

**SUMITOMO MITSUI FINANCE AND LEASING COMPANY, LIMITED**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2021 and 2020**

SUMITOMO MITSUI FINANCE AND LEASING COMPANY, LIMITED  
CONSOLIDATED BALANCE SHEETS  
March 31, 2021 and 2020

	Millions of yen		Thousands of
	2021	2020	U.S. dollars
<b>Assets</b>			
<b>Current assets:</b>			
Cash and bank deposits (Notes 13, 14, 25 and 27)	¥ 267,722	¥ 252,775	\$ 2,418,232
Installment sales receivable (Note 27)	524,857	558,161	4,740,834
Lease receivables and investment assets (Notes 14, 26 and 27)	2,118,375	2,161,247	19,134,454
Loans receivable (Notes 14 and 27)	500,867	361,029	4,524,142
Short-term investment securities (Notes 27 and 28)	4,958	—	44,791
Merchandise	9,421	8,854	85,102
Real estate for sale (Notes 13 and 14)	42,897	—	387,473
Other (Notes 13 and 14)	192,552	185,460	1,739,253
Allowance for doubtful accounts	(15,512)	(8,811)	(140,115)
Total current assets	<u>3,646,141</u>	<u>3,518,718</u>	<u>32,934,166</u>
<b>Property and equipment:</b>			
Leased assets (Notes 8, 13 and 14)	2,758,044	2,151,414	24,912,333
Allowance for loss on disposal of leased assets	(273)	(214)	(2,466)
Advances on purchases of leased assets (Notes 13 and 14)	160,184	384,793	1,446,886
Other operating assets (Notes 8 and 14)	46,022	—	415,707
Property and equipment for internal use (Note 8)	6,185	5,876	55,872
Total property and equipment	<u>2,970,164</u>	<u>2,541,869</u>	<u>26,828,331</u>
<b>Intangible assets:</b>			
Goodwill	76,624	68,144	692,119
Other	75,216	33,231	679,403
Total intangible assets	<u>151,841</u>	<u>101,376</u>	<u>1,371,522</u>
<b>Investments and other assets:</b>			
Investment securities (Notes 14, 27 and 28)	222,040	170,815	2,005,603
Long-term loans receivable	3	2	31
Delinquent receivables (Notes 10, 14 and 27)	35,493	17,611	320,600
Deferred tax assets (Note 23)	21,962	22,628	198,376
Net defined benefit asset (Note 16)	4	—	44
Other (Note 13)	16,579	13,404	149,753
Allowance for doubtful accounts	(22,235)	(7,724)	(200,842)
Total investments and other assets	<u>273,848</u>	<u>216,736</u>	<u>2,473,565</u>
Total assets	¥ <u>7,041,995</u>	¥ <u>6,378,701</u>	\$ <u>63,607,585</u>

(continued)

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
<b><u>Liabilities and Net Assets</u></b>			
<b>Current liabilities:</b>			
Trade notes payable and accounts payable (Note 27)	¥ 80,588	¥ 86,578	\$ 727,925
Short-term loans (Notes 11, 13, 14 and 27)	1,024,954	1,037,413	9,258,012
Long-term loans due within one year (Notes 11, 13, 14 and 27)	454,577	351,793	4,106,019
Bonds due within one year (Notes 12, 13, 14 and 27)	133,274	67,400	1,203,815
Commercial paper (Notes 11 and 27)	954,400	1,021,900	8,620,721
Payables under securitization of lease receivables (Notes 11, 15 and 27)	7,760	17,179	70,102
Long-term payables under securitization of lease receivables due within one year (Notes 11, 15 and 27)	14,906	21,047	134,646
Lease obligations (Notes 11, 26 and 27)	16,173	18,633	146,086
Income taxes payable	7,772	4,451	70,205
Deferred profit on installment sales	19,032	25,417	171,910
Reserve for employee bonuses	1,874	2,095	16,929
Reserve for directors' bonuses	438	394	3,963
Asset retirement obligations (Note 17)	2	209	20
Other (Note 14)	154,483	115,851	1,395,389
Total current liabilities	<u>2,870,239</u>	<u>2,770,366</u>	<u>25,925,743</u>
<b>Non-current liabilities:</b>			
Bonds (Notes 12, 13, 14 and 27)	687,364	695,552	6,208,696
Long-term loans (Notes 11, 13, 14 and 27)	2,171,217	1,791,445	19,611,758
Long-term payables under securitization of lease receivables (Notes 11, 15 and 27)	28,155	22,402	254,321
Lease obligations (Notes 11, 26 and 27)	28,577	34,432	258,134
Deferred tax liabilities (Note 23)	58,601	39,207	529,321
Reserve for directors' retirement benefits	272	411	2,461
Net defined benefit liability (Note 16)	6,721	9,818	60,710
Guarantee deposits received (Notes 14 and 27)	127,762	113,275	1,154,025
Asset retirement obligations (Note 17)	2,858	1,184	25,816
Other	138,158	165,063	1,247,930
Total non-current liabilities	<u>3,249,689</u>	<u>2,872,792</u>	<u>29,353,171</u>
Total liabilities	<u>6,119,928</u>	<u>5,643,158</u>	<u>55,278,915</u>
<b>Net assets:</b>			
Shareholders' equity:			
Capital stock	15,000	15,000	135,489
Capital surplus	412,086	419,255	3,722,220
Retained earnings	379,836	362,264	3,430,914
Treasury stock	(73,313)	(168,639)	(662,212)
Total shareholders' equity	<u>733,609</u>	<u>627,880</u>	<u>6,626,410</u>
Accumulated other comprehensive income:			
Net unrealized holding gains or losses on securities	26,382	16,671	238,301
Deferred gains or losses on hedges	(28,332)	(42,617)	(255,916)
Foreign currency translation adjustments	18,490	15,905	167,014
Remeasurements of defined benefit plans	(1,548)	(3,600)	(13,983)
Total accumulated other comprehensive income	<u>14,991</u>	<u>(13,641)</u>	<u>135,416</u>
Non-controlling interests	173,465	121,303	1,566,843
Total net assets	<u>922,067</u>	<u>735,542</u>	<u>8,328,670</u>
Total liabilities and net assets	<u>¥ 7,041,995</u>	<u>¥ 6,378,701</u>	<u>\$ 63,607,585</u>

See accompanying notes.



