

**SUMITOMO MITSUI FINANCE AND LEASING COMPANY, LIMITED
INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
NINE MONTHS ENDED DECEMBER 31, 2020 and 2019**

SUMITOMO MITSUI FINANCE AND LEASING COMPANY, LIMITED
INTERIM CONSOLIDATED BALANCE SHEETS
December 31, 2020 and March 31, 2020

	Millions of yen		Thousands of U.S. dollars
	December 31, 2020	March 31, 2020	December 31, 2020
<u>Assets</u>			
Current assets:			
Cash and bank deposits	¥ 236,142	¥ 252,775	\$ 2,281,566
Installment sales receivable	509,512	558,161	4,922,830
Lease receivables and investment assets	2,140,459	2,161,247	20,680,766
Loans receivable	459,158	361,029	4,436,309
Short-term investment securities	3,665	—	35,420
Merchandise	7,862	8,854	75,968
Other	176,111	185,460	1,701,562
Allowance for doubtful accounts	(14,009)	(8,811)	(135,358)
Total current assets	<u>3,518,902</u>	<u>3,518,718</u>	<u>33,999,062</u>
Property and equipment:			
Leased assets	2,386,536	2,151,414	23,058,327
Allowance for loss on disposal of leased assets	(255)	(214)	(2,469)
Advances on purchases of leased assets	308,336	384,793	2,979,096
Other operating assets	31,007	—	299,593
Property and equipment for internal use	5,964	5,876	57,624
Total property and equipment	<u>2,731,589</u>	<u>2,541,869</u>	<u>26,392,171</u>
Intangible assets:			
Goodwill	61,265	68,144	591,941
Other	31,490	33,231	304,252
Total intangible assets	<u>92,755</u>	<u>101,376</u>	<u>896,193</u>
Investments and other assets:			
Investment securities	174,630	170,815	1,687,252
Long-term loans receivable	2	2	23
Delinquent receivables	28,661	17,611	276,921
Deferred tax assets	19,670	22,628	190,050
Other	14,950	13,404	144,449
Allowance for doubtful accounts	(15,912)	(7,724)	(153,746)
Total investments and other assets	<u>222,002</u>	<u>216,736</u>	<u>2,144,949</u>
Total assets	¥ <u><u>6,565,250</u></u>	¥ <u><u>6,378,701</u></u>	\$ <u><u>63,432,374</u></u>

(continued)

	Millions of yen		Thousands of U.S. dollars
	December 31, 2020	March 31, 2020	December 31, 2020
Liabilities and Net Assets			
Current liabilities:			
Trade notes payable and accounts payable	¥ 81,630	¥ 86,578	\$ 788,699
Short-term loans	1,044,532	1,037,413	10,092,102
Long-term loans due within one year	394,234	351,793	3,809,026
Bonds due within one year	120,365	67,400	1,162,951
Commercial paper	953,400	1,021,900	9,211,594
Payables under securitization of lease receivables	12,984	17,179	125,451
Long-term payables under securitization of lease receivables due within one year	17,657	21,047	170,600
Lease obligations	16,765	18,633	161,986
Income taxes payable	6,243	4,451	60,326
Deferred profit on installment sales	19,016	25,417	183,732
Reserve for employee bonuses	159	2,095	1,543
Reserve for directors' bonuses	—	394	—
Asset retirement obligations	126	209	1,225
Other	115,794	115,851	1,118,785
Total current liabilities	<u>2,782,909</u>	<u>2,770,366</u>	<u>26,888,019</u>
Non-current liabilities:			
Bonds	689,721	695,552	6,663,978
Long-term loans	1,965,694	1,791,445	18,992,213
Long-term payables under securitization of lease receivables	30,286	22,402	292,625
Lease obligations	29,326	34,432	283,350
Deferred tax liabilities	38,747	39,207	374,370
Reserve for directors' retirement benefits	280	411	2,708
Net defined benefit liability	8,701	9,818	84,072
Guarantee deposits received	118,524	113,275	1,145,161
Asset retirement obligations	1,958	1,184	18,924
Other	154,249	165,063	1,490,337
Total non-current liabilities	<u>3,037,490</u>	<u>2,872,792</u>	<u>29,347,737</u>
Total liabilities	<u>5,820,400</u>	<u>5,643,158</u>	<u>56,235,756</u>
Net assets:			
Shareholders' equity:			
Capital stock	15,000	15,000	144,928
Capital surplus	419,255	419,255	4,050,778
Retained earnings	369,895	362,264	3,573,872
Treasury stock	(168,639)	(168,639)	(1,629,370)
Total shareholders' equity	<u>635,511</u>	<u>627,880</u>	<u>6,140,208</u>
Accumulated other comprehensive income:			
Net unrealized holding gains or losses on securities	24,305	16,671	234,840
Deferred gains or losses on hedges	(37,428)	(42,617)	(361,624)
Foreign currency translation adjustments	4,204	15,905	40,624
Remeasurements of defined benefit plans	(3,229)	(3,600)	(31,207)
Total accumulated other comprehensive income	<u>(12,147)</u>	<u>(13,641)</u>	<u>(117,367)</u>
Non-controlling interests	121,486	121,303	1,173,778
Total net assets	<u>744,850</u>	<u>735,542</u>	<u>7,196,619</u>
Total liabilities and net assets	¥ <u>6,565,250</u>	¥ <u>6,378,701</u>	\$ <u>63,432,374</u>

