are changing greatly. For example, with needs changing from the sale of goods to the sale of services, which is to say, the ownership of goods to the use of services, clients are being pressed to accommodate greater diversification of sales models. Mizuho Leasing is able to provide not only conventional amortization control through the use of leases but also solutions involving rentals, subscriptions, pay-per-use, and other formats. By becoming a partner of clients that helps to promote their businesses with free and flexible ideas, we will create our own new business models.



2 Collaboration Through Alliances

pp.35-36

Mizuho Leasing entered into a capital and business alliance with Mizuho Financial Group, Inc. in March 2022 and is building an alliance system that capitalizes on its client base, which is one of the largest in Japan. Drawing on the experience and business expertise related to "Mono" (equipment & properties) we have cultivated as a leasing company, we are proposing a variety of solutions to the Mizuho Financial Group's clients. In addition, through our alliance with the Marubeni Group, which began in 2019, there has been growth in collaborative projects overseas. The alliance has led to joint overseas projects, such as frozen/refrigerated trailer leasing in the U.S., as well as infrastructure project investment, including in a water utility project in Chile through Mizuho Marubeni Leasing Corporation. In our business alliance with Ricoh Company, Ltd. and RICOH LEASING COMPANY, LTD., which began in 2020, both sides refer clients to the other for products in which they have their respective strengths, with the range of collaboration being expanded to new areas like the environment and medicine. In addition, with support from Mizuho Capital Co., Ltd., we launched corporate venture capital operations, and in our alliance with NIPPON STEEL KOWA REAL ESTATE CO., LTD., we are involved in attempts to fuse real estate development with the leasing business. In this way, we are carrying out a broad range of business development with partners in multiple fields.

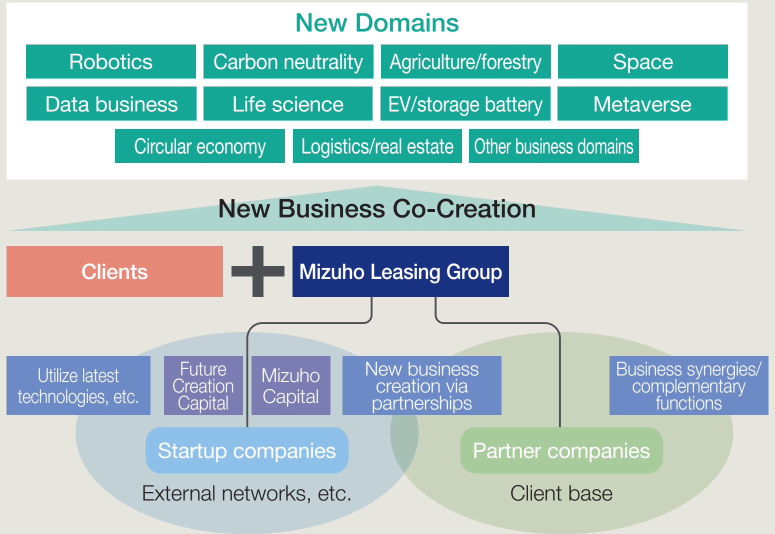
3 Expanding New Business Domains Through Startup Collaborations

Creating new earnings opportunities through the commercialization of new businesses is absolutely essential to sustainable business survival.

We have established the Innovation Co-Creation Department and formed a corporate venture capital (CVC) fund through which we will work to explore and expand new business domains.

In terms of specific initiatives, we have invested in Rapyuta Robotics Co. Ltd., which is involved in robotics platform development and operations, Startline Co., Ltd., which provides corporate support services related to the employment of people with disabilities, and PowerX, Inc., which develops and manufactures storage batteries and electric ships.

● Business Co-Creation Overview



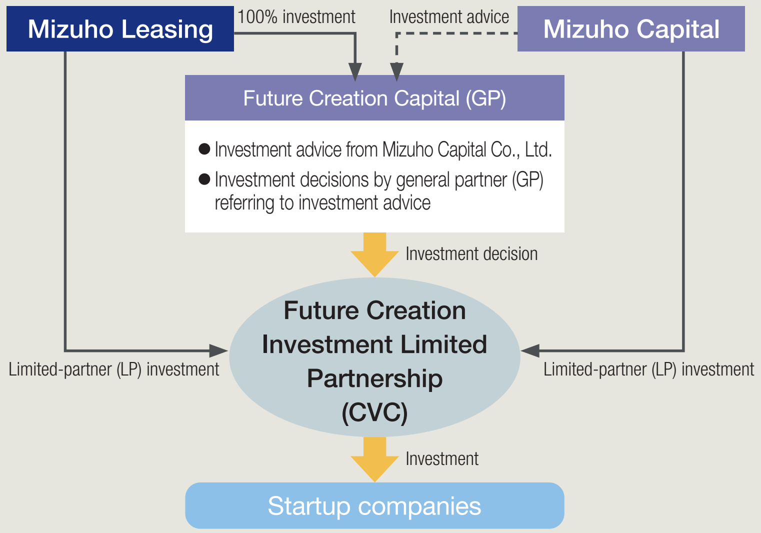
Roles of Innovation Co-Creation Department and Promotion System

The Innovation Co-Creation Department was created with the main mission of exploring new business domains that Mizuho Leasing had not previously been involved in and building businesses in those domains.

In addition, we will not only develop new businesses that originate in the department but also leverage networks built with existing business partners and external stakeholders through related internal departments in order to unearth new needs amenable to new businesses and work to materialize them.

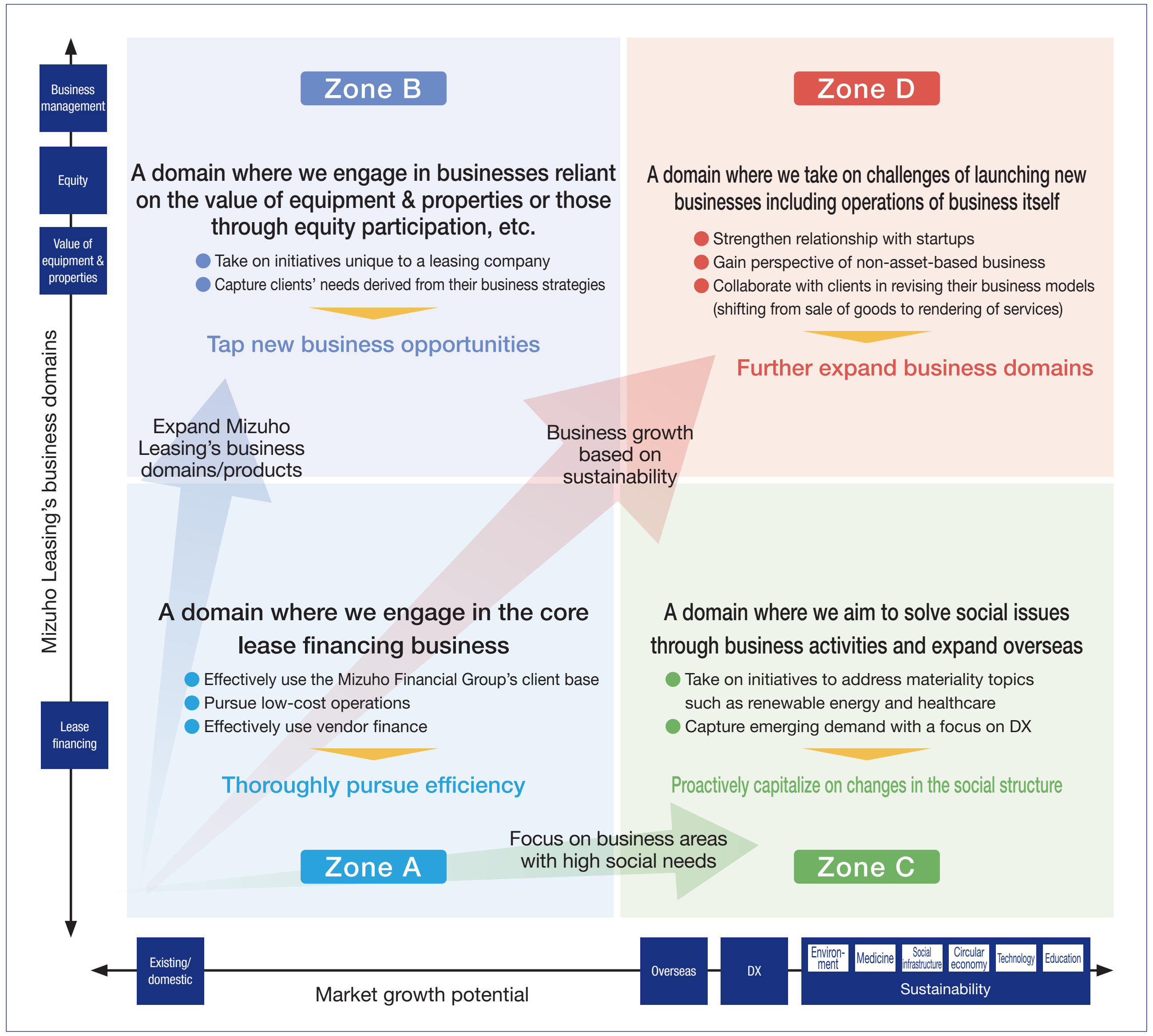
In order to grasp client needs, we regularly conduct training on design thinking and other topics and are carrying out activities to raise the level of all employees.

● Corporate Venture Capital (CVC) Fund



Overall Picture of Mizuho Leasing's Business Strategies

The figure below divides our business strategies into four zones based on the perspectives of business domains and market growth potential. With our traditional mainstay lease financing business (Zone A) at the core, we are focused on expanding current businesses (Zone B) and on growth areas that address social needs (Zone C) in order to strive for growth rooted in sustainability (Zone D).



column
Technology

"Technology" at Mizuho Leasing is one of our focus areas; it is an extremely important tool that drives the growth and development of the Company's other areas. In environment and energy, medical and healthcare, real estate, and all other areas, we will utilize technologies, specifically IoT, data, and robotics, to further upgrade our businesses.

Drawing on the power to connect unique to Mizuho Leasing, we will build highly advanced, highly sustainable business models utilizing DX, partner with startups, and develop subscription and other businesses while coordinating and collaborating with various partner companies, such as the Mizuho Financial Group. We will propose solutions distinctive to Mizuho Leasing that are in line with the needs of clients.

Promoting people- and society-friendly businesses with new, technology-driven concepts, we will fulfill our corporate responsibilities toward the realization of a sustainable society.

Sixth Mid-term Management Plan

We are now in the fourth year, the second half, of our Sixth Mid-term Management Plan, which covers a five-year period from fiscal 2019, our 50th anniversary, to fiscal 2023. We will continue working to provide valuable services and solutions to focus on solving the issues clients face. As we deepen collaboration with alliance partners and continue the challenge of tackling new business domains beyond the framework of finance, we will play a role in solving social issues. Our numerical targets for the final fiscal year of the plan are net income attributable to owners of the parent of ¥30.0 billion, triple the balance in the global area compared to the end of March 2019, and a dividend payout ratio of 25% or more.

Consolidated targets for final fiscal year (FY2023)

- Net income attributable to owners of the parent: ¥30.0 billion
- Balance in the global area: (Target) Compared to the end of March 2019 Triple
- Dividend payout ratio: (Target) 25.0%

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

Expand and grow fields of business within and outside Japan

	Measures	Key points
Strengthening group governance	Strengthening ties within the Group	● Building a network that maximizes synergy among the Group companies in response to diversification of business fields
	Consolidating functions within the Group	● Facilitating integrated management by consolidating overlapping functions within the Group
Improving operational productivity	Sweeping review of business promotion system	● Rebuilding business promotion system by reviewing work processes, rules and organizations, and improving infrastructure
	Improving operational efficiency and sophistication by utilizing IT	● Improving operational efficiency by utilizing IT and focusing on creation of new added value
HR strategy	Revising the personnel and remuneration systems	● Establishing evaluation and remuneration systems to promote Challenges
	Recruiting and developing highly specialized personnel	● Enhancing personnel in specialized areas in response to business globalization and diversification
	Sophisticating human resource portfolio management	● Efficiently utilizing human resources
	Promoting diversity and work style reform	● Accommodating diverse work styles by incorporating telework, supporting flexible work styles, work-life balance, etc.
Increasing sophistication of risk-return management	Risk management	● Promoting strategic capital management to support the expansion of business fields
	Portfolio management	● Implementing Group-wide risk capital management to establish the optimal portfolio by clarifying and identifying risks and returns
	Financial ALM	● Implementing flexible financial ALM attuned to diverse portfolios

Medical and Healthcare

Collaborating with diverse partners, we will utilize their client base to propose advanced solutions and move forward in "Contributing to a healthy and prosperous lifestyle"

Takanori Nishiyama Managing Director

Strengths

1. Partner collaborations that draw on the client base of the Mizuho Financial Group
2. Support for rationalization and labor savings at medical and nursing care facilities through diverse proposals, including financing and pay-per-use services
3. Contribution to funding diversification with financing backed by project cash flow

Overview of Sixth Mid-term Management Plan

Leveraging the power to connect to promote service business expansion and IoT utilization

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

Results of Sixth Mid-term Management Plan

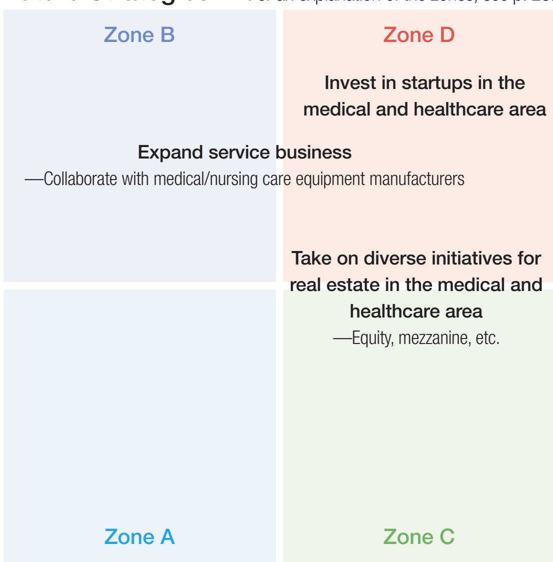
- Provided a rental scheme for Nemuri SCAN, a caregiving support system (remote monitoring of patient status at medical and nursing care facilities; also helps address labor shortages)
- Provided subscription schemes for digital radiography (DR), ultrasound (US), and biological information monitoring systems
- Ongoing initiatives for nursing care home development projects, etc., an area of strong social need

Growth Strategy

The growth strategy in the medical and healthcare area is broadly divided into three strategies. The first is data utilization. We will collaborate with medical and nursing care equipment manufacturers and utilize the range of data produced when leased properties, etc. are used in order to engage in businesses that help in disease prevention and new drug development. The second is collaboration with startup companies in the healthcare field that have new ideas and technologies. These partnerships with promising startups will not be limited to sales financing; we will also join with them through capital and business alliances. The third is expanding initiatives toward financing for medical and healthcare real estate. This includes not only nursing care homes for the aged but also medical malls, specialty outpatient clinics, testing centers, hospice homes, and other facilities. By engaging in this area, we will provide robust support for the promotion of the community-based integrated care system.

We will make every effort to carry out these growth strategies, move ahead in "Contributing to a healthy and prosperous lifestyle," and strive for sustainable growth in the medical and healthcare area.

Future Strategies For an explanation of the zones, see p. 28.



Progress on Mission to "Connect Needs to Create the Future"

Examples of materiality initiatives p.20

As the population continues to age, the medical and healthcare area is expected to continue to grow at a high rate. Through our alliances with the Mizuho Financial Group and others, we intend to further expand collaborations with promising partner companies. We will connect new services created out of this with the clients who will use them, thereby "Contributing to a healthy and prosperous lifestyle," an essential part of people's lives.

Real Estate

Through alliance/collaboration with alliance partners, we will pioneer new business domains and promote the real estate business with a strong client focus.

Hirohide Ishiyama Executive Officer

Strengths

1. Establishment of long-term relationships with partners that emphasize connections with clients
2. Precise response to CRE and capital needs of Mizuho Financial Group clients
3. Expansion of business domains through collaborations with alliance partners and further enhancement of client proposal capabilities

Overview of Sixth Mid-term Management Plan

Further expanding business domains beyond conventional finance

- Real estate leasing for fields with high levels of social need
- Provide bridging functions for domestic REITs
- Invest in overseas real estate
- Joint investment in promising destinations with major real estate developers

Results of Sixth Mid-term Management Plan

- Invested in an SPC that will acquire Shiodome A-block real estate, including the DENTSU head office building, which is expected to provide stable long-term revenue
- Acquired shares of Nippon Steel Kowa Real Estate CO., LTD. and entered into a business alliance agreement in order to expand business domains related to real estate
- Invested in CCReB Advisors Inc., a real estate tech company, with a view to creating new businesses and strengthening proposal capabilities
- Real estate-related operating assets increased 27% year on year to ¥611.8 billion on growth in real estate financing for prime assets

Growth Strategy

Our growth strategy for the real estate area is to fully maximize earnings through financing for prime assets for which long-term stable revenue can be expected and for real estate with high levels of social need, such as logistics and residential facilities, and to expand business domains and create new real estate businesses in part through alliance/collaboration with our alliance partners.

In fiscal 2021, we acquired shares of Nippon Steel Kowa Real Estate CO., LTD., which has extensive experience as a general real estate developer, and invested in CCReB Advisors Inc., which is involved in real estate tech and corporate real estate (CRE)-related businesses. Through alliance/collaboration with these partner companies, we will work to strengthen CRE proposal capabilities and expand the product lineup to broadly accommodate diversifying client needs.

Beyond the conventional boundaries of the real estate business, we will take on the challenge of tackling new businesses and work to expand business domains and in this way seek to achieve further growth and realize a sustainable society.

Future Strategies

For an explanation of the zones, see p. 28.

Progress on Mission to “Connect Needs to Create the Future”

Examples of materiality initiatives ▶ p.21

Promoting sustainability has major social significance today, and the values required of real estate are also diversifying. Through initiatives for real estate with high social need and properties with environmental certifications, we will solve issues facing society together with clients and our alliance partners, “Contribute to the creation of social infrastructure that supports our lifestyle,” and further work toward the realization of a sustainable society.

Environment and Energy

Drawing on our financial strength and networks, we will give our all to contribute to society as a central player in the field of renewable energy generation.

Kazuomi Funakawa Managing Executive Officer

Strengths

1. Ability to join with diverse partners drawing on the networks of the Mizuho Financial Group, and dynamic business development
2. Customer base and communication skills to grasp the needs of both power plant developers and electricity users

Overview of Sixth Mid-term Management Plan

Contributing to a sustainable society and promoting business

- Help realize a sustainable society through promotion of the environment and energy business
- Move from lease financing for renewable energy plants, etc. to business participation type projects
- Conduct initiatives to expand the business domain in connection with the change from FIT to the FIP system and development of the PPA model
- Support the growth of renewable energy not only in Japan but on a global scale

Results of Sixth Mid-term Management Plan

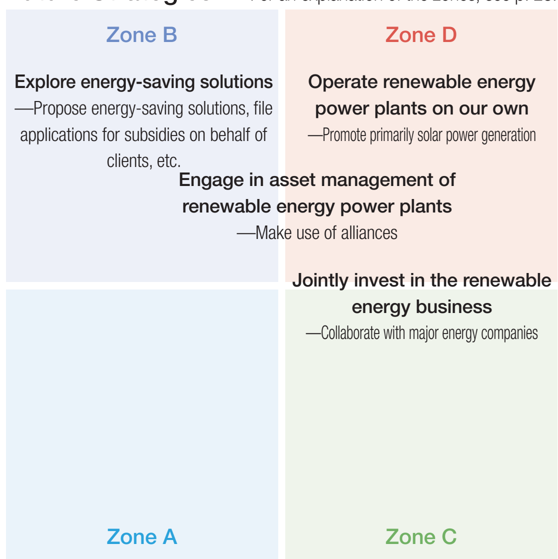
- Acquired Mizuho Leasing’s first solar power plant and participated in a solar power project (Kushiro, Hokkaido)
- Acquired an equity stake in a rooftop solar power project
- Executed project investment-type leasing based on revenue from electricity power sales generated from the power generation business at hydraulic power plants
- Executed joint business investment with a partner company in solar power plants in four locations in Japan

Growth Strategy

Our growth strategy in the environment and energy area primarily consists of project operations for renewable energy power plants, asset management for renewable energy power plants, joint investment in renewable energy projects, and provision of energy-saving solutions. Among these, we are putting particular emphasis as a growth strategy on project operations for renewable energy power plants. Currently, with awareness of sustainability increasing, and more and more clients indicating they would prefer to use electricity generated from renewable energy sources, connecting clients with the renewable energy power plants we ourselves operate not only promotes our business but also is an initiative with extremely strong social significance. Further, we will not only engage in the business on our own but also conduct joint project investment with partner companies, financing related to renewable energy power projects, and other initiatives more so than in the past. By more actively conducting power plant operations and investment while addressing the needs of clients, we will take on the challenge of a variety of businesses in the environment and energy area, where development is ongoing.

Future Strategies

For an explanation of the zones, see p. 28.



Progress on Mission to “Connect Needs to Create the Future”

Examples of materiality initiatives ▶ p.19

The environment and energy area is one of the few growth areas in Japan. While leveraging the networks of the Mizuho Financial Group to the fullest extent possible, we will take on the challenge of doing highly flexible business as befits a leasing company. Forming partnerships with various types of companies, we will firmly capture client needs, promote participation in diverse renewable energy projects, not just solar, and contribute to the realization of a society that is decarbonized and sustainable.

Global

In the global business where conditions change rapidly, we will draw on our unique power to connect to provide robust support for clients

Hiroshi Nagamine Senior Managing Director

Strengths

1. Expansion of new businesses through collaboration with alliance partners, including the Marubeni Group
2. Networks in the Asia-Oceania region, such as our local subsidiary in Singapore
3. Ability to propose solutions that capitalize on our client base and diverse experience over many years in Japan and overseas

Overview of Sixth Mid-term Management Plan

Developing business globally through active initiatives and networking capability

- Actively commit management resources, such as human resources and capital
- Further expand networks and increase financing and investment
- Strengthen collaborations with alliance partners, which include enhancing the client base and developing business through M&A
- Strengthen and enhance the asset financing business, centering on Asian and North American markets

Results of Sixth Mid-term Management Plan

- Acquired a stake in PLM Fleet, LLC, a frozen/refrigerated trailer leasing and rental company in the U.S. (equity stake of 50%; joint business operation with Marubeni)
- Invested in a leasing company in Vietnam (Vietnam International Leasing Company Limited) (equity stake of 18.3%)
- Commenced operations at our subsidiary in Singapore (Mizuho Leasing (Singapore) Pte. Ltd.) (equity stake of 100%)
- Sustainability-linked loan initiatives for a major logistics operations company in Singapore
- Acquired stake in an automobile sales and financing company in Australia (Affordable Car Leasing Pty Ltd) (equity stake of 50%; joint business operation with Marubeni)

Growth Strategy

The growth strategy in our global area is broadly divided into three strategies. The first is overseas business support for Japanese companies. Through our subsidiary in Singapore, we will continue supporting business in the form of lease utilization for clients primarily in the Asian region. The second is expanding the asset financing business and other businesses. Using diverse methods, not only leasing and installment sales, we will provide robust support for the business development of clients primarily in Asia. These two strategies will be pursued while actively utilizing our alliance with Mizuho Bank. The third strategy is enhancing business investment. By further strengthening collaboration with alliance partners, including the Marubeni Group, we will actively develop leasing-related businesses overseas and conduct active initiatives in the area of renewable energy.

Pursuing these growth strategies to the full extent, we will seek to further raise not only our own corporate value but that of our clients, who are our partners, as well.

Future Strategies For an explanation of the zones, see p. 28.

Progress on Mission to "Connect Needs to Create the Future"

Initiatives for sustainability and the SDGs both in Japan and overseas are absolutely essential today. Sustainability-linked loan initiatives for a major logistics operations company in Singapore and zero-emissions frozen/refrigerated trailer efforts in the U.S. are a part of this. In addition, companies that develop business overseas must comply with regulations not only in Japan but other countries as well. While drawing on the client base of the Mizuho Financial Group, we will make new, expansive proposals through collaboration with Marubeni and provide robust support for clients' businesses.

Aircraft

Through collaboration with alliance partners, we will meet the needs of aircraft companies worldwide in the aircraft industry where a global market recovery is expected

Yasuhiko Hashimoto Managing Executive Officer

Strengths

1. Collaborations with Marubeni and Aircastle, a U.S.-based major aircraft leasing specialist
2. Ability to provide competitive financing backed by sound credit ratings

Overview of Sixth Mid-term Management Plan

Expanding not only finance leases but the overall aircraft-related business

- Further promote the aircraft operating lease business
- Acquire new know-how and develop new business overseas by partnering and collaborating with Marubeni
- Enter aircraft-related businesses, including of engines and components
- Set up and sell JOLCO (Japanese Operating Leases with Call Option)

Results of Sixth Mid-term Management Plan

- Executed financing for Aircastle through Mizuho Marubeni Leasing Corporation
  (Expanded business through collaboration with Marubeni)
- Entered into aircraft operating lease agreements for U.S. and Mexican LCCs
- Entered into PDP financing agreement for Mexican LCC

Growth Strategy

Our strategies in the aircraft area can be broadly grouped into three strategies. The first is operating leases, the second is aircraft-backed collateralized loans, and the third is setting up and selling JOLCO (Japanese Operating Leases with Call Option). Of these, in terms of growth strategy, we are particularly focused on the first, aircraft operating leases. Up to this point we normally provided financing to companies and other entities that needed aircraft, but going forward, we will focus on a business format in which we own the aircraft and then lease them out to the companies that require them. The global shift from ownership to use is taking place in the aircraft industry as well. Even major global airlines are switching to leasing aircraft, and the opportunities for the leasing business are continuing to expand year by year. Partnering with Marubeni to acquire shares in Aircastle is one such example. Going forward, we will continue to actively utilize the know-how and networks of our alliance partners in order to further develop the aircraft business.

Future Strategies For an explanation of the zones, see p. 28.

Progress on Mission to "Connect Needs to Create the Future"

With the International Air Transport Association (IATA) setting a goal of halving CO_2 emissions by 2050 compared to 2005 levels and other developments, it is expected that new fuel-efficient aircraft and sustainable aviation fuels will be increasingly deployed in the future. Through diverse initiatives born of collaboration with our alliance partners, such as Marubeni and the Mizuho Financial Group, we will continue to contribute to social and economic growth and prosperous lifestyles for people around the world.

The Company aims to solve clients' problems and realize a sustainable society, such as the creation of new businesses and advancement into new business domains, through alliance/cooperation with its alliance partners, including Mizuho Financial Group companies, Marubeni Corporation, and RICOH LEASING COMPANY, LTD.

MIZUHO

Alliance and Cooperation with the Mizuho Financial Group

In March 2022, Mizuho Financial Group, Inc. acquired 23.54% of the Company's common shares, and concluded a capital and business alliance agreement with the Company. The Company and Mizuho Financial Group, Inc. are thus fully capitalizing on each other's client bases and networks in Japan and overseas. In order to meet the needs of our clients, which are expected to become increasingly sophisticated and diverse, we will strengthen and expand our lease financing business and create new business opportunities beyond the financial framework by integrating the respective know-how and next-generation technologies. Together with our clients, we will contribute to the development of society and the realization of a prosperous future on a scale greater than ever before.

Mizuho Financial Group, Inc.

Ability to provide advanced financing utilizing one of the largest client bases in Japan and overseas	Further strengthening ties with Group companies, including bank, trust bank, and securities firm

Strengthening and expanding lease financing business
Jointly implementing new business strategies

MIZUHO Mizuho Leasing

Mizuho Capital Co., Ltd. supplies risk money to innovation companies and undertakes efforts to support the development of its investees. It is known as one of the leading venture capital firms in Japan, with hundreds of companies having gone public to date. Following the conclusion of a business alliance agreement with the Company in May 2021, Mizuho Capital and the Company have created synergy by complementing each other's functions in terms of enhancing the corporate value of startups that it has invested in and contributing to open innovation of the Company's business partners. We are also engaged in proactive collaboration with the aim of expanding business opportunities in new domains through the utilization of the resources and operating bases of each company.

Furthermore, a corporate venture capital (CVC) fund has been set up under Future Creation Capital Co., Ltd., a company that we established to enable participation in CVCs. The fund will be managed in collaboration with Mizuho Capital Co., Ltd.

MIZUHO Mizuho Capital

This business alliance

Capitalizing on the Mizuho Financial Group's client base
▼
Expansion of business opportunities

Obtaining venture capital know-how

1 Collecting information on startups, advanced technologies, etc., and networking.
2 Providing financing to startups
3 Cross-sale of services and products of startups to the Company's clients
4 Equity participation
5 M&A (buyout)

Cooperation with the Marubeni Group

Marubeni

The Company entered into an alliance in leasing and financing business with the Marubeni Group in February 2019 and has been cooperating mainly in the global area. In March 2020, the Company acquired an equity stake in PLM Fleet, LLC, the largest U.S. company specialized in refrigerated trailer leasing and rental business. We will continue to strive for steady growth in the U.S. frozen/refrigerated goods transport market, which is expected to remain strong in the future.

Also in March 2020, we acquired an equity stake in Aircastle Limited, which engages in an aircraft operating lease business. Aircastle has strengths in marketing and repossession capabilities in addition to its broad global network and high-level aircraft management capabilities. We will strive to increase our presence in the global market leveraging these strengths.

Furthermore, in February 2021, Mizuho Marubeni Leasing Corporation, a joint venture between the Company and Marubeni Corporation, acquired an equity stake in Auxilior Capital Partners, Inc., which operates a vendor finance business in the United States. Auxilior Capital Partners is strong in quick screening utilizing advanced market analysis capabilities and the latest technology. With this strength, we will aim for further growth in the world's largest U.S. equipment leasing and finance market.

In the global area, the Company has jointly operated an auto finance company in Australia with Marubeni Corporation since January 2022. We are also promoting initiatives to meet diverse financing needs and acquire new business opportunities in the Asia-Oceania region by utilizing our business base in Singapore.

