

## Consolidated Balance Sheet

Mizuho Leasing Company, Limited and Consolidated Subsidiaries  
As of March 31, 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and Cash Equivalents	¥ 20,406	¥ 22,299	\$ 184,309
Lease Receivables and Investments in Lease (Notes 3 and 4)	1,174,068	1,082,088	10,603,940
Receivables (Notes 3 and 4):			
Notes and Accounts	767	886	6,930
Lease	3,913	6,560	35,348
Installment Sales	127,051	141,812	1,147,499
Loans	329,059	271,323	2,972,000
Factoring	171,614	129,676	1,549,991
Total Receivables	632,407	550,260	5,711,768
Operational Investment Securities (Notes 3 and 4)	220,959	221,866	1,995,663
Prepaid Expenses and Other	39,461	72,510	356,406
Allowance for Doubtful Receivables	(2,238)	(1,752)	(20,218)
Total Current Assets	2,085,064	1,947,272	18,831,868
<b>Property and Equipment:</b>			
Leased Assets (Notes 3 and 4)	302,127	245,533	2,728,750
Advances for Purchases of Leased Assets	13	656	119
Own-used Assets (Note 4)	3,616	3,455	32,665
Total Property and Equipment	305,757	249,646	2,761,534
<b>Investments and Other Assets:</b>			
Investment Securities (Note 4)	24,246	20,776	218,990
Investments in Unconsolidated Subsidiaries and Associated Companies	147,744	98,355	1,334,399
Long-term Receivables	11,477	5,448	103,661
Goodwill	29	63	263
Intangible Leased Assets (Note 3)	135	101	1,225
Deferred Tax Assets	4,076	2,609	36,822
Asset for Employees' Retirement Benefits	703	-	6,356
Other	24,481	24,629	221,112
Allowance for Doubtful Receivables	(526)	(487)	(4,753)
Total Investments and Other Assets	212,369	151,497	1,918,075
<b>Total Assets</b>	<b>¥ 2,603,190</b>	<b>¥ 2,348,416</b>	<b>\$ 23,511,477</b>

See accompanying Notes to Consolidated Financial Statements.

## Consolidated Balance Sheet

Mizuho Leasing Company, Limited and Consolidated Subsidiaries  
As of March 31, 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
<b>LIABILITIES and EQUITY</b>			
<b>Current Liabilities:</b>			
Short-term Borrowings (Notes 4 and 5)	¥ 1,133,341	¥ 1,031,075	\$ 10,236,108
Current Portion of Long-term Debt (Notes 4 and 5)	268,426	185,358	2,424,369
Lease Payable	8,958	8,772	80,911
Accounts Payable - trade	35,157	49,318	317,539
Accrued Expenses	4,156	3,455	37,545
Income Taxes Payable	5,865	4,098	52,973
Deferred Profit on Installment Sales (Note 3)	2,618	2,097	23,646
Reserve for Management Board Benefit Trust - current	28	56	254
Accruals for Debt Guarantees	13	15	117
Other	34,285	29,875	309,657
Total Current Liabilities	1,492,850	1,314,123	13,483,119
<b>Long-term Liabilities:</b>			
Long-term Debt (Notes 4 and 5)	853,619	784,202	7,709,714
Deposits Received	33,730	31,296	304,643
Liability for Employees' Retirement Benefits	2,332	2,655	21,064
Reserve for Management Board Benefit Trust	489	211	4,423
Other	9,315	20,147	84,135
Total Long-term Liabilities	899,486	838,512	8,123,979
<b>Contingent Liabilities (Note 6)</b>			
<b>Equity:</b>			
Common Stock	26,088	26,088	235,622
Authorized, 140,000,000 Shares; Issued, 49,004,000 Shares as of March 31, 2021 and 2020			
Capital Surplus	23,941	23,941	216,235
Retained Earnings	149,148	131,579	1,347,078
Treasury Stock - at cost	(1,725)	(1,745)	(15,587)
632,727 shares as of March 31, 2021 and 640,003 shares as of March 31, 2020			
Accumulated Other Comprehensive Income:			
Unrealized Gain on Available-for-sale Securities	6,509	7,430	58,791
Deferred Loss on Derivatives under Hedge Accounting	(1,227)	(1,060)	(11,087)
Foreign Currency Translation Adjustments	(2,771)	(1,005)	(25,031)
Defined Retirement Benefit Plans	652	(41)	5,891
Total	200,614	185,186	1,811,912
Non-controlling Interests	10,237	10,594	92,467
Total Equity	210,852	195,780	1,904,379
<b>Total Liabilities and Equity</b>	<b>¥ 2,603,190</b>	<b>¥ 2,348,416</b>	<b>\$ 23,511,477</b>