SUMITOMO MITSUI FINANCE AND LEASING COMPANY, LIMITED  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
Years ended March 31, 2021 and 2020

	Millions of yen		Thousands of
	2021	2020	U.S. dollars
<b>Profit</b>	¥ <u>35,096</u>	¥ <u>74,288</u>	\$ <u>317,015</u>
<b>Other comprehensive income:</b>			
Net unrealized holding gains or losses on securities	9,575	(5,421)	86,488
Deferred gains or losses on hedges	22,496	(42,325)	203,200
Foreign currency translation adjustments	4,352	(6,622)	39,316
Remeasurements of defined benefit plans	1,759	(1,353)	15,892
Share of other comprehensive income of affiliates accounted for using equity method	504	(147)	4,560
Total other comprehensive income (Note 24)	<u>38,688</u>	<u>(55,871)</u>	<u>349,457</u>
<b>Comprehensive income</b>	¥ <u><u>73,785</u></u>	¥ <u><u>18,417</u></u>	\$ <u><u>666,472</u></u>
<b>Comprehensive income attributable to:</b>			
Owners of parent	¥ 62,261	¥ 22,201	\$ 562,380
Non-controlling interests	11,524	(3,784)	104,092

See accompanying notes.

SUMITOMO MITSUI FINANCE AND LEASING COMPANY, LIMITED  
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS  
Years ended March 31, 2021 and 2020

	Shareholders' equity					Millions of yen
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	
	¥	¥	¥	¥	¥	
<b>Balance at April 1, 2019</b>	15,000	419,255	322,858	(168,639)	588,474	
Cumulative effects of changes in accounting policies			(100)		(100)	
<b>Restated balance</b>	15,000	419,255	322,758	(168,639)	588,373	
<b>Changes during the period</b>						
Dividends			(20,175)		(20,175)	
Profit attributable to owners of parent			61,219		61,219	
Change in scope of consolidation			(1,537)		(1,537)	
Net changes other than shareholders' equity						
Total changes during the period			39,506		39,506	
<b>Balance at March 31, 2020</b>	15,000	419,255	362,264	(168,639)	627,880	

	Accumulated other comprehensive income						
	Net unrealized holding gains or losses on securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
	¥	¥	¥	¥	¥	¥	¥
<b>Balance at April 1, 2019</b>	22,187	(14,340)	19,789	(2,260)	25,376	120,190	734,041
Cumulative effects of changes in accounting policies						(46)	(147)
<b>Restated balance</b>	22,187	(14,340)	19,789	(2,260)	25,376	120,143	733,894
<b>Changes during the period</b>							
Dividends							(20,175)
Profit attributable to owners of parent							61,219
Change in scope of consolidation							(1,537)
Net changes other than shareholders' equity	(5,516)	(28,277)	(3,884)	(1,340)	(39,018)	1,159	(37,858)
Total changes during the period	(5,516)	(28,277)	(3,884)	(1,340)	(39,018)	1,159	1,648
<b>Balance at March 31, 2020</b>	16,671	(42,617)	15,905	(3,600)	(13,641)	121,303	735,542

	Shareholders' equity					Millions of yen
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	
	¥	¥	¥	¥	¥	
<b>Balance at April 1, 2020</b>	15,000	419,255	362,264	(168,639)	627,880	
<b>Changes during the period</b>						
Dividends			(15,554)		(15,554)	
Profit attributable to owners of parent			33,627		33,627	
Purchase of shares of consolidated subsidiaries		(11,842)			(11,842)	
Disposal of treasury stock		4,673		95,326	100,000	
Change in scope of consolidation			(501)		(501)	
Net changes other than shareholders' equity						
Total changes during the period		(7,168)	17,571	95,326	105,729	
<b>Balance at March 31, 2021</b>	15,000	412,086	379,836	(73,313)	733,609	

	Accumulated other comprehensive income						
	Net unrealized holding gains or losses on securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
	¥	¥	¥	¥	¥	¥	¥
<b>Balance at April 1, 2020</b>	16,671	(42,617)	15,905	(3,600)	(13,641)	121,303	735,542
<b>Changes during the period</b>							
Dividends							(15,554)
Profit attributable to owners of parent							33,627
Purchase of shares of consolidated subsidiaries							(11,842)
Disposal of treasury stock							100,000
Change in scope of consolidation							(501)
Net changes other than shareholders' equity	9,710	14,284	2,584	2,052	28,633	52,162	80,795
Total changes during the period	9,710	14,284	2,584	2,052	28,633	52,162	186,524
<b>Balance at March 31, 2021</b>	26,382	(28,332)	18,490	(1,548)	14,991	173,465	922,067

Thousands of U.S. dollars

	Shareholders' equity						
	Capital	Capital	Retained	Treasury stock	Total		
	stock	surplus	earnings		shareholders'		
					equity		
<b>Balance at April 1, 2020</b>	\$ 135,489	\$ 3,786,970	\$ 3,272,197	\$ (1,523,257)	\$ 5,671,400		
<b>Changes during the period</b>							
Dividends			(140,501)		(140,501)		
Profit attributable to owners of parent			303,747		303,747		
Purchase of shares of consolidated subsidiaries		(106,968)			(106,968)		
Disposal of treasury stock		42,217		861,045	903,262		
Change in scope of consolidation			(4,529)		(4,529)		
Net changes other than shareholders' equity							
Total changes during the period	—	(64,751)	158,717	861,045	955,010		
<b>Balance at March 31, 2021</b>	\$ 135,489	\$ 3,722,220	\$ 3,430,914	\$ (662,212)	\$ 6,626,410		
	Accumulated other comprehensive income						
	Net	Deferred	Foreign	Remeasure	Total	Non-	Total net assets
	unrealized	gains or	currency	-ments of	accumulated	controlling	
	holding	losses on	translation	defined	other	interests	
	gains or	hedges	adjustments	benefit	comprehen-		
	losses on			plans	sive income		
	securities						
<b>Balance at April 1, 2020</b>	\$ 150,588	\$ (384,947)	\$ 143,666	\$ (32,524)	\$ (123,217)	\$ 1,095,683	\$ 6,643,866
<b>Changes during the period</b>							
Dividends							(140,501)
Profit attributable to owners of parent							303,747
Purchase of shares of consolidated subsidiaries							(106,968)
Disposal of treasury stock							903,262
Change in scope of consolidation							(4,529)
Net changes other than shareholders' equity	87,713	129,031	23,348	18,541	258,633	471,161	729,794
Total changes during the period	87,713	129,031	23,348	18,541	258,633	471,161	1,684,804
<b>Balance at March 31, 2021</b>	\$ 238,301	\$ (255,916)	\$ 167,014	\$ (13,983)	\$ 135,416	\$ 1,566,843	\$ 8,328,670

See accompanying notes.

