

Consolidated Balance Sheet
Mizuho Leasing Company, Limited and Consolidated Subsidiaries
As of March 31, 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
ASSETS			
Current Assets:			
Cash and Cash Equivalents	¥ 22,299	¥ 25,438	\$ 204,898
Lease Receivables and Investments in Lease (Notes 3 and 4)	1,082,088	930,318	9,942,922
Receivables (Notes 3 and 4):			
Notes and Accounts	886	1,015	8,143
Lease	6,560	3,336	60,287
Installment Sales	141,812	147,979	1,303,068
Loans	271,323	235,279	2,493,092
Factoring	129,676	233,106	1,191,554
Other	-	750	-
Total Receivables	550,260	621,467	5,056,144
Operational Investment Securities (Notes 3 and 4)	221,866	239,814	2,038,653
Prepaid Expenses and Other	72,510	51,121	666,273
Allowance for Doubtful Receivables	(1,752)	(1,555)	(16,101)
Total Current Assets	1,947,272	1,866,604	17,892,789
Property and Equipment:			
Leased Assets (Notes 3 and 4)	245,533	229,817	2,256,121
Advances for Purchases of Leased Assets	656	6,042	6,035
Other Operating Assets	-	6,311	-
Own-used Assets (Note 4)	3,455	3,360	31,753
Total Property and Equipment	249,646	245,531	2,293,909
Investments and Other Assets:			
Investment Securities (Note 4)	20,776	18,215	190,910
Investments in Unconsolidated Subsidiaries and Associated Companies	98,355	13,770	903,749
Long-term Receivables	5,448	3,432	50,065
Goodwill	63	528	588
Intangible Leased Assets (Note 3)	101	82	936
Deferred Tax Assets	2,609	2,338	23,979
Asset for Employees' Retirement Benefits	-	11	-
Other	24,629	11,573	226,312
Allowance for Doubtful Receivables	(487)	(215)	(4,480)
Total Investments and Other Assets	151,497	49,736	1,392,059
Total Assets	¥ 2,348,416	¥ 2,161,872	\$ 21,578,757

See accompanying Notes to Consolidated Financial Statements.

Consolidated Balance Sheet
Mizuho Leasing Company, Limited and Consolidated Subsidiaries
As of March 31, 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
LIABILITIES and EQUITY			
Current Liabilities:			
Short-term Borrowings (Notes 4 and 5)	¥ 1,031,075	¥ 994,386	\$ 9,474,183
Current Portion of Long-term Debt (Notes 4 and 5)	185,358	197,959	1,703,196
Lease Payable	8,772	8,010	80,606
Accounts Payable - trade	49,318	56,040	453,169
Accrued Expenses	3,455	3,561	31,751
Income Taxes Payable	4,098	4,654	37,663
Deferred Profit on Installment Sales (Note 3)	2,097	2,091	19,273
Reserve for Management Board Benefit Trust - current	56	-	514
Accruals for Debt Guarantees	15	31	138
Other	29,875	27,442	274,516
Total Current Liabilities	1,314,123	1,294,178	12,075,009
Long-term Liabilities:			
Long-term Debt (Note 4 and 5)	784,202	642,411	7,205,753
Deposits Received	31,296	33,217	287,571
Liability for Employees' Retirement Benefits	2,655	2,461	24,399
Reserve for Management Board Benefit Trust	211	144	1,939
Other	20,147	7,299	185,127
Total Long-term Liabilities	838,512	685,534	7,704,789
Contingent Liabilities (Note 6)			
Equity:			
Common Stock	26,088	26,088	239,714
Authorized, 140,000,000 Shares; Issued, 49,004,000 Shares as of March 31, 2020 and 2019			
Capital Surplus	23,941	23,941	219,990
Retained Earnings	131,579	118,219	1,209,035
Treasury Stock - at cost	(1,745)	(400)	(16,040)
640,003 shares as of March 31, 2020 and 147,127 shares as of March 31, 2019			
Accumulated Other Comprehensive Income:			
Unrealized Gain on Available-for-sale Securities	7,430	6,755	68,280
Deferred Loss on Derivatives under Hedge Accounting	(1,060)	(502)	(9,744)
Foreign Currency Translation Adjustments	(1,005)	(577)	(9,237)
Defined Retirement Benefit Plans	(41)	109	(384)
Total	185,186	173,633	1,701,614
Non-controlling Interests	10,594	8,526	97,345
Total Equity	195,780	182,159	1,798,959
Total Liabilities and Equity	¥ 2,348,416	¥ 2,161,872	\$ 21,578,757

