

SUMITOMO MITSUI FINANCE AND LEASING COMPANY, LIMITED
INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
NINE MONTHS ENDED DECEMBER 31, 2021 and 2020

SUMITOMO MITSUI FINANCE AND LEASING COMPANY, LIMITED
INTERIM CONSOLIDATED BALANCE SHEETS
December 31, 2021 and March 31, 2021

	Millions of yen		Thousands of U.S. dollars
	December 31, 2021	March 31, 2021	December 31, 2021
<u>Assets</u>			
Current assets:			
Cash and bank deposits	¥ 231,390	¥ 267,722	\$ 2,011,916
Installment sales receivable	544,936	524,857	4,738,170
Lease receivables and investment assets	2,144,396	2,118,375	18,645,304
Loans receivable	559,203	500,867	4,862,218
Short-term investment securities	1,543	4,958	13,419
Merchandise	5,366	9,421	46,664
Real estate for sale	73,994	42,897	643,374
Real estate for sale in process	3,461	–	30,101
Other	200,317	192,552	1,741,742
Allowance for doubtful accounts	(14,713)	(15,512)	(127,930)
Total current assets	3,749,898	3,646,141	32,604,979
Property and equipment:			
Leased assets	3,199,286	2,758,044	27,817,461
Allowance for loss on disposal of leased assets	(288)	(273)	(2,507)
Advances on purchases of leased assets	146,563	160,184	1,274,358
Other operating assets	73,353	46,022	637,797
Property and equipment for internal use	5,850	6,185	50,866
Total property and equipment	3,424,764	2,970,164	29,777,974
Intangible assets:			
Goodwill	69,072	76,624	600,582
Other	71,361	75,216	620,479
Total intangible assets	140,434	151,841	1,221,062
Investments and other assets:			
Investment securities	241,915	222,040	2,103,434
Long-term loans receivable	2	3	19
Delinquent receivables	33,183	35,493	288,530
Deferred tax assets	21,571	21,962	187,562
Net defined benefit asset	46	4	401
Other	21,835	16,579	189,857
Allowance for doubtful accounts	(13,695)	(22,235)	(119,084)
Total investments and other assets	304,859	273,848	2,650,720
Total assets	¥ 7,619,957	¥ 7,041,995	\$ 66,254,734

(continued)

	Millions of yen		Thousands of U.S. dollars
	December 31, 2021	March 31, 2021	December 31, 2021
Liabilities and Net Assets			
Current liabilities:			
Trade notes payable and accounts payable	¥ 89,630	¥ 80,588	\$ 779,329
Short-term loans	1,256,310	1,024,954	10,923,486
Long-term loans due within one year	488,619	454,577	4,248,495
Bonds due within one year	131,446	133,274	1,142,912
Commercial paper	906,700	954,400	7,883,662
Payables under securitization of lease receivables	3,600	7,760	31,302
Long-term payables under securitization of lease receivables	21,486	14,906	186,824
Lease obligations	17,260	16,173	150,079
Income taxes payable	8,778	7,772	76,330
Deferred profit on installment sales	19,769	19,032	171,894
Reserve for employee bonuses	1,206	1,874	10,487
Reserve for directors' bonuses	108	438	942
Asset retirement obligations	–	2	–
Other	134,833	154,483	1,172,362
Total current liabilities	3,079,749	2,870,239	26,778,103
Non-current liabilities:			
Bonds	760,938	687,364	6,616,281
Long-term loans	2,351,842	2,171,217	20,449,026
Long-term payables under securitization of lease receivables	46,408	28,155	403,521
Lease obligations	24,188	28,577	210,314
Deferred tax liabilities	64,673	58,601	562,329
Reserve for directors' retirement benefits	343	272	2,986
Net defined benefit liability	5,876	6,721	51,097
Guarantee deposits received	142,334	127,762	1,237,587
Asset retirement obligations	3,792	2,858	32,974
Other	126,880	138,158	1,103,209
Total non-current liabilities	3,527,278	3,249,689	30,669,323
Total liabilities	6,607,028	6,119,928	57,447,427
Net assets:			
Shareholders' equity:			
Capital stock	15,000	15,000	130,423
Capital surplus	421,976	412,086	3,669,039
Retained earnings	423,968	379,836	3,686,360
Treasury stock	(73,313)	(73,313)	(637,453)
Total shareholders' equity	787,630	733,609	6,848,369
Accumulated other comprehensive income:			
Net unrealized holding gains or losses on securities	27,346	26,382	237,776
Deferred gains or losses on hedges	(26,160)	(28,332)	(227,463)
Foreign currency translation adjustments	31,759	18,490	276,149
Remeasurements of defined benefit plans	(1,293)	(1,548)	(11,250)
Total accumulated other comprehensive income	31,652	14,991	275,212
Non-controlling interests	193,645	173,465	1,683,727
Total net assets	1,012,928	922,067	8,807,308
Total liabilities and net assets	¥ 7,619,957	7,041,995	66,254,734

See accompanying notes.