■ In fiscal 2021, the balance under collaboration with the Marubeni Group in the global area increased by ¥22.6 billion

Alliance with the Marubeni Group

Marubeni → Mizuho Marubeni Leasing ← Mizuho Leasing

Global infrastructure investment
• Water service business in Chile
• Hydropower business in the Philippines

Overseas joint investment

Marubeni → Aircastle Limited (aircraft) PLM Fleet, LLC (frozen/refrigerated trailers) ← Mizuho Leasing

Cooperation with Ricoh & Ricoh Leasing

RICOH RICOH LEASING

After entering into a business alliance in March 2020, the Company, Ricoh Company, Ltd., and RICOH LEASING COMPANY, LTD., have been promoting businesses utilizing vendor finance know-how as well as client contact point schemes and applications that Ricoh Leasing possesses. We are also mutually referring clients for products that the other has strength in, and exploring the possibilities for moving into new areas of cooperation such as environment or medicine.

In fiscal 2021, we set a target of ¥10.0 billion with a strong awareness of delivering results, and as a result, achieved ¥10.2 billion. In fiscal 2022, we will again promote initiatives to strengthen existing businesses as well as create new business opportunities.

Ricoh & Ricoh Leasing	Mizuho Leasing
Client base mainly consists of SMEs Approx. 400 thousand clients (98% are SMEs)	Strong relationship with large- and mid-sized companies
Expertise in vendor finance gained through transactions with approx. 6,000 vendors	Offering solutions to issues concerning clients' balance sheets and business strategies
Operational structure which enables processing large volume of contracts with greater efficiency and quality, such as an operational process utilizing IT	Actions in focus areas as well as in expanding business fields

Cooperation with NIPPON STEEL KOWA REAL ESTATE CO., LTD.

NIPPON STEEL KOWA REAL ESTATE

In August 2021, the Company concluded a business alliance agreement with NIPPON STEEL KOWA REAL ESTATE CO., LTD. ("Nippon Steel Kowa"). Nippon Steel Kowa boasts extensive experience as a general real estate developer and has strengths in large-scale urban development, such as office buildings in prime areas of central Tokyo, and development of condominiums. The Company has a client base centered on wholesaling for large- and mid-sized companies, and is involved in real estate-related financing and other initiatives through the leasing of land and buildings and SPCs.

The Company and Nippon Steel Kowa have few overlapping business domains and are highly complementary in each other's functions. We expect to expand our business domains by combining the strengths of the two companies.

Asset lifecycle	Redevelopment	For use by clients	For use by third parties
Business domains		The Company's previous business domains	
	Example 1	The Company's expanding business domains	Example 2

Example 1 Proactive development into a CRE strategy ➡ Business participation from the redevelopment stage
Example 2 Business domain expansion into businesses based on long-term property holding

Strengthening of real estate solutions

We support client businesses by procuring stable funding in various formats. Through balanced investment, we will seek further growth.

Hiroshi Nagamine Senior Managing Director

Importance of Open Management

——Conditions are changing significantly, not only in Japan but globally as well. How do you see the current environment?

With the external environment changing rapidly due to the spread of COVID-1 9, last fiscal year was a year for implementing a variety of measures. In the current fiscal year, new waves of the pandemic hit and the Russia-Ukraine situation has become protracted. Wholly unexpected trouble occurred in the aircraft business as well. With inflationary pressure mounting, there are concerns about the risk of a recession caused by monetary tightening. A high degree of uncertainty continues to mark the business environment, but we will maintain financial and capital soundness while steadfastly conducting risk management as we pursue further growth.

——What measures are you taking to ensure funding stability and rein in costs?

In providing a wide range of financial services to meet client needs, stable funding is extremely important. There are two methods for this, indirect funding and direct funding.

Regarding indirect funding, we have cultivated strong relationships with over 100 financial institutions, including city banks, trust banks, specialized banks and government financial institutions, life and non-life insurance companies, regional banks, and credit federation of agricultural cooperatives, and we maintain stable transactions with them.

In direct funding from the market, we raise funds through the issuance of commercial paper and corporate bonds, securitization of lease receivables, and other methods. What is most important when doing so is reassuring the market. We carefully explain financial results through appropriate disclosures and robust investor relations activities. We also issue bonds on a regular basis because it is necessary to continually make market participants aware of the Group's existence. Leveraging the qualities of both indirect and direct funding, we aim to keep costs down while flexibly procuring from a variety of options according to circumstances.

SDGs-based Funding from a Medium/Long-term Standpoint

——What about SDGs-based funding, which has garnered attention in recent years?

SDGs-based investments are coming to be emphasized even by fund providers like investors and financial institutions, and it is an important theme of focus for the Group as well.

There are two methods of SDGs-based funding. The first is funding tied to specific projects. In 2021, the Group executed a project-investment-type lease based on revenue from electric power sales at Shirakawa Hydraulic Power Plant in Kumamoto Prefecture. The project, which uses a traditional run-of-the-river power generating system and has low environmental impact and carbon dioxide emissions, is funded with green bonds.

The other method is to link the achievement of the goals to the interest rate on the funding after setting our own SDG goals, so that investors would understand our commitment to fulfilling our social mission.

This sort of sustainable financing has grown popular mainly in the U.S. and Europe, and, as a long-term trend, we also plan to give further active consideration to such SDGs-based funding.

——In connection with funding, what measures are taken for risk?

The treasury department constantly monitors financial markets and watches closely for the occurrence of any risk events. The next month's fund procurement policy is discussed at monthly PM/ALM Committee meetings based on an analysis of market trends and other factors, and in this way we seek to optimize funding methods.

Diversified Investment for Priority Areas

——Since the fiscal year ended March 31, 2022, you have disclosed operating assets and other figures for each business area, a presentation format that is easier to understand.

The Group is of course involved in leasing operations, but also conducts a broad range of other businesses across various areas as a non-bank financial institution. We divided these into business areas (portfolios) based on business characteristics and disclosed information in a way that would be easy to understand.

Businesses are divided into four areas: domestic leasing, which is our core business; real estate/environment and energy, and finance/investment, which are focus areas; and overseas/aircraft, which is related to global operations. Operating assets and gross profit before funding costs are disclosed for each of these businesses.

Going forward, we will strengthen business portfolio management with an awareness of the return on risk.

——What is your dividend policy?

In the Sixth Mid-term Management Plan, which is currently in progress, we are targeting net income attributable to owners of the parent of ¥30.0 billion and a dividend payout ratio of 25% or higher in fiscal 2023, the plan's final year. For this reason, in fiscal 2022, on the way toward this goal, we are aiming for net income attributable to owners of the parent of ¥26.0 billion and an annual dividend of ¥130.

Our basic policy is to pay a dividend based on financial performance while striking a balance between shareholder returns and capital accumulation. Accumulated capital will be steadily allocated, along with other management resources, to priority areas with growth prospects. And we will generate stable earnings and make distributions. Through well-balanced measures, we will robustly drive business forward.

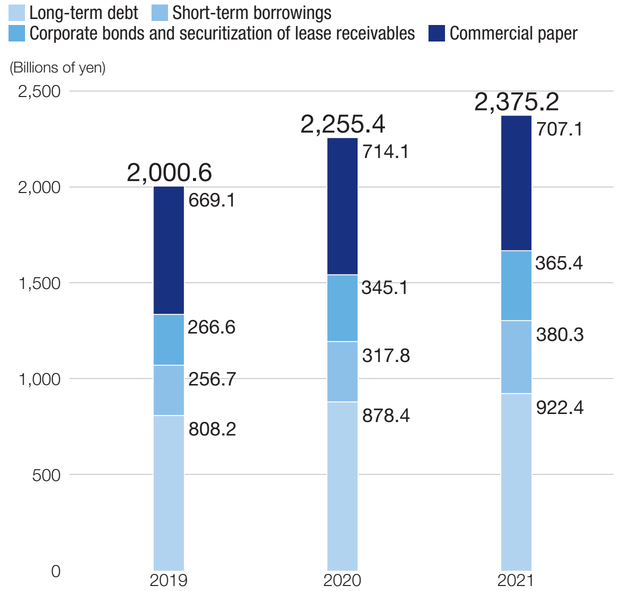
Mizuho Leasing Group's Funding

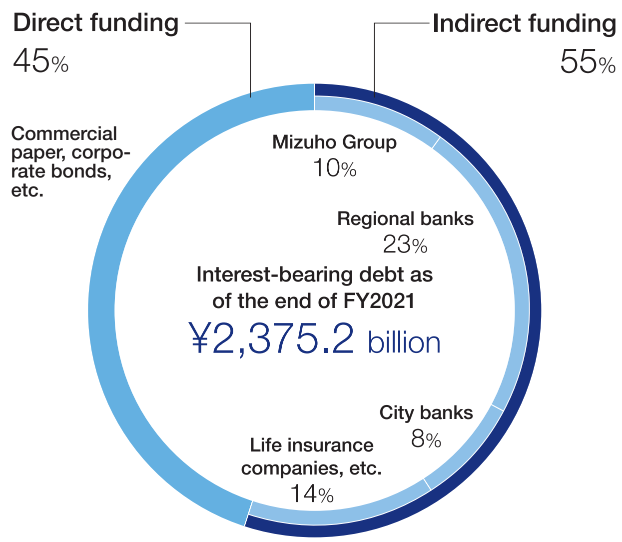
Overdraft agreements and commitment line agreements as of the end of FY2021: ¥870.6 billion

Unused balance of these agreements as of the end of FY2021: ¥510.3 billion

Amount of bonds issued in FY2021: ¥80.0 billion (3-year to 10-year)

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	Short-term rating
A+	a-1	A+	J-1

Connect Needs to Create a Sustainable Society

As a leasing company with long-accumulated experience, the Group is closely connected with the economy, society, the environment, and other aspects of people's lives through its diverse businesses, including the management of equipment & properties, real estate, environment and energy, not to mention financing. Our valued stakeholders are also wide in variety, ranging from clients, shareholders, investors, business partners, employees, regional communities to the public sector. It is not too much to say that we are well connected with every corner of society.

Diverse needs and challenges remain to be addressed between the Company and its stakeholders. We are able to create new value by connecting needs through the delivery of diverse solutions including financing.

At the same time, the solution to these needs and challenges paves the way to a sustainable and prosperous society. It is our important role to make a direct commitment to the creation of a sustainable society. We believe, by doing so, we can live up to the expectations of all our stakeholders. Our six materiality topics (see p. 18) are the basis for defining what solutions we should propose and how we should serve the society.

An entity that realizes a sustainable society by deepening relationships and joining forces with stakeholders to foster a virtuous cycle through business—we will strive to create a new world under the Company's vision of "be a creator of a sustainable world."

Mizuho Leasing Group	Stance and Interest	Details of our initiatives	
Clients	We will endeavor to enhance the satisfaction of and earn trust from clients by providing optimal solutions tailored to changes in the times and environment, while aiming to develop socially useful products and services.	Provision of SDGs-related leasing and business strategy solutions. Co-creation with startups by the Innovation Co-Creation Department.	pp.25-29
Shareholders and investors	We will adapt to changes in the business environment and seek to maintain stable earnings. In addition, we will live up to the expectations of shareholders through efforts to improve corporate value also in environmental and social contexts, a fair disclosure of corporate information, and the development of transparent and healthy relationships with them.	Integrated report, corporate website, report for shareholders, briefing sessions, general meeting of shareholders, IR activities, and fair, timely, and appropriate disclosure of information	pp.37-38
Business partners	We will contribute to mutual growth by engaging in fair and free competition, and faithfully serving them to forge a sound relationship. We seek to expand business domains by creating new value through cooperation with alliance partners.	Integrated report, corporate website, alliance with the Mizuho Financial Group, collaboration with alliance partners, and co-creation with startups	pp.35-36
Employees	We respect the values and life plan of each and every employee of the Group. We will also promote diversity by eliminating all forms of discrimination and harassment, creating a comfortable work environment for everyone, and respecting each employee's desire to grow.	Communication meetings between President and employees, introduction of satellite offices, improvement of teleworking environments, holding of seminars and study sessions, and implementation of engagement surveys	pp.48-51
Administrative bodies	In doing business, we comply with a range of related laws and regulations of Japanese, global and regional government agencies, local municipalities, and other administrative bodies. We also cooperate with administrative bodies to promote and provide businesses in line with various policies, aiming to provide solutions unique to Mizuho Leasing.	Appropriate response to regulatory authorities, administrative support through business, personnel dispatch, and endorsement of government-focused measures through subsidy programs	p.45,p.50
Regional communities	We will actively engage in social contribution activities to achieve a more harmonious coexistence with society and communities. Further, we will contribute to creating prosperous regional communities that give consideration to improvement in the standard of people's living, development of regional industries, job creation, and diversity and inclusion initiatives such as gender equality and employment of people with disabilities in the communities where we operate.	Social contribution activities through business, donations to and volunteer activities in disaster-stricken areas	p.45,p.50
Non-profit organizations (NPO)	We will endeavor to build networks with various NPOs and NGOs, and cooperate with them to resolve environmental and social issues.	Activities to support persons with disabilities, participation in and support for activities of NPOs/NGOs	p.45,p.50

Creation of shared value with stakeholders through business

Development of a sustainable society

Details of the initiatives can be viewed on our website from the above QR code.

Basic Environmental Policy and Environmental Management System

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.

Organizational Structure of Environmental Management System

The Company and seven Group companies have been awarded a certification for the international standard for environment, ISO 14001 Certification. At the Mizuho Leasing Group, the Environmental Management Officer controls overall environmental activities under the supervision of the Chief Sustainability Officer. Further, the department responsible for environmental management of the Company and the Operating Officer of Environmental Management of each Group company measure the degree of progress/ achievement based on a goal setting & management form and promote activities to achieve the environmental goal through the PDCA cycle, thereby ensuring proper operation of the environmental management system.

Action for Climate Change

Climate change, in the form of increasing levels of greenhouse gases and rising temperatures, is one of the major challenges facing the world today. The Group takes the issue of climate change seriously and has set "contribution to a decarbonized society" as one of the materiality issues in its Sustainability Initiatives, which it will work to solve through its business activities.

At the same time, by conducting analysis and disclosure in line with the Task Force on Climate-Related Financial Disclosures (TCFD) under an appropriate governance and risk management framework, we will develop a deeper awareness of the risks and opportunities posed to the Group by climate change issues and take action to achieve a sustainable society.

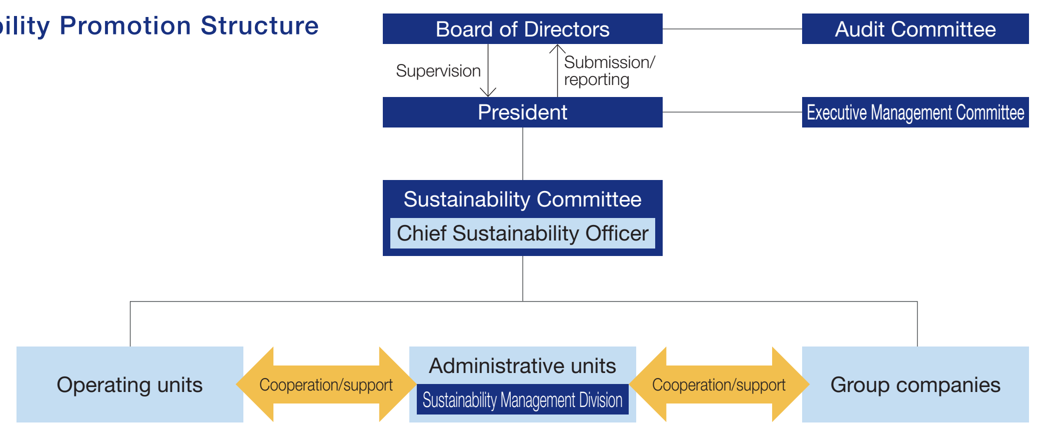
Governance

In April 2022, we newly established a Sustainability Committee to conduct cross-sectional company-wide discussions on climate change. The committee is chaired by the Chief Sustainability Officer and consists of the CSO, CFO, CRO, CIO, CCO, and executives in charge of ESG-related divisions. In principle, wide-ranging discussions are held on a quarterly basis, and depending on the topic of discussion, other related parties are also invited to attend.

Specifically, the committee shares information relating to sustainability, including ESG, develops basic policies and targets for sustainability management, monitors the implementation status of plans, and discusses countermeasures. The committee has begun discussions on issues such as addressing climate change, sustainability initiatives, and management in response to environmental changes.

Topics are deliberated on, reported to the Executive Management Committee for discussion, and then reported in turn to the Board of Directors, where they are discussed and reflected in business strategy. In addition, a system is in place to ensure appropriate oversight by the Board of Directors, in which quarterly reports are made to the board on the status of climate change measures and performance evaluations with respect to targets and indicators.

Sustainability Promotion Structure



Strategy

Short-, Medium-, and Long-term Risks and Opportunities

The Group takes the various risks and opportunities associated with climate change as one of its key strategic perspectives. Identifying "contribution to a decarbonized society" as a materiality issue, it is promoting initiatives to address the issue through assessment and analysis of the impacts of climate change over not only short term but also medium to long term. The impact periods are defined as short term (1–5 years), medium term (about 10 years up to 2030, the year by which the Japanese government aims at 46% reduction of carbon dioxide emissions), and long term (about 30 years up to 2050, the year by which the world aims to achieve carbon neutrality).

Impacts of Transition Risks/Opportunities and Physical Risks/Opportunities Associated with Climate Change

Type		Main points	Timeframe
Transition risk	Policy	Increased cost of credit to sectors with high greenhouse gas emissions due to the introduction of carbon taxes and carbon pricing	Medium to long term
	Regulation	Increased costs for responding to regulatory changes based on increased international compliance requirements, such as stricter emissions reporting obligations	Short term
Physical risk	Acute/chronic	Decrease in asset values, limitation of business activities, and increased restoration costs due to damage to existing company assets caused by wind and flood damage as a result of severe extreme weather events	Short, medium, and long term
Opportunities		Increased demand for financing and business opportunities associated with the shift to renewable energy and more energy-efficient transportation methods, as well as the dissemination of environmentally friendly or resilience-focused products and services	Short, medium, and long term

Scenario Analysis for Sectors of High Importance

We expect the entire company to be affected by greenhouse gas (GHG) emission regulations and extreme weather events, as well as by increased demand for financing for projects related to renewable energy and energy-efficient properties.

We have also established a sector policy that we will not provide investment or other financing for the construction of new coal-fired power plants, thereby making decisions on deals in consideration of climate change risk.

In order to understand the highly uncertain impacts of climate change, including the associated transition and physical risks, multiple qualitative scenario analyses were conducted on sectors of high importance, using the following steps.

1. **Sector selection** — The sectors for which the TCFD recommends disclosure (i.e., those sensitive to climate change) were classified in terms of importance to the Group based on the qualitative assessment of the magnitude of transition and physical risks associated with climate change, the Group's exposure in each industry, and strategic importance. On this basis, we identified the electric power and real estate sectors for scenario analysis.
2. **Evaluation of importance** — The importance of risks and opportunities for the electric power and real estate sectors were evaluated based on their magnitude of business impact.
3. **Defining scenario groups and setting parameters** — Highly objective scientific parameters were used to estimate the timing and magnitude of the impacts.[*Source]
4. **Evaluation of business impact** — Climate change risk transitions were assessed up to 2050 based on two scenarios, under 1.5–2°C and 4°C, with reference to the IEA*1 WEO*2 2021 NZE*3 scenario and the IEA WEO2021 STEPS scenario.

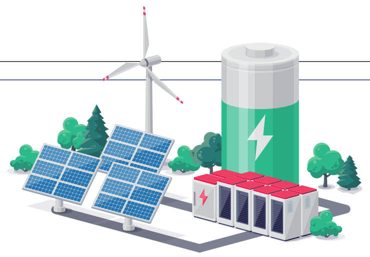
*Sources
- Japan: Climate Change Summit Declaration (22/4/2021)
- EU: Draft commitments from individual countries
  EU: Belgium, Bulgaria, Czech Republic, Denmark, Germany, Estonia, Ireland, Greece, Spain, France, Croatia, Italy, Cyprus, Latvia, Lithuania, Luxembourg, Hungary, Malta, Netherlands, Austria, Poland, Portugal, Romania, Slovenia, Slovakia, Finland, and Sweden
- WRI "The Aqueduct Global Flood Analyzer"
- National Oceanic and Atmospheric Administration (NOAA) "Global Warming and Hurricanes" (September 2021)
- IEA "Energy Technology Perspective 2017"
- IEA "World Energy Outlook 2018"
- IEA "World Energy Outlook 2021"
- Ministry of Economy, Trade and Industry "Policy Trends for Promoting the Spread of ZEH and Related Budget Proposals for FY 2018" (March 2018)
- Sustainable Open Innovation Initiative, Net Zero Energy House Support Project
- Briefing on ZEH 3 Ministry-Coordinated Policies (Ministry of the Environment)
- xymax "Economic Analysis of Environmental Management"
- Technical Study Group on Flood Control Planning in Consideration of Climate Change, "Proposal for Flood Control Planning in Consideration of Climate Change"
- JMA Website "Past and Future Sea Level Changes around the World"
- Ministry of the Environment et al. "Synthesis Report on Observations, Projections and Impact Assessments of Climate Change, 2018 – Climate Change in Japan and Its Impacts"
- JMA "Climate Change Monitoring Report 2020"

*1 IEA: International Energy Association *2 WEO: World Energy Outlook *3 NZE: Net Zero Emissions

Scenario Analysis for Electric Power Sector

	2°C/1.5°C scenario	4°C scenario
Risks	· Although the introduction of a carbon tax, stricter carbon emission regulations, and changes in the energy mix are expected to reduce fossil fuel use after 2030, which will have an impact on the profitability of electric power companies, in our case, the impact on credit costs will be limited. · We are not engaged in business management involving coal-fired power generation, etc.	· In the future, frequent flooding is expected to cause damage to power generation facilities and other equipment. · Higher oil prices are expected to increase the cost of power generation, affecting the profitability of electric power companies. This is expected to have an indirect impact on our credit costs. · The direct impact on our business will be limited.
Opportunities	Considering expected growth in the renewable energy business, opportunities for market entry and investment are expected to expand.	
Measures	[Measures to take advantage of opportunities] · Take business risks and develop various renewable energy businesses such as biomass, hydropower, wind power as well as solar power · Expand reach to new power sources such as storage batteries and hydrogen · Maximize earnings from owned businesses by building up business management expertise and introducing new technologies · Make capital investment using subsidies, etc. · Monetize recycling businesses for stranded capacity, used solar panels, etc.	[Risk mitigation measures] · Conduct multifaceted and cautious risk assessment of individual projects, taking into account sector policies that reflect changes in the business environment surrounding us

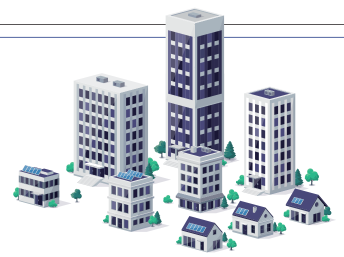
An impact on the profitability of electric power companies is anticipated, but the risks affecting us are limited. In terms of opportunities, the renewable energy business is expected to grow.



Scenario Analysis for Real Estate Sector

	2°C/1.5°C scenario	4°C scenario
Risks	Increased capital investment due to stricter energy conservation regulations and cost increases due to ZEB*1/ZEH*2 mandates are expected, and if these costs cannot be passed on to tenants, credit costs may be affected in the long term due to the impact on our clients' businesses, but the risk is limited.	In the future, frequent flooding is expected to cause damage to properties we are involved in, negatively affecting real estate asset values and incurring repair costs. The resulting impact on our clients' businesses may affect our credit costs.
Opportunities	Business is expected to expand as a result of increased competitiveness for some properties and rent increase for properties with high environmental-performance due to a growing low-carbon mindset.	Properties that are more resistant to disasters due to factors such as location and superior disaster-prevention attributes are expected to become more competitive, which will have an impact on our business.
Measures	[Measures to take advantage of opportunities] · Bolster investment and financing for environmentally friendly real estate · Seize opportunities through environmental initiatives by drawing on alliances and expanding the scope of our business to the property development phase	[Risk mitigation measures] · Use more detailed hazard maps and other information to determine financing and investment risks · Conduct more careful credit evaluation for long-term holdings

We expect some properties to become more competitive, and it is anticipated that the Group's business will expand as it supports clients' transition to a carbon-free society by securing a competitive edge in their environmental performance.



*1 ZEB: Net Zero Energy Building *2 ZEH: Net Zero Energy House

In View of Climate Change Risks and Opportunities

The Group is working to expand its business to promote renewable energy and reduce environmental burden by rebuilding new social infrastructure. In light of the risks and opportunities in the electric power and real estate sectors identified by the scenario analyses, the Group will consider the effects of climate change in greater detail and reflect them in its business plans and other policies.

By engaging with and promoting financing for decarbonization, we will help our clients advance their efforts to address ESG and the SDGs, including climate change. In addition, by expanding our own business areas, we will provide solutions that meet the needs of our clients and seize the opportunities presented by environmental initiatives.

Risk Management

The Group categorizes the risks that arise in the course of its business operations into financial risks, which are managed quantitatively, and operational risks, which are managed qualitatively, and establishes a risk management system for each type of risk. Furthermore, by setting up the Risk Management Committee, we have put in place a comprehensive risk management system to centrally manage these financial and operational risks. Financial risk can be further broken down into credit risk, market risk, and price fluctuation risk, with the location and magnitude of risk monitored based on a management framework that allocates risk capital to each category. In terms of operational risk, we monitor the incidence of, response to, and prevention of risk events such as administrative risk, system risk, and legal risk. The Group considers climate risk to relate to both financial and operational risks, and under its comprehensive risk management system, it has begun to reflect this risk in its existing risk management processes.

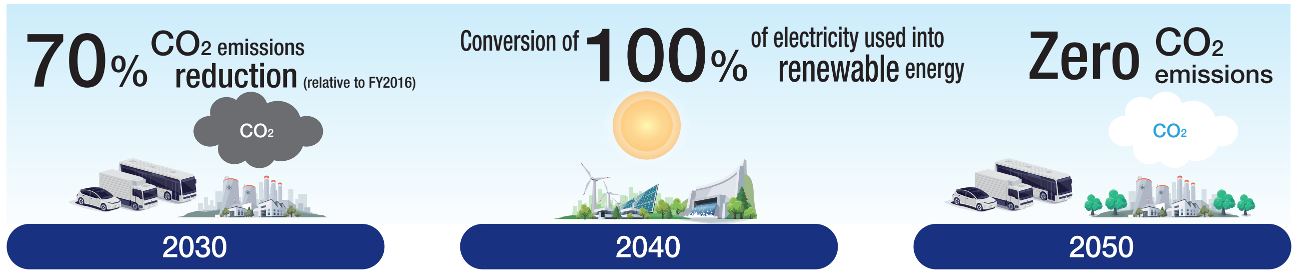
Among the main sectors that the Group invests in, the electric power and real estate sectors, which are considered to be particularly sensitive to climate change, are expected to face risks from the establishment of new regulations such as carbon taxes and GHG emission regulations, as well as risks of impact on business due to changes in the energy mix, more extreme weather events, and changes in clients' behaviors.

We view the risks posed to the Group by climate change as resulting from regulatory changes, changes in the business structure of the businesses we invest in, and shifts of clients' behaviors. We will analyze these factors that may have a compounding effect on our business and develop more sophisticated responses to the risks.

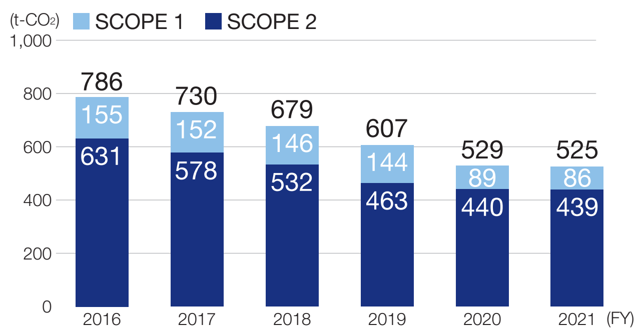
Going forward, we will consider further enhancing our management of climate change risk under our comprehensive risk management system, taking the analytical methods and research results of relevant organizations into account.

Indicators and Targets

The Group has set the following medium- and long-term environmental targets for Scopes 1 and 2.



Group* CO_2 emissions (Scopes 1 and 2)



(Unit: t-CO_2)

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
SCOPE 1	155	152	146	144	89	86
SCOPE 2	631	578	532	463	440	439
Total	786	730	679	607	529	525

Scope 1: CO_2 emissions directly from burning fuel (petroleum and diesel oil)
Scope 2: Indirect CO_2 emissions from electricity use
(Scope 3 is now under review) * Parent company and six domestic consolidated subsidiaries

Other Environmental Initiatives

Results for other environment targets (FY2021)

FY2021 Targets	Results	Achievement rates
Reduce the amount of paper used to the average monthly level of FY2019 or less	43% reduction from FY2019	176%
Reduce consumption of electric power per floor area to 4.78 kwh/month (the average of FY2019) or less	4.27 kwh/month	111%
Achieve reuse rate* of 70% or more	73%	104%
Achieve used equipment purchases of ¥610 million	¥570 million	93%
Ensure disposal in compliance with laws and regulations with use of the execution rate of periodical investigation by industrial waste disposal contractors	All companies	100%

*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

Collaboration with Communities

The Company values collaboration with regional communities in which it operates. To make the society easier for everyone to live in, we have taken a multifaceted approach to solving social issues, while collaborating with diverse NPOs, etc. We are determined to continue collaborating with regional communities proactively.

Although approximately six percent*1 of the Japanese population has disabilities, understanding of their social participation is limited, and thus it is not rare for them to suffer from economic hardships. The Company has provided supports to artists with disabilities by encouraging them to participate in society and fostering their independence through Paralym Art. For instance, we have used the designs created by artists with disabilities for our QUO cards, which are distributed as shareholder benefits, and plastic folders.

*1 Survey by Paralym Art

Currently in Japan, approximately 1 in 6.5 people live under the relative poverty line*2, making it hard for them to purchase enough nutritious food. By donating stockpiled emergency food through a food bank called Second Harvest Japan, we were able to prevent wasting food, as well as send food to children in foster care facilities, single-parent families, and people who are forced to live on the street.