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, 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Net Income	¥ 18,087	¥ 17,205	\$ 166,203
Other Comprehensive Loss:			
Unrealized Gain (Loss) on Available-for-sale Securities	686	(2,295)	6,310
Deferred Loss on Derivatives under Hedge Accounting	(559)	(647)	(5,142)
Foreign Currency Translation Adjustments	(599)	(1,223)	(5,508)
Defined Retirement Benefit Plans	(154)	64	(1,416)
Share of Other Comprehensive Income (Loss) in Associated Companies	112	(40)	1,037
Total Other Comprehensive Loss	(513)	(4,142)	(4,719)
Comprehensive Income	¥ 17,574	¥ 13,062	\$ 161,484
Total Comprehensive Income attributable to:			
Owners of the Parent	¥ 17,051	¥ 12,519	\$ 156,679
Non-controlling Interests	522	543	4,805

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Changes in Equity
Mizuba Leasing Company, Limited and Consolidated Subsidiaries
For the year ended March 31, 2020

	Thousands Number of Common Stock Outstanding	Millions of yen			
		Common Stock	Capital Surplus	Retained Earnings	Treasury Stock
Balance as of April 1, 2018	42,648	¥ 17,874	¥ 16,070	¥ 105,148	¥ (1)
Net Income attributable to Owners of the Parent				16,594	
Cash Dividends Paid				(3,241)	
Purchase of Treasury Stock					(399)
Disposal of Treasury Stock					
Issuance of New Stock	6,208	8,213	8,213		
Change in Scope of Consolidation					
Change in Scope of Application of Equity Method				(282)	
Change in an Interest in Subsidiary by Sales Transaction			(59)		
Change in an Interest in Subsidiary due to Transactions with Non-controlling Interests			(283)		
Net change during year					
Balance as of March 31, 2019	48,856	¥ 26,088	¥ 23,941	¥ 118,219	¥ (400)
Net Income attributable to Owners of the Parent				17,512	
Cash Dividends Paid				(3,920)	
Purchase of Treasury Stock	(543)				(1,483)
Disposal of Treasury Stock	50				137
Issuance of New Stock					
Change in Scope of Consolidation					
Change in Scope of Application of Equity Method				(232)	
Change in an Interest in Subsidiary by Sales Transaction					
Change in an Interest in Subsidiary due to Transactions with Non-controlling Interests					
Net change during year					
Balance as of March 31, 2020	48,363	¥ 26,088	¥ 23,941	¥ 131,579	¥ (1,745)

	Millions of yen				Total	Non- controlling Interests	Total Equity
	Unrealized Gain on Available-for-sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans			
Balance as of April 1, 2018	¥ 9,047	¥ 141	¥ 821	¥ 48	¥ 148,951	¥ 5,681	¥ 154,632
Net Income attributable to Owners of the Parent					16,594		16,594
Cash Dividends Paid					(3,241)		(3,241)
Purchase of Treasury Stock					(399)		(399)
Disposal of Treasury Stock					16,427		16,427
Issuance of New Stock							
Change in Scope of Consolidation					(282)		(282)
Change in Scope of Application of Equity Method					(282)		(282)
Change in an Interest in Subsidiary by Sales Transaction				(59)	(59)		(59)
Change in an Interest in Subsidiary due to Transactions with Non-controlling Interests				(283)	(283)		(283)
Net change during year	(2,292)	(644)	(1,198)	61	(4,074)	2,845	(1,229)
Balance as of March 31, 2019	¥ 6,755	¥ (502)	¥ (577)	¥ 109	¥ 173,823	¥ 8,526	¥ 182,159
Net Income attributable to Owners of the Parent					17,512		17,512
Cash Dividends Paid					(3,920)		(3,920)
Purchase of Treasury Stock					(1,483)		(1,483)
Disposal of Treasury Stock					137		137
Issuance of New Stock							
Change in Scope of Consolidation					(232)		(232)
Change in Scope of Application of Equity Method							
Change in an Interest in Subsidiary by Sales Transaction							
Change in an Interest in Subsidiary due to Transactions with Non-controlling Interests							
Net change during year	675	(557)	(428)	(151)	(461)	2,067	1,605
Balance as of March 31, 2020	¥ 7,430	¥ (1,060)	¥ (1,005)	¥ (41)	¥ 185,186	¥ 10,594	¥ 195,780