SUMITOMO MITSUI FINANCE AND LEASING COMPANY, LIMITED  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
Years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
<b>Cash flows from operating activities:</b>			
Profit before income taxes	¥ 43,088	¥ 91,035	\$ 389,203
Depreciation of leased assets and property and equipment for internal use	116,330	99,519	1,050,764
Impairment loss	19,907	2,625	179,814
Amortization of goodwill	9,120	9,129	82,383
Increase (decrease) in allowance for doubtful accounts	21,286	1,156	192,276
Increase (decrease) in other reserves (Note 25)	(258)	(318)	(2,336)
Increase (decrease) in net defined benefit liability	(796)	526	(7,192)
Loss (gain) on disposal of property and equipment for internal use	237	187	2,147
Loss (gain) on valuation of investment securities	26	2,041	240
Loss on valuation of golf club memberships	—	23	—
Gain on transfer from business divestitures	—	(280)	—
Interest income and dividend income	(1,749)	(1,512)	(15,802)
Interest expenses	76,067	59,133	687,084
Amortization of bond issuance cost	361	794	3,269
Equity in losses (earnings) of affiliates	(4,099)	(2,761)	(37,032)
Loss (gain) on disposal of leased assets	(8,690)	(22,112)	(78,500)
Loss (gain) on sales of investment securities	(1,746)	(2,547)	(15,774)
Loss (gain) on sales of shares of subsidiaries and affiliates	—	(139)	—
Decrease (increase) in installment sales receivable	24,193	(41,154)	218,528
Net decrease (increase) in lease receivables and investment assets	39,195	(68,769)	354,035
Decrease (increase) in loans receivable	(139,833)	39,007	(1,263,059)
Decrease (increase) in operational investment securities	(1,007)	(15,277)	(9,104)
Decrease (increase) in delinquent receivables	(17,994)	4,391	(162,535)
Purchase of leased assets	(670,458)	(553,730)	(6,055,990)
Proceeds from sales of leased assets	107,936	238,705	974,952
Decrease (increase) in advances on purchases of leased assets	217,248	(45,973)	1,962,320
Purchase of other operating assets	(36,998)	—	(334,192)
Increase (decrease) in trade notes payable and accounts payable	(6,073)	(6,693)	(54,861)
Other, net	(10,830)	44,930	(97,831)
	<u>(225,537)</u>	<u>(168,060)</u>	<u>(2,037,192)</u>
Interest income and dividend income received	2,986	2,849	26,977
Interest expenses paid	(65,697)	(59,106)	(593,422)
Income taxes paid	(8,610)	(8,312)	(77,777)
Net cash used in operating activities	<u>(296,859)</u>	<u>(232,629)</u>	<u>(2,681,415)</u>
<b>Cash flows from investing activities:</b>			
Purchase of property and equipment for internal use	(6,232)	(7,041)	(56,300)
Proceeds from sales of property and equipment for internal use	25	5	231
Purchase of investment securities	(1,426)	(34,064)	(12,887)
Proceeds from sales and redemption of investment securities	3,607	4,775	32,588
Decrease (increase) in time deposits	—	(1,000)	—
Purchase of investments in subsidiaries resulting in change in scope of consolidation (Note 25)	(50,338)	(5,398)	(454,690)
Proceeds from business divestitures	—	280	—
Other, net	2,138	(123)	19,318
Net cash used in investing activities	<u>(52,226)</u>	<u>(42,567)</u>	<u>(471,739)</u>
<b>Cash flows from financing activities:</b>			
Net increase (decrease) in short-term loans	(12,518)	(24,141)	(113,077)
Net increase (decrease) in commercial paper	(67,500)	(19,000)	(609,701)
Proceeds from long-term loans	1,061,580	1,105,400	9,588,840
Repayments of long-term loans	(748,480)	(819,143)	(6,760,728)
Proceeds from securitization of lease receivables	52,711	54,294	476,126
Repayments of payables under securitization of lease receivables	(62,516)	(71,914)	(564,686)
Proceeds from issuance of bonds	121,938	279,721	1,101,419
Redemption of bonds	(70,400)	(80,076)	(635,896)
Repayments of lease obligations	(1,584)	(2,870)	(14,314)
Decrease (increase) in pledged deposits	26,581	(48,398)	240,100
Cash dividends paid	(15,554)	(20,175)	(140,501)
Proceeds from stock issuance to non-controlling shareholders	2,017	—	18,219
Cash dividends paid to non-controlling interests	(179)	(33)	(1,624)
Proceeds from sales of treasury stock	100,000	—	903,261
Net cash provided by financing activities	<u>386,094</u>	<u>353,662</u>	<u>3,487,438</u>
<b>Effect of exchange rate change on cash and cash equivalents</b>	<u>910</u>	<u>(1,340)</u>	<u>8,226</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>37,919</u>	<u>77,125</u>	<u>342,510</u>
<b>Cash and cash equivalents at the beginning of the year</b>	<u>185,864</u>	<u>108,420</u>	<u>1,678,837</u>
<b>Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation</b>	<u>222</u>	<u>318</u>	<u>2,009</u>
<b>Cash and cash equivalents at the end of the year (Note 25)</b>	<u>¥ 224,005</u>	<u>¥ 185,864</u>	<u>\$ 2,023,357</u>

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 consolidated financial statements in accordance with the provisions set forth in the Financial Instruments and Exchange Act of Japan (“the FIEA”) 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 consolidated financial statements have been restructured and translated into English from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP.

Some supplementary information included in the statutory Japanese language consolidated financial statements, but not necessarily required for fair presentation, is not presented in the accompanying 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 March 31, 2021, which was ¥110.71 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. SIGNIFICANT ACCOUNTING POLICIES FOR PREPARING CONSOLIDATED FINANCIAL STATEMENTS

### (1) Scope of consolidation

#### (a) Consolidated subsidiaries

The number of consolidated subsidiaries at March 31, 2021 was 146.

Principal companies at March 31, 2021 were as follows:

SMFL MIRAI Partners Co., Ltd.

SMFL MIRAI Partners Investment 2 Co., Ltd.