See accompanying notes.

SUMITOMO MITSUI FINANCE AND LEASING COMPANY, LIMITED
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Nine months ended December 31, 2020 and 2019

	Millions of yen		Thousands of
			U.S. dollars
	Nine months ended December 31,		
	2020	2019	2020
Profit	¥ 24,999	¥ 62,090	\$ 241,544
Other comprehensive income:			
Net unrealized holding gains or losses on securities	7,597	1,617	73,409
Deferred gains or losses on hedges	7,945	(11,389)	76,765
Foreign currency translation adjustments	(18,042)	(6,859)	(174,321)
Remeasurements of defined benefit plans	338	206	3,273
Share of other comprehensive income of affiliate: accounted for using equity method	28	116	280
Total other comprehensive income	(2,131)	(16,308)	(20,595)
Comprehensive income	¥ 22,868	¥ 45,781	\$ 220,949
Comprehensive income attributable to:			
Owners of parent	¥ 25,166	¥ 41,655	\$ 243,157
Non-controlling interests	(2,298)	4,126	(22,208)

See accompanying notes.

1. BASIS OF PRESENTATION

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

The accompanying interim consolidated financial statements have been restructured and translated into English from the interim consolidated financial statements of the Company prepared in accordance with Japanese GAAP.

Some supplementary information included in the statutory Japanese language interim consolidated financial statements, but not necessarily required for fair presentation, is not presented in the accompanying interim consolidated financial statements.

Amounts less than one million yen have been omitted. As a result, the totals in Japanese yen shown in the financial statements do not necessarily agree with the sum of the individual amounts.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at December 31, 2020, which was ¥103.50 to US\$1. These translations should not be construed as representation that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at that rate.

2. CHANGE IN SCOPE OF CONSOLIDATION OR SCOPE OF APPLICATION OF THE EQUITY METHOD

(1) Significant change in scope of consolidation

SMFL LCI Helicopters Limited and its 15 subsidiaries were newly included in the scope of consolidation due to the acquisition of shares of SMFL LCI Helicopters Limited in the nine months ended December 31, 2020.

SMFL MIRAI Partners Investment 2 Co., Ltd. was newly included in the scope of consolidation due to the establishment in the nine months ended December 31, 2020.

(2) Significant change in scope of application of the equity method

SMBC REIT Management Co., Ltd. was newly included in the scope of equity method due to the acquisition of shares in the nine months ended December 31, 2020.