	Thousands of U.S. dollars (Note 1)			
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock
Balance as of March 31, 2019	\$ 239,714	\$ 219,990	\$ 1,088,274	\$ (3,679)
Net Income attributable to Owners of the Parent			160,920	
Cash Dividends Paid			(36,022)	
Purchase of Treasury Stock				(13,628)
Disposal of Treasury Stock				1,267
Issuance of New Stock				
Change in Scope of Consolidation				
Change in Scope of Application of Equity Method				(2,137)
Change in an Interest in Subsidiary by Sales Transaction				
Change in an Interest in Subsidiary due to Transactions with Non-controlling Interests				
Net change during year				
Balance as of March 31, 2020	\$ 239,714	\$ 219,990	\$ 1,209,035	\$ (16,040)

	Thousands of U.S. dollars (Note 1)				Total	Non- controlling Interests	Total Equity
	Unrealized Gain on Available-for-sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans			
Balance as of March 31, 2019	\$ 62,070	\$ (4,820)	\$ (3,302)	\$ 1,007	\$ 1,595,454	\$ 78,348	\$ 1,673,802
Net Income attributable to Owners of the Parent					160,920		160,920
Cash Dividends Paid					(36,022)		(36,022)
Purchase of Treasury Stock					(13,628)		(13,628)
Disposal of Treasury Stock					1,267		1,267
Issuance of New Stock							
Change in Scope of Consolidation					(2,137)		(2,137)
Change in Scope of Application of Equity Method							
Change in an Interest in Subsidiary by Sales Transaction							
Change in an Interest in Subsidiary due to Transactions with Non-controlling Interests							
Net change during year	6,210	(5,124)	(3,935)	(1,391)	(4,240)	18,997	14,757
Balance as of March 31, 2020	\$ 68,280	\$ (9,744)	\$ (7,237)	\$ (384)	\$ 1,701,614	\$ 97,345	\$ 1,798,959

Consolidated Statement of Cash Flows
Mizuho Leasing Company, Limited and Consolidated Subsidiaries
For the year ended March 31, 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Cash Flows from Operating Activities:			
Income before Income Taxes	¥ 26,538	¥ 25,114	\$ 243,853
Adjustments for:			
Income Taxes Paid	(9,059)	(4,938)	(83,242)
Depreciation and Disposal of Fixed Assets	15,108	13,227	138,824
Equity in Earnings of Associated Companies	(816)	(332)	(7,507)
Profit from Investments	(17)	(1,512)	(162)
Loss on Impairment of Long-lived Assets	322	8	2,959
Increase (Decrease) in Allowance for Doubtful Receivables	468	(1,022)	4,304
(Decrease) Increase in Accruals for Debt Guarantees	(16)	4	(152)
Gain on Sales of Marketable and Investment Securities	(481)	(908)	(4,426)
Loss on Devaluation of Investment Securities	336	53	3,088
Change in assets and liabilities:			
Increase in Lease Receivables and Investments in Lease	(151,648)	(107,665)	(1,393,440)
Decrease (Increase) in Receivables	70,804	(105,120)	650,601
Decrease (Increase) in Operational Investment Securities	15,524	(43,330)	142,650
(Increase) Decrease in Accounts Payable trade	(6,693)	1,739	(61,508)
Gain on Step Acquisition	-	(42)	-
Purchases of Leased Assets	(181,931)	(120,504)	(1,671,704)
Proceeds from Sales of Leased Assets	158,161	38,874	1,453,287
(Decrease) Increase in Interest Payable	(58)	193	(535)
Other net	(5,670)	10,461	(52,105)
Total Adjustments	(95,668)	(320,816)	(879,068)
Net Cash Used in Operating Activities	(69,130)	(295,701)	(635,215)
Cash Flows from Investing Activities:			
Purchases of Own-used Assets	(3,032)	(3,368)	(27,867)
Purchases of Marketable and Investment Securities	(84,559)	(9,812)	(776,983)
Proceeds from Sales and Redemption of Marketable and Investment Securities	1,527	6,434	14,037
Purchase of Subsidiaries causing Changes in Scope of Consolidation	-	(711)	-
Other net	(12,272)	(487)	(112,763)
Net Cash Used in Investing Activities	(98,336)	(7,945)	(903,576)
Cash Flows from Financing Activities:			
Net Increase in Short-term Borrowings	29,999	193,162	275,658
Proceeds from Long-term Debt	356,368	304,488	3,274,541
Repayments of Long-term Debt	(217,958)	(211,098)	(2,002,744)
Proceeds from Common Stock Issuance	-	16,427	-
Cash Dividends Paid	(3,920)	(3,241)	(36,022)
Other net	49	(192)	455
Net Cash Provided by Financing Activities	164,538	299,546	1,511,888
Foreign Currency Translation Adjustments on Cash and Cash Equivalents	65	(68)	601
Net Decrease in Cash and Cash Equivalents	(2,862)	(4,168)	(26,302)
Cash and Cash Equivalents at Beginning of Year	25,438	29,607	233,745
Decrease in Cash and Cash Equivalents resulting from Exclusion from Scope of Consolidation	(276)	-	(2,545)
Cash and Cash Equivalents at End of Year	¥ 22,299	¥ 25,438	\$ 204,898