*2 Reference: Ministry of Health, Labour and Welfare "Summary of Comprehensive Survey of Living Conditions in 2019"

We encourage our shareholders to exercise their voting rights over the internet at general meetings of shareholders. By doing so, we saved postal expenses and donated the total amount saved to Médecins Sans Frontières, which provides emergency medical supports to people afflicted by crises, such as conflicts, natural disasters, and infectious diseases.

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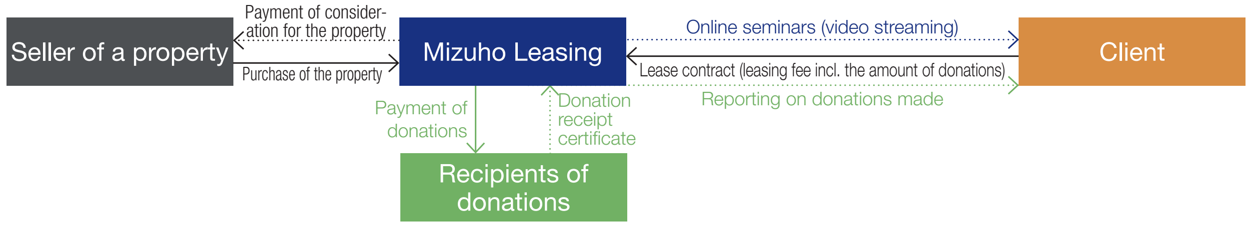
The Company has launched "Mizuho SDGs Lease," an instrument combining donations to organizations that are taking actions toward achieving SDGs. The instrument is built on a scheme in which clients make donations when they sign contracts, such as lease contracts and installment sales contracts, and the Company also contributes the same amount. Through this instrument, we have made donations to the following five NPOs: All Japan *Kodomo-Shokudo* Support Center, MUSUBIE; Plan International Japan; WWF Japan; Special Olympics Nippon Foundation; and Giving to UTokyo (organizations from which clients can choose to donate to).



Toward a Workplace Where a Diverse Talent Pool Can Work With Vitality and Thrive

Chihiro Tokiyasu
Managing Director in charge of Personnel Department

The Mizuho Leasing Group regards each and every employee as an important asset, and creating a workplace where employees can work with energy and enthusiasm is an important aspect of our management strategy.

Starting with recruitment based on personal qualities, with an emphasis on diversity and the willingness to take on challenges, as well as systematized education and training for the autonomous growth of employees, we are conducting activities with particular emphasis on three priority areas: ❶ Improving the working environment and utilizing the employee engagement survey, ❷ Hiring, educating, and developing human resources suited to our business portfolio, and ❸ Respecting human rights and promoting diversity.

❶ Improving the working environment and utilizing the employee engagement survey

"Creating a society and workplace where everyone can thrive" is one of our materiality topics, a part of our sustainability initiatives. A specific initiative based on this topic is to "Increase flexibility to choose when and where to work," and to this end we are conducting measures with an awareness of the Activity Based Working (ABW) approach.

On the system side, in fiscal 2021, we introduced staggered commuting, an hourly paid leave program, and other systems, and in fiscal 2022, we started a "wide plan" leave program, which allows employees to save up their unused paid annual leave days and use them for illnesses, long-term care, nursing care, and other circumstances. In this way, we have reformed our personnel system to make it more worker-friendly.

In terms of the working environment, we have increased satellite offices, expanded workspaces by drastically reducing documents at the head office, installed personal lockers, and distributed wireless devices to all head office executives and employees, and we are also steadily increasing free address workspaces at the head office.

Along with enhancing programs and the working environment, we introduced an employee engagement survey in August 2021 to gain insight into the awareness and psychological state of employees on a regular, timely basis. Conducted every three months, the survey serves as a tool for a more self-directed organization and company. The results are rendered visually and drawn on to create even better working environments, encouraging employees to think and act with a sense of ownership.

❷ Hiring, educating, and developing human resources suited to our business portfolio

For Mizuho Leasing, which aspires to business activities beyond finance, I believe it is important that we hire, educate, and develop human resources with a higher degree of specialization.

Over these past several years, we have actively recruited highly specialized mid-career professionals, primarily in the real estate and environment/energy divisions, and they are playing an active role while drawing on their knowledge and experience in their respective fields. In addition, in order to raise the skill levels of existing employees, we will further systematize training focused on specialty fields and also make priority personnel assignments to these fields.

In addition, in the fiscal year under review, we began practical training (RM training) in coordination with Business Promotion Department in order to enhance corporate sales skills companywide in conjunction with recent business expansion and the increasing sophistication of operations.

❸ Respecting human rights and promoting diversity

Diversity—which is to say, diverse personnel with differing sets of values respecting one another and drawing on their respective skills and characteristics—I believe leads to a company's sustained growth.

The root of this is respect for human rights, which is a part of the Group's Corporate Code of Conduct. Respect for human rights means we respect one another as human beings and we think and act from the other's perspective. Acting with this in mind at all times forms the basis for trust received from clients, gives us our reason for existence as a company, and helps create a vital, worker-friendly workplace, so we regard it as extremely important. With promoting human rights awareness one of important tasks of management, we are actively engaged in raising the awareness of human rights in each and every employee.

In addition, in promoting diversity, we are putting particular focus on promoting women's active participation. We set a goal in 2016 of having women account for at least 40% of new graduate hires and have achieved this goal for seven consecutive years. In fiscal 2021, around 60% of new graduates hired were women. Each fiscal year, we conduct various initiatives on themes related to active roles for female employees, and we want to tie these efforts to increasing women in managerial positions as well. In March 2022, we launched a career web portal (with information on internal systems, career plans, etc.) that is designed to help female employees envision their own career paths.

We consider each and every employee a valuable asset, and based on this thinking, we will continue to develop workplaces where employees are healthy, both physically and mentally, and can work with vitality and peace of mind, and we will continue working to develop human resources who are capable of helping build a sustainable society.

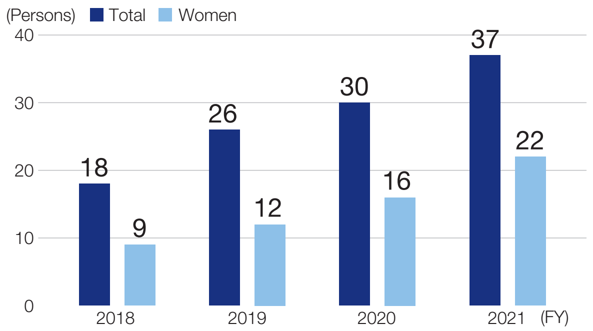
Recruitment and Development of Human Resources

Regardless of new graduates or mid-career workers, we widely look for self-motivated people who feel sympathy for our mission, vision, and values; are able to always look at things from a client perspective; help and compete with each other in the workplace; have curious and inquiring minds; and work hard without sparing themselves to deliver great results.

Hiring New Graduates

Based on its policy to screen graduates with a focus on their individuality, the Company hires new graduates who spark intellectual curiosity and are willing to take initiative and act. We place emphasis on systems and environments that help employees continue working actively over the long term. In fact, we have endeavored to build such systems and environments. We continue to disseminate the organizational culture in which employees can express their various opinions regardless of tenure and skills, aiming to achieve further development.

Number of new graduates employed

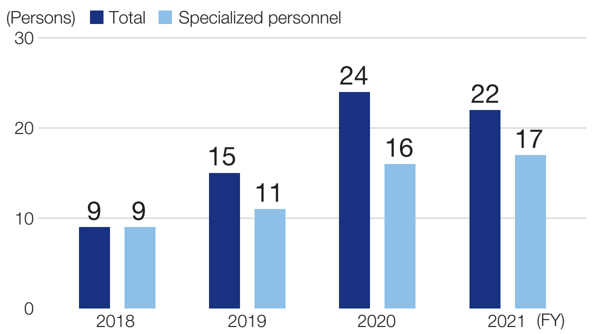


Hiring Mid-career Workers

In recent years, the environment surrounding the Group has been changing constantly. For instance, our business fields have expanded as a result of collaboration with alliance partners including Mizuho Bank and the competition with other companies has further intensified. In response to these changes, the Group is increasingly recruiting mid-career workers with high professional expertise.

The employed mid-career workers' experience and knowledge positively influence employees around them, greatly contributing to further advancement of the Group as a whole.

Number of mid-career workers employed



Career Plans and Education & Training Systems

Education & training systems

The Company has developed human resources by providing a diverse range of training programs tailored to each phase of their career, from new hires to those in managerial posts, to ensure that each employee is able to grow steadfastly in a phased manner. More specifically, we have presented visible career plans as a guide for our employees to objectively understand the knowledge, skills, etc. that they need to acquire in each step of their career.

Highly sophisticated internal training programs

We have also worked proactively to improve the operational knowledge of our employees by providing them with opportunities to learn specialized knowledge and skills not only from external lecturers but also from internal lecturers through internal training programs.

❶ Training programs for mid-career hires to improve their operational knowledge

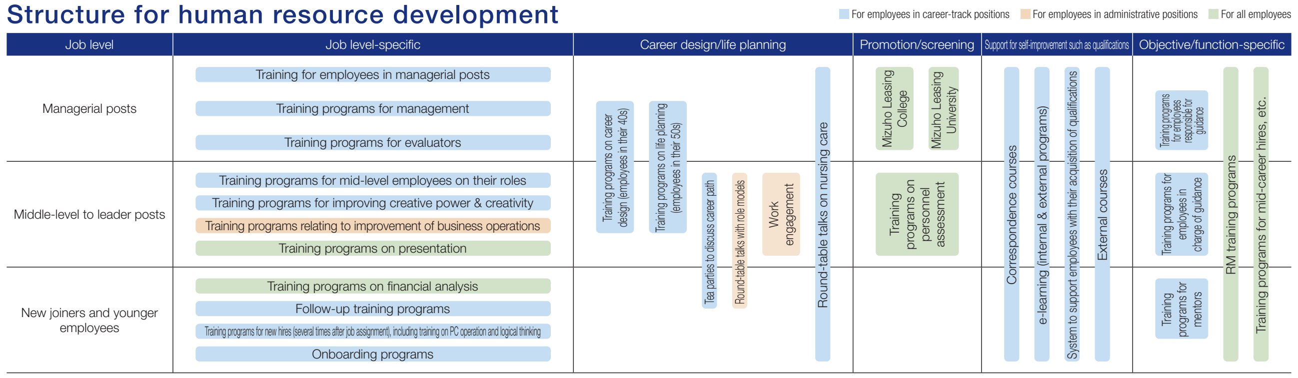
Since the latter half of fiscal 2021, in addition to existing basic onboarding programs, we have periodically held optional internal training programs for diversifying mid-career hires, in which they can master operational knowledge.

❷ RM training programs

Since fiscal 2022, we have started offering more practical training programs in collaboration with Business Promotion Department in order to enhance corporate sales skills companywide in conjunction with recent business expansion and the increasing sophistication of operations.

We will revise training programs flexibly in response to changes in the environments both inside and outside the Company to make the training system more effective.

Structure for human resource development



Succession Plans

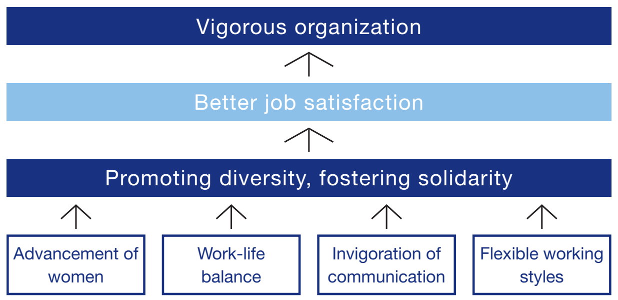
The Company has set out succession plans from the perspective of "emphasizing the Corporate Governance Code," "fostering the management tier in a planned manner," and "enabling transparent process for appointing directors." As a succession program aimed at making the successor candidates more "visible" and meticulously fostering them in a planned manner over time, we set up the "Mizuho Leasing University," a corporate university, in fiscal 2020.

In fiscal 2021, we screened new candidates as the second group of students for the Mizuho Leasing University and provided them with training programs. Since fiscal 2022, we have expanded the scope of students to include those in managerial posts and revised the training programs so we can educate new students over the medium to long term at newly opened the Mizuho Leasing College, as a previous stage of the Mizuho Leasing University.

Diversity & Inclusion and Work Style Reform

The Group aims to create a workplace where its diverse talents with different values can unlock their skills and utilize their characteristics and demonstrate their abilities, regardless of whether they joined as new graduates or mid-career workers; their gender or nationality; or whether they have disabilities.

D&I at Mizuho Leasing

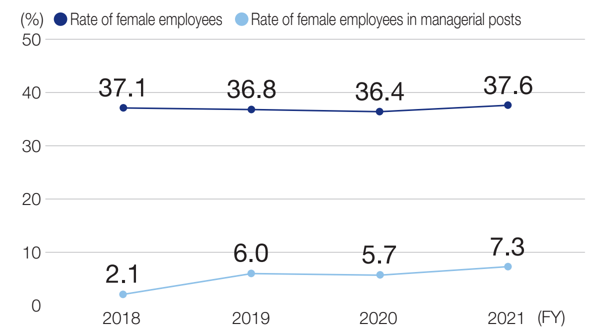


Promoting Advancement of Women

Since we set a goal to increase the rate of female employees to 40% or more of all hires in fiscal 2016, female employees have continued to account for more than 40% of new graduates hired each year.

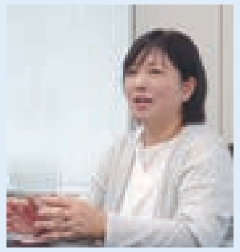
To push forward with our efforts to encourage women to take active roles and increase the number of women in managerial posts, we have continued to work on initiatives themed on topics set out each fiscal year. For instance, we have held workshops and round-table talks with female employees in managerial posts, and have launched a career web portal which helps female employees envision and build career paths of their own.

Rate of female employees/female employees in managerial posts



Employee Feedback

In April 2018, I changed my job classification from administrative position to career-track position. At present, as a manager of the Operations Management Department, I manage operations of and provide instructions to 16 members. I also make coordination with other departments. The Operations Management Department checks the contract terms and conditions and the content of contracts prepared by operating units, and serves as an intermediary between the operating units and the clerical departments which input data into systems, etc. to ensure harmonious operations free from inconsistencies in overall procedures. I once participated in a project when I was feeling insecure about my ability but the project completed successfully. The experience was so rewarding and gave me a chance to grow. Hoping to share my experience with my subordinates, I'm trying to show them how willing I am to give things a try and to convey my passion by enjoying work myself, to ultimately solicit a sense of ownership from them.



Kana Miura
Operations Management Department

Employee Feedback

It's been a year since I was assigned a managerial post in July 2021, and I feel my awareness has changed dramatically. I'm responsible mainly for approving expense claims, taking stock of the work load of employees in administrative positions, and adjusting the load. Unlike in the past, I need to keep updated on the progress of operations inside the department. I have little time to relax everyday, but I have decided to devote myself to working on weekdays, and forget about work and take rest on weekends. Recently, I do consciously switch my mind, which I find quite important. The General Affairs Department consists of only eight members, including General Manager. Its responsibilities, however, are extremely diverse. Communication is vital to accurate and efficient execution of business operations. As a manager supervising employees in administrative positions, I am both a team player and a manger. My supervisor advised me, "The way you strike a balance is important. Speak up when you are in doubt." So, I'm doing my best to proactively express my opinions.

Kazumi Emata
General Affairs Department

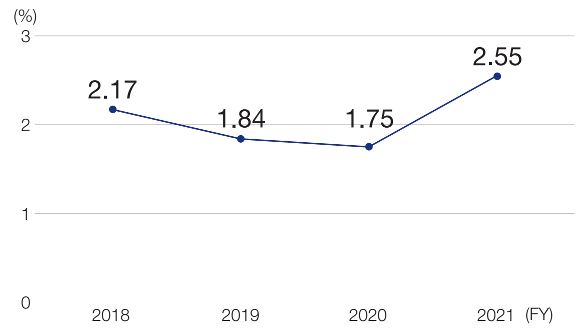
Promoting Active Roles of Elderly Employees

Since fiscal 2019, we have set the retirement age at 65 so that experienced employees are able to demonstrate a wealth of knowledge and expertise to the fullest extent at workplace.
We have held life design seminars for elderly employees to support them with designing comprehensive and far-sighted life plans, as well as help them review their career and thus encourage their self-improvement. In the years ahead, we plan to further enhance our support to promote their advancement through seminars and programs, including reskilling education.

Employment of More Persons with Disabilities

In fiscal 2020, we started considering initiatives to further promote the employment of persons with disabilities. In June 2021, we opened a farm, IBUKI, in Kawaguchi City, Saitama Prefecture, using a support service for farm-type employment of persons with disabilities. Ten persons with disabilities and two managers work in the farm, cultivating and growing herbs, green leafy vegetables, etc. We have internally distributed the agricultural crops produced at the farm, to give feedback about the quality of the crops and provide other employees with an opportunity to communicate with the employees with disabilities working in the farm. In addition, as part of social contribution activities, we have made donations to a food bank.

Rate of employees with disabilities



Distributing crops produced at IBUKI

Supporting para sports

We have signed an official partnership agreement with Japan Para Athletics (JPA) as of October 1, 2019. JPA supervises athletic events participated by domestic athletes with disabilities, and supports their sound physical and mental development and their social participation through the dissemination and promotion of athletic sports. By sending employees to cheer athletic events, and holding in-house lectures by para-athletes, we have endeavored to raise the awareness of diversity in society.

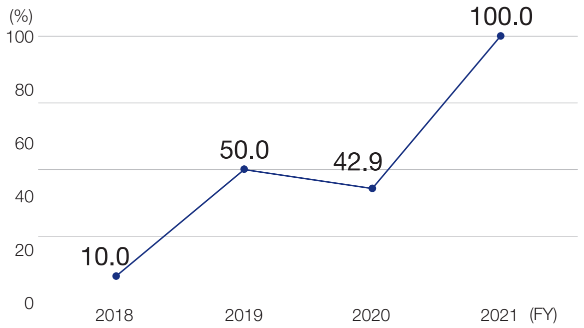
Initiatives to Support Balancing Work and Childcare/Nursing Care

Balancing work and childcare

Since fiscal 2021, the Company has aimed to raise the rate of male employees taking childcare leave to 100%. As a result, the rate reached 100% in fiscal 2021. Taking childcare leave and active participation of male employees in childcare/household chores not only have positive impacts on themselves and their families but also help women continue working and advance their careers. We have set up a consultation desk relating to childcare leave, supporting both female and male employees in balancing work and childcare.

Mizuho Leasing received the Platinum Kurumin certification in December 2020, as a company working actively to support the development of children who will bear the next generation.

Rate of male employees who took childcare leave



Balancing work and nursing care

We video stream Basic Knowledge on Balancing Work and Nursing Care seminars, including information on nursing care insurance system, as well as on how to prepare themselves for nursing care, by an external lecturer who is an experienced care manager. We have also set up a free consultation desk by the lecturer. In addition, since fiscal 2021, we have held Seminar on Dementia, and round-table talks on nursing care, facilitating the exchange of opinions among those who are concerned about nursing care. The round-table talks on nursing care provide a small number of participants with opportunities to frankly discuss the difficulty balancing daily care and work, as well as concerns about future nursing care.

Employee Feedback

I took childcare leave, hoping to more proactively participate in childcare. Thanks to my boss who strongly encouraged me to take a childcare leave and my coworkers who supported me, I was able to take a one-month childcare leave. During the month, I worked hard on childcare, other than breastfeeding, and household chores. This experience gave me a chance to share both the joy and pain of childrearing with my wife, and it was quite valuable to me. I heartily feel that the bond with my wife deepened through the childcare leave. I think taking a childcare leave is quite worthwhile for men as I was able to care for my wife exhausted both mentally and physically after giving birth and to share not only the joy but also the pain of childrearing. The important thing is for a man to be aware that childcare is what he should be voluntarily committed to jointly with his wife rather than just participate in.

Yusuke Shimizu
Osaka Business Department

Initiatives for Active Internal Communication

Mizuho Leasing Group established Torakoya, an in-house educational institution, in October 2017, as a venue for facilitating communication among employees across generations. In fiscal 2021, we held discussions themed on topics such as "Collaboration among Group Companies" and "Stories of Male Employees Who Took Childcare Leave," which were participated by many employees including those from Group companies. Although opportunities for face-to-face interactions among employees have decreased amid the COVID-19 crisis, we are determined to focus on invigorating communication, not to mention transferring the expertise and knowhow the Group has accumulated over many years since its foundation.
We have also recommended our employees to make effective use of an internal groupware chat tool as a means of smooth communication among employees across generations.

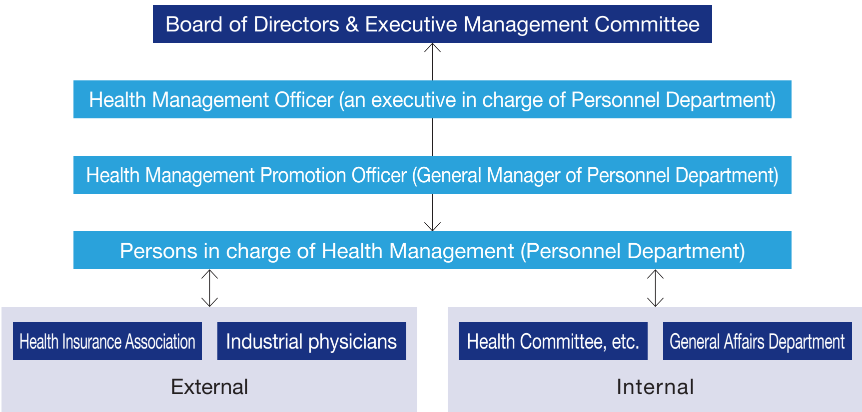
Health Management Initiatives

One of the material topics for sustainability that Mizuho Leasing has identified is to create a society and workplace where everyone can thrive, with the highest priority placed on people.

Health management declaration

For Mizuho Leasing, each and every employee is valuable. We believe that both the mental and physical health of employees is essential to a prosperous and sustainable future. Based on this belief, we will move forward with health management by maintaining and promoting a working environment in which employees can work in a safe and healthy manner so each and every employee can continue to work lively with pride.

Health Management promotion structure



For health enhancement

We have encouraged our employees to use health management app so they can manage their own health in an effective and sustainable manner, and have also leased sleeping sensors, which analyze the state of sleep, for free. We also hold various seminars themed on health management, lifestyle habit, and other health related topics.

Stress check

We conduct a stress check once a year, based on the awareness that mental health is important in securing a pleasant and safe working environment, to make employees' lives more comfortable and fulfilling.

Engagement survey

In order to gain insight into the awareness and psychological state of employees in a timely manner and create a better working environment, we have conducted an engagement survey every three months since August 2021. We thus aim to realize a better working environment by implementing measures to encourage employees to continue working in a good state of mind.

Measures to prevent infection with COVID-19

We provided workplace vaccinations against COVID-19 (three times) to the Group's officers, employees and their family members in the wake of its recent pandemic. We have arranged a working system that takes into account employee health and safety. For example, those who felt unwell upon or after vaccination and are on a leave are deemed to have worked.

Corporate Governance

Basic Approach

Business activities of a listed company are primarily aimed at enhancing corporate value from the perspective of its shareholders, consistently and over the long term. To this end, the Company 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.

The Company's idea of corporate governance required of a listed company is: primarily, that the rights and benefits of shareholders are protected and shareholder equality according to equity holdings is guaranteed; secondly, that the rights and benefits of stakeholders with increasing roles other than shareholders, namely, clients, employees, suppliers and others, are respected and a smooth relationship with these stakeholders is in place; thirdly, that transparency of business activities is secured through timely and appropriate disclosure of information so that the rights and benefits of the stakeholders are actually protected; and finally, that it is important for the Board of Directors and the Auditors (Audit Committee) to appropriately practice their supervisory and audit functions. Based on this belief, the Company is working to execute effective corporate governance through continuous efforts to create and improve environments pertaining to the Company's corporate governance structure.

Form of organization		Company with an Audit Committee
Number of directors		12, of whom 6 are outside directors
Number of auditors		4, of whom 3 are standing auditors and 1 is a part-time auditor
Term of office of directors		1 year (The term of office was shortened from 2 years to 1 year based on the resolution of the General Meeting of Shareholders held on June 24, 2021.)
Executive officer system		Adopted
Board of Directors meetings in FY2021	Number of meetings held	16 times
	Attendance rate of directors	97%
	Attendance rate of corporate auditors	98%
Audit Committee meetings in FY2021	Number of meetings held	15 times
	Attendance rate of corporate auditors	100%
Independent auditor		Deloitte Touche Tohmatsu LLC

Skills Possessed by the Company's Directors (Skill Matrix) (as of June 24, 2022)

Name	Title	Inde-pendent officer	Optional Nomination and Compensation Committee	Attendance at Board of Directors meetings in FY2021	Skills required of directors				
					Corporate Management	Legal/Compliance/ Risk Management	Finance/ Accounting/Finance & Economy	Global	Sustainability
Shusaku Tsuhara	President and CEO		○	16/16 (100%)	●	●	●		●
Akira Nakamura	Deputy President			12/12 (100%)	●	●	●		●
Hiroshi Nagamine	Senior Managing Director			–	●	●	●	●	
Takanori Nishiyama	Managing Director			12/12 (100%)	●	●	●	●	
Chihiro Tokiyasu	Managing Director			12/12 (100%)	●			●	●
Toshiyuki Takahashi	Managing Director			12/12 (100%)	●		●		●
Takao Komine	Outside Director	○	○	15/16 (94%)			●		●
Naofumi Negishi	Outside Director	○	○	16/16 (100%)	●	●	●		●
Hirofumi Hagihira	Outside Director	○	○	16/16 (100%)			●	●	●
Mari Sagiya	Outside Director	○	○	16/16 (100%)	●			●	●
Hajime Kawamura	Outside Director			12/16 (75%)	●	●		●	●
Takayuki Aonuma	Outside Director	○	○	12/12 (100%)		●		●	●

The above list does not represent all knowledge and experience possessed by each director.

Outline of Corporate Governance Structure
(As of June 24, 2022)

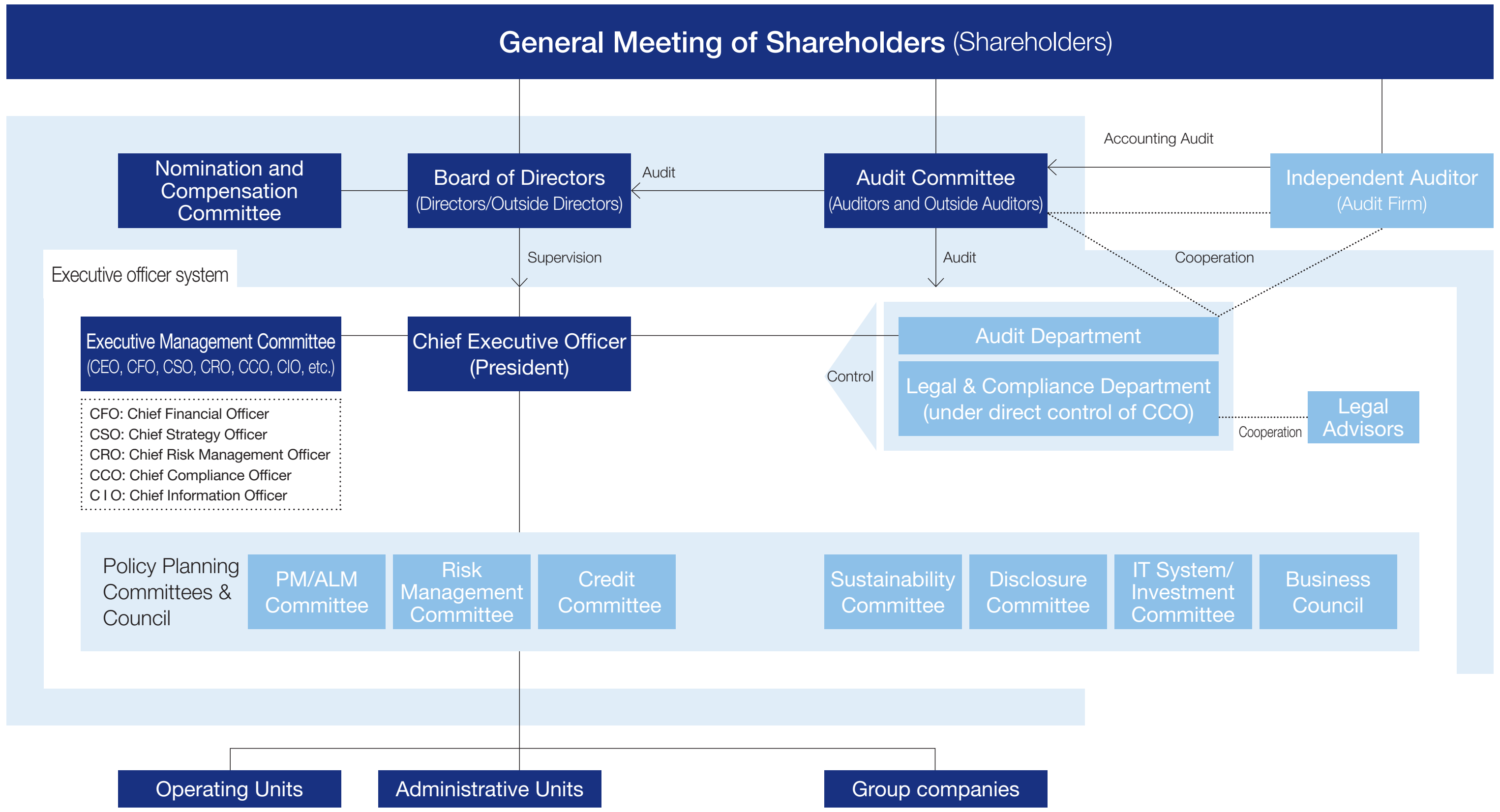
The Board of Directors has a sufficient number of outside directors. This arrangement helps the directors supervise business execution from diverse perspectives. The Audit Committee cooperates closely with independent auditors and the internal audit department. Meanwhile, the standing auditors audit the directors' and other officers' execution of duties on a daily basis. The Company believes that these ways would enable it to realize a highly effective corporate governance structure, and therefore decided to select the current structure.

