

Consolidated Balance Sheet

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

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

See accompanying Notes to Consolidated Financial Statements.

Consolidated Balance Sheet

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
LIABILITIES and EQUITY			
Current Liabilities:			
Short-term Borrowings (Notes 5 and 6)	¥ 1,180,237	¥ 1,133,341	\$ 9,641,676
Current Portion of Long-term Debt (Notes 5 and 6)	270,456	268,426	2,209,427
Lease Payable	10,382	8,958	84,818
Accounts Payable - trade	34,698	35,157	283,457
Accrued Expenses	4,037	4,156	32,986
Income Taxes Payable	4,459	5,865	36,428
Deferred Profit on Installment Sales (Note 4)	2,775	2,618	22,671
Reserve for Management Board Benefit Trust - current	151	28	1,241
Accruals for Debt Guarantees	19	13	156
Other	41,158	34,285	336,232
Total Current Liabilities	1,548,375	1,492,850	12,649,092
Long-term Liabilities:			
Long-term Debt (Notes 5 and 6)	924,550	853,619	7,552,898
Deposits Received	31,038	33,730	253,565
Liability for Employees' Retirement Benefits	2,349	2,332	19,197
Reserve for Management Board Benefit Trust	504	489	4,118
Other	11,188	9,315	91,406
Total Long-term Liabilities	969,632	899,486	7,921,184
Contingent Liabilities (Note 7)			
Equity:			
Common Stock	26,088	26,088	213,120
Authorized, 140,000,000 Shares;			
Issued, 49,004,000 Shares as of March 31, 2022 and 2021			
Capital Surplus	23,941	23,941	195,585
Retained Earnings	158,966	149,148	1,298,639
Treasury Stock - at cost	(1,709)	(1,725)	(13,967)
626,799 shares as of March 31, 2022 and			
632,727 shares as of March 31, 2021			
Accumulated Other Comprehensive Income:			
Unrealized Gain on Available-for-sale Securities	7,252	6,509	59,249
Deferred Loss on Derivatives under Hedge Accounting	(1,817)	(1,227)	(14,851)
Foreign Currency Translation Adjustments	5,977	(2,771)	48,834
Defined Retirement Benefit Plans	747	652	6,104
Total	219,445	200,614	1,792,713
Non-controlling Interests	11,357	10,237	92,780
Total Equity	230,803	210,852	1,885,493
Total Liabilities and Equity	¥ 2,748,810	¥ 2,603,190	\$ 22,455,769

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income
Mizuho Leasing Company, Limited and Consolidated Subsidiaries
For the year ended March 31, 2022

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

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

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

	Thousands	Millions of yen			
	Number of shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock
Balance as of April 1, 2020	48,363	¥ 26,088	¥ 23,941	¥ 131,579	¥ (1,745)
Cumulative effects of changes in accounting policies				(194)	
Restated balance as of April 1, 2020	48,363	¥ 26,088	¥ 23,941	¥ 131,384	¥ (1,745)
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	
Change in scope of equity method					
Net change during year					
Balance as of March 31, 2021	48,371	¥ 26,088	¥ 23,941	¥ 149,148	¥ (1,725)
Cumulative effects of changes in accounting policies					
Restated balance as of March 31, 2021	48,371	¥ 26,088	¥ 23,941	¥ 149,148	¥ (1,725)
Net Income attributable to Owners of the Parent				14,902	
Cash Dividends Paid				(5,243)	
Purchase of Treasury Stock	(0)				(0)
Disposal of Treasury Stock	6				16
Change in Scope of Consolidation				(0)	
Change in scope of equity method				158	
Net change during year					
Balance as of March 31, 2022	48,377	¥ 26,088	¥ 23,941	¥ 158,966	¥ (1,709)