3. APPLICATION OF ACCOUNTING TREATMENTS SPECIFIC TO PREPARATION OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Calculation of tax expenses

The Company and certain domestic consolidated subsidiaries calculated tax expenses by multiplying profit before income taxes by an effective tax rate that was reasonably estimated by applying tax effect accounting to estimated profit before income taxes for the fiscal year including the nine months ended December 31, 2020.

Amounts of income taxes include deferred income taxes.

4. ADDITIONAL INFORMATION

Application of tax effect accounting for the transition from the consolidated taxation system to the group taxation system

Having regard to paragraph 3 of “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (Practical Issues Task Force (“PITF”) No. 39, March 31, 2020), the Company and its domestic consolidated subsidiaries did not follow paragraph 44 of “Implementation Guidance on Tax Effect Accounting” (Accounting Standards Board of Japan (“ASBJ”) Guidance No. 28, February 16, 2018) but applied provisions of pre-amended tax laws when calculating the amounts of deferred tax assets and liabilities that relate to transitioning to the group taxation system and related amendments of tax laws for transitioning to the single tax payment system.

5. CONTINGENT LIABILITIES

	Millions of Yen		Thousands of
	December 31, 2020	March 31, 2020	U.S. Dollars December 31, 2020
7,892 (8,614 at March 31, 2020) guarantees of obligations for business (including commitment to guarantee)	¥ 49,164	¥ 40,239	\$ 475,014
Loan guarantees to employees (housing loan, etc.).....	7	10	68

Note: ¥100 million (US\$966 thousand) and ¥100 million at December 31, 2020 and March 31, 2020, respectively, of the above guarantees of obligations for business are guaranteed by other third parties.

SUMITOMO MITSUI FINANCE AND LEASING COMPANY, LIMITED
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
Nine months ended December 31, 2020 and 2019

6. STATEMENTS OF CASH FLOWS

The interim consolidated statements of cash flows for the nine months ended December 31, 2020 and 2019 are not prepared. Depreciation (including amortization of intangible assets other than goodwill) and amortization of goodwill were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	Nine months ended December 31,			
	2020	2019	2020	
Depreciation	¥ 82,034	¥ 71,434	\$ 792,599	
Amortization of goodwill	6,806	6,855	65,758	

7. NET ASSETS

Dividends paid in the nine months ended December 31, 2020 and 2019

Type of shares	Aggregate amount of dividends		Cash dividends per stock		Record date	Effective date
	2020					
	Millions of Yen	Thousands of U.S. Dollars	Yen	U.S. Dollars		
Common stock	¥ 15,554	\$ 150,280	¥ 202	\$ 1.95	March 31, 2020	June 24, 2020

Notes:

1. Date of resolution: Ordinary general meeting of shareholders held on June 23, 2020
2. The dividends were paid out from retained earnings.

Type of shares	Aggregate amount of dividends		Cash dividends per stock		Record date	Effective date
	2019					
	Millions of Yen		Yen			
Common stock	¥ 20,175		¥ 262		March 31, 2019	June 26, 2019

Notes:

1. Date of resolution: Ordinary general meeting of shareholders held on June 25, 2019
2. The dividends were paid out from retained earnings.

8. SEGMENT INFORMATION

(1) Change in reportable segment

The Group's reportable segments are business units of the Group whose discrete financial information is available and Board of Directors regularly reviews to make decisions regarding allocation of management resources and evaluate performance.

The Company has decided to change its reportable segments as a result of a review of its business management method in light of the current organizational structure, changes of its business portfolio and other factors under its medium-term management plan (fiscal year 2020 to 2022).

Accordingly, from the three months ended June 30, 2020, the previous reportable segments of "Leases, rentals and installment sales" and "Loans" have been changed to "Domestic Leasing Business," "Real Estate Business," "Transportation Business," and "Overseas Business." In addition, segment profit has been changed from operating income to ordinary income.