Board of Directors

The Board of Directors currently has 12 members (of whom six are outside directors). The Board of Directors resolves matters stipulated by laws and regulations and those provided in the Rules of the Board of Directors, reports its business execution, and discusses the management policy, management strategies and other matters.

The Company elects outside directors who have high-level knowledge and experience to ensure the Board of Directors' appropriate supervision of the execution of duties in departments involved in business execution and the appropriateness, reasonableness and objectivity of resolutions and discussions at the Board of Directors meetings. The skills possessed by the directors are as shown in the skill matrix.

Corporate Governance Structure



Audit Committee

The Company is a company with an audit committee. The Audit Committee currently has a total of four members, of whom two are outside standing auditors, one is a standing auditor, and one is an outside auditor. The Audit Committee formulates audit plans, and each auditor audits the status of directors' execution of duties by attending important meetings, reviewing important documents, inspecting operations and property, and listening to audit progress and results from the independent auditor and the internal audit department.

The auditors also express their views after examining whether the Company properly presents its business report and other documents; there are no material facts found that a director commits wrongdoing or violates laws, regulations or the Articles of Incorporation in executing his or her duties; there are no findings that should be reported on the details of resolutions by the Board of Directors regarding the internal control system and on the directors' execution of duties; and the audit methods and results by the independent auditor are appropriate.

Reasons for Appointment of Outside Directors and Expected Roles

Title	Name	Reasons for appointment and expected roles
Outside director	Takao Komine	We expect that he would make use of his abundant experience and broad insight in the field of economic policy and specialized academic fields to contribute to the management supervision, sustainable growth and improvement in the medium- to long-term corporate value of the Company.
	Naofumi Negishi	We expect that in light of his abundant experience and broad insight in the manufacturing industry's corporate management, he will contribute to the management supervision, sustainable growth and improvement in the medium- to long-term corporate value of the Company.
	Hirofumi Hagihira	We expect that in light of his abundant experience and broad insight in the field of economic, industrial, and trade policies, he will contribute to the management supervision, sustainable growth and improvement in the medium- to long-term corporate value of the Company.
	Mari Sagiya	She possesses extensive operational and business management experience within multiple IT-related companies. We expect that in light of her high-level expertise and diverse perspectives, she will contribute to the management supervision, sustainable growth and improvement in the medium- to long-term corporate value of the Company.
	Hajime Kawamura	He possesses extensive operational and business management experience within a general trading company. We expect that he will contribute to the management supervision, 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.
	Takayuki Aonuma	He possesses a wide range of insight based on his high-level expertise and extensive experience as a legal expert. We expect that he will contribute to the management supervision, sustainable growth and improvement in the medium- to long-term corporate value of the Company in light of his aforementioned experience and knowledge.

Optional Nomination and Compensation Committee

The optional Nomination and Compensation Committee has six members, of whom one is the president and five are independent outside directors. The committee deliberates the proposal for appointment and dismissal of directors, and proposal for directors' compensation to be submitted to the General Meeting of Shareholders, the appointment and dismissal of executive officers, and matters related to executive officers' compensation, the results of which are presented to the Board of Directors.

Effectiveness Evaluation of the Board of Directors

In analyzing and evaluating the effectiveness of the Board of Directors as a whole, a questionnaire is conducted with directors and auditors on the following items by an evaluation agency.

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

Executive Management Committee

The Executive Management Committee was established as an advisory body to the president. As a general rule, the committee has one or more meetings a month to discuss and report important matters related to business execution.

As policy planning committees with authority delegated by the president, the Company has established a PM/ALM Committee, a Risk Management Committee, a Credit Committee, a Sustainability Committee, a Disclosure Committee, and an IT System/Investment Committee. As a council, the Company has also established a Business Council. Each of such policy planning committees and council has sufficient discussions and examinations.

Internal Audit

The Company's Audit Department is responsible for conducting internal audits and reports directly to the president. The Audit Department conducts internal audits to ensure efficiency and appropriateness of business operations and the status of 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. The Board of Directors receives a report on the results of internal audits every six months and determines, based on these results, whether improvements to systems and organizations are necessary to respond to various risks.

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 major 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.

Analysis and evaluation of the effectiveness of the Board of Directors in fiscal 2021

1 Lively discussions are held about medium- to long-term issues.
2 Efforts are made to invigorate discussions at the Board of Directors.
3 Further improvements are expected to enhance and improve discussions about medium- to long-term issues, provide more information to outside officers, and give feedback about the results of dialogues with shareholders and investors.

We 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.

Compensation for Officers

The Company decided on fiscal 2021 compensation for directors based on the Policy for Determining the Details of Compensation for Individual Directors, which was resolved at the Board of Directors meeting held on February 25, 2021. The details of the policy are as shown in the Securities Report for the 53rd term (fiscal year ended March 31, 2022).

The Company resolved to revise the Policy for Determining the Details of Compensation for Individual Directors at the Board of Directors meeting held on June 24, 2022 for fiscal 2022 compensation for directors. The optional Nomination and Compensation Committee, the majority of which are independent outside directors, deliberated both fiscal 2021 and fiscal 2022 compensation for directors prior to the Board of Directors meetings. The amount of compensation for individual auditors was determined based on discussions among the auditors.

Basic Policy

The Company's basic policy of compensation for directors (excluding non-executive directors; hereinafter the same shall apply) is 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 compensation for the directors with the business performance and stock value of the Company. To achieve the basic policy, the compensation for the directors is comprised of basic compensation (fixed compensation) and performance-linked compensation that is comprised of monetary compensation and non-monetary compensation (share-based compensation). The compensation for non-executive directors is fixed compensation.

The maximum amount of compensation for directors including non-executive directors is deliberated by the optional Nomination and Compensation Committee, resolved by the Board of Directors, and submitted to the General Meeting of Shareholders as a proposal.

Basic Compensation

The basic compensation (fixed compensation) is monetary compensation and is determined according to the directors' positions, responsibilities, and the number of years in office, with a comprehensive consideration of such factors as the Company's business performance trends, the salary levels of the Company's employees, and the compensation levels of other companies.

Performance-Linked Compensation

Monetary compensation of performance-linked compensation represents how much the individual performance contributes to business performance each fiscal year and consists of company performance-linked compensation and individual performance-linked compensation. The Company pays the total amount of such compensation as a bonus at a specific time each year. The company performance-linked compensation is calculated based on the degree of achievement of the consolidated business results of each fiscal year when compared to their projections and the consolidated business results one year earlier as well as the comprehensive evaluation of sustainability initiatives implemented across the Group. The individual performance-linked compensation is calculated based on the degree of achievement of or the degree of contribution to the duties delegated to each director.

As non-monetary compensation of performance-linked compensation, the Company grants its shares under the performance-linked, share-based remuneration system for the purposes of providing an incentive to motivate the directors to achieve sustainable improvement of corporate value and linking the compensation with the improvement of corporate value in the medium-to long-term. As a general rule, the Company grants its shares to the directors at a specific time after a Mid-term Management Plan period ends or they retire from their positions.

Compensation composition	The ratio of basic compensation (fixed compensation) to monetary compensation of performance-linked compensation to non-monetary compensation of performance-linked compensation is 1 to 0.25 to 0.35. * Model when the degree of achievement of the targets to determine the amount of performance-linked compensation is taken as 100%.
Calculation method of performance-linked compensation	Company performance-linked compensation = Payment standard amount by position for company performance-linked portion × Performance evaluation coefficient Performance evaluation coefficient is calculated based on the following indicators: · Gross profit before funding costs · Ordinary income · Net income attributable to owners of the parent · Comprehensive evaluation of sustainability initiatives

Total amount of compensation, etc. for directors and corporate auditors in FY2021

Officer category	Total amount of compensation, etc. (Millions of yen)	Total amount of compensation, etc. by type (Millions of yen)			Number of eligible officers[1] (Persons)
		Fixed compensation	Performance-linked compensation[2]	Of the left, non-monetary compensation, etc.	
Directors excluding outside directors	276	195	81	40	8
Corporate auditors excluding outside auditors	17	17	—	—	1
Outside officers	132	132	—	—	12

1. The table above includes four directors and one outside auditor who retired from their respective positions at the conclusion of the 52nd Ordinary General Meeting of Shareholders held on June 24, 2021.
2. Performance-linked compensation states the amount that should be recorded as expenses in fiscal 2021.
3. The amount of non-monetary compensation, etc. for directors excluding outside directors is performance-linked compensation only.

Compliance

The Group's definition of "compliance" is "to comply with the laws and regulations and to practice honest and fair business activities in accordance with the norms of society." Duly recognizing that any issues with compliance may undermine the very foundations of management, and regarding that the "principles of compliance" are to be highly appreciated by shareholders and the market and to earn the trust of society, the Group is working to strengthen its compliance structure.

Compliance Structure

In order to thoroughly enforce compliance, the Group has formulated rules, administrative guides, manuals, and other materials based on the Basic Policy for Compliance. We have in place a structure headed by the Board of Directors and directed by the chief compliance officer (CCO), who is fully responsible and authorized to plan and manage the overall compliance-related affairs, with the Legal & Compliance Department promoting overall compliance-related affairs, preventive measures against money laundering, etc., and blocking-off of any relationship with anti-social forces, among others, as well as grasping and controlling the state of the Group's compliance and providing guidance and supervision.

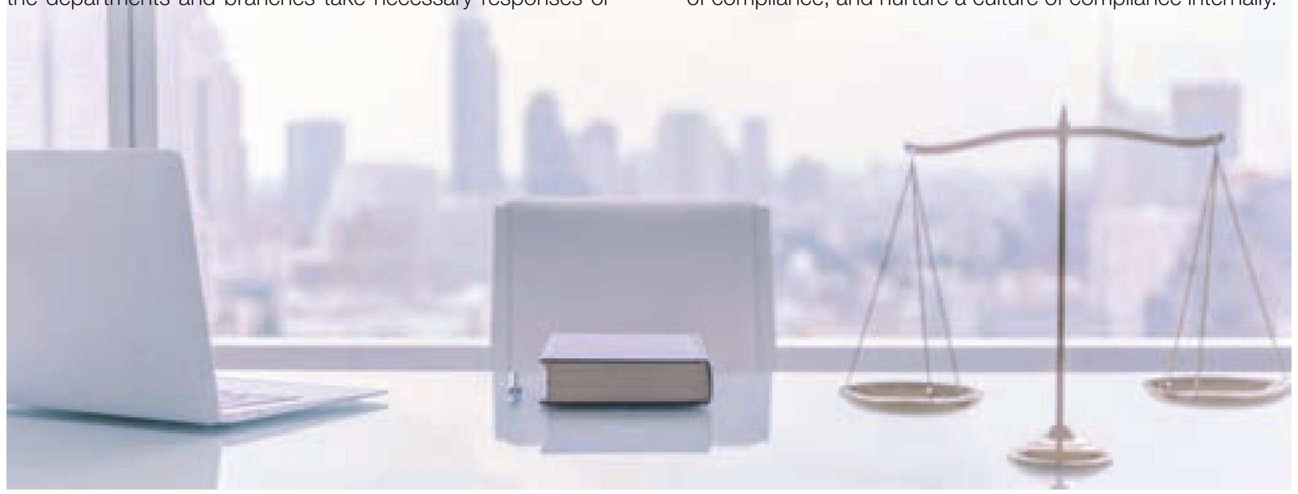
More specifically, the general managers, as the compliance officer of their respective departments or branches, grasp and control the state of compliance within the department or branch and provide guidance and supervision. Based on instructions given by the Legal & Compliance Department every quarter, the general managers also assess the state of compliance and provide training in their respective departments or branches. After examining the results of the assessment reported by the departments and branches, the Legal & Compliance Department gives instructions and guidance to the general managers, changes rules, and sends a reminder to warn all departments and branches, as necessary. The Audit Department separately audits the state of compliance in the departments and branches. The general managers of the departments and branches take necessary responses or correction measures and other actions, based on instructions given by the Legal & Compliance Department and the Audit Department.

To facilitate early detection of misconduct in the workplace, the Group has established channels through which employees, etc. can securely make reports or have consultations, namely, a compliance consultation desk, a harassment consultation desk, corporate auditor's hotline, and an external contact point to attorneys. The Group also stipulates in its Rules on the Protection of Whistleblowers that a reporter shall not receive any disadvantageous treatment whatsoever.

Enhancing Compliance Awareness

The Group has formulated the Corporate Code of Conduct of the Mizuho Leasing Group, which sets out concrete action guidelines for officers and employees, as well as published a Compliance Manual that serves as the Group's standards of compliance, outlining key rules and regulations that must be followed and compliance activities that need to be conducted in its 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.

As a practical scheme to ensure the thorough practice of compliance, the Group works out a Compliance Program. Once a year, the Compliance Program is discussed at the Risk Management Committee and resolved by the Executive Management Committee, and the result of its implementation is reported to the Executive Management Committee every six months. Providing compliance-related education and training programs is regarded as a key initiative in the Compliance Program. Specifically, through job level-specific training programs on compliance such as those for officers and general managers, theme-specific training programs such as those on preventing insider trading, as well as ongoing e-learning sessions, the Group is working to raise all officers' and employees' awareness of compliance, ensure the thorough practice of compliance, and nurture a culture of compliance internally.



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 value 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, and legal risk, 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 **Value 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.

Attitude toward Credit Risk Management

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 conduct self-assessments of assets in accordance with the "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) 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 non-performing 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 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, 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.

Attitude toward Operational Risk Management

The 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.

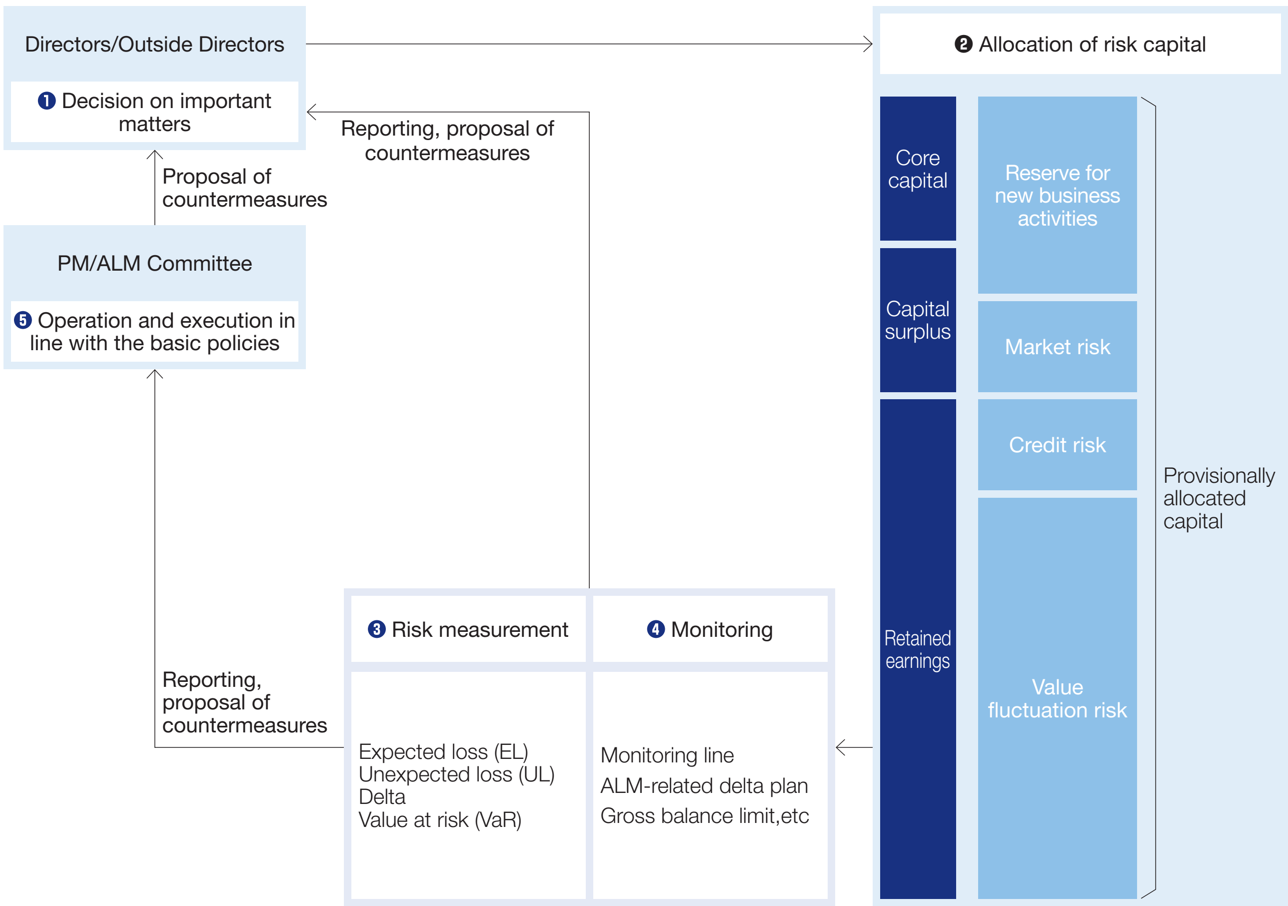
Risk Capital Allocation

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 according to that of the megabanks 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 core capital, capital surplus, and retained earnings as risk capital. 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.

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.

Overseeing Management From an Outside Perspective For Sustainable Growth

A roundtable discussion was held with our five independent outside directors, who are also members of the Nomination and Remuneration Committee. The participants spoke candidly on their stance toward the Board of Directors, their roles, and a range of other topics.

Continuing to Boldly Take on Challenges, Being a Pioneer in Paradigm Shifts

— One of the important roles outside directors play on the Board of Directors is in connection with diversity. Please first tell us about the atmosphere on the Board of Directors at Mizuho Leasing.

Komine: Among the members, I am the longest serving in this position, but when I was first appointed, there were still just two outside directors, including me. The number has since increased to six, and it is my sense that as diversity increased the scope of discussions also broadened. During this time, the Great East Japan Earthquake occurred, and the Company name was changed from IBJ Leasing to Mizuho Leasing, so there were various changes. There was also a significant increase in discussions on corporate social responsibility and sustainability. Currently, one outside director is a woman, and I think this number will increase going forward.

Sagiya: From the perspective of ESG (environmental, social, and governance), diversity has become an important issue, so in this sense, with regard to promoting women's active participation, I sometimes introduce examples from other companies while drawing on my own past experience. However, diversity is not only about gender; it needs to be engaged in from a broad standpoint that includes nationality as well. On the other hand, it is true that the outside directors at Mizuho Leasing all have different backgrounds. I think diversity of backgrounds is probably even more important than having people of different genders.

Negishi: I was previously involved in management in the manufacturing industry, so Mizuho Leasing, as a member of the financial industry, is very different in terms of job content and characteristics. In the manufacturing industry, management is assessed with the P/L statement (profit & loss statement), but financial transactions involve medium- and long-term contracts, so there is a need to look at how operating assets are increasing. I was somewhat puzzled when I was first appointed, but improvements have been made over the past several years, and the Company's executives provide outside directors with detailed input ahead of time, which is admirable. Communication meetings are held in advance, and we receive detailed explanations of the particulars and vital points of the current agenda items and other matters.

Aonuma: It has still not been long since I was appointed, so I am not in the position to speak about how things have changed over time, but just as Ms. Sagiya has pointed out, my first impression is that the Company has a group of outside directors with a rich variety of backgrounds. When discussing any one theme, there is an extremely multifaceted exchange of opinions, and deliberations take place that drill down to the essentials. As an attorney, I speak from a legal perspective on the impact of a given theme on the Company and its employees.

Hagihira: What I have felt in attending committee meetings and meetings of the Board of Directors is that a flexible approach has constantly been taken and that positive improvements continue to be made based on it. When problems are pointed out, they are always rectified at the next meeting; the executive team is very prompt in responding. Coming from the Ministry of Economy, Trade and Industry, I have had some trouble grasping the actual day-to-day business of leasing, and it has been frustrating in some respects. However, the documents presented at meetings are extremely well-organized and easy to understand, the points of discussion are also organized, so deliberations proceed in an efficient manner.

— What are your views on the issues that Mizuho Leasing needs to address in order to achieve growth going forward?

Negishi: The financial crisis of 2008, the Great East Japan Earthquake, and, in recent years, the COVID-19 pandemic—

the social environment is visited by great change. Various management issues come to prominence at different times, including the likes of ESG and initiatives for the SDGs, but one wonders if it is such a good idea to pursue them haphazardly simply at the level of surface knowledge? Initiatives put forth for public perspective as keeping with the times and with only a surface-level understanding tend not to penetrate very deeply into an organization. It is important for top management to resolve to engage in them sincerely and convey this intention to everyone within the company. Doing this helps unify the company and promote the initiatives while enlivening the organization.

Aonuma: I am not a specialist in management, so this is a difficult question, but I have high expectations for Mizuho Leasing's vision to "Be a creator of a sustainable world." I think it is extremely significant that the Company does not stop at striving for a sustainable society but has the mettle to say it will be a creator of one. For example, a new company being able to acquire assets by utilizing leases in the process of its growth is reassuring for entrepreneurs, and this, I think, is a way of being a creator of a world.

Hagihira: Looking back at the history of Mizuho Leasing, in the 1970s the former IBJ Leasing started vendor leasing of construction machinery and ship leasing. In 1985, it began leasing train cars, a first in Japan, and in 1998 it began structured finance initiatives on a full-fledged basis. So, I feel there is a corporate culture of boldly taking on challenges and not backing away from new areas. It will no doubt be important for the Company to continue actively taking on challenges into the future and have the fortitude to be a pioneer of paradigm shifts.

Komine: In connection with the Company's vision, I'd been personally interested in the meaning of the word "sustainability" for some time. This is because the word is abused everywhere, and there's a sense, to quote a Japanese saying, of sleeping in the same bed but having entirely different

dreams. For example, when considering the sustainability of Japan's population amid a declining birthrate and aging populace, to maintain the population at 100 million, each woman would have to have 2.07 children, which is an impossibility given the current birthrate. What can be maintained even in the midst of a declining population is the national welfare, and this is something that truly should be pursued. In the case of companies, is it sales and profits? Or is it employee satisfaction? Is the essence the pursuit of the sustainability of both? These discussions need to take place. Even with the birthrate and aging problem, demand for robots and related equipment can be expected to increase in order to offset labor shortages in nursing care. I think one way forward would be to adeptly meet such new needs, which would help solve a social issue and expand business as a leasing company.

Sagiya: This is connected with what Mr. Komine said, but of course what must be pursued as a company is sustainable growth. In order to be competitive and continue to grow even when the external environment is changing at a bewildering pace, as it is today, the Company should move forward with flexibility, revamping its business portfolio as is needed, for example. In some cases, it may even be necessary to adjust the trajectory of the mid-term management plan that has been established. Of course, it is the executive team that actually

conducts management. It is not necessarily our role to give detailed opinions on the plan's formulation. Rather, we intend to offer our advice on matters such as revising the plan's general direction from a broad standpoint.

Our Role is Probing the Passion of Executives And If Convinced Giving Them Encouragement

— As outside directors, how do you see your role at Mizuho Leasing?

Aonuma: I am a legal practitioner, so I can surmise that I am expected to have a role in defensive matters like compliance, internal control, and crisis management. In defensive areas, there needs to be personnel absolutely faithful to compliance. Compliance means abiding by the laws and regulations, so there is a tendency to think mere compliance with the law is enough, but this is a mistake. However, actually, compliance is closer in meaning to "principle" or "principles;" it requires the discipline to not do what must not be done no matter who might be telling you to do it. I would want Mizuho Leasing to be a company that fosters personnel with this kind of discipline. I hope to contribute to their development by sharing some of my own experiences through in-house lectures and talks.

Hagihira: Agenda items put before the Board of Directors have been sufficiently debated internally, and most are already well fleshed out. Even so, it is important for them to be examined carefully from a perspective that differs from people within the Company; this is our role as I see it. I intend to offer my opinions based on my own experience to this point and also help ensure that discussions are constructive.

Komine: I spent the first half of my career in government and the second half teaching young people at universities, while people working at Mizuho Leasing have built impressive careers in the financial industry. Our outlooks differ substantially, so even when there are explanations given at Board of Directors meetings, there are still things that don't immediately make sense for me. I think it is my role to offer my frank opinions in such cases, pointing out, for example, when something doesn't sit right when viewed from an outside perspective. It is my hope that in doing so the Company overall will come to have a well-balanced outlook.

Sagiya: I am an outside director, so compliance is particularly important. In my understanding, I have the important role of closely monitoring the Company's stance and systems for engaging in compliance and its processes and progress going forward in this regard. In addition, my background is in IT, so regarding the Company's materiality topic "Creating new value through technology," I hope to give my advice based on the knowledge I've acquired.

Negishi: During my many years as a business executive, I received a variety of opinions from outside directors. Some in this position saw their role as basically identifying risks, but if I had listened only to that sort of opinion, discussions would not have made much progress. I personally am trying not to be that kind of outside director. Of course, in my role as outside director at Mizuho Leasing, my duty is to supervise management and carefully investigate the agenda items put before me by the executive team. I probe the passion of the Company's executives with respect to the items put on the table, and when the explanation convinces me they are earnest, I give them encouragement; this is my job as I see it.

Board of Directors

Shusaku Tsuhara
President and CEO*

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, 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
June 2020	President and CEO of the Company (present position)

Akira Nakamura
Deputy President*

April 2011	General Manager of Nihonbashi Corporate Banking Division of Mizuho Corporate Bank, Ltd.
April 2013	Executive Officer, General Manager of Corporate Banking Coordination Division (Large Corporations) of Mizuho Financial Group, Inc.
April 2015	Managing Executive Officer of Mizuho Securities Co., Ltd.
April 2016	Managing Executive Officer of Mizuho Financial Group, Inc.
April 2018	Senior Managing Executive Officer, Head of Corporate & Institutional Company of Mizuho Financial Group, Inc.
April 2019	Deputy President & Executive Officer, Head of Corporate & Institutional Division of Mizuho Bank, Ltd.
April 2020	Deputy President Executive Officer, CRO of the Company
April 2021	Deputy President Executive Officer, CFO of the Company
June 2021	Deputy President, Deputy President Executive Officer, CFO of the Company
April 2022	Deputy President, Deputy President Executive Officer of the Company (present position)

Hiroshi Nagamine
Senior Managing Director*

July 2011	General Manager of Aoyama Branch Division II of Mizuho Bank, Ltd.
April 2014	General Manager of Corporate Banking Division No. 13 of Mizuho Bank, Ltd.
April 2016	Executive Officer, Joint Head of Europe, Middle East and Africa of Mizuho Bank, Ltd.
April 2017	Managing Executive Officer, Head of Europe, Middle East and Africa of Mizuho Financial Group, Inc.
April 2020	Senior Managing Executive Officer, Head of Europe, Middle East and Africa of Mizuho Financial Group, Inc.
May 2020	Senior Managing Executive Officer, Head of Global Corporate Company, Deputy Head of Global Products Unit of Mizuho Financial Group, Inc.
April 2021	Senior Managing Executive Officer, CRO of the Company
April 2022	Senior Managing Executive Officer, CFO of the Company
June 2022	Senior Managing Director, Senior Managing Executive Officer, CFO of the Company (present position)

Takao Komine
Outside Director

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	Director 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
April 2020	Professor, Institute of Regional Development, Taisho University (present position)

Naofumi Negishi
Outside Director

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 (present position)
June 2022	Chairman, Metropolitan Expressway Co., Ltd. (present position)

Hirofumi Hagihira
Outside Director

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 (present position)

Corporate Auditors

Nobukatsu Funaki
Outside Audit & Supervisory Board Member

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)

Tatsuya Yamada
Outside Audit & Supervisory Board Member

April 2010	Executive Officer, General Manager of Accounting Department of Mizuho Financial Group, Inc.
April 2012	Managing Executive Officer, Head of Financial Control & Accounting Group of Mizuho Securities Co., Ltd.
June 2014	Managing Executive Officer, Head of Global IT, Head of IT & Systems Group of Mizuho Securities Co., Ltd.
April 2018	Managing Executive Officer, Deputy Head of Financial Control & Accounting Group, Deputy Head of IT & Systems Group of Mizuho Financial Group, Inc. Senior Executive Managing Director (Representative Director), Senior Managing Executive Officer, Head of Financial Control & Accounting Group, Head of IT & Systems Group of Mizuho Securities Co., Ltd.
April 2019	President of Japan Investor Relations and Investor Support, Inc.
June 2020	Audit & Supervisory Board Member of the Company (present position)

Hidehiko Kamata
Audit & Supervisory Board Member

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
April 2021	Director of the Company
June 2021	Audit & Supervisory Board Member of the Company (present position)

Hideki Amano
Outside Auditor

September 1980	Registered as a certified public accountant of Japan
September 1992	Partner of Inoue Saito Eiwa Audit Corporation (now KPMG AZSA LLC)
September 2011	Vice President (Head of Audit) of KPMG AZSA LLC Member of KPMG Global Audit Steering Group
July 2015	Executive Senior Partner of KPMG AZSA LLC
March 2017	Outside Audit & Supervisory Board Member of Kao Corporation (present position)
April 2017	Outside Director of the Board of ORIX Bank Corporation (present position)
June 2019	Outside Corporate Auditor of Seiko Holdings Corporation (present position)
June 2022	Auditor of the Company (present position)

Takanori Nishiyama
Managing Director*

April 2012	General Manager of Branch Banking Division V of Mizuho Bank, Ltd.
April 2014	Executive Officer, General Manager of Omiya Branch of Mizuho Bank, Ltd.
April 2015	Managing Executive Officer of Mizuho Bank, Ltd.
April 2017	Managing Director, Managing Executive Officer of Mizuho Bank, Ltd. Managing Executive Officer of Mizuho Financial Group, Inc.
June 2017	Member of the Board of Directors, Managing Executive Officer of Mizuho Financial Group, Inc.
April 2019	Managing Executive Officer of the Company
June 2021	Managing Director, Managing Executive Officer of the Company (present position)

Chihiro Tokiyasu
Managing Director*

April 1986	Joined the Company
August 2006	Seconded to Krung Thai IBJ Leasing Director – Executive Vice President
December 2012	Joint General Manager in charge of International Department of the Company
July 2014	Joint General Manager of Business Coordination Department of the Company
April 2016	Executive Officer, General Manager of Personnel Department of the Company
April 2020	Managing Executive Officer of the Company
June 2021	Managing Director, Managing Executive Officer of the Company (present position)