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, 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
<b>Net Income</b>	¥ 22,477	¥ 18,087	\$ 203,008
<b>Other Comprehensive Loss:</b>			
Unrealized (Loss) Gain on Available-for-sale Securities	(1,033)	686	(9,334)
Deferred Loss on Derivatives under Hedge Accounting	(166)	(559)	(1,503)
Foreign Currency Translation Adjustments	(2,775)	(599)	(25,065)
Defined Retirement Benefit Plans	691	(154)	6,242
Share of Other Comprehensive Income in Associated Companies	927	112	8,373
Total Other Comprehensive Loss	(2,356)	(513)	(21,287)
<b>Comprehensive Income</b>	¥ 20,120	¥ 17,574	\$ 181,721
<b>Total Comprehensive Income attributable to:</b>			
Owners of the Parent	¥ 19,611	¥ 17,051	\$ 177,131
Non-controlling Interests	508	522	4,590

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, 2021

	Thousands	Millions of yen			
	Number of shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock
<b>Balance as of April 1, 2019</b>	<b>48,856</b>	<b>¥ 26,088</b>	<b>¥ 23,941</b>	<b>¥ 118,219</b>	<b>¥ (400)</b>
Cumulative effects of changes in accounting policies				—	
<b>Restated balance as of April 1, 2019</b>	<b>48,856</b>	<b>¥ 26,088</b>	<b>¥ 23,941</b>	<b>¥ 118,219</b>	<b>¥ (400)</b>
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
Change in Scope of Consolidation				(232)	
Net change during year					
<b>Balance as of March 31, 2020</b>	<b>48,363</b>	<b>¥ 26,088</b>	<b>¥ 23,941</b>	<b>¥ 131,579</b>	<b>¥ (1,745)</b>
Cumulative effects of changes in accounting policies				(194)	
<b>Restated balance as of March 31, 2020</b>	<b>48,363</b>	<b>¥ 26,088</b>	<b>¥ 23,941</b>	<b>¥ 131,384</b>	<b>¥ (1,745)</b>
Net Income attributable to Owners of the Parent				21,772	
Cash Dividends Paid				(4,018)	
Purchase of Treasury Stock	(0)				(0)
Disposal of Treasury Stock	8				19
Change in Scope of Consolidation				9	
Net change during year					
<b>Balance as of March 31, 2021</b>	<b>48,371</b>	<b>¥ 26,088</b>	<b>¥ 23,941</b>	<b>¥ 149,148</b>	<b>¥ (1,725)</b>

	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			
<b>Balance as of April 1, 2019</b>	<b>¥ 6,755</b>	<b>¥ (502)</b>	<b>¥ (577)</b>	<b>¥ 109</b>	<b>¥ 173,633</b>	<b>¥ 8,526</b>	<b>¥ 182,159</b>
Cumulative effects of changes in accounting policies					—		—
<b>Restated balance as of April 1, 2019</b>	<b>¥ 6,755</b>	<b>¥ (502)</b>	<b>¥ (577)</b>	<b>¥ 109</b>	<b>¥ 173,633</b>	<b>¥ 8,526</b>	<b>¥ 182,159</b>
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
Change in Scope of Consolidation					(232)		(232)
Net change during year	675	(557)	(428)	(151)	(461)	2,067	1,605
<b>Balance as of March 31, 2020</b>	<b>¥ 7,430</b>	<b>¥ (1,060)</b>	<b>¥ (1,005)</b>	<b>¥ (41)</b>	<b>¥ 185,186</b>	<b>¥ 10,594</b>	<b>¥ 195,780</b>
Cumulative effects of changes in accounting policies					(194)		(194)
<b>Restated balance as of March 31, 2020</b>	<b>¥ 7,430</b>	<b>¥ (1,060)</b>	<b>¥ (1,005)</b>	<b>¥ (41)</b>	<b>¥ 184,991</b>	<b>¥ 10,594</b>	<b>¥ 195,585</b>
Net Income attributable to Owners of the Parent					21,772		21,772
Cash Dividends Paid					(4,018)		(4,018)
Purchase of Treasury Stock					(0)		(0)
Disposal of Treasury Stock					19		19
Change in Scope of Consolidation					9		9
Net change during year	(921)	(167)	(1,766)	694	(2,160)	(356)	(2,516)
<b>Balance as of March 31, 2021</b>	<b>¥ 6,509</b>	<b>¥ (1,227)</b>	<b>¥ (2,771)</b>	<b>¥ 652</b>	<b>¥ 200,614</b>	<b>¥ 10,237</b>	<b>¥ 210,852</b>