The details of the new reportable segments are as follows:

Domestic Leasing Business.....	Leasing and installment sales, loans, rental, and secondhand trading, etc. of various goods, including equipment and machinery; and Power generation business, etc. for domestic large companies and small and medium-sized companies
Real Estate Business.....	Leasing and loans for real estate, such as commercial facilities, office buildings, and logistics warehouses; Real estate rental business; and Real estate development business, etc.
Transportation Business.....	Aircraft leasing business, aircraft engine leasing business, helicopter leasing business, leasing and installment sales of vessels, and loans, etc.
Overseas Business	Sales finance for overseas companies, and finance services for capital investments of Japanese companies, etc.

In case business is obtained through collaboration with several other business departments, the amount calculated based on the actual revenue amount in accordance with the rules for internal managerial accounting will be recorded in each of the collaborating business departments.

Information on segment profit or loss for the nine months ended December 31, 2019 reflects the above changes in reportable segments.

SUMITOMO MITSUI FINANCE AND LEASING COMPANY, LIMITED
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
Nine months ended December 31, 2020 and 2019

(2) Information about reported segment revenues and segment profit or loss

For the nine months ended December 31, 2020	Millions of Yen					
	Reportable segment				Adjustments (*1)	Consolidated (*2)
	Domestic leasing	Real estate	Trans- portation	Overseas		
Revenues						
Revenues from external customers.....	¥ 728,217	¥ 99,686	¥ 137,955	¥ 62,410	¥ —	¥ 1,028,270
Intersegment revenues or transfers.....	4,799	93	2,511	55,148	(62,552)	—
Total revenues	733,017	99,779	140,467	117,558	(62,552)	1,028,270
Segment profit	¥ 19,961	¥ 17,453	¥ 1,527	¥ 2,623	¥ (7,931)	¥ 33,634

Notes:

*1. "Adjustments" for "Segment profit" of ¥(7,931) million included amortization of goodwill of ¥(6,806) million which was not allocated to each reportable segment.

*2. Adjustments for "Segment profit" were made to match ordinary income in the interim consolidated statements of income. Ordinary income, which equals operating income after adjustment for non-operating gains/losses, is a subtotal required under Japanese presentation and a management index that is widely used in Japan.

Due to differences in accounting presentation, ordinary income is not referred to in the Company's financial statements under English presentation.

For the nine months ended December 31, 2019	Millions of Yen					
	Reportable segment				Adjustments (*1)	Consolidated (*2)
	Domestic leasing	Real estate	Trans- portation	Overseas		
Revenues						
Revenues from external customers.....	¥ 721,034	¥ 134,968	¥ 219,111	¥ 69,636	¥ —	¥ 1,144,750
Intersegment revenues or transfers.....	4,117	34	3,088	41,488	(48,728)	—
Total revenues	725,151	135,002	222,200	111,124	(48,728)	1,144,750
Segment profit	¥ 22,588	¥ 17,006	¥ 34,617	¥ 4,294	¥ (7,179)	¥ 71,327

Notes:

*1. "Adjustments" for "Segment profit" of ¥(7,179) million included amortization of goodwill of ¥(6,855) million which was not allocated to each reportable segment.

*2. Adjustments for "Segment profit" were made to match ordinary income in the interim consolidated statements of income. Ordinary income, which equals operating income after adjustment for non-operating gains/losses, is a subtotal required under Japanese presentation and a management index that is widely used in Japan.

Due to differences in accounting presentation, ordinary income is not referred to in the Company's financial statements under English presentation.