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, 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. Certain disclosures required in the notes to the financial statements by the Japanese Financial Instruments and Exchange Law are omitted in this Business Report (Kessan Tanshin).

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 ¥108.83 to US\$1.00, the approximate rate of exchange at March 31, 2020. 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, IBJ Air Leasing Limited and IBJ Air Leasing (US) Corp.

The number of consolidated subsidiaries as of March 31, 2020 and 2019 was 31 and 32, respectively. The consolidated financial statements for the year ended March 31, 2020 newly include the accounts of TDP 1 Limited and MM WHEEL LLC as they were newly incorporated. PT. IBJ VERENA FINANCE was excluded from the scope of the consolidation as it was merged with other consolidated subsidiary. The accounts of KL INSURANCE&CO., LTD. was excluded as it became immaterial. The accounts of IBJ Air Funding Limited was also excluded as it was liquidated during the year.

The number of associated companies accounted for under the equity method as of March 31, 2020 and 2019 was 6 and 3, respectively. Major investments in associated companies consist of MG Leasing Corporation, PLM Fleet, LLC, Krung Thai IBJ Leasing Co., Ltd. PNB-Mizuho Leasing and Finance Corporation and Aircastle Limited. MM Air Limited was newly included in the associated companies accounted for under the equity method as it was newly incorporated. Aircastle Limited and PLM Fleet, LLC were also included in the associated companies as the Company purchased these shares.

Kaikias Leasing Co., Ltd. and 103 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 32 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 *Kabushiki 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 21 and 20 SPEs that were not consolidated under Guidance No. 15 as of March 31, 2020 and 2019. Total assets (simply compiled amount) of such SPEs as of March 31, 2020 and 2019 were ¥189,934 million (\$1,745,244 thousand) and ¥124,429 million, respectively. Total liabilities (simply compiled amount) of such SPEs as of March 31, 2020 and 2019 were ¥190,322 million (\$1,748,804 thousand) and ¥124,935 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 2020 and 2019 was ¥27,188 million (\$249,825 thousand) and ¥11,151 million, respectively, with no gain/loss on the transfer of such receivables. The Company holds subordinated interests of such transferred receivables of ¥5,234 million (\$48,097 thousand) and ¥212 million in 2020 and 2019, respectively. The Company recognized profit dividends of ¥303 million (\$2,793 thousand) and ¥173 million, respectively, for the years ended March 31, 2020 and 2019, and servicing fees received of ¥1 million (\$14 thousand) with respect to the transactions with such SPEs for both of the years ended March 31, 2020 and 2019. 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 the 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 interest 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 that are exposed to insignificant risk of changes in value. Cash Equivalents include time deposits, certificates of deposit, commercial paper and bond funds, all of which mature or become due within three months of the date of acquisition.