	Millions of yen				Total	Non-controlling Interests	Total Equity
	Accumulated Other Comprehensive Income						
	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, 2020	¥ 7,430	¥ (1,060)	¥ (1,005)	¥ (41)	¥ 185,186	¥ 10,594	¥ 195,780
Cumulative effects of changes in accounting policies					(194)		(194)
Restated balance as of April 1, 2020	¥ 7,430	¥ (1,060)	¥ (1,005)	¥ (41)	¥ 184,991	¥ 10,594	¥ 195,585
Net Income attributable to Owners of the Parent					21,772		21,772
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
Change in scope of equity method							
Net change during year	(921)	(167)	(1,766)	694	(2,160)	(356)	(2,516)
Balance as of March 31, 2021	¥ 6,509	¥ (1,227)	¥ (2,771)	¥ 652	¥ 200,614	¥ 10,237	¥ 210,852
Cumulative effects of changes in accounting policies					—		—
Restated balance as of March 31, 2021	¥ 6,509	¥ (1,227)	¥ (2,771)	652	¥ 200,614	¥ 10,237	¥ 210,852
Net Income attributable to Owners of the Parent					14,902		14,902
Cash Dividends Paid					(5,243)		(5,243)
Purchase of Treasury Stock					(0)		(0)
Disposal of Treasury Stock					16		16
Change in Scope of Consolidation					(0)		(0)
Change in scope of equity method					158		158
Net change during year	743	(590)	8,749	94	8,996	1,119	10,116
Balance as of March 31, 2022	¥ 7,252	¥ (1,817)	¥ 5,977	¥ 747	¥ 219,445	¥ 11,357	¥ 230,803

	Thousands of U.S. dollars (Note 1)			
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock
Balance as of March 31, 2021	\$ 213,120	\$ 195,585	\$ 1,218,433	\$ (14,098)
Cumulative effects of changes in accounting policies				
Restated balance as of March 31, 2021	\$ 213,120	\$ 195,585	\$ 1,218,433	\$ (14,098)
Net Income attributable to Owners of the Parent			121,746	
Cash Dividends Paid			(42,834)	
Purchase of Treasury Stock				(2)
Disposal of Treasury Stock				133
Change in Scope of Consolidation			(2)	
Change in scope of equity method			1,296	
Net change during year				
Balance as of March 31, 2022	\$ 213,120	\$ 195,585	\$ 1,298,639	\$ (13,967)

	Thousands of U.S. dollars (Note 1)				Total	Non-controlling Interests	Total Equity
	Accumulated Other Comprehensive Income						
	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, 2021	\$ 53,176	\$ (10,028)	\$ (22,640)	\$ 5,329	\$ 1,638,877	\$ 83,636	\$ 1,722,513
Cumulative effects of changes in accounting policies					—		—
Restated balance as of March 31, 2021	\$ 53,176	\$ (10,028)	\$ (22,640)	\$ 5,329	\$ 1,638,877	\$ 83,636	\$ 1,722,513
Net Income attributable to Owners of the Parent					121,746		121,746
Cash Dividends Paid					(42,834)		(42,834)
Purchase of Treasury Stock					(2)		(2)
Disposal of Treasury Stock					133		133
Change in Scope of Consolidation					(2)		(2)
Change in scope of equity method					1,296		1,296
Net change during year	6,073	(4,823)	71,474	775	73,499	9,144	82,643
Balance as of March 31, 2022	\$ 59,249	\$ (14,851)	\$ 48,834	\$ 6,104	\$ 1,792,713	\$ 92,780	\$ 1,885,493

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows

Mizuho Leasing Company, Limited and Consolidated Subsidiaries

For the year ended March 31, 2022

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

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presenting Consolidated Financial Statements

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the company’s financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2021 consolidated financial statements to conform to the classifications used in 2022. 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 ¥122.41 to US\$1.00, the approximate rate of exchange at March 31, 2022. The translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate. The amounts indicated in millions of yen are rounded down by truncating the figures below one million. As a result, totals may not add up exactly.

2. Summary of Significant Accounting Policies

(a) Consolidation

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

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

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

Kaikias Leasing Co., Ltd. and 100 other subsidiaries are neither consolidated nor accounted for under the equity method, as they are acting as operators under Tokumei Kumiai agreements and the leased assets and liabilities do not substantially belong to the subsidiaries. Aries Line Shipping S.A. and 45 other subsidiaries are also not consolidated or accounted for under the equity method, as they are immaterial. IBJ ROYAL LINE S.A. and 1 associated company are not accounted for under the equity method, as they are immaterial.

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

The accounting standard for consolidated financial statements requires a company to consolidate all

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

Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition. The differences between the costs and underlying net equity of investments in consolidated subsidiaries and associated companies at acquisition are recorded as Goodwill and are amortized on a straight-line basis over the estimated benefit period.