SUMITOMO MITSUI FINANCE AND LEASING COMPANY, LIMITED
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Nine months ended December 31, 2021 and 2020

	Millions of yen		Thousands of
			U.S. dollars
	Nine months ended December 31,		
	2021	2020	2021
Profit	¥ 67,367	¥ 24,999	\$ 585,750
Other comprehensive income:			
Net unrealized holding gains or losses on securities	1,228	7,597	10,680
Deferred gains or losses on hedges	2,375	7,945	20,656
Foreign currency translation adjustments	18,574	(18,042)	161,500
Remeasurements of defined benefit plans	271	338	2,358
Share of other comprehensive income of affiliates accounted for using equity method	165	28	1,436
Total other comprehensive income	22,614	(2,131)	196,630
Comprehensive income	¥ 89,981	¥ 22,868	\$ 782,380
Comprehensive income attributable to:			
Owners of parent	¥ 73,576	¥ 25,166	\$ 639,738
Non-controlling interests	16,405	(2,298)	142,643

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, 2021, which was ¥115.01 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

YANMAR CREDIT SERVICE CO., LTD. was newly included in the scope of consolidation due to the acquisition of shares in the nine months ended December 31, 2021.

3. CHANGE IN ACCOUNTING POLICIES

Application of Accounting Standard for Revenue Recognition, etc.

The Company and its domestic consolidated subsidiaries have applied the “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the first quarter of the fiscal year ending March 31, 2022. Accordingly, revenue is recognized when the control of promised goods or services is transferred to customers at the amount expected to be received upon exchange of said goods or services.

The application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition, but there was no effect on the opening balance of retained earnings of the first quarter of the fiscal year ending March 31, 2022. In addition, the effects on the interim consolidated financial statements were immaterial.

Furthermore, the information on disaggregation of revenue from contracts with customers during the nine months of the previous fiscal year was not disclosed as allowed by the transitional treatment provided for in paragraph 28-15 of the “Accounting Standard for Quarterly Financial Reporting” (ASBJ Statement No. 12, March 31, 2020).

Application of Accounting Standard for Fair Value Measurement, etc.

The Company and its domestic consolidated subsidiaries have applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the first quarter of the fiscal year ending March 31, 2022, and decided to apply the new accounting policies prescribed in the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional measures provided for in 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). As a result of this application, the method used to evaluate the stocks with market value in other securities has been changed from the fair value method based on their average market value during the one month prior to the balance sheet date to the fair value method based on their market value at the balance sheet date.

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

Calculation of income tax expenses

The Company and certain domestic consolidated subsidiaries calculated income 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, 2021. Amounts of income taxes include income taxes - deferred.

5. 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 certain domestic consolidated subsidiaries did not follow paragraph 44 of “Implementation Guidance on Tax Effect Accounting” (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, which was introduced in the “Act Partially Amending the Income Tax Act” (Act No. 8 of 2020), and related amendments of tax laws for transitioning to the single tax payment system.

6. CONTINGENT LIABILITIES

	Millions of Yen		Thousands of U.S. Dollars
	December 31, 2021	March 31, 2021	December 31, 2021
7,855 (7,771 at March 31, 2021) guarantees of obligations for business (including commitment to guarantee)	¥ 45,872	¥ 46,988	\$ 398,852
Loan guarantees to employees (housing loan, etc.).	5	7	43

Note: ¥100 million (US\$869 thousand) and ¥100 million at December 31, 2021 and March 31, 2021, respectively, of the above guarantees of obligations for business are guaranteed by other third parties.

7. STATEMENTS OF CASH FLOWS

The interim consolidated statements of cash flows for the nine months ended December 31, 2021 and 2020 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,		
	2021	2020	2021
Depreciation	¥ 102,286	¥ 82,034	\$ 889,366
Amortization of goodwill	7,583	6,806	65,933

SUMITOMO MITSUI FINANCE AND LEASING COMPANY, LIMITED
 NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
 Nine months ended December 31, 2021 and 2020

8. NET ASSETS

Dividends paid in the nine months ended December 31, 2021 and 2020

2021						
Type of shares	Aggregate amount of dividends		Cash dividends per stock		Record date	Effective date
	Millions of Yen	Thousands of U.S. Dollars	Yen	U.S. Dollars		
Common stock	¥ 12,666	\$ 110,130	¥ 145	\$ 1.26	March 31, 2021	June 29, 2021

Notes:

1. Date of resolution: Ordinary general meeting of shareholders held on June 28, 2021
2. The dividends were paid out from retained earnings.

2020						
Type of shares	Aggregate amount of dividends		Cash dividends per stock		Record date	Effective date
	Millions of Yen		Yen			
Common stock	¥ 15,554		¥ 202		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.