(d) Lease Accounting

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

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

(e) Installment Sales

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

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

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

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

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

(g) Loans Receivables and Factoring Receivables

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

(h) Property and Equipment

1. Leased Assets

Leased Property and Equipment are stated at cost and depreciated over the lease term by the straight-line method to the residual value, which is an amount to be realized at the time when the lease contract is terminated.

2. 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 (5years) 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 ¥7,199 million (\$66,150 thousand) and ¥8,406 million at March 31, 2020 and 2019, 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 that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects and are recognized in profit or loss over 10 to 15 years no longer than the expected average remaining service period of the employees. The discount rate is determined using a single weighted-average discount rate reflecting the estimated timing and amount of benefit payment.

(p) Reserve for Management Board Benefit Trust

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

(r) Accruals for Debt Guarantees

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 received.

(u) Translation of Foreign Currency Assets and Liabilities

1. Translation of foreign currency transactions

All monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gain and loss 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, Long-term Debt and Foreign currency forward contracts 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 as well as committed transactions denominated in foreign currencies. 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.

Monetary receivables and payables covered by forward exchange contracts are translated at the contract rates. Any differences between the foreign exchange contract rates and historical rates resulting from the translation of receivables and payables are recognized as income or expense over the lives of the related contracts.

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

(w) Consumption Taxes

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

(x) Per Share Information

Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

(y) Accounting Changes and Error Corrections

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

3. Operating Assets

(1) Operating Assets as of March 31, 2020 and 2019 consisted of the following:

	(Millions of yen)		(Thousands of U.S. dollars)
	2020	2019	2020
Leasing and Installment Sales:			
Finance Lease	¥ 1,082,088	¥930,318	\$ 9,942,922
Operating Lease	245,635	229,900	2,257,057
Installment Sales (*1)	139,715	145,888	1,283,795
Leasing and Installment Sales total	1,467,439	1,306,106	13,483,774
Finance	622,866	708,950	5,723,299
Other	-	6,311	-
Total Operating Assets	¥ 2,090,305	¥2,021,368	\$ 19,207,073

(*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, 2020 and 2019 were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2020	2019	2020
Leasing and Installment Sales:			
Finance Lease	¥ 447,660	¥374,218	\$ 4,113,388
Operating Lease	187,316	120,314	1,721,188
Installment Sales (*1)	57,373	54,885	527,181
Leasing and Installment Sales total	692,350	549,418	6,361,757
Finance	590,088	996,700	5,422,116
Other	-	2,698	-
Total	¥ 1,282,438	¥1,548,817	\$ 11,783,873

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

4. Pledged Assets

Assets pledged as collateral as of March 31, 2020 were as follows:

	(Millions of yen)	(Thousands of U.S. dollars)
	2020	2020
Lease Receivables and Investments in Lease	¥12,916	\$118,687
Installment Sales Receivable	990	9,099
Loans Receivables	5,789	53,202
Operational Investment Securities	22,023	202,365
Leased Assets	30,990	284,764
Own-used Assets	106	974
Investment Securities	8	77
Total	¥72,825	\$669,168

Liabilities secured by the above assets as of March 31, 2020 were as follows:

	(Millions of yen)	(Thousands of U.S. dollars)
	2020	2020
Short-term Borrowings	¥8,982	\$82,538
Current Portion of Long-term Debt	4,522	41,557
Long-term Debt	51,383	472,146
Total	¥64,888	\$596,241

5. Short-term Borrowings and Long-term Debt

(1) “Short-term Borrowings” as of March 31, 2020 and 2019 was as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2020	2019	2020
Short-term Borrowings			
Short-term Borrowings from banks and other financial institutions	¥256,732	¥302,209	\$2,359,023
Commercial Paper	669,100	609,800	6,148,121
Payables under securitized lease receivables	105,242	82,376	967,039
Total	¥1,031,075	¥994,386	\$9,474,183
Current Portion of Long-term Debt			
Bonds payable	¥-	¥20,777	\$-
Long-term Debt from banks and other financial institutions	185,358	177,182	1,703,196
Total	¥185,358	¥197,959	\$1,703,196