Kenedix, Inc. and its 40 subsidiaries

SC Club Co., Ltd.

SFI Leasing Company, Limited

SMFL Rental Company, Limited

AJCC Corporation

MAX-REALTY INC.

Kyushu Capital Finance Company, Limited

SMFL Trust Company, Limited

SMFL Business Service Company, Limited

SMBC Aviation Capital Limited  
SMBC Aviation Capital (UK) Limited  
SMBC Aero Engine Lease B.V.  
SMFL LCI Helicopters Limited  
Sumitomo Mitsui Finance and Leasing (China) Co., Ltd.  
Shanghai Sumitomo Mitsui General Finance and Leasing Co., Ltd.  
Shanghai Sumitomo Mitsui Finance and Leasing Co., Ltd.  
Sumitomo Mitsui Finance and Leasing (Singapore) Pte. Ltd.  
SMFL Hire Purchase (Malaysia) Sdn. Bhd.  
SMFL Leasing (Malaysia) Sdn. Bhd.  
PT. SMFL Leasing Indonesia  
DMG MORI Finance GmbH  
SMFL Leasing (Thailand) Co., Ltd.  
Sumitomo Mitsui Finance and Leasing (Hong Kong) Ltd.  
Otemachi 142 Tokutei Mokuteki Kaisha  
Other 80 companies

Kenedix, Inc. and its 40 subsidiaries and SMFL LCI Helicopters Limited and its 18 subsidiaries were newly included in the scope of consolidation due to the acquisitions of shares in the fiscal year ended March 31, 2021.

SMFL MIRAI Partners Investment 2 Co., Ltd. and other 13 companies were newly included in the scope of consolidation due to the establishment in the fiscal year ended March 31, 2021.

SMFL Space Leasing Company, Limited and other 3 companies were excluded from the scope of consolidation due to liquidation in the fiscal year ended March 31, 2021.

**(b) Unconsolidated subsidiaries**

Eifel Leasing Co., Ltd. and other 133 companies have been excluded from the scope of consolidation pursuant to Article 5 Paragraph 1 Item 2 of Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements because they are operators of silent partnerships for lease transactions and their assets and profits/losses do not belong to them substantially.

Abisko Leasing Co., Ltd. and other 82 companies have been excluded from the scope of consolidation because they are small business and the effect of their total assets, revenues, profit or loss (the amount in proportion to the share held by the Company), and retained earnings (the amount in proportion to the share held by the Company) on the accompanying consolidated financial statements are not significant.

**(2) Application of the equity method**

**(a) Affiliates accounted for by the equity method: 33 companies**

Sumitomo Mitsui Auto Service Company, Limited

NEC Capital Solutions Limited

CRE, Inc.

SMART Incorporated

Mirai Energy Partners Co., Ltd.

The Shimizu Lease and Card Co., Ltd.

Other 27 companies

Kenedix, Inc. and its 19 affiliates accounted for by the equity method and SMBC REIT Management Co., Ltd. and other 1 company were newly included in the scope of equity method due to the acquisition of shares in the fiscal year ended March 31, 2021.

**(b) Unconsolidated subsidiaries and affiliates not accounted for by the equity method**

Eifel Leasing Co., Ltd. and other 133 unconsolidated subsidiaries have been excluded from the scope of equity method pursuant to Article 10 Paragraph 1 Item 2 of Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements because they are operators of silent partnerships for lease transactions and their assets and profit/losses do not belong to them substantially.

Abisko Leasing Co., Ltd. and other 82 unconsolidated subsidiaries, and Bangkok SMBC Consulting Co., Ltd. have been excluded from the scope of equity method because the effect of their profit or loss (the amount in proportion to the share held by the Company) and retained earnings (the amount in proportion to the share held by the Company) on the accompanying consolidated financial statements are not significant.

**(3) The balance sheet dates of consolidated subsidiaries**

The balance sheet date of Sumitomo Mitsui Finance and Leasing (China) Co., Ltd. and other 50 companies is December 31. The balance sheet date of Aviation Management Co., Ltd. and other 1 company is the end of February. They are consolidated on the basis of their respective balance sheet dates because the differences from consolidated balance sheet date are three months or less.

Appropriate adjustments are made for material transactions during the periods between their respective balance sheet dates and the consolidated balance sheet date.

Atlas Leasing Co., Ltd. and other 63 companies are consolidated based on provisional financial statements as of the consolidated balance sheet date.

**(4) Accounting policies**

**(a) Securities**

Other securities (Securities other than trading purpose securities, held-to-maturity securities and

investments in unconsolidated subsidiaries and affiliates are classified as “Other securities.”)

Other securities with market prices: Stocks are carried at their average market prices during one month immediately before the balance sheet date. Bonds and others are carried at their fiscal year-end market prices. Unrealized gains and losses, net of applicable taxes, are reported in a separate component of net assets. The costs of securities sold are calculated by moving-average method.

Other securities whose fair values are extremely difficult to determine: Carrying amounts are calculated by using moving-average cost method or amortized cost method.

Investments in limited partnership, which are deemed securities under Article 2, Clause 2 of the FIEA, are recorded under the equity method and based on the latest financial statements available on the reportable date stipulated by the partnership contracts.

**(b) Derivative transactions**

Derivative transactions are carried at fair value, unless allocation method or special treatment for hedge accounting is applied, in which case the derivative transaction balances are not recorded as assets or liabilities.

**(c) Inventories**

Inventories held for sale in the ordinary course of business are stated at the lower of cost which is determined by specific identification method or net selling value which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of net selling value, if appropriate.

**(d) Leased assets**

Leased assets are generally depreciated using the straight-line method over the lease term or estimated useful lives considering the estimated disposal values at the end of the lease term as residual values.

**(e) Other operating assets**

Other operating assets are generally depreciated using the straight-line method over the estimated useful lives of the assets considering the estimated disposal values as the residual values.

**(f) Property and equipment for internal use (excluding Lease rental assets)**

Depreciation of property and equipment of the Company and domestic consolidated subsidiaries is generally calculated using the declining-balance method, while depreciation of buildings, facilities attached to buildings and structures acquired on or after April 1, 2016 is calculated using the straight-line method. Depreciation of property and equipment of overseas consolidated subsidiaries is generally calculated using the straight-line method. The estimated useful lives of major items are as follows.