	Thousands of U.S. dollars (Note 1)			
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock
<b>Balance as of March 31, 2020</b>	<b>\$ 235,622</b>	<b>\$ 216,235</b>	<b>\$ 1,188,397</b>	<b>\$ (15,766)</b>
Cumulative effects of changes in accounting policies			(1,761)	
<b>Restated balance as of March 31, 2020</b>	<b>\$ 235,622</b>	<b>\$ 216,235</b>	<b>\$ 1,186,636</b>	<b>\$ (15,766)</b>
Net Income attributable to Owners of the Parent			196,647	
Cash Dividends Paid			(36,292)	
Purchase of Treasury Stock				(1)
Disposal of Treasury Stock				180
Change in Scope of Consolidation			87	
Net change during year				
<b>Balance as of March 31, 2021</b>	<b>\$ 235,622</b>	<b>\$ 216,235</b>	<b>\$ 1,347,078</b>	<b>\$ (15,587)</b>

	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			
<b>Balance as of March 31, 2020</b>	<b>\$ 67,114</b>	<b>\$ (9,577)</b>	<b>\$ (9,080)</b>	<b>\$ (378)</b>	<b>\$ 1,672,567</b>	<b>\$ 95,684</b>	<b>\$ 1,768,251</b>
Cumulative effects of changes in accounting policies					(1,761)		(1,761)
<b>Restated balance as of March 31, 2020</b>	<b>\$ 67,114</b>	<b>\$ (9,577)</b>	<b>\$ (9,080)</b>	<b>\$ (378)</b>	<b>\$ 1,670,806</b>	<b>\$ 95,684</b>	<b>\$ 1,766,490</b>
Net Income attributable to Owners of the Parent					196,647		196,647
Cash Dividends Paid					(36,292)		(36,292)
Purchase of Treasury Stock					(1)		(1)
Disposal of Treasury Stock					180		180
Change in Scope of Consolidation					87		87
Net change during year	(8,323)	(1,510)	(15,951)	6,269	(19,515)	(3,217)	(22,732)
<b>Balance as of March 31, 2021</b>	<b>\$ 58,791</b>	<b>\$ (11,087)</b>	<b>\$ (25,031)</b>	<b>\$ 5,891</b>	<b>\$ 1,811,912</b>	<b>\$ 92,467</b>	<b>\$ 1,904,379</b>