(2) “Long-term Debt” as of March 31, 2020 and 2019 was as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2020	2019	2020
Long-term Debt			
Bonds payable	¥135,332	¥85,000	\$1,243,523
Long-term Debt from banks and other financial institutions	622,890	524,173	5,723,517
Payables under securitized lease receivables	25,979	33,238	238,713
Total	¥784,202	¥642,411	\$7,205,753

6. Contingent Liabilities

Contingent Liabilities as of March 31, 2020 were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2020		2020
Guarantee Obligations with respect to operating activities	¥12,519		\$115,039
Other Guarantee Obligations	11,394		104,701
Total	¥23,914		\$219,740

7. Segment Information

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

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

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, “Summary of Significant Accounting Policies”.

(3) Information about sales, profit, assets, liabilities and other items for the years ended March 31, 2020 and 2019 was as follows:

(Millions of yen)						
2020						
Reportable segment						
	Leasing and Installment Sales	Finance	Other	Total	Reconciliations (*1) (*2) (*3)	Consolidated (*4)
Sales:						
Sales to external customers	¥511,721	¥18,772	¥8,747	¥539,241	¥ -	¥539,241
Intersegment sales and transfers	348	867	18	1,234	(1,234)	-
Total	512,069	19,640	8,766	540,476	(1,234)	539,241
Operating Expenses	493,481	6,807	8,181	508,470	4,495	512,966
Segment Profit	¥18,588	¥12,832	¥584	¥32,005	¥(5,730)	¥26,275
Segment Assets	¥1,558,974	¥712,935	¥2,288	¥2,274,197	¥74,218	¥2,348,416
Others						
Depreciation and Amortization	12,962	-	-	12,962	2,141	15,104
Capital Expenditure	181,931	-	-	181,931	3,032	184,964
(Millions of yen)						
2019						
Reportable segment						
	Leasing and Installment Sales	Finance	Other	Total	Reconciliations (*1) (*2) (*3)	Consolidated (*4)
Sales:						
Sales to external customers	¥366,095	¥16,724	¥2,073	¥384,893	¥ -	¥384,893
Intersegment sales and transfers	333	700	119	1,153	(1,153)	-
Total	366,429	17,424	2,193	386,047	(1,153)	384,893
Operating Expenses	348,382	7,837	1,532	357,753	4,227	361,980
Segment Profit	¥18,046	¥9,587	¥660	¥28,294	¥(5,380)	¥22,913
Segment Assets	¥1,320,729	¥842,165	¥11,940	¥2,174,835	¥(12,962)	¥2,161,872
Others						
Depreciation and Amortization	11,460	-	-	11,460	1,767	13,227
Capital Expenditure	120,504	-	-	120,504	3,368	123,872

(Thousands of U.S. dollars)

	2020					
	Reportable segment			Total	Reconciliations (*1) (*2) (*3)	Consolidated (*4)
	Leasing and Installment Sales	Finance	Other			
Sales:						
Sales to external customers	\$4,702,024	\$172,497	\$80,380	\$4,954,901	\$ -	\$4,954,901
Intersegment sales and transfers	3,204	7,970	172	11,346	(11,346)	-
Total	4,705,228	180,467	80,552	4,966,247	(11,346)	4,954,901
Operating Expenses	4,534,428	62,550	75,178	4,672,156	41,309	4,713,465
Segment Profit	\$170,800	\$117,917	\$5,374	\$294,091	\$(52,655)	\$241,436
Segment Assets	\$14,324,856	\$6,550,907	\$21,025	\$20,896,788	\$681,969	\$21,578,757
Others						
Depreciation and Amortization	119,112	-	-	119,112	19,679	138,791
Capital Expenditure	1,671,704	-	-	1,671,704	27,867	1,699,571

(*1) The details of Reconciliations to Segment Profit for the years ended March 31, 2020 and 2019 were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2020	2019	2020
Elimination of intersegment transactions	¥332	¥(426)	\$3,052
Administrative expenses not allocated to the reportable segments	(6,062)	(4,953)	(55,707)
Total	¥(5,730)	¥(5,380)	\$(52,655)