SUMITOMO MITSUI FINANCE AND LEASING COMPANY, LIMITED
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
Nine months ended December 31, 2020 and 2019

For the nine months ended December 31, 2020	Thousands of U.S. Dollars				Adjustments (*1)	Consolidated (*2)
	Reportable segment					
	Domestic leasing	Real estate	Trans- portation	Overseas		
Revenues						
Revenues from external customers.....	\$ 7,035,913	\$ 963,150	\$ 1,332,899	\$ 602,995	\$ —	\$ 9,934,979
Intersegment revenues or transfers.....	46,367	899	24,261	532,831	(604,367)	—
Total revenues	7,082,290	964,048	1,357,169	1,135,826	(604,367)	9,934,979
Segment profit	\$ 192,860	\$ 168,628	\$ 14,754	\$ 25,343	\$ (76,628)	\$ 324,966

Notes:

- *1. "Adjustments" for "Segment profit" of US\$(76,628) thousand included amortization of goodwill of US\$(65,758) thousand which was not allocated to each reportable segment.
- *2. Adjustments for "Segment profit" were made to match ordinary income in the interim consolidated statements of income. Ordinary income, which equals operating income after adjustment for non-operating gains/losses, is a subtotal required under Japanese presentation and a management index that is widely used in Japan.
- Due to differences in accounting presentation, ordinary income is not referred to in the Company's financial statements under English presentation.

Reconciliation between operating income in the interim consolidated statements of income and ordinary income was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Nine months ended December 31,		
	2020	2019	2020
Operating income	¥ 30,484	¥ 69,815	\$ 294,540
Interest income	96	138	\$ 935
Dividend income.....	1,115	948	10,779
Interest expenses	(2,117)	(2,203)	(20,454)
Equity in earnings of affiliates.....	2,916	2,847	28,181
Foreign exchange gains (losses)	511	46	4,943
Amortization of bond issuance cost	(359)	(483)	(3,471)
Loss on sales of long-term receivables	—	(6)	—
Other — net	985	224	9,517
Ordinary income	¥ 33,634	¥ 71,327	\$ 324,966

(3) Information about impairment loss on fixed assets or goodwill, etc. by reportable segment

For the nine months ended December 31, 2020

Impairment loss on leased assets whose profitability significantly declined was recognized in costs and expenses in the Transportation Business segment. The amount of the impairment loss was ¥13,309 million (US\$128,589 thousand).

For the nine months ended December 31, 2019

There were no items to be reported.

9. FINANCIAL INSTRUMENTS

There were no significant changes as compared with the end of the fiscal year ended March 31, 2020.

10. SECURITIES

There were no significant changes as compared with the end of the fiscal year ended March 31, 2020.

11. DERIVATIVE TRANSACTIONS

There were no significant changes as compared with the end of the fiscal year ended March 31, 2020.

12. BUSINESS COMBINATIONS

There were no items to be reported.

13. PER SHARE DATA

For the nine months ended December 31,	Yen		U.S. Dollars
	2020	2019	2020
Earnings per share	¥ 307.42	¥ 670.06	\$ 2.97

Notes: 1. Information on diluted earnings per share is omitted due to an absence of potential shares.

2. Earnings per share were calculated based on the followings:

For the nine months ended December 31,	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Earnings per share			
Profit attributable to owners of parent.....	¥ 23,672	¥ 51,597	\$ 228,724
Amount not attributable to common stockholders.....	—	—	—
Profit attributable to owners of parent related to common stock	23,672	51,597	228,724
Average number of common stock during the period (thousand)	77,004	77,004	

14. SUBSEQUENT EVENTS

For the nine months ended December 31, 2020

Tender offer for the shares of Kenedix, Inc.

SMFL MIRAI Partners Investment 2 Co., Ltd. (“the Tender Offeror”) which is wholly owned by SMFL MIRAI Partners Co., Ltd., the Company’s wholly-owned subsidiary, determined to acquire common stock in Kenedix, Inc. (“the Target Company”) through a tender offer (“the Tender Offer”) under the Financial Instruments and Exchange Act (Act No. 25 of 1948, as amended), on November 20, 2020. The Tender Offer was commenced on November 24, 2020 and completed on January 8, 2021.

As a result of the Tender Offer, the Target Company and its consolidated subsidiaries became the Company’s consolidated subsidiaries on January 15, 2021, which was the date settlement commenced for the Tender Offer.