Toshiyuki Takahashi
Managing Director*

April 2013	Deputy General Manager of Industry Research Department of Mizuho Bank, Ltd.
July 2013	Director of Investment Bank Group of Mizuho Securities Co., Ltd.
April 2014	Sector Head of Sector Coverage Department No. 2 of Mizuho Securities Co., Ltd.
April 2016	Senior Corporate Officer of Global Investment Banking Division of Mizuho Securities Co., Ltd.
April 2019	General Manager in charge of Business Promotion Department of the Company
April 2020	Executive Officer, General Manager of Corporate Planning Department of the Company
April 2021	Managing Executive Officer, CSO, General Manager of Corporate Planning Department of the Company
May 2021	Managing Executive Officer, CSO, Chief Sustainability Officer, General Manager of Corporate Planning Department of the Company
June 2021	Managing Director, Managing Executive Officer, CSO, Chief Sustainability Officer, General Manager of Corporate Planning Department of the Company
April 2022	Managing Director, Managing Executive Officer, CSO, Chief Sustainability Officer of the Company (present position)

Mari Sagiya
Outside Director

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 (present position) Independent Director of Kokusai Pulp & Paper Co., Ltd.
March 2020	Director of MonotaRO Co., Ltd. (present position)
June 2021	Director of JBCC Holdings Inc. (present position)
June 2022	Director of Mitsubishi Corporation (present position)

Hajime Kawamura
Outside Director

April 1981	Joined Marubeni Corporation
April 2012	Executive Officer, Senior Operating Officer, Plant & Industrial Machinery Division of Marubeni Corporation
April 2013	Executive Officer, Chief Operating Officer, Plant & Industrial Machinery Division of Marubeni Corporation
April 2014	Executive Officer, Chief Operating Officer, Plant Division of Marubeni Corporation
April 2016	Managing Executive Officer, Chief Operating Officer, Plant Division of Marubeni Corporation
April 2018	Managing Executive Officer, Regional CEO for the Americas, Regional COO for North & Central America of Marubeni Corporation, President and CEO of Marubeni America Corporation
April 2019	Senior Managing Executive Officer, Chief Executive Officer of Transportation & Industrial Machinery, Financial Business Group of Marubeni Corporation (present position)
June 2020	Director of the Company (present position)

Takayuki Aonuma
Outside Director

April 1982	Prosecutor of Tokyo District Public Prosecutors Office
January 2010	Prosecutor of Supreme Public Prosecutors Office
December 2010	Director-General of the Rehabilitation Bureau, Ministry of Justice
July 2014	Chief Prosecutor of Tokyo District Public Prosecutors Office
December 2015	Deputy Prosecutor-General of Supreme Public Prosecutors Office Member of the Legislative Council of the Ministry of Justice
September 2016	Superintending Prosecutor of Nagoya High Public Prosecutors Office
February 2018	Registered as an attorney-at-law Of-Counsel of City-Yuwa Partners (present position)
May 2021	Director of SENIOR LIFE CREATE Co., Ltd. (present position)
June 2021	Director of the Company (present position)

Executive Officers

Managing Executive Officers

Masanobu Kobayashi
Katsuzumi Orihashi
Katsunori Tomita
Noboru Otaka
Nobuhisa Zama
Masahiko Abe
Takashi Yamada
Yasuhiko Hashimoto
Kazuomi Funakawa

Executive Officers

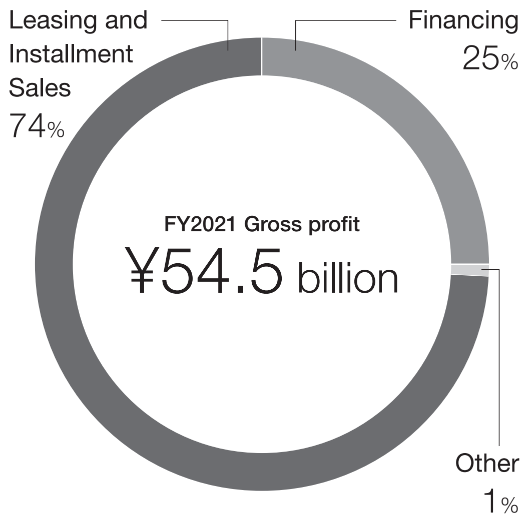
Yoshiyasu Mizutomi
Hiromichi Koyata
Kunihiro Mio
Mitsuyuki Kimura
Toru Mukojima
Koki Minami
Kazuo Seki
Kensuke Sato
Kenji Yoshida
Toshiyuki Takezawa
Yutaka Sato
Hirohide Ishiyama
Nobufusa Takeuchi
Masashi Takahata
Naoto Moriya
Naoyuki Machinaga
Kazuma Ooe

Note: Directors marked with an asterisk concurrently serve as executive officers.

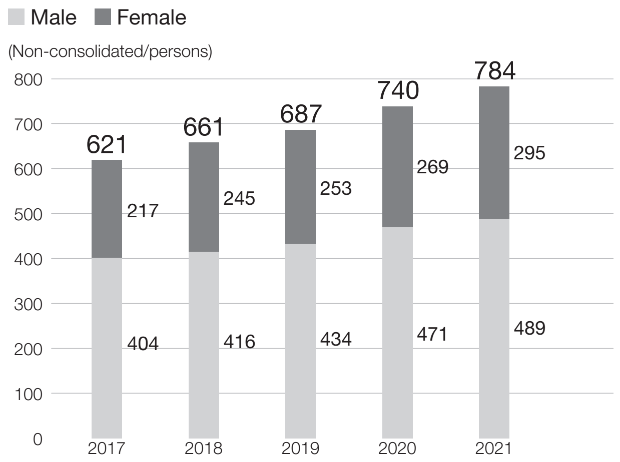
The Mizuho Leasing Group comprises Mizuho Leasing, 38 consolidated subsidiaries and 11 equity-method affiliates (as of March 31, 2022). Centered on this structure, we provide wide-ranging financial and business services, including leasing, installment sales and loans in Japan and overseas by utilizing our understanding of equipment and extensive financial expertise.

Leasing and Installment Sales FY2021 Gross profit ¥40.3 billion

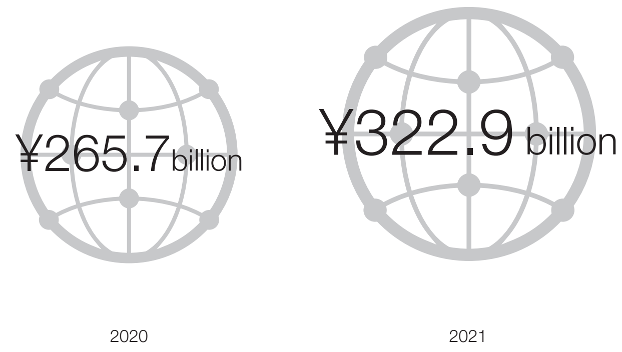
Financing and Other FY2021 Gross profit ¥14.2 billion



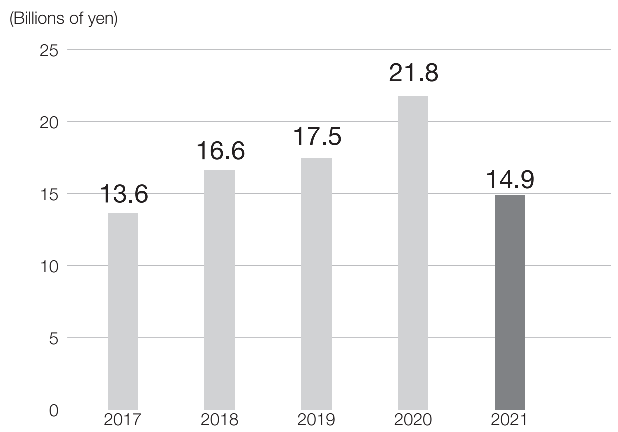
Number of Employees



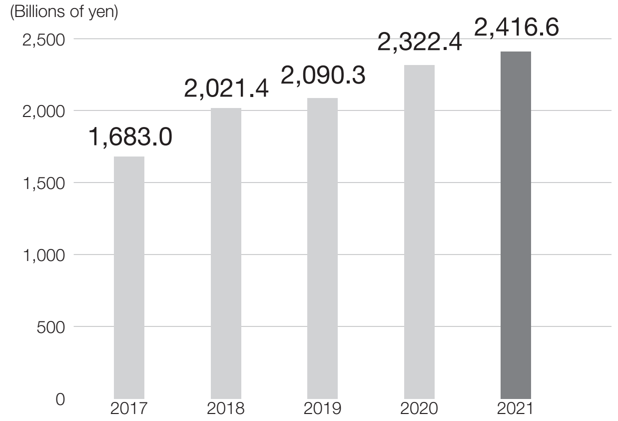
Balance in the global area



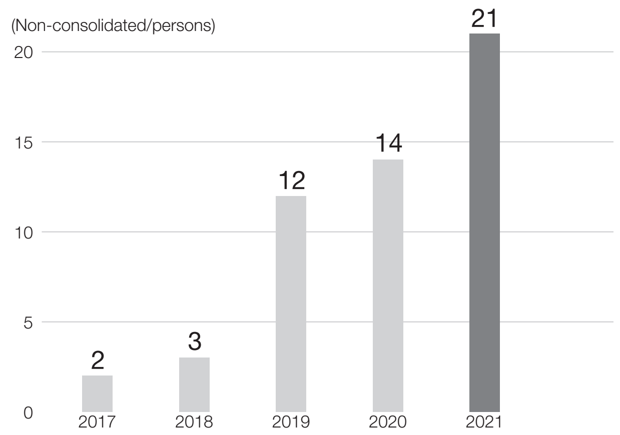
Net income attributable to owners of the parent



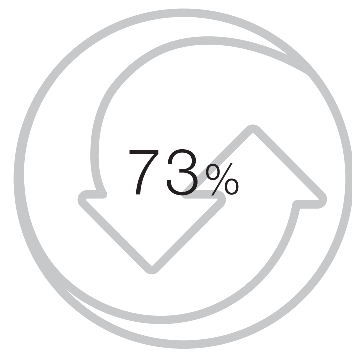
Operating assets



Number of women in managerial posts

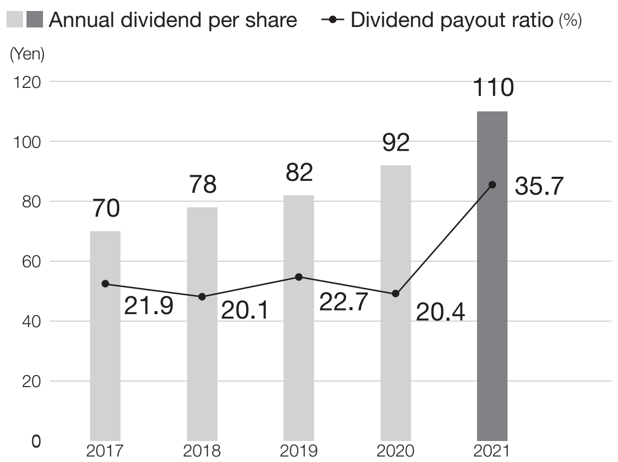


Reuse rate* (FY2021)

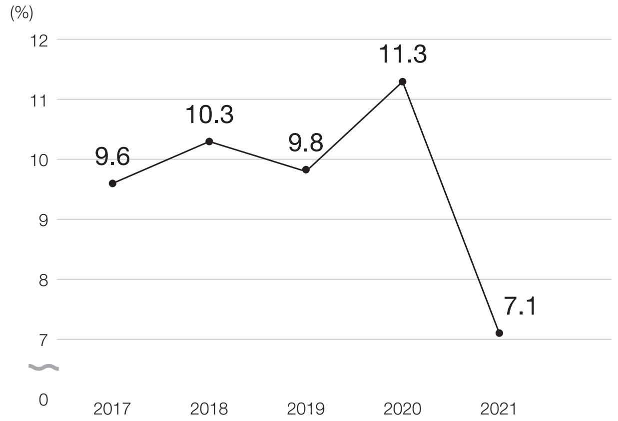


*Reuse rate: Number of equipment sold ÷ Number of equipment for which the lease term or re-lease term has expired

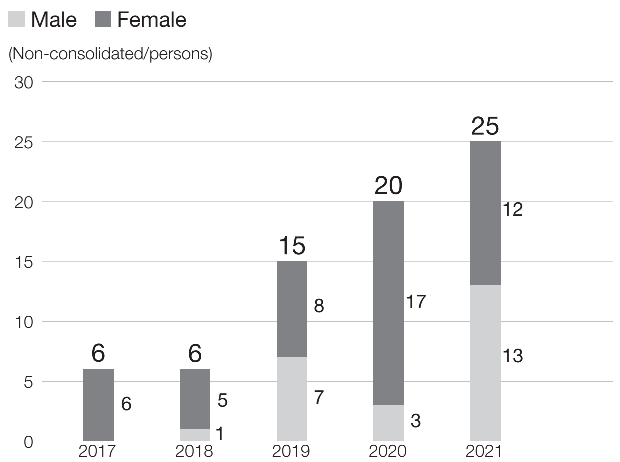
Annual dividend per share/dividend payout ratio



ROE



Number of employees who took childcare leave

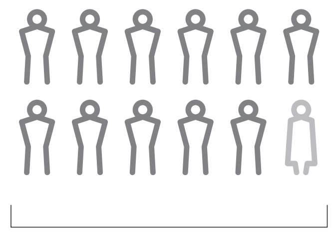


Composition of the Board of Directors

(End of June 2022)

12 directors

6 outside directors, 1 female director



Outside directors

Ratio of outside directors 50%

Consolidated Financial Results

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
For the year: (Millions of yen)										
Revenues	352,492	354,779	353,733	364,174	429,405	399,738	384,893	539,241	497,852	**554,809**
Gross profit before funding costs	44,270	43,005	41,609	44,803	44,904	45,157	52,596	60,263	59,332	**62,115**
Funding costs	6,596	6,426	6,338	6,361	5,697	6,959	8,467	9,744	7,985	**7,581**
Gross profit	37,673	36,579	35,271	38,441	39,206	38,197	44,128	50,519	51,347	**54,534**
Selling, general and administrative expenses	23,007	19,877	17,325	20,868	21,244	19,034	21,214	24,243	25,383	**36,640**
Operating income	14,665	16,701	17,946	17,573	17,962	19,162	22,913	26,275	25,963	**17,893**
Ordinary income	15,366	17,405	18,972	18,570	18,789	19,964	24,226	26,714	27,542	**20,064**
Net income attributable to owners of the parent	8,920	10,531	11,144	11,609	12,414	13,643	16,594	17,512	21,772	**14,902**
Ordinary income before write-offs	19,277	18,210	17,021	19,829	20,326	19,178	24,070	26,414	27,885	**30,557**
At year-end: (Millions of yen)										
Total assets	1,372,246	1,462,183	1,551,704	1,718,720	1,752,284	1,821,501	2,161,872	2,348,416	2,603,190	**2,748,810**
Operating assets	1,263,116	1,343,046	1,432,299	1,581,025	1,608,718	1,683,005	2,021,368	2,090,305	2,322,398	**2,416,558**
Lease	780,234	809,499	878,693	958,353	950,318	983,590	1,160,218	1,327,723	1,476,331	**1,487,631**
Installment sales receivable*	113,939	133,267	153,910	147,455	137,820	138,592	145,888	139,715	124,433	**106,601**
Loans	320,143	359,530	361,067	377,933	348,085	360,073	469,135	400,999	500,674	**582,480**
Operational investment securities	48,798	40,749	38,627	97,283	172,493	196,860	239,814	221,866	220,959	**239,843**
Long-term receivables	18,502	11,404	8,947	10,393	3,331	2,440	3,432	5,448	11,477	**32,691**
Interest-bearing debt	1,176,464	1,226,274	1,309,951	1,465,584	1,492,438	1,536,240	1,834,757	2,000,636	2,255,387	**2,375,243**
Equity	84,905	109,840	123,297	132,786	141,755	154,632	182,159	195,780	210,852	**230,803**
Per share data: (Yen)										
Net income	246.43	264.75	261.32	272.20	291.08	319.91	388.64	360.49	450.14	**308.07**
Equity	2,218.77	2,458.28	2,764.23	2,978.61	3,202.27	3,492.55	3,553.92	3,829.02	4,147.40	**4,536.14**
Dividends	50.00	54.00	56.00	60.00	64.00	70.00	78.00	82.00	92.00	**110.00**
Key indicators: (%)										
Return on equity (ROE)	11.8	11.4	10.0	9.5	9.4	9.6	10.3	9.8	11.3	**7.1**
Return on assets (ROA)	1.1	1.2	1.3	1.1	1.1	1.1	1.2	1.2	1.1	**0.7**
Equity ratio	5.9	7.2	7.6	7.4	7.8	8.2	8.0	7.9	7.7	**8.0**
Other (Number of persons)										
Number of employees	1,050	1,036	1,050	1,072	1,053	1,081	1,627	1,745	1,795	**1,864**

*After subtraction of deferred profit on installment sales

1. Financial Results and Business Performance Overview

Looking at the economic climate in fiscal 2021, the global economy was on a recovery track from the downturn caused by the spread of COVID-19. However, the recovery slowed down due to the spread of new variants, and the outlook has been uncertain owing to the Russian invasion of Ukraine. These factors have increased concerns about a downturn in economic growth. As for the Japanese economy, the shortage of semiconductors has been forcing manufacturing companies to halt or reduce production, and there is a concern that inflation caused by rising energy prices and other factors will depress real consumption. Given this situation, we recognize that uncertainty about the future will continue to require attention.

In the leasing industry, capital investment has been picking up on the back of a recovery in economic activity, but the trend has been still weak, and therefore, the transaction volumes decreased from the previous fiscal year.

In this environment, under the Sixth Mid-term Management Plan covering a five-year period from fiscal 2019 to fiscal 2023, the Group is promoting joint projects with clients, carrying out efforts in focus areas (Environment and Energy, Medical and Healthcare, Real Estate, Global, Aircraft, and Technology) in view of changes in the social and industrial structures, and taking on the challenge of expanding our business foundation and of advancing into new business areas through alliance and cooperation with alliance partners, including Mizuho Financial Group and the Marubeni Group.

We are seeking to achieve the following consolidated numerical targets in the final year: “¥30.0 billion in net income attributable to owners of the parent,” “tripling the balance in the global area from that at the end of March 2019,” and “25% or more in the consolidated dividend payout ratio.” With these targets, we aim to achieve the Group’s further growth and increase the value to provide to our stakeholders.

Under these circumstances, in fiscal 2021, we focused on providing solutions that capture the business and financial strategic needs of our clients and steadily carried out efforts in the focus areas, despite the impact of restrictions on economic activities caused by the spread of COVID-19.

As a result, the contract execution volume increased by 0.4% to ¥1,370,228 million from the previous year (as of March 31, 2021).

Regarding the results, revenues increased 11.4% year on year to ¥554,809 million. Operating income decreased 31.1% to ¥17,893 million, ordinary income decreased 27.2% to ¥20,064 million, and net income attributable to owners of the parent decreased 31.6% to ¥14,902 million.

Regarding the financial position, operating assets increased ¥94,159 million compared with the previous year (fiscal year ended March 31, 2021) to ¥2,416,558 million due to the growth in the contract execution volume, and total assets rose by ¥145,619 million compared with the year earlier to ¥2,748,810 million.

Meanwhile, total liabilities increased ¥125,669 million from the end of the previous year to ¥2,518,007 million, of which, interest-bearing debt increased by ¥119,856 million to ¥2,375,243 million owing to the growth in operating assets.

Total equity stood at ¥230,803 million, showing a continued growth due to the accumulation of income during the year.

Results of Operations by Segment

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

Contract Execution Volume

(Millions of yen)

	2017	2018	2019	2020	2021
Leasing and installment sales	430,482	549,418	692,350	612,701	536,302
Financing	901,485	996,700	590,088	752,319	833,925
Other	3,941	2,698	—	—	—
Total	1,335,909	1,548,817	1,282,438	1,365,021	1,370,228

Operating Assets

(Millions of yen)

	2017	2018	2019	2020	2021
Leasing and installment sales	1,122,183	1,306,106	1,467,439	1,600,764	1,594,233
Financing	556,933	708,950	622,866	721,634	822,324
Other	3,888	6,311	—	—	—
Total	1,683,005	2,021,368	2,090,305	2,322,398	2,416,558

[Leasing and Installment Sales]

Revenues in leasing and installment sales increased by 11.4% to ¥537,639 million from the previous year (fiscal year ended March 31, 2021), partly driven by an increase in sales of properties upon completion of projects of real estate. Operating income increased 5.7% from the previous period to ¥23,726 million.

Operating assets as of March 31, 2022 was ¥1,594,233 million, a ¥6,530 million decrease from the end of the previous year due to a decrease in the contract execution volume mainly in the area of industrial and factory equipment.

[Financing]

Revenues in financing increased 12.5% year on year to ¥16,326 million due to a buildup in assets, while operating income decreased 97.0% year on year to ¥265 million partly owing to recording of substantial credit costs.

Operating assets at the end of fiscal 2021 increased ¥100,690 million from the end of the previous year to ¥822,324 million, pushed up by a rise in short-term commercial distribution finance and real estate financing.

[Other]

In the other segment, revenues increased 5.6% year on year to ¥843 million, and operating income increased 96.4% year on year to ¥269 million.

2. Results of Operations and Financial Position

Results of operations for fiscal 2021 are as follows.

Revenues increased ¥56,956 million from the previous year (fiscal year ended March 31, 2021) to ¥554,809 million, mainly due to the buildup of lease assets over previous years, primarily by the Company. Cost of revenue also increased ¥53,769 million year on year to ¥500,274 million.

Gross profit increased ¥3,187 million year on year to ¥54,534 million. This increase was on the back of growth in balance of assets with profitable financing under the Sixth Mid-term Management Plan, which included efforts in the focus areas and collaboration with the Mizuho Financial Group, despite recording of valuation losses on overseas real estate assets, affected by COVID-19.

Selling, general and administrative expenses increased ¥11,257 million year on year to ¥36,640 million, mainly due to recording of allowance for doubtful receivables for some clients, who were affected by the downturn in the airline industry or the shortage of semiconductors.

As a result of the above, operating income decreased ¥8,069 million to ¥17,893 million.

Ordinary income decreased ¥7,478 million to ¥20,064 million. The decrease, in terms of equity in earnings/losses of associated companies, was mainly due to recording of loss from investments in Aircastle Limited including impairment loss equivalent to its goodwill due to the downturn in the airline industry, despite recording of investment income from other equity-method affiliates with robust performance, as well as a gain equivalent to negative goodwill from making some companies equity-method affiliates.

As for extraordinary income and loss, extraordinary income was ¥175 million mainly due to the absence of gain on sale of investment securities recorded in the previous period, which was partly offset by extraordinary loss of ¥11 million, resulting in net extraordinary income of ¥163 million.

As a result of the above, net income attributable to owners of the parent decreased ¥6,869 million year on year to ¥14,902 million.

Regarding the financial position, the overall contract execution volume in leasing and installment sales decreased 12.5% to ¥536,302 million from the previous year (fiscal year ended March 31, 2021) due to factors such as the impact of the spread of COVID-19. On the contrary, the volume in financing increased 10.9% year on year to ¥833,925 million, contributed mainly by real estate-related financing and short-term commercial distribution finance. As a result, the total contract execution volume rose 0.4% to ¥1,370,228 million.

Operating assets at the end of fiscal 2021 was ¥2,416,558 million, a ¥94,159 million increase from the end of the previous fiscal year and total assets rose by ¥145,619 million from the end of the previous fiscal year to ¥2,748,810 million. This was attributable to the buildup in assets reflecting proposals that successfully helped clients solve their business issues, primarily in the areas of real estate and environment, mainly through cooperation with the Mizuho Financial Group.

Regarding fund raising, interest-bearing debt increased ¥119,856 million from the end of the previous year to ¥2,375,243 million, mainly due to the issuance of ¥80.0 billion of corporate bonds, including our first green bond issuance of ¥10.0 billion during fiscal 2021, in association with an increase in operating assets. As a result, total liabilities increased ¥125,669 million from the end of the previous year to ¥2,518,007 million.

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 each annual cash plan 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. As of March 31, 2022, indirect funding increased ¥106,540 million compared with the end of the previous year (as of March 31, 2021) to ¥1,302,683 million. Direct funding increased ¥13,316 million compared with the end of the previous year to ¥1,072,560 million, primarily due to the issuance of commercial paper and corporate bonds.

Analyses on Business Conditions and Results of Operations

In addition, the Group had concluded overdraft agreements and commitment line agreements in the total amount of ¥870,615 million with 50 financial institutions as of the end of fiscal 2021 with the aim of securing liquidity of working capital and flexibility in funding. The unused balance under these agreements is ¥510,332 million, which ensures sufficient liquidity.

Status of Cash Flows

Concerning the status of cash flows in fiscal 2021, there were an increase in operating assets and other types of cash outflows accompanied by business activities, including acquiring shares in association with business alliance, for which we raised funds in the market and through borrowings from financial institutions while securing liquidity of funds. As a result, the balance of cash and cash equivalents as of the end of fiscal 2021 increased ¥4,095 million compared with the end of the previous year fiscal 2020) to ¥24,502 million. The status of cash flow from each activity category and their factors are as follows.

Net cash used in operating activities was ¥68,495 million due to an increase in operating assets, mainly in financing.

Net cash used in investing activities was ¥27,712 million, mainly due to the acquisition of shares in Nippon Steel Kowa Real Estate Co., Ltd.

Net cash provided in financing activities was ¥99,810 million due to indirect financing of ¥92,451 million and direct financing of ¥12,743 million such as through commercial paper and corporate bonds, despite cash dividends paid of ¥5,243 million.

Business Risks and Other Risks

The following factors constitute the principal risks related to the Group's business operations, such as its financial position, results of operations, and status of cash flows that the Group recognizes as having the potential to materially affect investors' decisions. In addition to taking measures against each of these individual risks, the Group is also working to develop and intensify its risk management system so that it can respond promptly and appropriately to such risks when they materialize.

1. Risks Related to Operating Environment

The Group operates its business mainly based on lease transactions to serve its clients' business activities.

If our clients' business activities are disrupted by a surge in energy and resource prices due to regional conflicts, stagnation of production activities in the manufacturing industry due to disruptions in global supply chains, or rapid fluctuations in interest rates and foreign exchange rates in international financial markets, and thus their capital investments are significantly reduced, this may affect the Group's business performance.

2. Credit Risk

Comprising the main business activity of the Mizuho Leasing Group, lease transactions involve the provision of credit to clients in the form of leases over relatively long terms (averaging five years). The initial expected revenue is secured by collecting the full amount of leasing fees from the client. We have a risk that a client may suffer a decline in business due to a slump in the economy, causing us to be unable to collect initially expected leasing fees and other fees.

In order to cope with such a situation, the Mizuho Leasing Group determines the appropriateness of entering into contracts by conducting strict credit checks at the start of each transaction and assessing the future second-hand value of leased equipment. Once a transaction has begun, we regularly monitor the client's credit status and take various measures to ensure collection if needed.

Moreover, in instances when a client's credit status has deteriorated and issues such as non-payment of leasing fees occur, we work to recover as much as possible of the outstanding amount through the sale or transfer of leased equipment to other clients.

However, there is a possibility that a sudden change in the economic environment and the deterioration of clients' credit conditions may generate credit costs that exceed expectations, which could adversely affect the Group's business performance.

3. Liquidity Risk (Funding)

The Group procures funds through bank borrowings as well as the issuance of corporate bonds and commercial paper to finance its business needs. If we have difficulty raising funds due to rapid fluctuations in the financial markets or deterioration of the Group's financial condition, such funding constraints could affect the Group's business activities.

In order to cope with such liquidity risks, the Group diversifies its funding methods, and adjusts its funding structure and liquidity on hand in consideration of the market environment.

4. Interest Rate Fluctuation Risk

The Group procures funds through bank borrowings as well as the issuance of corporate bonds and commercial paper to finance its business needs.

Since the conditions for interest income for leasing and securities investment (which is based on the level, the lease period and whether the rate is fixed or floating) and those for funding interest rates differ, fluctuations in interest rates may affect interest income and expenditure.

To mitigate the risk of such interest rate fluctuations, we carry out hedging using derivative transactions, in addition to procuring funds in line with the conditions for interest income for the corresponding assets.

Specifically, we manage interest rate fluctuation risk by controlling the matching ratio (setting the ratio of the portion of assets not subject 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.

5. Asset Risk

The Group is engaged in businesses including real estate leasing, investment in and lending of real estate, and aircraft leasing. To manage risks, we carefully assess the creditworthiness, future income and expenditure, and asset values of our clients. However, if the business performance of a client deteriorates or the asset value of a property declines significantly, this may affect the Group's business performance.

As a response to such decline in asset values, we have established an internal management system to monitor the credit status of clients, trends in asset values, and future income/expenditure projections, and make flexible responses to minimize the impact on the Group.

6. Risks Arising from Business Activities

Risks arising from business activities include: inappropriate processing of clerical work, system risks due to system failures or malfunctions; risks related to information security due to loss, leakage, or removal of information; compliance risks that may lead to loss of social credibility as a result of failure to abide by laws, regulations and social norms; and risks of litigation against the Group in connection with our business activities. These risks, if they materialize, can lead to loss of revenue opportunities or incur compensatory damages, which may result in affecting the Group's business performance.

Therefore, we have established a risk management structure to ensure a flexible and group-wide response to such situations, and control risks to keep the impact on the Group to a minimum.

7. Risks Associated with Disasters, etc.

Unexpected economic losses caused by unpredictable events such as earthquakes, storms, and flooding could affect the Group's business performance.

As responses to such situations, we have formulated a business continuity plan, and put in place a system to continue our business activities, thereby taking measures to minimize the impact on the Group.

8. Cybersecurity Risk

The Group uses various information systems to manage its business activities, as well as email and other means to connect to the outside world. These information systems are at risk of cyberattacks, such as computer viruses and unauthorized external access. As a result, in the event of a system outage or failure, and information leakage or unauthorized use, the Group's business performance could be affected by economic losses due to responses to compensatory damages, loss of credibility, and stagnation of business activities.