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, 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
<b>Cash Flows from Operating Activities:</b>			
Income before Income Taxes	¥ 31,563	¥ 26,538	\$ 285,077
Adjustments for:			
Income Taxes Paid	(7,978)	(9,059)	(72,062)
Depreciation and Disposal of Fixed Assets	15,797	15,108	142,676
Equity in Earnings of Associated Companies	(2,961)	(816)	(26,752)
Loss (Profit) from Investments	455	(17)	4,115
Loss on Impairment of Long-lived Assets	-	322	-
Increase in Allowance for Doubtful Receivables	559	468	5,049
Decrease in Accruals for Debt Guarantees	(2)	(16)	(18)
Gain on Sales of Marketable and Investment Securities	(3,818)	(481)	(34,484)
Loss on Devaluation of Investment Securities	35	336	323
Gain on liquidation of subsidiaries and associated companies	(230)	-	(2,086)
Change in assets and liabilities:			
Increase in Lease Receivables and Investments in Lease	(90,501)	(151,648)	(817,392)
(Increase) Decrease in Receivables	(83,243)	70,804	(751,840)
Decrease in Operational Investment Securities	1,395	15,524	12,607
Decrease in Accounts Payable — trade	(14,160)	(6,693)	(127,892)
Purchases of Leased Assets	(154,144)	(181,931)	(1,392,202)
Proceeds from Sales of Leased Assets	81,927	158,161	739,948
Decrease in Interest Payable	(95)	(58)	(865)
Other — net	28,582	(5,670)	258,153
Total Adjustments	(228,384)	(95,668)	(2,062,722)
Net Cash Used in Operating Activities	(196,820)	(69,130)	(1,777,645)
<b>Cash Flows from Investing Activities:</b>			
Purchases of Own-used Assets	(3,195)	(3,032)	(28,864)
Purchases of Marketable and Investment Securities	(57,044)	(84,559)	(515,211)
Proceeds from Sales and Redemption of Marketable and Investment Securities	6,643	1,527	60,001
Other — net	436	(12,272)	3,941
Net Cash Used in Investing Activities	(53,160)	(98,336)	(480,133)
<b>Cash Flows from Financing Activities:</b>			
Net Increase in Short-term Borrowings	110,125	29,999	994,632
Proceeds from Long-term Debt	347,818	356,368	3,141,422
Repayments of Long-term Debt	(205,629)	(217,958)	(1,857,201)
Cash Dividends Paid	(4,018)	(3,920)	(36,292)
Other — net	(85)	49	(772)
Net Cash Provided by Financing Activities	248,210	164,538	2,241,789
Foreign Currency Translation Adjustments on Cash and Cash Equivalents	(121)	65	(1,102)
Net Decrease in Cash and Cash Equivalents	(1,892)	(2,862)	(17,091)
Cash and Cash Equivalents at Beginning of the Year	22,299	25,438	201,400
Decrease in Cash and Cash Equivalents resulting from Exclusion from Scope of Consolidation	-	(276)	-
<b>Cash and Cash Equivalents at End of the Year</b>	<b>¥ 20,406</b>	<b>¥ 22,299</b>	<b>\$ 184,309</b>

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. In addition, certain reclassifications have been made in the 2020 consolidated financial statements to conform to the classifications used in 2021. 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 ¥110.72 to US\$1.00, the approximate rate of exchange at March 31, 2021. 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, 2021 and 2020 was 31. The consolidated financial statements for the year ended March 31, 2021 newly include the accounts of Mizuho Leasing (Singapore) Pte. Ltd. as it became material. BB Leasing LLC was excluded from the scope of consolidation as it was liquidated during the year.

The number of associated companies accounted for under the equity method as of March 31, 2021 and 2020 was 8 and 6, respectively. Investments in associated companies include Mizuho Marubeni Leasing Corporation, RICOH LEASING COMPANY, LTD., PLM Fleet, LLC, Krung Thai IBJ Leasing Co., Ltd., PNB-Mizuho Leasing and Finance Corporation, Aircastle Limited and Vietnam International Leasing Co., Ltd. RICOH LEASING COMPANY, LTD. and Vietnam International Leasing Co., Ltd. were newly included in the associated companies accounted for under the equity method as the Company purchased these shares.

Kaikias Leasing Co., Ltd. and 96 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 49 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 12 and 21 SPEs that were not consolidated under Guidance No. 15 as of March 31, 2021 and 2020. Total assets (simply compiled amount) of such SPEs as of March 31, 2021 and 2020 were ¥257,123 million (\$2,322,286 thousand) and ¥189,934 million, respectively. Total liabilities (simply compiled amount) of such SPEs as of March 31, 2021 and 2020 were ¥257,414 million (\$2,324,912 thousand) and ¥190,322 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 2021 and 2020 was ¥45,250 million (\$408,696 thousand) and ¥27,188 million, respectively. The amount of Installment Sales Receivable transferred from the Company to such SPEs in 2021 was ¥10,000 million (\$90,318 thousand) while no amount was transferred in 2020. No gain/loss on the transfer of such receivables incurred in both 2021 and 2020. The Company holds subordinated interests of such transferred receivables of ¥271 million (\$2,450 thousand) and ¥5,234 million in 2021 and 2020, respectively. The Company recognized profit dividends of ¥541 million (\$4,888 thousand) and ¥303 million, respectively, for the years ended March 31, 2021 and 2020, and servicing fees received of ¥1 million (\$12 thousand) with respect to the transactions with such SPEs for both of the years ended March 31, 2021 and 2020. 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 ¥5,482 million (\$49,519 thousand) and ¥7,199 million at March 31, 2021 and 2020, 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 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 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 is recognized as revenues and cost of sales, respectively.