In connection with the implementation of the Tender Offer, the Tender Offeror and the Company entered into a shareholders agreement (“the Shareholders Agreement”) with ARA REAL ESTATE INVESTORS XVIII PTE. LTD., the largest shareholder of the Target Company as of November 20, 2020 (it owned 44,705,900 shares of the Target Company’s stock; ownership ratio: 20.27%) (“the Major Shareholder”), and its wholly-owing parent company, ARA Asset Management Limited.

The Shareholders Agreement stipulates that a share consolidation and transfer of a portion of the Target Company's stock from the Tender Offeror to the Major Shareholder shall be implemented in order to bring the shareholding ratio of the Tender Offeror and the Major Shareholder to 70% and 30%, respectively, after taking the shares private, by limiting the number of shareholders of the Target Company to two companies, i.e., the Tender Offeror and the Major Shareholder.

(1) Outline of the business combination

(a) Name of the acquired company and contents of business

Name: Kenedix, Inc.

Contents of business: Asset management business, real estate management business, real estate operation business, and real estate investment business

(b) Main objective of the business combination

The business combination aims to enhance the enterprise value of the Target Company, its consolidated subsidiaries and equity-method affiliates (hereinafter collectively referred to as "the Target Company Group"), which is mainly engaged in real estate asset management, from a medium- to long-term perspective by promoting business based on the Target Company's prompt and decisive decision-making and a close network with a wide range of stakeholders that the Target Company has cultivated since its foundation and to further expand the presence of the Company's real estate-related businesses by evolving the business model through the utilization of the Target Company Group's know-how in SMFL Group, expanding the investment assets through the Target Company's asset management business, and realizing complementary relations through differences in the asset class between the Target Company Group's listed J-REIT and private placement funds, while making the maximum use of synergies between SMFL Group and the Target Company Group.

(c) Date of the business combination

January 15, 2021 (the date of the stock acquisition)

(d) Legal form of the business combination

A stock acquisition in exchange for cash

(e) Name of the company after the business combination

The company name is not changed.

(f) Ratio of voting rights acquired

Voting rights held immediately before the business combination	0.00 %
Voting rights acquired on the date of the business combination	62.35
Voting rights after the acquisition	62.35

Note: The ratios of voting rights are rounded off to the second decimal place.

(g) Primary reason for determining the acquiring company

The Tender Offeror is the acquiring company as it acquired shares in exchange for cash.

(2) Matters related to calculation of acquisition cost, etc.

(a) Acquisition cost of the acquired company and its breakdown by type of consideration

	Millions of Yen	Thousands of U.S. Dollars
Fair value, at the stock acquisition date, of stock held immediately before the stock acquisition.....	¥ 0	\$ 0
Consideration for stock acquired on the date of the stock acquisition (cash)	103,144	996,560
Acquisition cost.....	103,145	996,570

Note: The above consideration for stock acquired on the date of the stock acquisition is calculated by multiplying the number of stock purchased in the Tender Offer (137,526,664 shares) by the Tender Offer price (¥750 (US\$7.25)).

(b) Primary acquisition-related costs and their amounts

They have yet to be confirmed.

Possibilities of uncollectable or delayed collections of receivables

A group of creditors of HNA Group Co., Ltd. (“the HNA Group”) whose affiliates are customers of the Company’s consolidated subsidiary, SMBC Aviation Capital Limited, filed for restructuring-type bankruptcy proceedings to the Hainan High People’s Court, and it was accepted on February 10, 2021.

The total amount of receivables related to operating lease contracts held by the Company’s consolidated subsidiary, SMBC Aviation Capital Limited, against the HNA Group’s affiliates is ¥50,280 million (US\$485,797 thousand), including operating lease receivables of ¥44,674 million (US\$431,633 thousand). The treatment of the property under lease and the effects on collectability of the above receivables for the fiscal year ending March 31, 2021 and thereafter have not been determined at this point in time since the procedures for the rehabilitation of the above customers have been undecided.

For the nine months ended December 31, 2019

There were no items to be reported.