In response to such situations, we conduct human and technical management, and provide education and various training programs for cyber security. Other measures include conducting cyber security assessments to detect and respond to vulnerabilities and other issues.

9. Risks Related to Climate Change

The Group is taking steps to address climate change, including the implementation of scenario analysis and the disclosure of information on climate change. If we fail to keep pace with technological innovations or changes in business models to cope with abnormal weather conditions, such as typhoons and torrential rains, or tighter laws and regulations, this may affect our clients' business activities and the Group's business performance.

10. Risk Related to the Impacts of COVID-19

The impact of COVID-19 continues to be highly uncertain due to the continued emergence of variants and the expansion of infected areas. However, we believe that the impact will subside through fiscal 2023 as vaccines and therapeutics become more widely available. Depending on how the pandemic unfolds, factors such as an increase in credit costs due to a decline in clients' business performance caused by the economic downturn and a rise in fund procurement costs may affect the business performance of the Mizuho Leasing Group.

Consolidated Balance Sheet

Mizuho Leasing Company, Limited and Consolidated Subsidiaries
As of March 31, 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
ASSETS			
Current Assets:			
Cash and Cash Equivalents	¥ 24,502	¥ 20,406	$ 200,166
Lease Receivables and Investments in Lease (Notes 6, 10, 18 and 19)	1,172,643	1,174,068	9,579,639
Receivables (Notes 6, 10 and 19):			
Notes and Accounts	549	767	4,493
Lease	4,925	3,913	40,235
Installment Sales	109,376	127,051	893,530
Loans	395,300	329,059	3,229,315
Factoring	187,180	171,614	1,529,129
Total Receivables	697,333	632,407	5,696,702
Operational Investment Securities (Notes 5, 6, 10 and 19)	239,843	220,959	1,959,348
Prepaid Expenses and Other (Note 23)	33,608	39,461	274,554
Allowance for Doubtful Receivables (Note 3(1))	(1,249)	(2,238)	(10,205)
Total Current Assets	2,166,681	2,085,064	17,700,204
Property and Equipment:			
Leased Assets (Notes 6, 7, 10 and 18)	304,880	302,127	2,490,653
Advances for Purchases of Leased Assets	0	13	7
Own-used Assets	3,585	3,616	29,291
Total Property and Equipment	308,467	305,757	2,519,951
Investments and Other Assets:			
Investment Securities (Notes 5, 10 and 19)	18,059	24,246	147,534
Investments in Unconsolidated Subsidiaries and Associated Companies (Notes 3(2) and 8)	185,594	147,744	1,516,174
Long-term Receivables (Note 19)	32,691	11,477	267,063
Goodwill	—	29	—
Intangible Leased Assets (Note 6)	10,107	135	82,571
Deferred Tax Assets (Note 13)	9,804	4,076	80,099
Asset for Employees' Retirement Benefits (Note 12)	856	703	7 ,001
Other (Note 9)	25,029	24,481	204,470
Allowance for Doubtful Receivables (Note3 (1))	(8,482)	(526)	(69,298)
Total Investments and Other Assets	273,661	212,369	2,235,614
Total Assets	¥ 2,748,810	¥ 2,603,190	$ 22,455,769

See accompanying Notes to Consolidated Financial Statements.

Consolidated Balance Sheet

Mizuho Leasing Company, Limited and Consolidated Subsidiaries
As of March 31, 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
LIABILITIES and EQUITY			
Current Liabilities:			
Short-term Borrowings (Notes 10, 11, 19 and 23)	¥ 1,180,237	¥ 1,133,341	$ 9,641,676
Current Portion of Long-term Debt (Notes 10, 11, 19 and 23)	270,456	268,426	2,209,427
Lease Payable (Notes 18 and 19)	10,382	8,958	84,818
Accounts Payable - trade (Note 19)	34,698	35,157	283,457
Accrued Expenses (Note 23)	4,037	4,156	32,986
Income Taxes Payable	4,459	5,865	36,428
Deferred Profit on Installment Sales (Note 6)	2,775	2,618	22,671
Reserve for Management Board Benefit Trust - current	151	28	1,241
Accruals for Debt Guarantees	19	13	156
Other	41,158	34,285	336,232
Total Current Liabilities	1,548,375	1,492,850	12,649,092
Long-term Liabilities:			
Long-term Debt (Notes 10, 11, 19 and 23)	924,550	853,619	7,552,898
Deposits Received	31,038	33,730	253,565
Liability for Employees' Retirement Benefits (Note 12)	2,349	2,332	19,197
Reserve for Management Board Benefit Trust (Note 2(z))	5 04	489	4 ,118
Other	11,188	9,315	91,406
Total Long-term Liabilities	969,632	899,486	7,921,184
Commitments and Contingent Liabilities (Note 14)			
Equity: (Notes 2(z), 15, 22 and 24)			
Common Stock Authorized, 140,000,000 Shares; Issued, 49,004,000 Shares as of March 31, 2022 and 2021	26,088	26,088	213,120
Capital Surplus	23,941	23,941	195,585
Retained Earnings	158,966	149,148	1,298,639
Treasury Stock - at cost 626,799 shares as of March 31, 2022 and 632,727 shares as of March 31, 2021	(1,709)	(1,725)	(13,967)
Accumulated Other Comprehensive Income:			
Unrealized Gain on Available-for-sale Securities	7,252	6,509	59,249
Deferred Loss on Derivatives under Hedge Accounting	(1,817)	(1,227)	(14,851)
Foreign Currency Translation Adjustments	5,977	(2,771)	48,834
Defined Retirement Benefit Plans	747	652	6,104
Total	219,445	200,614	1,792,713
Non-controlling Interests	11,357	10,237	92,780
Total Equity	230,803	210,852	1,885,493
Total Liabilities and Equity	¥ 2,748,810	¥ 2,603,190	$ 22,455,769

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Income

Mizuho Leasing Company, Limited and Consolidated Subsidiaries
For the year ended March 31, 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Revenues	¥ 554,809	¥ 497,852	$ 4,532,385
Cost and Expenses	500,274	446,505	4,086,877
Gross Profit	54,534	51,347	445,508
Selling, General and Administrative Expenses (Note 16)	36,640	25,383	299,330
Operating Income	17,893	25,963	146,178
Other Income (Expenses):			
Interest Income (Note 23)	3	9	32
Dividend Income	840	423	6,868
Equity in Earnings of Associated Companies (Note 8)	2,035	2,961	16,632
Profit (Loss) from Investments	389	(455)	3,178
Interest Expenses	(960)	(1,008)	(7,846)
Bond Issuance Costs	(439)	(401)	(3,589)
Gain on Sales of Investment Securities	175	3,896	1,434
National subsidies	—	8	—
Gain on Liquidation of Subsidiaries and Associated Companies	—	230	—
Loss on Sales of Investment Securities	—	(78)	—
Loss on Devaluation of Investment Securities	(11)	(35)	(93)
Loss on Retirement of Own-used Assets	(0)	—	(2)
Other — net	300	49	2,455
Income before Income Taxes	20,227	31,563	165,247
Income Taxes: (Note 13)			
Current	9,314	9,761	76,092
Deferred	(4,627)	(674)	(37,803)
Total	4,686	9,086	38,289
Net Income	15,540	22,477	126,958
Net Income attributable to Non-controlling Interests	638	704	5,212
Net Income attributable to Owners of the Parent	¥ 14,902	¥ 21,772	$ 121,746

	Yen		U.S. dollars (Note 1)
	2022	2021	2022
Amounts per Share of Common Stock (Notes 2(w) and 24)			
Net Income attributable to Owners of the Parent per Share	¥ 308.07	¥ 450.14	$ 2.52
Cash Dividends applicable to the fiscal year	¥ 110.00	¥ 92.00	$ 0.90

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

Mizuho Leasing Company, Limited and Consolidated Subsidiaries
For the year ended March 31, 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Net Income	¥ 15,540	¥ 22,477	$ 126,958
Other Comprehensive Income (Loss):(Note 21)			
Unrealized Gain (Loss) on Available-for-sale Securities	880	(1,033)	7,191
Deferred Loss on Derivatives under Hedge Accounting	(740)	(166)	(6,051)
Foreign Currency Translation Adjustments	10,005	(2,775)	81,741
Defined Retirement Benefit Plans	74	691	609
Share of Other Comprehensive (Loss) Income in Associated Companies	(653)	927	(5,335)
Total Other Comprehensive Income (Loss)	9,566	(2,356)	78,155
Comprehensive Income	¥ 25,107	¥ 20,120	$ 205,113
Total Comprehensive Income attributable to:			
Owners of the Parent	¥ 23,899	¥ 19,611	$ 195,244
Non-controlling Interests	1,208	508	9,869

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

Mizuho Leasing Company, Limited and Consolidated Subsidiaries
For the year ended March 31, 2022

	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 on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Non-controlling Interests	Total Equity
Balance as of April 1, 2020	*48,363*	¥ 26,088	¥ 23,941	¥ 131,579	¥ (1,745)	¥ 7,430	¥ (1,060)	¥ (1,005)	¥ (41)	¥ 185,186	¥ 10,594	¥ 195,780
Cumulative effects of changes in accounting policies				(194)						(194)		(194)
Restated balance as of April 1, 2020	*48,363*	¥ 26,088	¥ 23,941	¥ 131,384	¥ (1,745)	¥ 7,430	¥ (1,060)	¥ (1,005)	¥ (41)	¥ 184,991	¥ 10,594	¥ 195,585
Net Income attributable to Owners of the Parent				21,772						21,772		21,772
Cash Dividends Paid				(4,018)						(4,018)		(4,018)
Purchase of Treasury Stock	*(0)*				(0)					(0)		(0)
Disposal of Treasury Stock	*8*				19					19		19
Change in Scope of Consolidation				9						9		9
Change in scope of equity method												
Net change during year						(921)	(167)	(1,766)	694	(2,160)	(356)	(2,516)
Balance as of March 31, 2021	*48,371*	¥ 26,088	¥ 23,941	¥ 149,148	¥ (1,725)	¥ 6,509	¥ (1,227)	¥ (2,771)	¥ 652	¥ 200,614	¥ 10,237	¥ 210,852
Cumulative effects of changes in accounting policies										—		—
Restated balance as of March 31, 2021	*48,371*	¥ 26,088	¥ 23,941	¥ 149,148	¥ (1,725)	¥ 6,509	¥ (1,227)	¥ (2,771)	¥ 652	¥ 200,614	¥ 10,237	¥ 210,852
Net Income attributable to Owners of the Parent				14,902						14,902		14,902
Cash Dividends Paid				(5,243)						(5,243)		(5,243)
Purchase of Treasury Stock (Note 22)	*(0)*				(0)					(0)		(0)
Disposal of Treasury Stock	*6*				16					16		16
Change in Scope of Consolidation				(0)						(0)		(0)
Change in scope of equity method				158						158		158
Net change during year						743	(590)	8,749	94	8,996	1,119	10,116
Balance as of March 31, 2022	*48,377*	¥ 26,088	¥ 23,941	¥ 158,966	¥ (1,709)	¥ 7,252	¥ (1,817)	¥ 5,977	¥ 747	¥ 219,445	¥ 11,357	¥ 230,803

	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 on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Non-controlling Interests	Total Equity
Balance as of March 31, 2021	$ 213,120	$ 195,585	$ 1,218,433	$ (14,098)	$ 53,176	$ (10,028)	$ (22,640)	$ 5,329	$ 1,638,877	$ 83,636	$ 1,722,513
Cumulative effects of changes in accounting policies									–		–
Restated balance as of March 31, 2021	$ 213,120	$ 195,585	$ 1,218,433	$ (14,098)	$ 53,176	$ (10,028)	$ (22,640)	$ 5,329	$ 1,638,877	$ 83,636	$ 1,722,513
Net Income attributable to Owners of the Parent			121,746						121,746		121,746
Cash Dividends Paid			(42,834)						(42,834)		(42,834)
Purchase of Treasury Stock				(2)					(2)		(2)
Disposal of Treasury Stock				133					133		133
Change in Scope of Consolidation			(2)						(2)		(2)
Change in scope of equity method			1,296						1,296		1,296
Net change during year					6,073	(4,823)	71,474	775	73,499	9,144	82,643
Balance as of March 31, 2022	$ 213,120	$ 195,585	$ 1,298,639	$ (13,967)	$ 59,249	$ (14,851)	$ 48,834	$ 6,104	$ 1,792,713	$ 92,780	$ 1,885,493

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows

Mizuho Leasing Company, Limited and Consolidated Subsidiaries
For the year ended March 31, 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Cash Flows from Operating Activities:			
Income before Income Taxes	¥ 20,227	¥ 31,563	$ 165,247
Adjustments for:			
Income Taxes Paid	(10,721)	(7,978)	(87,589)
Depreciation and Disposal of Fixed Assets	17,202	15,797	140,532
Equity in Earnings of Associated Companies	(2,035)	(2,961)	(16,632)
(Profit) Loss from Investments	(389)	455	(3,178)
Increase in Allowance for Doubtful Receivables	6,803	559	55,582
Increase (Decrease) in Accruals for Debt Guarantees	5	(2)	49
Gain on Sales of Marketable and Investment Securities	(175)	(3,818)	(1,434)
Gain on liquidation of subsidiaries and associated companies	—	(230)	—
Loss on Devaluation of Investment Securities	11	35	93
Change in assets and liabilities:			
Decrease (Increase) in Lease Receivables and Investments in Lease	6,748	(90,501)	55,133
Increase in Receivables	(60,150)	(83,243)	(491,384)
(Increase) Decrease in Operational Investment Securities	(18,038)	1,395	(147,358)
Decrease in Accounts Payable — trade	(489)	(14,160)	(3,999)
Purchases of Leased Assets	(159,691)	(154,144)	(1,304,565)
Proceeds from Sales of Leased Assets	137,449	81,927	1,122,864
Increase (Decrease) in Interest Payable	6	(95)	55
Other — net	(5,260)	28,582	(42,976)
Total Adjustments	(88,723)	(228,384)	(724,807)
Net Cash Used in Operating Activities	(68,495)	(196,820)	(559,560)
Cash Flows from Investing Activities:			
Purchases of Own-used Assets	(2,331)	(3,195)	(19,048)
Purchases of Marketable and Investment Securities	(34,167)	(57,044)	(279,126)
Proceeds from Sales and Redemption of Marketable and Investment Securities	9,738	6,643	79,552
Other — net	(950)	436	(7,766)
Net Cash Used in Investing Activities	(27,712)	(53,160)	(226,388)
Cash Flows from Financing Activities:			
Net Increase in Short-term Borrowings	32,114	110,125	262,350
Proceeds from Long-term Debt	364,501	347,818	2,977,710
Repayments of Long-term Debt	(291,421)	(205,629)	(2,380,697)
Cash Dividends Paid	(5,243)	(4,018)	(42,834)
Other — net	(140)	(85)	(1,147)
Net Cash Provided by Financing Activities	99,810	248,210	815,382
Foreign Currency Translation Adjustments on Cash and Cash Equivalents	371	(121)	3,037
Net Increase (Decrease) in Cash and Cash Equivalents	3,974	(1,892)	32,471
Cash and Cash Equivalents at Beginning of the Year	20,406	22,299	166,707
Increase in Cash and Cash equivalents resulting from inclusion of subsidiaries in consolidation	120	—	988
Cash and Cash Equivalents at End of the Year	¥ 24,502	¥ 20,406	$ 200,166

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 Company, Limited ("the Company") and its consolidated subsidiaries (together with the Company, "the 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 ("JGAAP"), 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 2021 consolidated financial statements to conform to the classifications used in 2022.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company 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 ¥122.41 to US$1.00, the approximate rate of exchange at March 31, 2022. 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 the Group, which include Mizuho-TOSHIBA Leasing Company, Limited, Dai-ichi Leasing Co., Ltd., Mizuho Auto Lease Company, Limited, ML Estate Company, Limited, Mizuho Leasing (China) Ltd., PT. VERENA MULTI FINANCE Tbk, and Mizuho Leasing (Singapore) Pte. Ltd.

The number of consolidated subsidiaries as of March 31, 2022 and 2021 was 38 and 31, respectively. The consolidated financial statements for the year ended March 31, 2022 newly include the accounts of Shirakawa WaterPower·Leasing Co., Ltd as it became material. MLV CO. LIMITED and five other companies were newly included as they were newly incorporated.

The number of associated companies accounted for under the equity method as of March 31, 2022 and 2021 was 11 and 8, respectively. Investments in associated companies include Mizuho Marubeni Leasing Corporation, RICOH LEASING COMPANY LTD., NIPPON STEEL KOWA REAL ESTATE CO., LTD., Mizuho Capital Co., Ltd., PLM Fleet, LLC, Krungthai Mizuho Leasing Company Limited, Ltd., PNB-Mizuho Leasing and Finance Corporation, Aircastle Limited, Vietnam International Leasing Co., Ltd. and Affordable Car Leasing Pty Ltd. NIPPON STEEL KOWA REAL ESTATE CO., LTD. was newly included in the associated companies accounted for under the equity method as ML Estate Company, Limited, the Company's subsidiary, purchased its shares. Mizuho Capital Co., Ltd. and Affordable Car Leasing Pty Ltd were newly included as the Company purchased these shares.

The condensed financial information of the 11 and 8 associated companies (by simply compiling the amounts in the financial statements of the respective companies) as of and for the year ended March 31, 2022 and 2021 were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2022	2021	2022
Current Assets	¥ 396,436	¥ 304,264	$ 3,238,597
Non Current Assets	557,126	381,086	4,551,313
Current Liabilities	285,298	266,777	2,330,683
Long-term Liabilities	417,052	248,867	3,407,010
Total Equity	251,211	169,706	2,052,217
Revenues	¥ 150,055	¥ 115,094	$ 1,225,847
Income (Loss) before Income Taxes	4,462	(2,483)	36,458
Net Income (Loss)	¥ 1,583	¥ (4,065)	$ 12,934

Kaikias Leasing Co., Ltd. and 100 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 45 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 the 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.

Goodwill represents 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. The differences between the costs and underlying net equity of investments in consolidated subsidiaries and associated companies at acquisition are recorded as Goodwill and are 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 (the "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.

The Company securitizes its lease receivables to diversify its funding sources and ensure stable funding. In the securitization structures, the Company uses SPEs that include Tokurei Yugen Kaisha and Goudou Kaisha. The Company 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 the Company as sales proceeds of the transferred assets. The Company also provides collection services to the SPEs. A portion of the receivables is not transferred and is held by the Company. These receivables held by the Company 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, the Company had 14 and 12 SPEs that were not consolidated under Guidance No. 15 as of March 31, 2022 and 2021. Total assets (simply compiled amount) of such SPEs as of March 31, 2022 and 2021 were ¥238,693 million ($1,949,951 thousand) and ¥257,123 million, respectively. Total liabilities (simply compiled amount) of such SPEs as of March 31, 2022 and 2021 were ¥238,764 million ($1,950,533 thousand) and ¥257,414 million, respectively. The Company owns no voting rights in most of the SPEs while some employees of the Company serve as directors.

The total amount of Lease Receivables and Investments in Lease transferred from the Company to such SPEs in 2022 and 2021 was ¥23,335 million ($190,630 thousand) and ¥45,250 million, respectively. The amount of Installment Sales Receivable transferred from the Company to such SPEs in 2021 was ¥10,000 million while no amount was transferred in 2022. The amount of Factoring Receivable transferred from the Company to such SPEs in 2022 was ¥2,970 million ($24,263 thousand) while no amount was transferred in 2021. No gain/loss on the transfer of such receivables incurred in both 2022 and 2021. The Company holds subordinated interests of such transferred receivables of ¥1,395 million ($11,396 thousand) and ¥271 million in 2022 and 2021, respectively. The Company recognized profit dividends of ¥574 million ($4,695 thousand) and ¥541 million, respectively, for the years ended March 31, 2022 and 2021, and servicing fees received of ¥1 million ($11 thousand) with respect to the transactions with such SPEs for both of the years ended March 31, 2022 and 2021. These amounts do not include transactions with SPEs that do not meet the criteria for off-balance-sheet transactions, because the Company 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) Operational Investment Securities and Investment 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 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 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. Own-used Assets
   Own-used Assets of the Company 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
The 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 the Company and its domestic consolidated subsidiaries is mainly computed by the straight-line method over the estimated useful lives.

(k) Bond Issue Costs
Costs for 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 ¥6,194 million ($50,601 thousand) and ¥5,482 million at March 31, 2022 and 2021, respectively.

(m) Reserve for Bonus Payments
The Company 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
The Company 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
The Company and certain consolidated subsidiaries have a corporate pension plan and/or lump-sum severance payment plan as a defined benefit type of a retirement benefits plan as well as a corporate pension plan as a defined contribution type of a retirement benefits plan. There are some cases in which extra retirement benefits are paid to employees when they retire.

The Company 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 and past service costs 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 17 years and 5 years, respectively, 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 the Company'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 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
The Company 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
The Company 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.

(t) Recognition of Revenues and Cost of Sales
Revenues and cost of sales relating to finance lease transactions are recognized when lease payments are to be received.
Revenues and cost of sales relating to operating lease transactions are based on the monthly amounts of lease payments to be received under lease agreements over the lease agreement periods. The monthly lease payments corresponding to each period are allocated to revenue for that period. When leased property is sold, the sales amount and carrying amount of such leased property are recognized as revenues and cost of sales, respectively.

(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
The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign 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 and Long-term Debt are utilized to reduce risks from fluctuations of foreign currency exchange rates associated with certain assets including Other Receivable, Operational Investment Securities and Investment Securities. Interest rate and currency swaps are utilized to manage interest rate risks as well as foreign currency risks. The 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.

Hedging relationship to which "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" is applied – On March17, 2022, the ASBJ issued the PITF No.40 for Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR.
The Group applied specific accounting to all hedging relationships which are included in the scope of application of this practical solution. The hedging relationship to which this practical solution is applied are following;
a) Hedge accounting applied – Deferral method is applied. For interest rate swaps which meet specific matching criteria, specific accounting is applied.
b) Hedging instruments – Interest rate swaps, interest rate and currency swaps, Short-term Borrowings and Long-term Debt
c) Hedged items - Short-term Borrowings, Long-term Debt, Loans Receivables, Factoring Receivable and Investment Securities
d) Categories of hedges – Hedge of the exposure to variability in quoted price and hedge of the exposure to variability in cash flows

(w) 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.

(x) Accounting Policy Disclosures, Accounting Changes and Error Corrections
Under ASBJ Statement No. 24, "Accounting Standard for the revised ASBJ Statement No.24 (revised 2020) Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections," accounting treatments are required as follows: (1) Disclosure of Accounting Policies – Significant accounting policies are disclosed in the case where the related accounting standards are not clarified. (2) 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. (3) Changes in Presentation - When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation. (4) 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. (5) Corrections of Prior-Period Errors - When an error in prior-period financial statements is discovered, those statements are restated.

(y) New Accounting Pronouncement
Fair Value Measurement— On June 17, 2021, the ASBJ issued ASBJ Guidance No. 31, "Implementation Guidance on Accounting Standard for Fair Value Measurement". This implementation guidance is published based on the consideration of "fair value calculation of investment trusts" and fair value footnote of the "Investments in partnerships for which the equity interest is recorded on a net basis on the balance sheet," which was to be examined over a period of approximately one year after the publication of the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No.30, July 4, 2019).
The Group expects to apply this implementation guidance for the fiscal year beginning on or after April 1, 2022 and is in the process of measuring the effects of applying this implementation guidance in future applicable periods.

(z) Management Board Benefit Trust system (the "BBT")
The Company 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 the Company's performance and stock value.

(1) Outline of Stock Compensation System
The Stock Compensation System is a performance-linked stock-based system where the Company's shares are acquired through a trust by fund contributed by the Company, and the Company's shares and/or the money equivalent to the market value of the Company's shares (the "the Company Stock, etc.") are paid to Directors, etc., through trusts in accordance with the Company's executive share benefit rules. Directors, etc., receive the Company 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 the Company 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, 2022 was ¥1,707 million ($13,950 thousand), while the number of such treasury stock was 625,900 shares.

3. Significant Accounting Estimate

(1) Recognition of Allowance for Doubtful Receivables

(a) Carrying amount

Allowance for Doubtful Receivables in Current Assets and Investments and Other Assets ¥9,732 million ($79,504 thousand)

(b) Information on the significant accounting estimate

(i) Major assumptions used in the estimate calculation

According to the internally established standards for write-off and allowances, the Group recognizes necessary amounts of allowances for doubtful receivables for each category of receivables. In determining the category of receivables, the assumption for the debtor's future condition and the impact of COVID-19 infection are used. Regarding the impact of COVID-19 infection, it is expected to gradually ease during the following fiscal year by the promotion of vaccines and drugs, while the outlook remains highly uncertain due to continuous infection cases caused by the COVID-19 variants and expansion of infection spread areas.

(ii) Calculation of the estimate

The Group's policy for Allowances for Doubtful Receivables is described in Note 2. Summary of Significant Accounting Policies (l) Allowances for Doubtful Receivables. The Allowance for Doubtful Receivables for general trade receivables is provided based on the estimated credit loss for the one year following the end of the fiscal year. The estimated credit loss is calculated based on the average annual historical default rate during the past three calculation periods. The Allowance for Doubtful Receivables for receivables from doubtful and legally bankrupt debtors is provided based on individual reviews of the possibility of recovery.

(iii) Impact on the consolidated financial statements for the following fiscal year

The assumption used in determining the category of receivables in the above (i) Major assumptions used in the estimate calculation is uncertain. Due to the uncertainty of the assumption and the possible change of business environment in the specific industries caused by the spread of COVID-19 infection, the provision for Allowances for Doubtful Receivables may increase or decrease.

(2) Valuation of goodwill on associated companies

(a) Carrying amount

Investment Securities ¥72,063 million ($588,705 thousand)

(b) Information on the significant accounting estimate

The Group recognizes goodwill on certain associated companies. The Group reviewed impairment for goodwill according to "Accounting Standard for Impairment of Fixed Assets" issued on August 9, 2002, by the Business Accounting Council. As a result of the review, the Group recognized an impairment loss of ¥10,671 million ($87,174 thousands) for goodwill on Aircastle Limited for the years ended March 31, 2022 as it is described in Note 8, Investments.

(i) Major assumptions used in the estimate calculation

In the impairment assessment described above, the Group reviews the estimated operational revenues and expenses and future cash flows based on the business plan of each associated company. The business plan includes the assumptions on economic conditions, market environment and industry trends where each associated company belongs, the impact of the spread of COVID-19 infection and the timing of recovery.

(ii) Calculation of the estimate

It is calculated based on the business plan of each associated company. The recoverable amount for goodwill on Aircastle Limited are estimated from the value in use based on its business plan and determined by discounting the future cash flows at discount rate of 11.8%.

(iii) Impact on the consolidated financial statements for the following fiscal year

In case re-examination of the assumption used in the estimate is required due to a situation where it is difficult to achieve the business plan of each associated company, there is a possibility to recognize the impairment loss in the following fiscal year.

4. Changes in Accounting Policies

Application of the Accounting Standard for Revenue Recognition, etc.

The Group has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 31, 2020), etc. from the beginning of the current fiscal year. It recognizes revenue in the amount expected to be received in exchange for promised goods or services when the control of these goods or services is transferred to the customer.

The impact of this change on the consolidated financial statement for the fiscal year was immaterial.

Application of the Accounting Standard for Fair Value Measurement, etc.

The Group has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No.30, July 4, 2019, hereinafter referred to as "Accounting Standard for Fair Value Measurement"), etc. from the beginning of the current fiscal year. It decided to prospectively apply the new accounting policies in accordance with the transitional measures permitted by Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No.10, July 4, 2019).

The impact of this change on the consolidated financial statement for the fiscal year was immaterial. In addition, the breakdown of the financial instruments by the level of the fair value is added to Note 18. Financial Instruments and Related Disclosures (7) Financial Instruments Categorized by Fair Value Hierarchy. This note does not include the information for the fiscal year ended March 31, 2021 pursuant to the transitional measures permitted by Paragraph 7-4 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, July 4, 2019).

5. Operational Investment Securities and Investment Securities

(1) Available-for-sale Securities whose fair values are readily determinable as of March 31, 2022 and 2021 were as follows:

Available-for-sale Securities

Securities with carrying amounts exceeding acquisition costs

(Millions of yen)

	2022			2021		
	Carrying amount	Acquisition cost	Unrealized gain	Carrying amount	Acquisition cost	Unrealized gain
Equity Securities Bonds	¥ 16,125	¥ 9,641	¥ 6,484	¥ 16,811	¥ 9,897	¥ 6,914
Corporate Bonds	68,859	67,674	1,184	102,993	101,080	1,913
Other	1,387	1,316	70	23,792	23,086	706
Total	¥ 86,372	¥ 78,632	¥ 7,739	¥ 143,597	¥ 134,064	¥ 9,533

(Thousands of U.S. dollars)

	2022		
	Carrying amount	Acquisition cost	Unrealized gain
Equity Securities Bonds	$ 131,735	$ 78,765	$ 52,970
Corporate Bonds	562,530	552,852	9,678
Other	11,332	10,757	575
Total	$ 705,597	$ 642,374	$ 63,223

Securities with carrying amounts not exceeding acquisition costs

(Millions of yen)

	2022			2021		
	Carrying amount	Acquisition cost	Unrealized loss	Carrying amount	Acquisition cost	Unrealized loss
Equity Securities Bonds	¥ 748	¥ 974	¥ (226)	¥ 732	¥ 917	¥ (185)
Corporate Bonds	12,462	12,500	(37)	5,468	5,500	(31)
Other	1,465	1,465	—	3,417	3,500	(83)
Total	¥ 14,675	¥ 14,940	¥ (264)	¥ 9,618	¥ 9,918	¥ (300)

(Thousands of U.S. dollars)

	2022		
	Carrying amount	Acquisition cost	Unrealized loss
Equity Securities Bonds	$ 6,111	$ 7,964	$ (1,853)
Corporate Bonds	101,807	102,116	(309)
Other	11,970	11,970	—
Total	$ 119,888	$ 122,050	$ (2,162)

(2) Proceeds from sales of Available-for-sale Securities for the years ended March 31, 2022 and 2021 were ¥8,234 million ($67,271 thousand) and ¥6,807 million, respectively. Gross realized gains on these sales were ¥491 million ($4,019 thousand) and no gross losses were incurred for the year ended March 31, 2022. Gross realized gains and losses on these sales were ¥3,969 million and ¥78 million for the year ended March 31, 2021.