Buildings . . . 3 to 50 years

Office Equipment · · · 3 to 20 years

**(g) Intangible assets (excluding Goodwill and Lease rental assets)**

Capitalized software for internal use owned by the Company and consolidated subsidiaries is amortized using the straight-line method over its estimated useful life (basically five years). Amortization of other intangible assets is calculated using the straight-line method.

**(h) Lease rental assets used as lessees**

Lease rental assets with respect to non-ownership-transfer type finance leases are depreciated using the straight-line method, assuming that the lease terms are their estimated useful lives and residual values are zero.

**(i) Allowance for doubtful accounts**

The allowance for doubtful accounts is provided for the estimated amount of probable losses on receivables. The allowance for doubtful accounts for normal receivables is computed based on the actual historical percentage of bad debts, while the allowance for doubtful accounts for specifically identified doubtful receivables is based on the estimate of uncollectible amounts.

As for claims in bankruptcy etc., the amounts deemed uncollectible were directly written off. The amounts directly written off for the fiscal years ended March 31, 2021 and 2020 were ¥38,513 million (US\$347,873 thousand) and ¥36,745 million, respectively.

**(j) Allowance for loss on disposal of leased assets**

The Company provides for estimated disposal losses individually on leased assets resulting from expiration of lease agreements.

**(k) Reserve for employee bonuses**

Reserve for employee bonuses is provided for payment of bonuses to employees, in the amount of estimated bonuses, which are attributable to the fiscal year.

**(l) Reserve for directors' bonuses**

Reserve for directors' bonuses is provided for payment of bonuses to directors, in the amount of estimated bonuses, which are attributable to the fiscal year.

**(m) Reserve for directors' retirement benefits**

Reserve for directors' retirement benefits is provided for payment of retirement benefits to directors, corporate auditors and other executive officers, in the amount deemed accrued at the fiscal year-end based on the Company's internal regulations.

**(n) Accounting method for severance and retirement benefits**

The benefit formula basis is used to attribute expected retirement benefits to the respective fiscal

year in calculating projected benefit obligations.

Unrecognized prior service costs are amortized under straight-line method over a certain period (primarily 10 years) within the estimated average remaining service period of employees, commencing from the year of incurrence.

Unrecognized actuarial gains or losses are amortized under straight-line method over a certain period (primarily 10 years) within the estimated average remaining service period of employees, commencing from the next fiscal year of incurrence.

**(o) Recognition of income and expense**

**i) Recognition of income and expense on finance leases**

Lease income and related costs are recognized over the lease term when lease payments become due.

**ii) Recognition of income on operating leases**

Lease income is recognized on the straight-line basis over the lease term, based on the contractual amount of lease fees per month.

**(p) Foreign currency translation**

All receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rate prevailing at the consolidated balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income. All assets, liabilities, revenues and expenses in the financial statements of overseas subsidiaries and affiliates are translated into Japanese yen at the spot rate at the consolidated balance sheet date etc. The resulting foreign currency translation adjustments are shown as "Foreign currency translation adjustments" or "Non-controlling interests" in the separate components of net assets.

**(q) Hedge accounting**

**i) Hedge accounting methods**

The Group principally applies either deferred hedge accounting or fair value hedge accounting, etc. However, the allocation method is applied for foreign exchange forward contracts and other contracts meeting certain criteria. In addition, the special treatment is applied for interest-rate swaps meeting certain criteria.

**ii) Hedging instruments and hedged items**

Hedging instruments: Loans denominated in foreign currencies, foreign exchange forward contract transactions, currency swap transactions, interest rate swap transactions and others

Hedged items: Investments in subsidiaries denominated in foreign currencies, other securities denominated in foreign currencies, future transactions, loans and others

**iii) Hedging policy and method of assessing hedge effectiveness**

The Group uses derivative transactions to reduce foreign exchange and interest rate fluctuation risks associated with business activities and manage assets, liabilities, profits and losses comprehensively.

For the comprehensive hedges where the hedged item is a group of loans and the hedging instruments are interest rate swaps, etc., the Group assesses the hedge effectiveness by comparing the accumulated fluctuation of cash flows from the hedged items with those from the hedging instruments between the inception of the hedges and the consolidated fiscal year-end.

As for fair value hedges applied to other securities denominated in foreign currencies, the Group assesses the hedge effectiveness by identifying the items to be hedged in advance and comparing the ratio of fluctuation amount of the hedged items (other securities dominated in foreign currencies) and the hedging instruments (loans denominated in foreign currencies) due to changes in foreign exchange rates.

**(r) Goodwill**

Goodwill is amortized using the straight-line method within 20 years in which the effect of the return on the investment is expected to realize.

However, immaterial goodwill is charged to expense directly when it is generated.

**(s) Scope of "Cash and cash equivalents" on consolidated statements of cash flows**

For the purpose of presenting the consolidated statements of cash flows, cash and cash equivalents represent cash, due from banks and short-term investments due within three months from the date of acquisition, which are easily convertible into cash with little or no risk from fluctuation in value.

**(t) National and local consumption taxes**

National and local consumption taxes are accounted for using the tax-excluded method.

**(u) Interest expense on development projects**

Interest expenses for large real estate development projects during normal development period are included in the acquisition costs.

**(v) Application of the consolidated taxation system**

The consolidated taxation system is applied from the fiscal year ended March 31, 2020.

**(w) 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” (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” (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.

**3. SIGNIFICANT ACCOUNTING ESTIMATES**

**(1) Allowance for doubtful accounts**

- a. Carrying amounts in the consolidated financial statements for the year ended March 31, 2021  
Allowance for doubtful accounts as of March 31, 2021 were ¥37,747 million (US\$340,954 thousand).
- b. Other information that assists users of consolidated financial statements in understanding the nature of the estimates

The allowance for doubtful accounts is provided for the estimated amount of probable losses on installment sales receivable, lease receivables and investment assets, loans receivable, delinquent receivables and others. The allowance for doubtful accounts for normal receivables is computed based on the actual historical percentage of bad debts, while the allowance for doubtful accounts for specifically identified doubtful receivables is based on the estimate of uncollectible amounts in reference to collateral value and other factors, by each borrower category classified according to credit risk based on results of the asset self-assessment in accordance with its internal self-assessment standards for assets.

The determination of borrower categories is based on quantitative factors such as financial indicators as well as information related to qualitative factors such as future performance outlooks and cash flow conditions in accordance with the self-assessment standards established by the Group. In addition, the Group has made accounting estimates assuming that the effects of the novel coronavirus disease (COVID-19) will continue over a certain period of time, based on information from several external sources.