SUMITOMO MITSUI FINANCE AND LEASING COMPANY, LIMITED
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
Nine months ended December 31, 2021 and 2020

9. SEGMENT INFORMATION

(1) Information about reported segment revenues, segment profit or loss, and disaggregation of revenues from contracts with customers

For the nine months ended December 31, 2021	Millions of Yen					
	Reportable segment				Adjustments (*1)	Consolidated (*3)
	Domestic leasing	Real estate	Trans- portation	Overseas		
Revenues						
Leasing.....	¥ 502,365	¥ 133,453	¥ 181,785	¥ 26,173	¥ —	¥ 843,777
Installment sales.....	258,579	—	760	50,015	—	309,355
Finance revenues.....	4,907	1,326	5,440	816	—	12,491
Other sales (*2).....	22,965	46,695	7,368	1,053	—	78,082
Revenues from external customers	¥ 788,818	¥ 181,475	¥ 195,354	¥ 78,058	¥ —	¥ 1,243,707
Intersegment revenues or transfers.....	5,821	413	2,564	86,384	(95,183)	—
Total revenues	794,639	181,888	197,919	164,443	(95,183)	1,243,707
Segment profit.....	¥ 29,189	¥ 34,478	¥ 21,193	¥ 3,685	¥ (8,656)	¥ 79,891

Notes:

*1. “Adjustments” for “Segment profit” of ¥(8,656) million included amortization of goodwill of ¥(6,860) million which was not allocated to each reportable segment.

*2. “Other sales” included revenue from contracts with customers.

*3. 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 income/expenses, 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 the Company’s financial statements under English presentation.

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 income/expenses, 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 the Company’s financial

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Nine months ended December 31, 2021 and 2020

statements under English presentation.

For the nine months ended December 31, 2021	Thousands of U.S. Dollars					
	Reportable segment				Adjustments (*1)	Consolidated (*3)
	Domestic leasing	Real estate	Trans- portation	Overseas		
Revenues						
Leasing.....	\$ 4,368,011	\$ 1,160,360	\$ 1,580,602	\$ 227,572	\$ —	\$ 7,336,553
Installment sales.....	2,248,318	—	6,608	434,875	—	2,689,810
Finance revenues.....	42,666	11,529	47,300	7,095	—	108,608
Other sales (*2).....	199,678	406,008	64,064	9,156	—	678,915
Revenues from external customers.....	\$ 6,858,691	\$ 1,577,906	\$ 1,698,583	\$ 678,706	\$ —	\$ 10,813,909
Intersegment revenues or transfers.....	50,613	3,591	22,294	751,100	(827,606)	—
Total revenues.....	6,909,304	1,581,497	1,720,885	1,429,815	(827,606)	10,813,909
Segment profit.....	\$ 253,795	\$ 299,783	\$ 184,271	\$ 32,041	\$ (75,263)	\$ 694,645

Notes:

*1. “Adjustments” for “Segment profit” of US\$(75,263) thousand included amortization of goodwill of US\$(59,647) thousand which was not allocated to each reportable segment.

*2. “Other sales” included revenue from contracts with customers.

*3. 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 income/expenses, 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 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,		
	2021	2020	2021
Operating income.....	¥ 77,007	¥ 30,484	\$ 669,569
Interest income.....	73	96	636
Dividend income.....	873	1,115	7,593
Interest expenses.....	(2,640)	(2,117)	(22,963)
Equity in earnings of affiliates.....	5,718	2,916	49,725
Foreign exchange gains (losses).....	(937)	511	(8,154)
Amortization of bond issuance cost.....	(232)	(359)	(2,020)
Other—net.....	29	985	259
Ordinary income.....	¥ 79,891	¥ 33,634	\$ 694,645

(2) Change in reportable segment, etc.

For the nine months ended December 31, 2021

As described in “3. CHANGE IN ACCOUNTING POLICIES,” the Accounting Standard for Revenue Recognition and relevant ASBJ regulations were applied from the beginning of the first quarter of the fiscal year ending March 31, 2022, and the accounting policies for revenue recognition were changed. Accordingly, the method of measuring revenues and segment profit of reportable segments were also changed in the same matter.

There was no effect from this change on the revenues and segment profit of reportable segments.

For the nine months ended December 31, 2020

There were no items to be reported.

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

For the nine months ended December 31, 2021

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 ¥6,098 million (US\$53,021 thousand).

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.

10. FINANCIAL INSTRUMENTS

There were no significant changes as compared with the end of the fiscal year ended March 31, 2021.

11. SECURITIES

There were no significant changes as compared with the end of the fiscal year ended March 31, 2021.

12. DERIVATIVE TRANSACTIONS

There were no significant changes as compared with the end of the fiscal year ended March 31, 2021.

13. BUSINESS COMBINATION

There were no items to be reported.

14. REVENUE RECOGNITION

Information on the disaggregation of revenues from contracts with customers is disclosed in “9. SEGMENT INFORMATION.”

15. PER SHARE DATA

For the nine months ended December 31,	Yen		U.S. Dollars
	2021	2020	2021
Earnings per share..... ¥	651.55	¥ 307.42	\$ 5.67

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
	2021	2020	2021
Earnings per share			
Profit attributable to owners of parent ¥	56,915	¥ 23,672	\$ 494,879
Amount not attributable to common stockholders	—	—	—
Profit attributable to owners of parent related to common stock.....	56,915	23,672	494,879
Average number of common stock during the period (thousand).....	87,354	77,004	

16. SUBSEQUENT EVENTS

There were no items to be reported.