(*2) The details of Reconciliations to Segment Assets as of March 31, 2020 and 2019 were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2020	2019	2020
Elimination of intersegment transactions	¥(48,014)	¥(49,664)	\$(441,192)
Corporate assets not allocated to the reportable segments	122,233	36,702	1,123,161
Total	¥74,218	¥(12,962)	\$681,969

(*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)				
2020				
Japan	Europe	North America / Latin America	Asia	Total
<u>¥201,178</u>	<u>¥8,982</u>	<u>¥39,234</u>	<u>¥250</u>	<u>¥249,646</u>
(Millions of yen)				
2019				
Japan	Europe	North America / Latin America	Asia	Total
<u>¥216,669</u>	<u>¥9,515</u>	<u>¥18,933</u>	<u>¥413</u>	<u>¥245,531</u>
(Thousands of U.S. dollars)				
2020				
Japan	Europe	North America / Latin America	Asia	Total
<u>\$1,848,560</u>	<u>\$82,534</u>	<u>\$360,514</u>	<u>\$2,301</u>	<u>\$2,293,909</u>

(*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:

(Millions of yen)						
2020						
	Reportable segment			Total	Reconciliations	Consolidated
	Leasing and Installment Sales	Finance	Other			
Impairment loss	<u>¥ 322</u>	<u>¥ -</u>	<u>¥ -</u>	<u>¥ 322</u>	<u>¥-</u>	<u>¥322</u>
(Millions of yen)						
2019						
	Reportable segment			Total	Reconciliations	Consolidated
	Leasing and Installment Sales	Finance	Other			
Impairment loss	<u>¥ -</u>	<u>¥ -</u>	<u>¥ -</u>	<u>¥ -</u>	<u>¥8</u>	<u>¥8</u>
(Thousands of U.S. dollars)						
2020						
	Reportable segment			Total	Reconciliations	Consolidated
	Leasing and Installment Sales	Finance	Other			
Impairment loss	<u>\$ 2,959</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,959</u>	<u>\$-</u>	<u>\$2,959</u>

- (6) Goodwill per reportable segment:
Not applicable

8. Per Share Information

Details of basic net income attributable to owners of the parent per share (“EPS”) for the years ended March 31, 2020 and 2019 were as follows:

	<u>(Millions of yen)</u>	<u>(Thousands of shares)</u>	<u>(Yen)</u>	<u>(U.S. dollars)</u>
	Net income attributable to owners of the parent	Weighted-average shares	EPS	
<u>For the year ended March 31, 2020:</u>				
Basic EPS				
Net income available to common shareholders	¥17,512	48,581	¥360.49	\$3.31
<u>For the year ended March 31, 2019:</u>				
Basic EPS				
Net income available to common shareholders	¥16,594	42,697	¥388.64	\$3.57

9. Subsequent Event

Acquisition of the shares

On March 9, 2020, the Company, Ricoh Company, Ltd. (“RicoH”), and Ricoh Leasing Company, Ltd. (“RicoH Leasing”) reached an agreement to enter into a business alliance among the three companies, subject to the condition of the acquisition of Ricoh Leasing’s 6,160,000 shares of common stock (20.00% of the voting rights ratio (Rounded at the third decimal point. In the calculation of the voting rights ratio, hereinafter the same applies.)) by the Company from Ricoh. The Company completed the acquisition of 6,160,000 shares of common stock of Ricoh Leasing on April 23, 2020.

(1) Purpose of the business alliance agreement

The Company, Ricoh and Ricoh Leasing have agreed to proceed discussions to decide the specific details of the business alliance between the parties in order to achieve their own business growth and increase corporate value for the purpose of effectively utilizing their own business foundations to strengthen their existing businesses, and using their know-how and infrastructure to create new business opportunities.

(2) Corporate name, business and capital of the company whose shares were acquired

(a) Corporate name

Ricoh Leasing Company, Ltd.

(b) Description of the business

Lease, Installment Sales Business and Financial Services Business

(c) Capital

¥7,896 million (\$72,561 thousand)

(3) Date of the acquisition of the shares

April 23, 2020

(4) Number of shares acquired, acquisition price and voting rights ratio held after the transaction

(a) Number of shares acquired

6,160,000 shares

(b) Acquisition price

¥36,799 million (\$338,141 thousand)

(c) Voting rights ratio held after the transaction

20.00%