In the event of changes in the business conditions of the debtors or collateral values on which such estimates are based, additional provision may be required.

**(2) Impairment losses on leased assets**

a. Carrying amounts in the consolidated financial statements for the year ended March 31, 2021

Leased assets as of March 31, 2021 were ¥2,758,044 million (US\$24,912,333 thousand) and impairment losses on leased assets for the year ended March 31, 2021 were ¥19,907 million (US\$179,814 thousand).

b. Other information that assists users of consolidated financial statements in understanding the nature of the estimates

For assets or asset groups of leased assets for which there is an indication of impairment, the Group reduces the carrying amounts of the leased assets to the recoverable amount and records the amount of reduction as an impairment loss.

The recoverable amount of leased assets is measured as the higher of the net realizable value, which is the fair value of the leased assets less estimated costs of disposal (or the fair value less costs of disposal for overseas consolidated subsidiaries applying IFRS), and the value in use. Net realizable value or fair value is determined based on market value, and value in use is determined based on future cash flows based on factors including lease contracts and estimated residual values, and discount rates based on factors including market interest rates and other market conditions.

The future cash flows and discount rates used as assumptions in the estimates are calculated based on the secondhand trading market and other market conditions, taking into consideration the status of lease contracts as of the end of the fiscal year. In addition, for leased assets that are likely to be affected by COVID-19, the Group has made accounting estimates assuming that the effects of COVID-19 will continue over a certain period of time, based on information from several external sources.

In the event of changes in such premise or assumptions, an impairment loss may be recognized.

**(3) Deferred tax assets**

a. Carrying amounts in the consolidated financial statements for the year ended March 31, 2021

Deferred tax assets and deferred tax liabilities as of March 31, 2021 were ¥21,962 million (US\$198,376 thousand) and ¥58,601 million (US\$529,321 thousand), respectively.

b. Other information that assists users of consolidated financial statements in understanding the nature of the estimates

The Group recognizes deferred tax assets or deferred tax liabilities by deducting the amount of taxes that is not expected to be recovered or paid in future accounting periods from the amount of taxes related to temporary differences.

Deferred tax assets are recognized by assessing the recoverability of the estimated amount of tax reduction related to the reversal of future deductible temporary differences or the offsetting of tax loss carryforwards against taxable income before temporary differences and the occurrence of unused foreign tax credit carryforwards in future accounting periods.

The judgment on the recoverability of deferred tax assets is based on the scheduling of future taxable income and temporary differences, etc., which are estimated by revising the figures assumed

in the medium-term management plan in line with external factors such as the business environment, the Group's business performance, and the status of achievement of the medium-term management plan. In addition, the Group has made accounting estimates assuming that the effects of COVID-19 will continue over a certain period of time, based on information from several external sources.

The amount of deferred tax assets may change in the event of changes in the future taxable income and scheduling of temporary differences, etc., which are used as assumptions under such estimates.

#### 4. CHANGE IN ACCOUNTING POLICY

##### *For the fiscal year ended March 31, 2021*

There were no changes in accounting policy in the fiscal year ended March 31, 2021.

##### *For the fiscal year ended March 31, 2020*

##### **Adoption of "Leases" (IFRS 16)**

The Company's overseas consolidated subsidiaries adopted "Leases" (IFRS 16) effective from the beginning of the fiscal year ended March 31, 2020. Accordingly, a lessee is required to recognize substantially all leases as assets or liabilities on the consolidated balance sheet.

In applying this standard, the Company has elected to recognize the cumulative effect of applying this standard on the date of initial application, which is permitted as a transitional measure.

As a result, at the beginning of the fiscal year ended March 31, 2020, property and equipment for internal use and lease obligations increased by ¥946 million and ¥1,094 million, respectively, and non-controlling interests and retained earnings decreased by ¥46 million and ¥100 million, respectively.

The effect of this change on profit and amounts per share of the Company's overseas consolidated subsidiaries for the fiscal year ended March 31, 2020 is immaterial.

#### 5. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

**"Accounting Standard for Revenue Recognition"** (ASBJ Statement No. 29, March 31, 2020)

**"Implementation Guidance on Accounting Standard for Revenue Recognition"** (ASBJ Guidance No. 30, March 26, 2021)

##### **(1) Overview**

The above standard and guidance provide comprehensive principles for revenue recognition. Under the standard and guidance, revenue is recognized by applying following five steps:

Step1: Identify contract(s) with customers.

Step2: Identify the performance obligations in the contract.

Step3: Determine the transaction price.

Step4: Allocate the transaction price to the performance obligation in the contract.

Step5: Recognize revenue when (or as) the entity satisfies a performance obligation.

**(2) Effective date**

Effective from the beginning of the fiscal year ending March 31, 2022.

**(3) Effects of the application of the standards**

The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

“Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019)

“Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, July 4, 2019)

“Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9, July 4, 2019)

“Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019)

“Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020)

**(1) Overview**

In order to enhance comparability with internationally recognized accounting standards, “Accounting Standard for Fair Value Measurement” and “Implementation Guidance on Accounting Standard for Fair Value Measurement” (together, hereinafter referred to as “Fair Value Accounting Standards”) were developed and guidance on methods measuring fair value was issued. Fair Value Accounting Standards are applicable to the fair value measurement of the following items:

- Financial instruments in “Accounting Standard for Financial Instruments”; and inventories held for trading purposes in “Accounting Standard for Measurement of Inventories.”

In addition, “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” was revised to include notes regarding the breakdown by level of fair values of financial instruments.

**(2) Effective date**

Effective from the beginning of the fiscal year ending March 31, 2022.

**(3) Effects of the application of the standards**

The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

## 6. CHANGES IN PRESENTATION METHOD

*For the fiscal year ended March 31, 2021*

### **Adoption of “Accounting Standard for Disclosure of Accounting Estimates”**

The Company and its subsidiaries adopted ASBJ Statement No. 31 “Accounting Standard for Disclosure of Accounting Estimates” (March 31, 2020) to the consolidated financial statements for the fiscal year ended March 31, 2021, and therefore significant accounting estimates are disclosed in the note to the consolidated financial statements.

The note does not include information for the prior consolidated fiscal year in accordance with the transitional provision set out in paragraph 11 of the Accounting Standard.

*For the fiscal year ended March 31, 2020*

There were no changes in presentation in the fiscal year ended March 31, 2020.