(3) The Group recorded impairment losses on investment securities of ¥11 million ($93 thousand) and ¥35 million for the years ended March 31, 2022 and 2021, respectively.

6. Operating Assets

(1) Operating Assets as of March 31, 2022 and 2021 consisted of the following:

	(Millions of yen)		(Thousands of U.S. dollars)
	2022	2021	2022
Leasing and Installment Sales:			
Finance Lease	¥ 1,172,643	¥ 1,174,068	$ 9,579,639
Operating Lease	314,988	302,262	2,573,224
Installment Sales (*1)	106,601	124,433	870,859
Leasing and Installment Sales total	1,594,233	1,600,764	13,023,722
Finance	822,324	721,634	6,717,792
Total Operating Assets	¥ 2,416,558	¥ 2,322,398	$ 19,741,514

(*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, 2022 and 2021 were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2022	2021	2022
Leasing and Installment Sales:			
Finance Lease	¥ 343,392	¥ 416,594	$ 2,805,265
Operating Lease	159,703	154,788	1,304,665
Installment Sales	33,205	41,318	271,266
Leasing and Installment Sales total	536,302	612,701	4,381,196
Finance	833,925	752,319	6,812,563
Total	¥ 1,370,228	¥ 1,365,021	$ 11,193,759

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, 2022 and 2021 was ¥4,403 million ($35,975 thousand) and ¥5,988 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, 2022 and 2021 was ¥1,505 million ($12,298 thousand) and ¥634 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, 2021	Decrease	March 31, 2022	March 31, 2022
¥ 218,901	¥ (1,480)	¥ 217,421	¥ 277,772

(Millions of yen)			
	Carrying Amount		Fair Value
April 1, 2020	Increase	March 31, 2021	March 31, 2021
¥ 160,574	¥ 58,327	¥ 218,901	¥ 238,471

(Thousands of U.S. dollars)			
	Carrying Amount		Fair Value
April 1, 2021	Decrease	March 31, 2022	March 31, 2022
$ 1,788,266	$ (12,091)	$ 1,776,175	$ 2,269,197

(*1) Carrying amount recognized in the Consolidated Balance Sheets is net of accumulated depreciation.
(*2) "Decrease" for the year ended March 31, 2022 primarily represents the sales of certain properties for ¥134,752 million ($1,100,827 thousand) and "Increase" for the year ended March 31, 2021 primarily represents the acquisition of certain properties for ¥141,014 million.
(*3) Fair values of properties are mainly determined by appraisal reports issued by real estate appraisers.

8. Investments

The Group recognized goodwill on Investment in Aircastle Limited, an associated company accounted for under the equity method, at the time of the acquisition of its shares. For the year ended March 31, 2022, the Group reviewed the profitability and future business plan of Aircastle Limited and recognized an impairment loss in Equity in Earnings of Associated Companies, amounting to ¥10,671 million ($87,174 thousand) equal to the unamortized balance of goodwill due to the unlikelihood of estimated profitability at the time of acquisition.

The Group also included negative goodwill in Equity in Earnings of Associated Companies, amounting to ¥9,126 million ($74,553 thousand) and ¥5,801 million ($47,391 thousand) which was recognized on Investments in associated companies of NIPPON STEEL KOWA REAL ESTATE CO., LTD. and Mizuho Capital Co., Ltd., respectively.

9. Other Assets

On March 31, 2020, Mizuho-TOSHIBA Leasing Company, Limited (hereinafter "MTL"), the Company's consolidated subsidiary, filed suit against NS Solutions Corporation (hereinafter "NS Solutions") in the Tokyo District Court, claiming that MTL has a legitimate right to charge the sales price in the sales contract for system server and its peripheral devices concluded with NS Solutions (hereinafter "the Contract"), though NS Solutions intended to cancel the Contract in November 2019. The Receivable amounts equivalent to the sales price, amounting to ¥10,620 million ($86,761 thousand) as of March 31, 2022 and 2021, are included in "Other" of Investments and Other Assets in the accompanying consolidated balance sheet.

10. Pledged Assets

Assets pledged as collateral as of March 31, 2022 were as follows:

	(Millions of yen)	(Thousands of U.S. dollars)
	2022	2022
Lease Receivables and Investments in Lease	¥ 13,624	$ 111,306
Operational Investment Securities	34,869	284,861
Leased Assets	34,696	283,449
Investment Securities	16	136
Total	¥ 83,208	$ 679,752

Liabilities secured by the above assets as of March 31, 2022 were as follows:

	(Millions of yen)	(Thousands of U.S. dollars)
	2022	2022
Short-term Borrowings	¥ 29,500	$ 240,993
Current Portion of Long-term Debt	3,314	27,076
Long-term Debt	27,404	223,879
Total	¥ 60,219	$ 491,948

11. Short-term Borrowings and Long-term Debt

(1) "Short-term Borrowings" as of March 31, 2022 and 2021 was as follows:

	(Millions of yen)		(Thousands of U.S. dollars)	Weighted average interest rate
	2022	2021	2022	2022
Short-term Borrowings				
Short-term Borrowings from banks and other financial institutions	¥ 380,278	¥ 317,783	$ 3,106,600	0.47%
Commercial Paper	707,100	714,100	5,776,489	0.02%
Payables under securitized lease receivables	92,858	101,458	758,587	0.07%
Total	¥ 1,180,237	¥ 1,133,341	$ 9,641,676	
Current Portion of Long-term Debt				
Bonds payable	¥ 30,000	¥ 40,000	$ 245,078	0.040%~0.534%
Long-term Debt from banks and other financial institutions	240,456	228,426	1,964,349	0.58%
Total	¥ 270,456	¥ 268,426	$ 2,209,427	

(2) "Long-term Debt" as of March 31, 2022 and 2021 was as follows:

	(Millions of yen)		(Thousands of U.S. dollars)	Weighted average interest rate
	2022	2021	2022	2022
Long-term Debt				
Bonds payable, Japanese Yen	¥ 215,000	¥ 165,000	$ 1,756,392	0.030%–0.534%
Bonds payable, U.S. Dollar	5,998	5,425	49,000	2.745%
Long-term Debt from banks and other financial institutions	681,948	649,933	5,571,018	0.49%
Payables under securitized lease receivables	21,603	33,261	176,488	0.22%
Total	¥ 924,550	¥ 853,619	$ 7,552,898	

(*1) The Group has entered into overdraft contracts with 50 financial institutions that provide the Group with credit facilities amounting to ¥870,615 million ($7,112,289 thousand) and ¥870,855 million as of March 31, 2022 and 2021, respectively. The unused facilities maintained by the Group as of March 31, 2022 and 2021 amounted to ¥510,332 million ($4,169,041 thousand) and ¥562,815 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, 2022 and 2021 were ¥137,596 million ($1,124,064 thousand) and ¥166,890 million respectively.

(*3) The aggregate annual maturities of "Long-term Debt" as of March 31, 2022 were as follows:

	(Millions of yen)	(Thousands of U.S. dollars)
Years Ending March 31	2022	2022
2024	¥ 208,653	$ 1,704,547
2025	192,884	1,575,724
2026	150,499	1,229,469
2027	119,308	974,663
2028 and thereafter	253,204	2,068,495
Total	¥ 924,550	$ 7,552,898

12. Retirement and Pension Plans

Outline of plans

The Company 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, 2022 and 2021, were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2022	2021	2022
Balance at beginning of year	¥ 6,460	¥ 6,598	$ 52,778
Current service cost	410	393	3,354
Interest cost	25	25	208
Actuarial losses (gains)	49	(182)	403
Benefits paid	(169)	(288)	(1,383)
Past service costs	—	(85)	—
Balance at end of year	¥ 6,776	¥ 6,460	$ 55,360

(*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, 2022 and 2021, were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2022	2021	2022
Balance at beginning of year	¥ 4,832	¥ 3,942	$ 39,474
Expected return on plan assets	40	35	332
Actuarial gains	196	707	1,604
Contributions from the employer	219	201	1,793
Benefits paid	(4)	(55)	(39)
Balance at end of year	¥ 5,283	¥ 4,832	$ 43,164

(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, 2022 and 2021, were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2022	2021	2022
Defined benefit obligation	¥ 4,426	¥ 4,128	$ 36,163
Plan assets	(5,283)	(4,832)	(43,164)
Total	(856)	(703)	(7,001)
Unfunded defined benefit obligation	2,349	2,332	19,197
Net liability arising from defined benefit obligation	¥ 1,492	¥ 1,628	$ 12,196

	(Millions of yen)		(Thousands of U.S. dollars)
	2022	2021	2022
Asset for employees' retirement benefits	¥ (856)	¥ (703)	$ (7,001)
Liability for employees' retirement benefits	2,349	2,332	19,197
Net liability arising from defined benefit obligation	¥ 1,492	¥ 1,628	$ 12,196

(4) The components of net periodic benefit costs for the years ended March 31, 2022 and 2021, were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2022	2021	2022
Service cost (*1)	¥ 410	¥ 393	$ 3,354
Interest cost	25	25	208
Expected return on plan assets	(40)	(35)	(332)
Recognized actuarial (losses) gains	(20)	27	(164)
Recognized past service costs	(17)	(17)	(139)
Net periodic benefit costs	¥ 358	¥ 393	$ 2,927

(*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, 2022 and 2021, were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2022	2021	2022
Past service costs	¥ (17)	¥ 68	$ (140)
Actuarial gains (losses)	124	926	1,020
Total	¥ 107	¥ 994	$ 880

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2022 and 2021, were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2022	2021	2022
Unrecognized past service costs	¥ 51	¥ 68	$ 420
Unrecognized actuarial gains (losses)	964	840	7,882
Total	¥ 1,016	¥ 908	$ 8,302

(7) Plan assets as of March 31, 2022 and 2021, were as follows:

a. Components of plan assets

Plan assets consisted of the following:

	2022	2021
Domestic debt investments	19.3%	19.2%
Domestic equity investments	23.4	22.3
Foreign debt investments	7.1	8.6
Foreign equity investments	21.0	21.3
Insurance assets (general account)	25.2	25.8
Others	4.0	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, 2022 and 2021, are set forth as follows:

	2022	2021
Discount rate	0.30 - 0.47%	0.30 - 0.47%
Expected rate of return on plan assets	0.84%	0.91%
Expected rate of future salary increases	3.45 - 6.84%	3.45 - 6.84%

Defined contribution plan

The Group's contributions to the defined contribution retirement plan for the years ended March 31, 2022 and 2021, were ¥81 million ($662 thousand) and ¥74 million, respectively.

13. Income Taxes

The Company 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, 2022 and 2021.

Deferred Tax Assets and Liabilities consisted of the following:

	(Millions of yen)		(Thousands of U.S. dollars)
	2022	2021	2022
Deferred Tax Assets:			
Allowance for Doubtful Receivables	¥3,248	¥ 690	$ 26,537
Depreciation	634	1,003	5,181
Liability for Employees' Retirement Benefits	66	113	546
Write-off of Securities	996	292	8,137
Accrued Enterprise Tax	335	434	2,738
Other	10,357	6,553	84,615
Deferred Tax Assets Subtotal	15,638	9,087	127,754
Valuation Allowance	(1,311)	(1,135)	(10,717)
Total Deferred Tax Assets	14,326	7,952	117,037
Deferred Tax Liabilities:			
Net unrealized gain on Available-for-sale Securities	(3,165)	(2,776)	(25,858)
Investments in Lease	(314)	(211)	(2,571)
Other	(2,971)	(1,712)	(24,274)
Total Deferred Tax Liabilities	(6,451)	(4,701)	(52,703)
Net Deferred Tax Assets	¥7,875	¥3,250	$ 64,334

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, 2022 and 2021, are as follows:

	2022	2021
Normal effective statutory tax rate	30.6%	30.6%
Inhabitants tax per capita levy	0.2	0.2
Permanent differences, such as entertainment expenses	0.8	0.4
Amortization of goodwill	0.1	0.5
Valuation allowance	0.1	(0.3)
Equity in Earnings of Associated Companies	(9.0)	(3.1)
Other-net	0.4	0.5
Actual effective tax rate	23.2%	28.8%

14. Commitments and Contingent Liabilities

(1) Commitments

The Company had loan commitment agreements as of March 31, 2022 and 2021 of ¥19,745 million ($161,309 thousand) and ¥14,385 million, respectively. The loans provided under these credit facilities as of March 31, 2022 and 2021 amounted to ¥7,039 million ($57,507 thousand) and ¥6,664 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, 2022 were as follows:

	(Millions of yen)	(Thousands of U.S. dollars)
	2022	2022
Guarantee Obligations with respect to operating activities (*1)	¥ 9,170	$ 74,915
Other Guarantee Obligations	22,067	180,273
Total	¥ 31,237	$ 255,188

(*1) The amount includes loans and trade receivables provided by Unipres Corporation and others, which are guaranteed by the Company.

15. 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 the company has prescribed so in its articles of incorporation. However, the Company 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.

16. Selling, General and Administrative Expenses

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

	(Millions of yen)		(Thousands of U.S. dollars)
	2022	2021	2022
Accruals for Doubtful Receivables	¥ 7,729	¥ 78	$ 63,146
Accrual (reversal) for Debt Guarantees	5	(2)	49
Salaries and Wages	9,771	9,319	79,824
Provision for Bonus Payments	1,265	1,190	10,335
Provision for Bonus Payments to Directors	92	136	758
Retirement Benefits Costs for Employees	439	468	3,588
Provision for Reserve for Management Board Benefit Trust	170	282	1,391

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

The 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. The Group has three business segments based on its services: "Leasing and Installment Sales", "Finance" and "Other".

"Leasing and Installment Sales" segment represents leasing business and installment sales business for information-related equipment, real estate, industrial machinery, transportation equipment and environment and energy related equipment. "Finance" segment represents loan business, investment business and factoring business for real estate, ship, aircraft and environment and energy sector. "Other" segment represents buying and selling of used properties business and others.

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

(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, 2022 and 2021 was as follows:

(Millions of yen)

2022	Reportable segment: Leasing and Installment Sales	Finance	Other	Total	Reconciliations (*1)(*2)(*3)	Consolidated (*4)
Sales:						
Sales to external customers	¥ 537,639	¥ 16,326	¥ 843	¥ 554,809	¥ —	¥ 554,809
Intersegment sales and transfers	203	1,049	157	1,410	(1,410)	—
Total	537,843	17,375	1,000	556,219	(1,410)	554,809
Operating Expenses	514,116	17,109	731	531,957	4,958	536,915
Segment Profit	¥ 23,726	¥ 265	¥ 269	¥ 24,262	¥ (6,368)	¥ 17,893
Segment Assets	¥ 1,685,892	¥ 1,009,865	¥ 2,671	¥ 2,698,429	¥ 50,381	¥ 2,748,810
Others						
Depreciation and Amortization	14,574	—	—	14,574	2,627	17,202
Capital Expenditure	159,691	—	—	159,691	2,331	162,023

(Millions of yen)

2021	Reportable segment: Leasing and Installment Sales	Finance	Other	Total	Reconciliations (*1)(*2)(*3)	Consolidated (*4)
Sales:						
Sales to external customers	¥ 482,545	¥ 14,508	¥ 798	¥ 497,852	¥ —	¥ 497,852
Intersegment sales and transfers	307	862	149	1,318	(1,318)	—
Total	482,853	15,370	947	499,171	(1,318)	497,852
Operating Expenses	460,395	6,402	809	467,608	4,281	471,889
Segment Profit	¥ 22,457	¥ 8,968	¥ 137	¥ 31,563	¥ (5,600)	¥ 25,963
Segment Assets	¥ 1,685,396	¥ 872,685	¥ 1,685	¥ 2,559,767	¥ 43,423	¥ 2,603,190
Others						
Depreciation and Amortization	13,504	—	—	13,504	2,291	15,796
Capital Expenditure	154,144	—	—	154,144	3,195	157,340

(Thousands of U.S. dollars)

2022	Reportable segment: Leasing and Installment Sales	Finance	Other	Total	Reconciliations (*1)(*2)(*3)	Consolidated (*4)
Sales:						
Sales to external customers	$ 4,392,125	$ 133,373	$ 6,887	$ 4,532,385	$ —	$ 4,532,385
Intersegment sales and transfers	1,664	8,569	1,288	11,521	(11,521)	—
Total	4,393,789	141,942	8,175	4,543,906	(11,521)	4,532,385
Operating Expenses	4,199,958	139,772	5,973	4,345,703	40,504	4,386,207
Segment Profit	$ 193,831	$ 2,170	$ 2,202	$ 198,203	$ (52,025)	$ 146,178
Segment Assets	$ 13,772,508	$ 8,249,858	$ 21,825	$ 22,044,191	$ 411,578	$ 22,455,769
Others						
Depreciation and Amortization	119,062	—	—	119,062	21,467	140,529
Capital Expenditure	1,304,565	—	—	1,304,565	19,047	1,323,612

(*1) The details of Reconciliations to Segment Profit for the years ended March 31, 2022 and 2021 were as follows:

	2022 (Millions of yen)	2021 (Millions of yen)	2022 (Thousands of U.S. dollars)
Elimination of intersegment transactions	¥ 596	¥ 603	$ 4,875
Administrative expenses not allocated to the reportable segments	(6,965)	(6,204)	(56,900)
Total	¥ (6,368)	¥ (5,600)	$ (52,025)

(*2) The details of Reconciliations to Segment Assets as of March 31, 2022 and 2021 were as follows:

	2022 (Millions of yen)	2021 (Millions of yen)	2022 (Thousands of U.S. dollars)
Elimination of intersegment transactions	¥ (69,325)	¥ (53,038)	$ (566,336)
Corporate assets not allocated to the reportable segments	119,706	96,461	977,914
Total	¥ 50,381	¥ 43,423	$ 411,578

(*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)

2022				
Japan	Europe	North America / Latin America	Asia	Total
¥ 264,865	¥ 8,557	¥ 34,696	¥ 347	¥ 308,467

(Millions of yen)

2021				
Japan	Europe	North America / Latin America	Asia	Total
¥ 261,841	¥ 8,094	¥ 35,526	¥ 294	¥ 305,757

(Thousands of U.S. dollars)

2022				
Japan	Europe	North America / Latin America	Asia	Total
$ 2,163,757	$ 69,906	$ 283,448	$ 2,840	$ 2,519,951

(*1) Assets are classified by country or region based on the location of the Company and consolidated subsidiaries.
(*2) Information by geographic segment of Sales is not presented as domestic sales exceeded 90% of all segments.

(5) Impairment loss of long-lived assets per reportable segment:
Not applicable

(6) Goodwill per reportable segment:
Goodwill per reportable segment for the years ended March 31, 2022 and 2021 is not presented as they were immaterial.

18. Lease Transactions

Operating Leases as lessee

The minimum rental commitments under non-cancellable operating leases as of March 31, 2022 and 2021 were as follows:

	(Millions of yen) 2022	2021	(Thousands of U.S. dollars) 2022
Due within one year	¥ 6	¥ 6	$ 56
Due after one year	7	11	61
Total	¥ 14	¥ 18	$ 117

Finance Leases as lessor

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

	(Millions of yen) 2022	2021	(Thousands of U.S. dollars) 2022
Lease contract receivables	¥ 934,251	¥ 1,024,615	$ 7,632,151
Estimated residual value	179	272	1,469
Interest income equivalents	(60,492)	(102,383)	(494,176)
Total	¥ 873,939	¥ 922,504	$ 7,139,444

(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) 2022	(Thousands of U.S. dollars) 2022
2023	¥ 78,073	$ 637,802
2024	61,797	504,838
2025	55,928	456,897
2026	40,882	333,978
2027	14,523	118,650
2028 and thereafter	15,178	123,997
Total	¥ 266,384	$ 2,176,162

(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) 2022	(Thousands of U.S. dollars) 2022
2023	¥ 246,422	$ 2,013,091
2024	189,166	1,545,348
2025	149,399	1,220,487
2026	98,810	807,211
2027	66,945	546,899
2028 and thereafter	183,506	1,499,115
Total	¥ 934,251	$ 7,632,151

Operating Leases as lessor

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

	(Millions of yen) 2022	2021	(Thousands of U.S. dollars) 2022
Due within one year	¥ 105,888	¥ 117,555	$ 865,034
Due after one year	167,723	166,959	1,370,181
Total	¥ 273,612	¥ 284,514	$ 2,235,215

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, 2022 and 2021 were summarized as follows:

	(Millions of yen) 2022	2021	(Thousands of U.S. dollars) 2022
Lease Receivable	¥ 3,079	¥ 1,025	$ 25,158
Investments in Lease	7,044	7,665	57,545
Lease Payable	10,331	8,915	84,402

19. Financial Instruments and Related Disclosures

(1) Policy for financial instruments

The Group provides comprehensive financial services, including leasing, installment sales and loans. From the perspective of financial stability, the Group diversifies its funding sources. In addition to the indirect funding from financial institutions, the Group utilizes direct funding such as issuing bonds, commercial paper and securitization of lease receivables. Further, the 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 the 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. 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. The 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 the 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 is 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.

The 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

The 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, The Group incorporates an integrated risk management system into its management policy in order to improve the stability of the business. Specifically, the 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

The 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, the Group assigns a credit rating to each debtor under its client credit rating system, conducts a strict credit screening and 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, the 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 decision by the Credit Committee, which enhances the risk control process. When offering new services or new products, the Group thoroughly reviews the identification and evaluation of inherent risks through the Risk Control Committee.

Furthermore, as an ongoing management measures, the Group provides necessary write-offs or allowances in accordance with the self-assessment rules for assets conforming to "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, the Group endeavors to minimize credit costs. Also, the Group periodically follows up on non-performing assets and performs debt collection of assets for which the Group has already provided reserves to facilitate final disposal of non-performing assets.

(c) Market risk management

The Group establishes basic policies (e.g., funding policy, setting commercial paper program, hedging policy and 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 the Group strives to maintain stable earnings by controlling risk factors. Also, with regard to market transactions, in order to maintain a mutual check system, The 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, the 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, the Group quantifies the interest rate and maturity of financial assets and liabilities based on *BPV (Basis Point Value). The 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 the Group as of March 31, 2022 and 2021, 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 the Group estimates maximum losses statistically (variance/covariance method).

	(Millions of yen)		(Thousands of U.S. dollars)
	2022	2021	2022
Sensitivity to interest rate (10BPV)	¥ (2,430)	¥ (2,340)	$ (19,851)
Interest rate risk volume (VaR)	¥ 1,980	¥ 1,490	$ 16,175

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 the Group as of March 31, 2022 and 2021, are shown below. To measure the VaR, the Group created a model that shows the price fluctuation of each stock based on the stock price index fluctuation. The 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)
	2022	2021	2022
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 used for securities with market price. The moving-average acquisition costs or the amortized costs are used for securities without market price. 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 securities without market price is calculated assuming a fluctuation ratio of 8%.

(iii) Derivative transactions

The derivative transactions carried out by the 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, the 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, the 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

The Group manages liquidity risk by diversifying the method of funding and balancing its long-term and shortterm 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. The 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 have been calculated based on variable factors, and may differ if calculated based on different assumptions.

Fair values of financial instruments

(Millions of yen)

March 31,	2022			2021		
	Carrying amount	Fair value	Unrealized gain (loss)	Carrying amount	Fair value	Unrealized gain (loss)
Securities (*2)						
Available-for-sale Securities	¥ 101,032	¥ 101,032	¥ —	¥ 153,216	¥ 153,216	¥ —
Lease Receivables and Investments in Lease (*3) (*4) (*5)	1,150,135	1,211,052	60,916	1,156,021	1,208,328	52,306
Installment Sales Receivables (*3) (*6)	105,878	105,535	(342)	123,267	123,553	285
Loans Receivables (*3)	395,120	422,652	27,531	328,444	346,977	18,532
Factoring Receivables (*3)	187,124	189,908	2,784	171,559	174,211	2,652
Long-term Receivables (*7)	24,219	24,219	—	10,980	10,980	—
Assets total	¥ 1,963,510	¥ 2,054,400	¥ 90,889	¥ 1,943,490	¥ 2,017,267	¥ 73,776
Short-term Borrowings	¥ 1,180,237	¥ 1,180,103	¥ (134)	¥ 1,133,341	¥ 1,133,383	¥ 41
Lease Payable	10,374	10,371	(2)	8,958	8,909	(49)
Accounts Payable-trade	34,698	34,660	(37)	35,157	35,133	(24)
Long-term Debt (*8) (*9)	1,195,006	1,189,490	(5,515)	1,122,045	1,121,874	(170)
Liabilities total	¥ 2,420,316	¥ 2,414,625	¥ (5,690)	¥ 2,299,503	¥ 2,299,301	¥ (202)
Hedge accounting is not applied (*10)	¥ (412)	¥ (412)	¥ —	¥ (3)	¥ (3)	¥ —
Hedge accounting is applied (*10)	(1,081)	(1,081)	—	(1,883)	(1,883)	—
Derivative transactions total	¥ (1,493)	¥ (1,493)	¥ —	¥ (1,887)	¥ (1,887)	¥ —

(Thousands of U.S. dollars)

March 31,	2022		
	Carrying amount	Fair value	Unrealized gain (loss)
Securities (*2)			
Available-for-sale Securities	$ 825,359	$ 825,359	$ —
Lease Receivables and Investments in Lease (*3) (*4) (*5)	9,395,767	9,893,409	497,642
Installment Sales Receivables (*3) (*6)	864,946	862,150	(2,796)
Loans Receivables (*3)	3,227,847	3,452,758	224,911
Factoring Receivables (*3)	1,528,668	1,551,411	22,743
Long-term Receivables (*7)	197,856	197,856	—
Assets total	$ 16,040,443	$ 16,782,943	$ 742,500
Short-term Borrowings	$ 9,641,676	$ 9,640,581	$ (1,095)
Lease Payable	84,755	84,731	(24)
Accounts Payable — trade	283,457	283,147	(310)
Long-term Debt (*8) (*9)	9,762,326	9,717,266	(45,060)
Liabilities total	$ 19,772,214	$ 19,725,725	$ (46,489)
Hedge accounting is not applied (*10)	$ (3,369)	$ (3,369)	$ —
Hedge accounting is applied (*10)	(8,833)	(8,833)	—
Derivative transactions total	$ (12,202)	$ (12,202)	$ —

(*1) Cash and Cash Equivalents are not presented as the carrying amounts of the deposits approximate their fair values because they are settled in a short period.

(*2) Securities include Operational Investment Securities and Investment Securities.

For the year ended March 31, 2022, the following financial instruments are excluded from the disclosure of market value information as they do not have quoted market prices in an active market. For the year ended March 31, 2021, the following financial instruments are excluded from the disclosure of market value information as they do not have quoted market prices in an active market and their fair values cannot be readily determined.

Carrying amount of these financial instruments are following;

	(Millions of yen)		(Thousands of U.S. dollars)
	2022	2021	2022
Unlisted Stocks*	¥ 136,286	¥ 101,794	$1,113,364
Funds, Investments in Partnerships	133,622	66,239	1,091,599
Preferred Equities	4,746	6,072	38,777
Other	27,058	26,784	221,051
Total	¥ 301,715	¥ 200,892	$2,464,791

*The impairment loss on certain unlisted stocks for the year ended March 31, 2022 and 2021 was ¥11 million ($93 thousand) and ¥35 million, respectively.

(*3) Lease Receivables and Investments in Lease, Installment Sales Receivables, Loans Receivables and Factoring Receivables are stated net of Allowance for Doubtful Receivables.

(*4) 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.

(*5) Unearned lease payments received are not included in Lease Receivables and Investments in Lease.

(*6) Installment Sales Receivables are stated net of Deferred Profit on Installment Sales.

(*7) Long-term Receivables are stated net of Allowance for Doubtful Receivables.

(*8) Current Portion of Long-term Debt is included.

(*9) Long-term Debt includes Payables under Securitized Lease Receivables.

(*10) Assets and liabilities incurred resulting from derivative transactions are netted. The net liability is presented in parenthesis.

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

(Millions of yen)

March 31, 2022	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	¥ 24,502	¥ —	¥ —	¥ —	¥ —	¥ —
Securities						
Available-for-sale Securities						
Bonds						
National and Local government Bonds	—	—	—	—	—	—
Corporate Bonds	23,160	17,514	3,500	22,100	9,500	4,400
Other	21,339	16,841	6,445	8,485	15,728	66,030
Lease Receivables and Investments in Lease	320,816	248,817	204,094	138,066	77,185	183,664
Installment Sales Receivables	39,796	27,856	20,955	13,523	3,910	3,334
Loans Receivables	58,983	77,615	54,163	86,027	103,183	15,326
Factoring Receivables	152,460	6,874	8,089	4,587	2,435	12,732
Total	¥ 641,058	¥ 395,521	¥ 297,248	¥ 272,790	¥ 211,943	¥ 285,487

(Millions of yen)

March 31, 2021	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	¥ 20,406	¥ —	¥ —	¥ —	¥ —	¥ —
Securities						
Available-for-sale Securities						
Bonds						
National and Local government Bonds	—	—	—	—	—	—
Corporate Bonds	22,000	23,160	21,720	3,500	22,100	14,100
Other	16,667	22,048	11,177	6,017	6,561	35,882
Lease Receivables and Investments in Lease	319,193	235,939	194,911	155,788	92,883	175,352
Installment Sales Receivables	46,327	31,696	24,300	16,168	5,236	3,322
Loans Receivables	59,127	60,322	55,800	41,962	85,809	26,037
Factoring Receivables	138,020	7,952	4,834	6,245	2,678	11,884
Total	¥ 621,743	¥ 381,117	¥ 312,744	¥ 229,682	¥ 215,268	¥ 266,580

(Thousands of U.S. dollars)

March 31, 2022	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	$ 200,166	$ —	$ —	$ —	$ —	$ —
Securities						
Available-for-sale Securities						
Bonds						
National and Local government Bonds	—	—	—	—	—	—
Corporate Bonds	189,200	143,082	28,592	180,541	77,608	35,945
Other	174,326	137,585	52,659	69,319	128,487	539,417
Lease Receivables and Investments in Lease	2,620,837	2,032,654	1,667,300	1,127,899	630,549	1,500,400
Installment Sales Receivables	325,110	227,569	171,191	110,473	31,949	27,238
Loans Receivables	481,848	634,065	442,477	702,784	842,933	125,208
Factoring Receivables	1,245,488	56,163	66,081	37,479	19,900	104,018
Total	$ 5,236,975	$ 3,231,118	$ 2,428,300	$ 2,228,495	$ 1,731,426	$ 2,332,226

(*1) Please see Note 11 for annual maturities of Long-term Debt.