(Additional Information)

The Company adopted ASBJ Statement No.24 (revised 2020) "Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections" from the end of the fiscal year ending March 31, 2021. The Company newly disclosed accounting policies and procedures for those which are not clarified in the related accounting standards.

**(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.

**Hedging relationship to which “Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR” is applied** – On September 29, 2020, 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) 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 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.

### 3. Operating Assets

(1) Operating Assets as of March 31, 2021 and 2020 consisted of the following:

	(Millions of yen)		(Thousands of U.S. dollars)
	2021	2020	2021
Leasing and Installment Sales:			
Finance Lease	¥ 1,174,068	¥1,082,088	\$ 10,603,940
Operating Lease	302,262	245,635	2,729,975
Installment Sales (*1)	124,433	139,715	1,123,853
Leasing and Installment Sales total	1,600,764	1,467,439	14,457,768
Finance	721,634	622,866	6,517,654
<b>Total Operating Assets</b>	<b>¥ 2,322,398</b>	<b>¥2,090,305</b>	<b>\$ 20,975,422</b>

(\*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, 2021 and 2020 were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2021	2020	2021
Leasing and Installment Sales:			
Finance Lease	¥ 416,594	¥447,660	\$ 3,762,596
Operating Lease	154,788	187,316	1,398,016
Installment Sales (*1)	41,318	57,373	373,181
Leasing and Installment Sales total	612,701	692,350	5,533,793
Finance	752,319	590,088	6,794,795
<b>Total</b>	<b>¥ 1,365,021</b>	<b>¥ 1,282,438</b>	<b>\$ 12,328,588</b>

## 4. Pledged Assets

Assets pledged as collateral as of March 31, 2021 were as follows:

	(Millions of yen)	(Thousands of U.S. dollars)
	2021	2021
Lease Receivables and Investments in Lease	¥14,316	\$129,302
Operational Investment Securities	29,640	267,708
Leased Assets	32,689	295,244
Own-used Assets	110	999
Investment Securities	10	93
<b>Total</b>	<b>¥76,767</b>	<b>\$693,346</b>

Liabilities secured by the above assets as of March 31, 2021 were as follows:

	(Millions of yen)	(Thousands of U.S. dollars)
	2021	2021
Short-term Borrowings	¥20,889	\$188,673
Current Portion of Long-term Debt	20,506	185,209
Long-term Debt	30,651	276,839
<b>Total</b>	<b>¥72,047</b>	<b>\$650,721</b>

## 5. Short-term Borrowings and Long-term Debt

(1) “Short-term Borrowings” as of March 31, 2021 and 2020 was as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2021	2020	2021
Short-term Borrowings			
Short-term Borrowings from banks and other financial institutions	¥317,783	¥256,732	\$2,870,157
Commercial Paper	714,100	669,100	6,449,603
Payables under securitized lease receivables	101,458	105,242	916,348
<b>Total</b>	<b>¥1,133,341</b>	<b>¥1,031,075</b>	<b>\$10,236,108</b>
Current Portion of Long-term Debt			
Bonds payable	¥40,000	¥-	\$361,272
Long-term Debt from banks and other financial institutions	228,426	185,358	2,063,097
<b>Total</b>	<b>¥268,426</b>	<b>¥185,358</b>	<b>\$2,424,369</b>

(2) “Long-term Debt” as of March 31, 2021 and 2020 was as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2021	2020	2021
Long-term Debt			
Bonds payable	<b>¥170,425</b>	¥135,332	<b>\$1,539,246</b>
Long-term Debt from banks and other financial institutions	<b>649,933</b>	622,890	<b>5,870,062</b>
Payables under securitized lease receivables	<b>33,261</b>	25,979	<b>300,406</b>
<b>Total</b>	<b>¥853,619</b>	¥784,202	<b>\$7,709,714</b>

## 6. Contingent Liabilities

Contingent Liabilities as of March 31, 2021 were as follows:

	(Millions of yen)	(Thousands of U.S. dollars)
	2021	2021
Guarantee Obligations with respect to operating activities	<b>¥13,883</b>	<b>\$125,391</b>
Other Guarantee Obligations	<b>11,103</b>	<b>100,287</b>
<b>Total</b>	<b>¥24,987</b>	<b>\$225,678</b>