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

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

As a result of securitizations, the Company had 14 and 12 SPEs that were not consolidated under Guidance No. 15 as of March 31, 2022 and 2021. Total assets (simply compiled amount) of such SPEs as of March 31, 2022 and 2021 were ¥238,693 million (\$1,949,951 thousand) and ¥257,123 million, respectively. Total liabilities (simply compiled amount) of such SPEs as of March 31, 2022 and 2021 were ¥238,764 million (\$1,950,533 thousand) and ¥257,414 million, respectively. The Company owns no voting rights in most of the SPEs while some employees of the Company serve as directors.

The total amount of Lease Receivables and Investments in Lease transferred from the Company to such SPEs in 2022 and 2021 was ¥23,335 million (\$190,630 thousand) and ¥45,250 million, respectively. The amount of Installment Sales Receivable transferred from the Company to such SPEs in 2021 was ¥10,000 million while no amount was transferred in 2022. The amount of Factoring Receivable transferred from the Company to such SPEs in 2022 was ¥2,970 million (\$24,263 thousand) while no amount was transferred in 2021. No gain/loss on the transfer of such receivables incurred in both 2022 and 2021. The Company holds subordinated interests of such transferred receivables of ¥1,395 million (\$11,396 thousand) and ¥271 million in 2022 and 2021, respectively. The Company recognized profit dividends of ¥574 million (\$4,695 thousand) and ¥541 million, respectively, for the years ended March 31, 2022 and 2021, and servicing fees received of ¥1 million (\$11 thousand) with respect to the transactions with such SPEs for both of the years ended March 31, 2022 and 2021. These amounts do not include transactions with SPEs that do not meet the criteria for off-balance-sheet transactions, because the Company treats these asset transfer transactions to the SPEs as financial transactions.

(b) Business Combinations

Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. The acquirer recognizes 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) Operational Investment Securities and Investment Securities

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

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

(g) Loans Receivables and Factoring Receivables

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

(h) Property and Equipment

1. Leased Assets

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

2. Own-used Assets

Own-used Assets of the Company and its domestic consolidated subsidiaries are stated at cost and depreciated over the following estimated useful lives mainly by the declining-balance method:

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

(i) Long-lived Assets

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

(j) Intangible Assets

1. Leased Assets

Intangible Leased Assets are accounted for in the same way as Leased Property and Equipment.

2. Own-used Software

Own-used Software is amortized over the internally estimated useful lives (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 ¥6,194 million (\$50,601 thousand) and ¥5,482 million at March 31, 2022 and 2021, respectively.

(m) Reserve for Bonus Payments

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

(n) Reserve for Bonus Payments to Directors

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

(o) Retirement and Pension Plans

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

The Company and certain consolidated subsidiaries account for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects and are recognized in profit or loss over 10 to 17 years and 5 years, respectively,

no longer than the expected average remaining service period of the employees. The discount rate is determined using a single weighted-average discount rate reflecting the estimated timing and amount of benefit payment.

(p) Reserve for Management Board Benefit Trust

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

(q) Asset Retirement Obligations

An asset retirement obligation is recorded for a legal obligation imposed either by law or contract that results from the acquisition, construction, development and 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.

(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 and Long-term Debt are utilized to reduce risks from fluctuations of foreign currency exchange rates associated with certain assets including Other Receivable, Operational Investment Securities and Investment Securities. Interest rate and currency swaps are utilized to manage interest rate risks as well as foreign currency risks. The Group does not enter into derivatives for trading or speculative purposes.

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

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

Hedging relationship to which “Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR” is applied – On March 17, 2022, the ASBJ issued the PITF No.40 for Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR. The Group applied specific accounting to all hedging relationships which are included in the scope of application of this practical solution. The hedging relationship to which this practical solution is applied are following;

- a) Hedge accounting applied – Deferral method is applied. For interest rate swaps which meet specific matching criteria, specific accounting is applied.
- b) Hedging instruments – Interest rate swaps, interest rate and currency swaps, Short-term Borrowings and Long-term Debt
- c) Hedged items - Short-term Borrowings, Long-term Debt, Loans Receivables, Factoring Receivable and Investment Securities
- d) Categories of hedges – Hedge of the exposure to variability in quoted price and hedge of the exposure to variability in cash flows