(7) Financial Instruments Categorized by Fair Value Hierarchy

The fair value of financial instruments is categorized into the following three levels, depending on the observability and significance of the inputs used in determining fair value measurements:

Level 1: Fair values measured by using quoted prices in active markets for identical assets or liabilities.
Level 2: Fair values measured by using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities.
Level 3: Fair values measured by using unobservable inputs for the assets or liabilities.

If multiple inputs are used that have a significant impact on the measurement of fair value, fair value is classified at the lowest level in the fair value measurement among the levels to which each of these inputs belongs.

(a) The financial instruments measured at the fair values in the consolidated balance sheet

(Millions of yen)

March 31, 2022	Level 1	Level 2	Level 3	Total
Operational Investment Securities and Investment Securities:				
Available-for-sale Securities Bonds	¥ —	¥ 67,105	¥ 14,216	¥ 81,321
Equity securities	10,636	559	5,678	16,873
Other	—	355	2,481	2,837
Assets total	¥ 10,636	¥ 68,019	¥ 22,375	¥ 101,032
Derivative transactions:				
Interest rate swaps	¥ —	¥ 52	¥ —	¥ 52
Interest rate and currency swaps	—	(1,546)	—	(1,546)
Derivative transactions total	¥ —	¥ (1,493)	¥ —	¥ (1,493)

(Thousands of U.S. dollars)

March 31, 2022	Level 1	Level 2	Level 3	Total
Operational Investment Securities and Investment Securities:				
Available-for-sale Securities Bonds	$ —	$ 548,202	$ 116,135	$ 664,337
Equity securities	86,892	4,569	46,385	137,846
Other	—	2,901	20,275	23,176
Assets total	$ 86,892	$ 555,672	$ 182,795	$ 825,359
Derivative transactions:				
Interest rate swaps	$ —	$ 429	$ —	$ 429
Interest rate and currency swaps	—	(12,632)	—	(12,632)
Derivative transactions total	$ —	$ (12,203)	$ —	$ (12,203)

(b) The financial instruments other than those measured at the fair values in the consolidated balance sheet

(Millions of yen)

March 31, 2022	Level 1	Level 2	Level 3	Total
Lease Receivables and Investments in Lease	¥ —	¥ —	¥ 1,211,052	¥ 1,211,052
Installment Sales Receivables	—	—	105,535	105,535
Loans Receivables	—	—	422,652	422,652
Factoring Receivables	—	—	189,908	189,908
Long-term Receivables	—	—	24,219	24,219
Assets total	¥ —	¥ —	¥ 1,953,367	¥ 1,953,367
Short-term Borrowings	¥ —	¥ 1,180,103	¥ —	¥ 1,180,103
Lease Payable	—	10,371	—	10,371
Accounts Payable-trade	—	34,660	—	34,660
Long-term Debt	—	1,189,490	—	1,189,490
Liabilities total	¥ —	¥ 2,414,625	¥ —	¥ 2,414,625

(Thousands of U.S. dollars)

March 31, 2022	Level 1	Level 2	Level 3	Total
Lease Receivables and Investments in Lease	$ —	$ —	$ 9,893,409	$ 9,893,409
Installment Sales Receivables	—	—	862,150	862,150
Loans Receivables	—	—	3,452,758	3,452,758
Factoring Receivables	—	—	1,551,411	1,551,411
Long-term Receivables	—	—	197,856	197,856
Assets total	$ —	$ —	$15,957,584	$15,957,584
Short-term Borrowings	$ —	$ 9,640,581	$ —	$ 9,640,581
Lease Payable	—	84,731	—	84,731
Accounts Payable-trade	—	283,147	—	283,147
Long-term Debt	—	9,717,266	—	9,717,266
Liabilities total	$ —	$19,725,725	$ —	$19,725,725

The following is a description of valuation methodologies and inputs used for measurement of the fair value of assets and liabilities:

Operational Investment Securities and Investment Securities

The fair values of Operational Investment Securities and Investment Securities are classified as Level 1 if an unadjusted quoted price in active markets is available, among the published quoted price such as the quoted market price of the stock exchange or the quoted price obtained from the financial institutions.

Listed equity securities are mainly included in it.

The fair values of securities are classified as Level 2 if a quoted price in inactive market is used. Corporate bonds are mainly included in it.

If a quoted price is not available, the fair values are determined by discounting the future cash flows, by credit risks categories for risk management, at an appropriate benchmark rate such as an interbank market rate plus a credit spread. They are classified as Level 3 as the impact of unobservable inputs of a credit spread to measure the fair values is significant.

Fair value information for securities by classifications is included in Note 5. Operational Investment Securities and Investment Securities

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. They are classified as Level 3 as the impact of unobservable inputs of a credit spread to measure the fair values is significant.

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. They are classified as Level 3 as the impact of unobservable inputs of a credit spread to measure the fair values is significant.

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. They are classified as Level 3 as the impact of unobservable inputs of a credit spread to measure the fair values is significant.

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. They are classified as Level 3 as the impact of unobservable inputs of Allowance for Doubtful Receivables to measure the fair values is significant.

Derivatives

Derivative transactions are mainly composed of over-the-counter transactions and the fair values are based on the prices obtained from the financial institutions. They are classified as Level 2 as the fair values are determined using observable inputs.

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. They are classified as Level 2 as the impact of unobservable inputs of a credit spread to measure the fair values is immaterial.

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.

They are classified as Level 2 as the impact of unobservable inputs of a credit spread to measure the fair values is immaterial.

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.

They are classified as Level 2 as the impact of unobservable inputs of a spread for securitization to measure the fair values is immaterial.

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. They are classified as Level 2 as the impact of unobservable inputs of a credit spread to measure the fair values is immaterial.

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. They are classified as Level 2 as the impact of unobservable inputs of a credit spread to measure the fair values is immaterial.

Long-term Debt

Bonds Payable

The fair values of Bonds Payable are principally determined by a published quoted price. They are classified as Level 2 as a quoted price in inactive market is used.

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. They are classified as Level 2 as the impact of unobservable inputs of a credit spread to measure the fair values is immaterial.

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.
They are classified as Level 2 as the impact of unobservable inputs of a spread for securitization to measure the fair values is immaterial.

The following is an information about the Level 3 fair value of financial instruments measured at fair values on the consolidated balance sheet

(i) Quantitative information on significant unobservable inputs

March 31, 2022	Valuation technique	Significant unobservable inputs	Range of inputs
Operational Investment Securities and Investment Securities:			
Available-for-sale Securities			
Bonds	Discounted cash flow	Discount rate	0.07-0.17%
Equity securities	Discounted cash flow	Discount rate	0.07-0.19%
Other	Discounted cash flow	Discount rate	1.00-1.11%

(ii) Reconciliation between the beginning and ending balance, and net unrealized gains (losses) recognized in the earnings of the current period as of March 31, 2022.

(Millions of yen)

March 31, 2022	Balance at beginning of year	Earnings of the period (*1)	Other comprehensive income (loss) (*2)	Net amount of purchase, sale, issuance and settlement
Operational Investment Securities and Investment Securities:				
Available-for-sale Securities				
Bonds	¥ 15,485	¥ —	¥ (264)	¥ (1,005)
Equity securities	5,813	—	(135)	—
Other	2,682	(0)	32	(232)

(Millions of yen)

March 31, 2022	Transfer to Level 3 (*3)	Transfer from Level 3 (*4)	Balance at end of year	Net unrealized gains (losses) on financial assets and liabilities held at the consolidated balance sheet date among the amount recognized in the earnings of the current period.
Operational Investment Securities and Investment Securities:				
Available-for-sale Securities				
Bonds	¥ —	¥ —	¥ 14,216	¥ —
Equity securities	—	—	5,678	—
Other	—	—	2,481	—

(Thousands of U.S. dollars)

March 31, 2022	Balance at beginning of year	Earnings of the period (*1)	Other comprehensive income (loss) (*2)	Net amount of purchase, sale, issuance and settlement
Operational Investment Securities and Investment Securities:				
Available-for-sale Securities				
Bonds	$ 126,509	$ —	$ (2,161)	$ (8,213)
Equity securities	47,489	—	(1,104)	—
Other	21,914	(7)	268	(1,900)

(Thousands of U.S. dollars)

March 31, 2022	Transfer to Level 3 (*3)	Transfer from Level 3 (*4)	Balance at end of year	Net unrealized gains (losses) on financial assets and liabilities held at the consolidated balance sheet date among the amount recognized in the earnings of the current period.
Operational Investment Securities and Investment Securities:				
Available-for-sale Securities				
Bonds	$ —	$ —	$ 116,135	$ —
Equity securities	—	—	46,385	—
Other	—	—	20,275	—

(*1) The amounts shown in the table above are included in the Revenues of the Consolidated Statements of Income.
(*2) The amounts shown in the table above are included in the Unrealized Gain on Available-for-sale Securities in Other Comprehensive Income of the Consolidated Statement of Comprehensive Income.
(*3) There was no transfer from Level 2 to Level 3 for the year ended March 31, 2022. The transfer is made at the end of the fiscal year in which it occurs.
(*4) There was no transfer from Level 3 to Level 2 for the year ended March 31, 2022. The transfer is made at the end of the fiscal year in which it occurs.

(c) Description of the fair value valuation process

At the Group, the risk control department, the finance department and the accounting department establish policies and procedures for the calculation of fair value, and each department which holds financial instruments calculates fair value in accordance with such policies and procedures. In measuring fair value, the Group uses different valuation models that most appropriately reflect the nature, characteristics, and risks of each asset. If quoted prices obtained from third parties are used, those values are verified by confirming the valuation technique and the inputs used by the third parties or trend analysis and other appropriate methods.

(d) Description of the sensitivity of the fair value to changes in significant unobservable inputs

Discount rate is a significant unobservable input used for measurement of the fair value of stocks, bonds and others. Discount rate is an adjustment rate regarding interbank market rate, and it is constituted from risk premium that market participants need against uncertainty of cash flow produced mainly by credit risks. In general, a significant increase or decrease in discount rate would result in a significant increase or decrease in a fair value.

20. 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 the Company's exposure to credit or market risks:

Derivative transactions to which hedge accounting is not applied:

(1) Interest rate and currency swaps

(Millions of yen)

At March 31,	2022				2021			
	Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized (Loss) Gain	Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized (Loss) Gain
Payment - floating rate in Japanese Yen, receipt - floating rate in U.S. dollars	¥ 4,248	¥ 2,243	¥ (412)	¥ (412)	¥ 2,243	¥ 2,243	¥ (3)	¥ (3)

(Thousands of U.S. dollars)

At March 31,	2022			
	Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized (Loss) Gain
Payment - floating rate in Japanese Yen, receipt - floating rate in U.S. dollars	$ 34,704	$ 18,329	$ (3,369)	$ (3,369)

Derivative transactions to which hedge accounting is applied:

(1) Interest rate swaps

(Millions of yen)

At March 31,		2022			2021		
	Hedged item	Contract Amount	Contract Amount due after One Year	Fair Value	Contract Amount	Contract Amount due after One Year	Fair Value
Payment - fixed rate, receipt - floating rate	Short-term Borrowings, Long-term Debt	¥126,455	¥111,802	¥ 291	¥128,868	¥107,626	¥ (960)
Payment - floating rate, receipt - fixed rate	Long-term Debt	¥ 19,500	¥ 19,500	¥ (83)	¥ 19,500	¥ 19,500	¥ (13)
	Bonds Payable	¥ 22,000	¥ 22,000	¥ (155)	¥ 22,000	¥ 22,000	¥ 20

(Thousands of U.S. dollars)

At March 31,		2022		
	Hedged item	Contract Amount	Contract Amount due after One Year	Fair Value
Payment - fixed rate, receipt - floating rate	Short-term Borrowings, Long-term Debt	$1,033,049	$ 913,345	$ 2,384
Payment - floating rate, receipt - fixed rate	Long-term Debt	$ 159,301	$ 159,301	$ (686)
	Bonds Payable	$ 179,724	$ 179,724	$ (1,269)

(2) Interest rate and currency swaps

(Millions of yen)

At March 31,		2022			2021		
	Hedged item	Contract Amount	Contract Amount due after One Year	Fair Value	Contract Amount	Contract Amount due after One Year	Fair Value
Payment - fixed rate in Japanese Yen, receipt - fixed rate in U.S. dollars	Operational Investment Securities	¥10,451	¥10,451	¥(1,135)	¥14,278	¥12,456	¥ (918)
Payment - fixed rate in Indonesian Rupiah, receipt - floating rate in U.S. dollars	Long-term Debt	¥ 291	¥ 204	¥ 1	¥ 216	¥ —	¥ (12)

(Thousands of U.S. dollars)

At March 31,		2022		
	Hedged item	Contract Amount	Contract Amount due after One Year	Fair Value
Payment - fixed rate in Japanese Yen, receipt – fixed rate in U.S. dollars	Operational Investment Securities	$ 85,382	$ 85,382	$ (9,272)
Payment - fixed rate in Indonesian Rupiah, receipt - floating rate in U.S. dollars	Long-term Debt	$ 2,383	$ 1,670	$ 10

Interest rate swaps and interest rate and currency swaps to which specific accounting is applied:

The following interest rate swaps and interest rate and currency 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 19 is included in those of the hedged items (i.e. Loans Receivables, Factoring Receivables and Long-term Debt).

(1) Interest rate swaps

(Millions of yen)

At March 31,	2022			2021		
	Hedged item	Contract Amount	Contract Amount due after One Year	Hedged item	Contract Amount	Contract Amount due after One Year
Payment - fixed rate, receipt - floating rate	Loans Receivables	¥ 2,278	¥ 2,278	Loans Receivables	¥ 2,375	¥ 2,375
	Long-term Debt	¥185,580	¥179,816	Long-term Debt	¥147,950	¥145,627
Payment - floating rate, receipt - fixed rate	Long-term Debt	¥ —	¥ —	Long-term Debt	¥ 18,103	¥ 18,103

(Thousands of U.S. dollars)

At March 31,	2022		
	Hedged item	Contract Amount	Contract Amount due after One Year
Payment - fixed rate, receipt - floating rate	Loans Receivables	$ 18,613	$ 18,613
	Long-term Debt	$1,516,055	$1,468,967
Payment - floating rate, receipt - fixed rate	Long-term Debt	$ —	$ —

(2) Interest rate and currency swaps

(Millions of yen)

At March 31,	2022			2021		
	Hedged item	Contract Amount	Contract Amount due after One Year	Hedged item	Contract Amount	Contract Amount due after One Year
Payment - fixed rate in Indonesian Rupiah, receipt - floating rate in U.S. dollars	Factoring Receivables	¥ 47	¥ —	Factoring Receivables	¥ 99	¥ 99

(Thousands of U.S. dollars)

At March 31,	2022		
	Hedged item	Contract Amount	Contract Amount due after One Year
Payment - fixed rate in Indonesian Rupiah, receipt - floating rate in U.S. dollars	Factoring Receivables	$ 384	$ —

21. Other Comprehensive Income (Loss)

The components of other comprehensive income (loss) for the years ended March 31, 2022 and 2021 were as follows:

	(Millions of yen) 2022	(Millions of yen) 2021	(Thousands of U.S. dollars) 2022
Unrealized Gain (Loss) on Available-for-sale Securities			
Gains arising during the year	¥ 2,076	¥ 3,038	$ 16,965
Reclassification adjustments to profit or loss	(807)	(4,537)	(6,599)
Amount before income tax effect	1,268	(1,498)	10,366
Income tax effect	388	(465)	3,175
Total	¥ 880	¥ (1,033)	$ 7,191
Deferred Loss on Derivatives under Hedge Accounting			
Losses arising during the year	¥ (2,027)	¥ (988)	$ (16,562)
Reclassification adjustments to profit or loss	958	750	7,829
Amount before income tax effect	(1,068)	(238)	(8,733)
Income tax effect	(328)	(72)	(2,682)
Total	¥ (740)	¥ (166)	$ (6,051)
Foreign Currency Translation Adjustments			
Adjustments arising during the year	¥10,005	¥ (2,775)	$ 81,741
Reclassification adjustments to profit or loss	—	—	—
Amount before income tax effect	10,005	(2,775)	81,741
Income tax effect	—	—	—
Total	¥10,005	¥ (2,775)	$ 81,741
Defined Retirement Benefit Plans			
Adjustments arising during the year	¥ 144	¥ 984	$ 1,183
Reclassification adjustments to profit or loss	(37)	10	(304)
Amount before income tax effect	107	994	879
Income tax effect	33	303	270
Total	¥ 74	¥ 691	$ 609
Share of Other Comprehensive Income in associates			
Income arising during the year	¥ (660)	¥ 945	$ (5,393)
Reclassification adjustments to profit or loss	7	(18)	58
Total	¥ (653)	¥ 927	$ (5,335)
Total Other Comprehensive Income (Loss)	¥ 9,566	¥ (2,356)	$ 78,155

22. Supplemental Information on Changes in Equity

The increase of 72 shares of treasury stock is due to the purchase of shares less than one unit. The decrease of 6 thousand shares of treasury stock is due to the sales from BBT mentioned above. Issued shares in common stock at the end of fiscal year includes treasury stock of 625,900 shares held by the Company's BBT. (See Note 2 (z) for details on BBT.)

23. Related-Party Disclosures

Transactions of the 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, 2022 were as follows:

	(Millions of yen) 2022	(Thousands of U.S. dollars) 2022
Borrowing funds	¥ 2,350,205	$ 19,199,454
Securitization of receivables	260,424	2,127,474
Issuance of commercial paper	1,435,200	11,724,532
Payment of interest	1,806	14,756
Purchase of leased property	33,688	275,213
Receipt of interest	581	4,748
Redemption of bonds	15,000	122,539
Issuance of bonds payable	80,000	653,541

The balances due to or from these companies at March 31, 2022 were as follows:

	(Millions of yen) 2022	(Thousands of U.S. dollars) 2022
Investment securities	¥ 35,247	$ 287,942
Accrued income	127	1,045
Prepaid expenses	1	10
Short-term borrowings	134,465	1,098,481
Commercial paper	89,300	729,516
Payables under securitized lease receivables	44,552	363,963
Current Portion of Long-term debt	70,875	579,005
Current Portion of Bonds Payable	30,000	245,078
Bonds payable	215,000	1,756,393
Long-term debt	41,120	335,923
Long-term payables under securitized lease receivables	12,898	105,374
Accrued expenses	204	1,671

24. Per Share Information

Details of basic net income attributable to owners of the parent per share ("EPS") for the years ended March 31, 2022 and 2021 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,	2022				2021			
	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	¥ 14,902	48,375	¥ 308.07	$ 2.52	¥ 21,772	48,369	¥ 450.14	$ 3.68

25. Subsequent Events

Appropriation of Retained Earnings

The following appropriation of Retained Earning at March 31, 2022, was approved at the Company's shareholders' meeting on June 24, 2022:

	(Millions of yen)	(Thousands of U.S. dollars)
Year-end cash dividends, ¥55.00 ($0.45) per share	¥ 2,695	$ 22,018

Corporate Information/Stock Information (As of March 31, 2022)

Corporate Profile (As of March 31, 2022)

Company Name	Mizuho Leasing Company, Limited
Head Office	2-6 Toranomon 1-chome, Minato-ku, Tokyo 105-0001, Japan Tel: +81-3-5253-6511 (main exchange)
Date of Establishment	December 1, 1969
Paid-in Capital	¥26,088 million
Number of Employees	Consolidated: 1,864; Non-consolidated: 784
Business Description	Integrated financial services

Business Sites (As of March 31, 2022)

Head Office	2-6, Toranomon 1-chome, Minato-ku, Tokyo 105-0001 +81-3-5253-6511
Sapporo Branch	2, Kita 1-jo Nishi 5, Chuo-ku, Sapporo, Hokkaido 060-0001 +81-11-231-1341
Sendai Branch	4-1, Ichiban-cho 2-chome, Aoba-ku, Sendai, Miyagi 980-0811 +81-22-223-2611
Corporate Business Dept. (Metropolitan Area No. 2)	65-2, Naka-cho 2-chome, Omiya-ku, Saitama, Saitama 330-0845 +81-48-631-0751
Niigata Branch	866, Rokuban-cho, Nishihori-dori, Chuo-ku, Niigata, Niigata 951-8061 +81-25-229-7800
Toyama Branch	5-13, Sakurabashi-dori, Toyama, Toyama 930-0004 +81-76-444-1080
Shizuoka Branch	5-9, Miyuki-cho, Aoi-ku, Shizuoka, Shizuoka 420-0857 +81-54-205-3330
Nagoya Branch	11-11, Nishiki 1-chome, Naka-ku, Nagoya, Aichi 460-0003 +81-52-203-5891
Kyoto Branch	659, Tearaimizu-cho, Nishikikozi-agaru, Karasuma-dori, Nakagyo-ku, Kyoto, Kyoto 604-8152 +81-75-223-1545
Osaka Business Dept.	1-1, Koraibashi 4-chome, Chuo-ku, Osaka, Osaka 541-0043 +81-6-6201-3981
Kobe Branch	69, Kyomachi, Chuo-ku, Kobe, Hyogo 650-0034 +81-78-392-5440
Hiroshima Branch	1-22, Kamiyacho 2-chome, Naka-ku, Hiroshima, Hiroshima 730-0031 +81-82-249-4435
Takamatsu Branch	6-8, Bancho 1-chome, Takamatsu, Kagawa 760-0017 +81-87-823-7321
Fukuoka Branch	13-2, Tenzin 1-chome, Chuo-ku, Fukuoka, Fukuoka 810-0001 +81-92-714-5671

Management (As of June 24, 2022)

Directors	President and CEO (Representative Director)	Shusaku Tsuhara
	Deputy President (Representative Director)	Akira Nakamura
	Senior Managing Director	Hiroshi Nagamine
	Managing Director	Takanori Nishiyama
	Managing Director	Chihiro Tokiyasu
	Managing Director	Toshiyuki Takahashi
	Director (Outside Director)	Takao Komine
	Director (Outside Director)	Naofumi Negishi
	Director (Outside Director)	Hirofumi Hagihira
	Director (Outside Director)	Mari Sagiya
	Director (Outside Director)	Hajime Kawamura
	Director (Outside Director)	Takayuki Aonuma
Corporate Auditors	Standing Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)	Nobukatsu Funaki
	Standing Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)	Tatsuya Yamada
	Standing Audit & Supervisory Board Member	Hidehiko Kamata
	Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)	Hideki Amano

Executive Officers

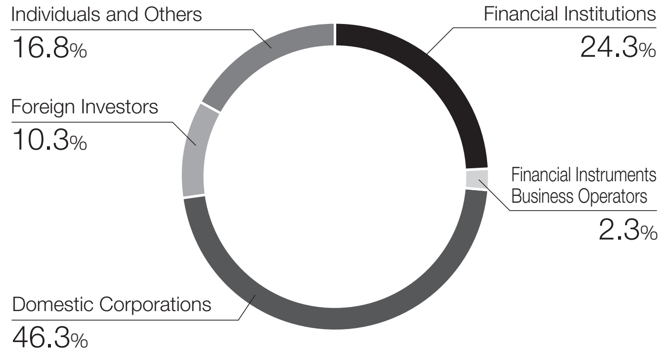
Managing Executive Officers	Executive Officers
Masanobu Kobayashi	Yoshiyasu Mizutomi
Katsuzumi Orihashi	Hiromichi Koyata
Katsunori Tomita	Kunihiro Mio
Noboru Otaka	Mitsuyuki Kimura
Nobuhisa Zama	Toru Mukojima
Masahiko Abe	Koki Minami
Takashi Yamada	Kazuo Seki
Yasuhiko Hashimoto	Kensuke Sato
Kazuomi Funakawa	Kenji Yoshida
	Toshiyuki Takezawa
	Yutaka Sato
	Hirohide Ishiyama
	Nobufusa Takeuchi
	Masashi Takahata
	Naoto Moriya
	Naoyuki Machinaga
	Kazuma Ooe

Stock Information (As of March 31, 2022)

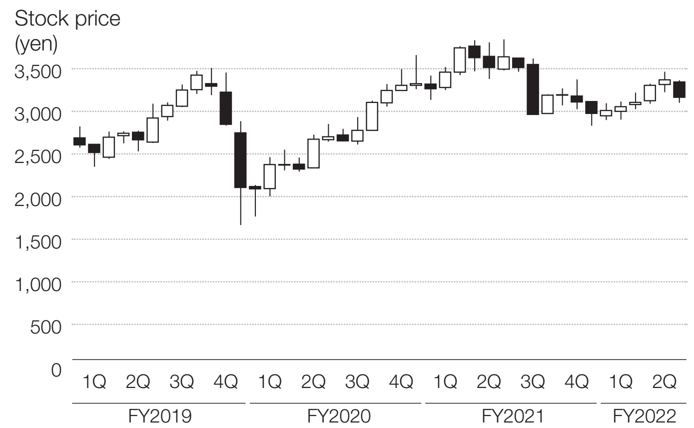
Number of Shares Authorized	140,000,000
Number of Shares Issued	49,004,000
Number of Shareholders	68,299
Stock Exchange Listing	Tokyo Stock Exchange, 1st section*
Securities Code	8425
Shareholder Registry Administrator	Mizuho Trust & Banking Co., Ltd.
(Office Location)	Stock Transfer Agency Department, Mizuho Trust & Banking Co., Ltd. 3-3, Marunouchi 1-chome, Chiyoda-ku, Tokyo

*In April 2022, the Company shifted its listing to the Prime Market due to a change in the market classification of the Tokyo Stock Exchange

Distribution of Shareholders



Stock Performance



Major Shareholders (Top 20)

Shareholders	Number of Shares Held (1,000 shares)	Shareholding Ratio (%)
Mizuho Financial Group, Inc.	11,283	23.0
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,058	6.2
Marubeni Corporation	2,157	4.4
NISSAN MOTOR CO., LTD. Retirement Benefit Trust Account, with the trustee being Mizuho Trust & Banking Co., Ltd. and re-trustee Custody Bank of Japan, Ltd.	1,750	3.6
RICOH LEASING COMPANY, LTD.	1,500	3.1
The Dai-ichi Life Insurance Company, Limited	1,465	3.0
Meiji Yasuda Life Insurance Company	1,251	2.6
DOWA HOLDINGS CO., LTD.	1,120	2.3
Custody Bank of Japan, Ltd. (TOSHIBA CORPORATION Retirement Benefit Trust Account re-entrusted by the Mitsui Sumitomo Trust & Banking Co., Ltd.)	900	1.8
IINO KAIUN KAISHA, LTD.	666	1.4
Custody Bank of Japan, Ltd. (Trust Account E)	625	1.3
Credit Saison Co., Ltd.	586	1.2
JP MORGAN CHASE BANK 385781	552	1.1
Nippon Life Insurance Company	504	1.0
THE BANK OF NEW YORK MELLON 140042	442	0.9
Sompo Japan Insurance Inc.	420	0.9
The Master Trust Bank of Japan, Ltd. (Retirement Benefit Trust, The Senshu Ikeda Bank, Ltd. Account)	405	0.8
BBHFOR UMB BANK, NATIONAL ASSO-PEAR TREE POLARIS VAL SM CAP FD	404	0.8
KISSEI PHARMACEUTICAL CO., LTD.	400	0.8
Custody Bank of Japan, Ltd. (Trust Account)	378	0.8

*Shareholding ratio is calculated by deducting treasury stock.

Major Group Companies (As of June 24, 2022)

Company Name	Locations	Paid-in Capital or Investment	Business Activity	Ownership
Mizuho-Toshiba Leasing Company, Limited	Japan	¥1,520 million	General leasing	90%
Dai-ichi Leasing Co., Ltd.	Japan	¥2,000 million	General leasing	90%
Mizuho Auto Lease Company, Limited	Japan	¥386 million	Auto leasing	100%
Universal Leasing Co., Ltd.	Japan	¥50 million	General leasing	90%
ML Estate Company, Limited	Japan	¥10 million	Real estate leasing	100%
ML Shoji Company, Limited	Japan	¥310 million	Used equipment sales	100%
ML Office Service Company, Limited	Japan	¥10 million	Office services	100%
Mizuho Leasing (China) Ltd.	China	US$30,000 thousand	General leasing	100%
PT Mizuho Leasing Indonesia Tbk	Indonesia	IDR568,735,399 thousand	General leasing	67%
Mizuho Leasing (UK) Limited	United Kingdom	GBP6,000 thousand	General leasing	100%
IBJ Air Leasing Limited	Bermuda	US$1	Aircraft leasing	75%
IBJ Air Leasing (US) Corp.	USA	US$100	Aircraft leasing	75%
Mizuho Leasing (Singapore) Pte. Ltd.	Singapore	US$50,000	General leasing	100%
Mizuho Marubeni Leasing Corporation*	Japan	¥4,390 million	General leasing	50%
RICOH LEASING COMPANY, LTD.*	Japan	¥7,896 million	General leasing	20%
Nippon Steel Kowa Real Estate Co., Ltd.*	Japan	¥19,824 million	Real estate related	22%
Mizuho Capital Co., Ltd.*	Japan	¥902 million	Financing	15%
PLM Fleet, LLC*	USA	US$72,933 thousand	Trailer leasing	50%
Krungthai Mizuho Leasing Co., Ltd.*	Thailand	THB100,000 thousand	General leasing	49%
PNB-Mizuho Leasing and Finance Corporation*	Philippines	PHP1,000,000 thousand	General leasing	25%
Aircastle Limited*	USA	US$140	Aircraft leasing	25%
Vietnam International Leasing Co., Ltd.*	Vietnam	VND350,000 million	General leasing	18%
Affordable Car Leasing Pty Ltd*	Australia	AUD40 million	Financing	50%

*An equity-method affiliate

Link to Annual Report of Mizuho Leasing Company, Limited
https://www.mizuho-ls.co.jp/en/ir/library/securities.html

Mizuho Leasing Co., Ltd.

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