## 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, 2021 and 2020 was as follows:

	(Millions of yen)					
	2021					
	Reportable segment			Total	Reconciliations (*1) (*2) (*3)	Consolidated (*4)
Leasing and Installment Sales	Finance	Other				
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)	-
<b>Total</b>	<b>482,853</b>	<b>15,370</b>	<b>947</b>	<b>499,171</b>	<b>(1,318)</b>	<b>497,852</b>
Operating Expenses	460,395	6,402	809	467,608	4,281	471,889
<b>Segment Profit</b>	<b>¥22,457</b>	<b>¥8,968</b>	<b>¥137</b>	<b>¥31,563</b>	<b>¥(5,600)</b>	<b>¥25,963</b>
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
	(Millions of yen)					
	2020					
	Reportable segment			Total	Reconciliations (*1) (*2) (*3)	Consolidated (*4)
	Leasing and Installment Sales	Finance	Other			
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)	-
<b>Total</b>	<b>512,069</b>	<b>19,640</b>	<b>8,766</b>	<b>540,476</b>	<b>(1,234)</b>	<b>539,241</b>
Operating Expenses	493,481	6,807	8,181	508,470	4,495	512,966
<b>Segment Profit</b>	<b>¥18,588</b>	<b>¥12,832</b>	<b>¥584</b>	<b>¥32,005</b>	<b>¥(5,730)</b>	<b>¥26,275</b>
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

(Thousands of U.S. dollars)

	2021					
	Reportable segment			Total	Reconciliations (*1) (*2) (*3)	Consolidated (*4)
	Leasing and Installment Sales	Finance	Other			
Sales:						
Sales to external customers	\$4,358,253	\$131,036	\$7,213	\$4,496,502	\$ -	\$4,496,502
Intersegment sales and transfers	2,775	7,790	1,348	11,913	(11,913)	-
<b>Total</b>	<b>4,361,028</b>	<b>138,826</b>	<b>8,561</b>	<b>4,508,415</b>	<b>(11,913)</b>	<b>4,496,502</b>
Operating Expenses	4,158,201	57,825	7,315	4,223,341	38,668	4,262,009
<b>Segment Profit</b>	<b>\$202,827</b>	<b>\$81,001</b>	<b>\$1,246</b>	<b>\$285,074</b>	<b>\$(50,581)</b>	<b>\$234,493</b>
Segment Assets	\$15,222,151	\$7,881,917	\$15,221	\$23,119,289	\$392,188	\$23,511,477
Others						
Depreciation and Amortization	121,974	-	-	121,974	20,693	142,667
Capital Expenditure	1,392,202	-	-	1,392,202	28,864	1,421,066

(\*1) The details of Reconciliations to Segment Profit for the years ended March 31, 2021 and 2020 were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2021	2020	2021
Elimination of intersegment transactions	¥603	¥332	\$5,455
Administrative expenses not allocated to the reportable segments	(6,204)	(6,062)	(56,036)
<b>Total</b>	<b>¥(5,600)</b>	<b>¥(5,730)</b>	<b>\$(50,581)</b>

(\*2) The details of Reconciliations to Segment Assets as of March 31, 2021 and 2020 were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2021	2020	2021
Elimination of intersegment transactions	¥(53,038)	¥(48,014)	\$( 479,036)
Corporate assets not allocated to the reportable segments	96,461	122,233	871,224
<b>Total</b>	<b>¥43,423</b>	<b>¥74,218</b>	<b>\$392,188</b>

(\*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)				
2021				
Japan	Europe	North America / Latin America	Asia	Total
<u>¥261,841</u>	<u>¥8,094</u>	<u>¥35,526</u>	<u>¥294</u>	<u>¥305,757</u>
(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>
(Thousands of U.S. dollars)				
2021				
Japan	Europe	North America / Latin America	Asia	Total
<u>\$2,364,899</u>	<u>\$73,106</u>	<u>\$320,868</u>	<u>\$2,661</u>	<u>\$2,761,534</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>

Reportable segment information for the year ended March 31, 2021 is not presented as the amount of impairment loss is zero.

## (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, 2021 and 2020 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, 2021:</u>				
Basic EPS				
Net income available to common shareholders	¥21,772	48,369	¥450.14	\$4.07
<u>For the year ended March 31, 2020:</u>				
Basic EPS				
Net income available to common shareholders	¥17,512	48,581	¥360.49	\$3.26