(w) Per Share Information

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

(x) Accounting Policy Disclosures, Accounting Changes and Error Corrections

Under ASBJ Statement No. 24, “Accounting Standard for the revised ASBJ Statement No.24 (revised 2020) Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections,” accounting treatments are required as follows: (1) Disclosure of Accounting Policies – Significant accounting policies are disclosed in the case where the related accounting standards are not clarified. (2) Changes in Accounting Policies - When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions in which case the entity shall comply with the specific transitional provisions. (3) Changes in Presentation - When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation. (4) Changes in Accounting Estimates - A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is

accounted for prospectively if the change affects both the period of the change and future periods. (5)
Corrections of Prior-Period Errors - When an error in prior-period financial statements is discovered, those statements are restated.

3. Changes in accounting policies

Application of the Accounting Standard for Revenue Recognition, etc.

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

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

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

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

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

4. Operating Assets

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

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

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

(2) The total amounts of new contracts for the years ended March 31, 2022 and 2021 were as follows:

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

5. Pledged Assets

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

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

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

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

6. Short-term Borrowings and Long-term Debt

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

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

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

	(Millions of yen)		(Thousands of U.S. dollars)
	2022	2021	2022
Long-term Debt			
Bonds payable	¥220,998	¥170,425	\$1,805,392
Long-term Debt from banks and other financial institutions	681,948	649,933	5,571,018
Payables under securitized lease receivables	21,603	33,261	176,488
Total	¥924,550	¥853,619	\$7,552,898

7. Contingent Liabilities

Contingent Liabilities as of March 31, 2022 were as follows:

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

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

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

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, 2022 and 2021 was as follows:

	(Millions of yen)					
	2022					
	Reportable segment			Total	Reconciliations (*1) (*2) (*3)	Consolidated (*4)
Leasing and Installment Sales	Finance	Other				
Sales:						
Sales to external customers	¥537,639	¥16,326	¥843	¥554,809	¥ -	¥554,809
Intersegment sales and transfers	203	1,049	157	1,410	(1,410)	-
Total	537,843	17,375	1,000	556,219	(1,410)	554,809
Operating Expenses	514,116	17,109	731	531,957	4,958	536,915
Segment Profit	¥23,726	¥265	¥269	¥24,262	¥(6,368)	¥17,893
Segment Assets	¥1,685,892	¥1,009,865	¥2,671	¥2,698,429	¥50,381	¥2,748,810
Others						
Depreciation and Amortization	14,574	-	-	14,574	2,627	17,202
Capital Expenditure	159,691	-	-	159,691	2,331	162,023
	(Millions of yen)					
	2021					
	Reportable segment			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)	-
Total	482,853	15,370	947	499,171	(1,318)	497,852
Operating Expenses	460,395	6,402	809	467,608	4,281	471,889
Segment Profit	¥22,457	¥8,968	¥137	¥31,563	¥(5,600)	¥25,963
Segment Assets	¥1,685,396	¥872,685	¥1,685	¥2,559,767	¥43,423	¥2,603,190
Others						
Depreciation and Amortization	13,504	-	-	13,504	2,291	15,796
Capital Expenditure	154,144	-	-	154,144	3,195	157,340

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

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

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

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

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

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

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

(4) Information about Geographical Areas
Property and Equipment

(Millions of yen)				
2022				
Japan	Europe	North America / Latin America	Asia	Total
<u>¥264,865</u>	<u>¥8,557</u>	<u>¥34,696</u>	<u>¥347</u>	<u>¥308,467</u>
(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>
(Thousands of U.S. dollars)				
2022				
Japan	Europe	North America / Latin America	Asia	Total
<u>\$2,163,757</u>	<u>\$69,906</u>	<u>\$283,448</u>	<u>\$2,840</u>	<u>\$2,519,951</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:
Not applicable

(6) Goodwill per reportable segment:
Not applicable

9. Per Share Information

Details of basic net income attributable to owners of the parent per share (“EPS”) for the years ended March 31, 2022 and 2021 were as follows:

	<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, 2022:</u>				
Basic EPS				
Net income available to common shareholders	¥14,902	48,375	¥308.07	\$2.52
<u>For the year ended March 31, 2021:</u>				
Basic EPS				
Net income available to common shareholders	¥21,772	48,369	¥450.14	\$3.68