## 7. ADDITIONAL INFORMATION

*For the fiscal year ended March 31, 2021*

There was no additional information in the fiscal year ended March 31, 2021.

*For the fiscal year ended March 31, 2020*

### **Accounting Estimates Related to the Effects of the Spread of the Novel Coronavirus Disease (COVID-19)**

In the fiscal year ended March 31, 2020, the rapid spread of COVID-19 on a global scale has brought the global economic activity to a standstill.

For the Group, there are possibilities that the collections of lease receivables will be delayed, and depending on the timing of the settlement of COVID-19, accounting estimates regarding allowance for doubtful accounts, impairment of leased assets, and recoverability of deferred tax assets may be affected significantly.

While it is extremely difficult to predict when the effects of COVID-19 will be contained, the Group has made accounting estimates assuming that the effects of COVID-19 will continue for a certain period in the fiscal year ending March 31, 2021, based on information from several external sources.

Also, since estimates concerning the effects of COVID-19 are highly uncertain, changes in the above assumptions may result in additional recording of allowance for doubtful accounts, recognition of impairment loss, and a reversal of deferred tax assets in the following fiscal year.

## 8. ADVANCED DEPRECIATION AND ACCUMULATED DEPRECIATION OF PROPERTY AND EQUIPMENT

Sumitomo Mitsui Finance and Leasing Company, Limited  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 March 31, 2021 and 2020

The Company applied advanced depreciation to property and equipment (leased assets) purchased with government subsidy. ¥27 million (US\$244 thousand) and ¥152 million were deducted from the cost of property and equipment (leased assets) at March 31, 2021 and 2020, respectively.

Accumulated depreciation of property and equipment at March 31, 2021 and 2020 were as follows:

At March 31,	Millions of Yen		Thousands of
	2021	2020	U.S. Dollars
Leased assets.....	¥ 466,761	¥ 372,338	\$ 4,216,069
Other operating assets.....	2,028	—	18,318
Property and equipment for internal use .....	7,219	6,337	65,206

Note: Accumulated depreciation includes accumulated impairment loss.

## 9. INVESTMENT AND RENTAL PROPERTY

The Company and certain consolidated subsidiaries own commercial properties and office buildings for rent in Tokyo and other areas.

Rental profits were ¥20,256 million (US\$182,965 thousand) and ¥14,892 million (rental profits are recorded as revenues and rental expenses are recorded as costs and expenses) for the fiscal years ended March 31, 2021 and 2020, respectively.

The carrying amounts in the consolidated balance sheets, the increase/decrease during the fiscal year, and the fair value of the rental properties for the fiscal years ended March 31, 2021 and 2020 were as follows:

	Millions of Yen		Thousands of
	2021	2020	U.S. Dollars
Carrying amounts in the consolidated balance sheets:			
Beginning balance .....	¥ 811,053	¥ 602,908	\$ 7,325,924
Net increase during the fiscal year .....	145,936	208,145	1,318,183
Ending balance .....	956,990	811,053	8,644,115
Fair value at the balance sheet date	1,061,119	892,074	9,584,672

### Notes:

1. The carrying amounts in the consolidated balance sheets represent the acquisition cost less accumulated depreciation and accumulated impairment loss.
2. For the fiscal year ended March 31, 2021, the main reasons for the increase were the purchase of property of ¥187,717 million (US\$1,695,574 thousand) and the acquisition of shares of Kenedix, Inc. and its subsidiaries of ¥39,736 million (US\$358,920 thousand), and the main reason for the decrease was the sales of property of ¥82,934 million (US\$749,110 thousand). For the fiscal year ended March 31, 2020, the main reason for the increase was the purchase of property of ¥301,446 million and the main reason for the decrease was the sales of property of ¥84,129 million.
3. With regard to the fair value at the balance sheet date, the fair values of major properties were estimated based on Japan's Real Estate Appraisal Standard. For other properties, fair values were estimated based on consistent values and indices that are judged as appropriately reflecting market values.

## 10. DELINQUENT RECEIVABLES

Delinquent receivables are receivables, of which definition is stipulated in Section 32, Paragraph 1-10 of Ordinance on Terminology, Forms and Preparation Methods of Financial Statements, etc.

Sumitomo Mitsui Finance and Leasing Company, Limited  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 2021 and 2020

11. BORROWED MONEY

At March 31,	Millions of Yen		Thousands of U.S. Dollars	Weighted average interest rate (%)	Due
	2021	2020	2021		
Short-term loans from banks and other financial institutions .....	¥ 1,024,466	¥ 1,037,413	\$ 9,253,599	0.24	—
Short-term non-recourse loans from banks and other financial institutions .....	488	—	4,408	0.86	
Long-term loans due within one year from banks and other financial institutions .....	436,960	351,793	3,946,888	1.38	—
Long-term non-recourse loans due within one year from banks and other financial institutions .....	17,617	—	159,127	0.84	
Lease obligations due within one year .....	16,173	18,633	146,086	4.42	—
Long-term loans excluded due within one year from banks and other financial institutions .....	2,095,999	1,782,295	18,932,337	1.69	Apr. 2022 -Sep.2038
Non-recourse long-term loans excluded due within one year from banks and other financial institutions .....	75,218	9,150	679,415	0.93	Apr. 2022 -Sep. 2036
Lease obligations excluded due within one year .....	28,577	34,432	258,134	5.86	Apr. 2022 -Mar. 2030
Other interest bearing debts					
Commercial paper due within one year .....	954,400	1,021,900	8,620,721	0.01	—
Payables under securitization of lease receivables .....	7,760	17,179	70,102	0.57	—
Long-term payables under securitization of lease receivables due within one year ..	14,906	21,047	134,646	1.34	—
Long-term payables under securitization of lease receivables .....	28,155	22,402	254,321	1.21	Apr. 2022 -Jul. 2037
Total .....	¥ 4,700,724	¥ 4,316,247	\$ 42,459,796	—	—

Sumitomo Mitsui Finance and Leasing Company, Limited  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 2021 and 2020

Notes:

1. Weighted average interest rates are calculated based on the year-end balance of the borrowings.
2. The repayment schedule on long-term loans, lease obligations, other interest bearing debts and non-recourse loans excluding due within one year subsequent to March 31, 2021 was as follows:

	Millions of Yen	Thousands of U.S. Dollars
Long-term loans		
After one year through two years .....	¥ 378,037	\$ 3,414,660
After two years through three years .....	285,401	2,577,915
After three years through four years .....	313,425	2,831,045
After four years through five years.....	362,051	3,270,265
Lease obligations		
After one year through two years .....	¥ 12,159	\$ 109,827
After two years through three years .....	8,187	73,950
After three years through four years .....	4,829	43,618
After four years through five years.....	2,389	21,579
Other interest bearing debts		
After one year through two years .....	¥ 9,390	\$ 84,816
After two years through three years .....	8,484	76,633
After three years through four years .....	2,765	24,975
After four years through five years.....	945	8,536
Long-term non-recourse loans		
After one year through two years .....	¥ 9,062	\$ 81,853
After two years through three years .....	1,240	11,200
After three years through four years .....	9,541	86,180
After four years through five years.....	48,821	440,981

Sumitomo Mitsui Finance and Leasing Company, Limited  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 2021 and 2020

12. BONDS

Issuers	Date of issuance	Millions of yen		Thousands of U.S. Dollars	Interest rate (%)	Collateral	Due
		2021	2020	2021			
The Company:							
Euro Medium Term Note	May 17, 2018				0.01~		Apr. 21, 2021 -
(Japanese yen).....	-Mar. 31, 2021	¥ 74,300	¥ 67,400	\$ 671,123	0.30	Unsecured	Aug. 26, 2025
(Due within one year).....		49,300	37,400	445,308			
Unsecured Bond	Aug. 5, 2014 -				0.01~		Aug. 5, 2021 -
(public offering).....	Aug. 12, 2020	305,000	260,000	2,754,945	0.73	Unsecured	Aug. 9, 2030
(Due within one year).....		20,000	30,000	180,652			
Unsecured Bond	Jan. 22, 2020						
(U.S. dollar).....		55,355	54,405	500,000	2.55	Unsecured	Jan. 22, 2025
(Due within one year).....		—	—	—			
Unsecured Bond	Jan.31, 2017 -				0.11~		Jan. 31, 2022 -
(private placement).....	Mar. 11, 2019	105,000	105,000	948,424	0.26	Unsecured	Mar. 10, 2026
(Due within one year).....		5,000	—	45,163			
SMBC AVIATION CAPITAL FINANCE DESIGNATED ACTIVITY COMPANY:							
U.S. dollar-denominated	Jul. 19, 2016 -				2.65~		Jul. 15, 2021-
Bond.....	Apr. 15, 2019	221,635	218,036	2,001,942	4.13	Unsecured	Apr. 15, 2024
(Due within one year).....		55,570	—	501,942			
Otemachi 142 Tokutei Mokuteki Kaisha:							
Specified Bond (Note 1).....	Mar. 24, 2017	50,730	50,730	458,224	0.75	Secured	Sep. 30, 2025
(Due within one year).....		—	—	—			
Others (Note 2).....		8,618	7,380	77,843	—	—	—
(Due within one year).....		3,403	—	30,738			
Total.....		¥ 820,639	¥ 762,952	\$ 7,412,510			
(Due within one year).....		133,274	67,400	1,203,815			

Notes:

1. The specified bond is classified as a non-recourse loan.
2. "Others" include non-recourse loans.

Sumitomo Mitsui Finance and Leasing Company, Limited  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 2021 and 2020

3. The redemption schedule on bonds and non-recourse bonds subsequent to March 31, 2021 was as follows:

	Millions of Yen	Thousands of U.S. Dollars
Bonds:		
Within one year	¥ 133,259	\$ 1,203,676
After one year through two years .....	107,355	969,696
After two years through three years.....	135,355	1,222,609
After three years through four years .....	201,447	1,819,592
After four years through five years .....	131,000	1,183,272
Non-recourse bonds:		
Within one year .....	¥ 15	\$ 135
After one year through two years .....	15	135
After two years through three years .....	18	163
After three years through four years .....	22	199
After four years through five years .....	50,752	458,423

### 13. NON-RECOURSE LOANS

(1) Non-recourse loans of consolidated special purpose company at March 31, 2021 and 2020 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Short-term loans.....	¥ 488	¥ —	\$ 4,408
Long-term loans (including current portion) .	92,835	9,150	838,542
Bonds (including current portion).....	52,222	50,730	471,701

(2) Assets corresponding to the non-recourse loans at March 31, 2021 and 2020 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Cash and bank deposits .....	¥ 16,939	¥ 3,164	\$ 153,003
Real estate for sale.....	41,378	—	373,751
Other current assets.....	4,685	17	42,318
Leased assets.....	152,151	—	1,374,320
Advances on purchases of leased assets .....	88	81,679	795
Other investments and other assets.....	612	543	5,528

Note: Part of the amount presented in Note 14. ASSETS PLEDGED AS COLLATERAL AND CORRESPONDING LIABILITIES is included in the above amounts.

#### 14. ASSETS PLEDGED AS COLLATERAL AND CORRESPONDING LIABILITIES

(1) Assets pledged as collateral at March 31, 2021 and 2020 were as follows:

	Millions of Yen		Thousands of
	2021	2020	U.S. Dollars
Cash and bank deposits .....	¥ 41,645	¥ 65,495	\$ 376,163
Lease receivables and investment assets .....	18,610	22,499	168,097
Loans receivable.....	2,183	2,297	19,718
Real estate for sale.....	41,378	—	373,751
Other current assets.....	1,261	726	11,390
Leased assets (*1) .....	528,572	272,571	4,774,384
Advances on purchases of leased assets .....	88	95,003	795
Other operating assets.....	7,210	—	65,125
Investment securities.....	2,210	2,681	19,962
Delinquent receivables .....	325	756	2,936
<b>Total.....</b>	<b>¥ 643,488</b>	<b>¥ 462,031</b>	<b>\$ 5,812,375</b>

\*1. Operating lease contract receivables are also pledged as collateral.

(2) Liabilities corresponding to the assets pledged as collateral at March 31, 2021 and 2020 were as follows:

	Millions of Yen		Thousands of
	2021	2020	U.S. Dollars
Short-term loans.....	¥ 488	¥ —	\$ 4,408
Long-term loans (including current portion) .	381,766	255,978	3,448,343
Bonds (including current portion).....	52,222	50,730	471,701
Other current liabilities .....	552	484	4,986
Guarantee deposits received .....	1,489	1,527	13,450
<b>Total.....</b>	<b>¥ 436,519</b>	<b>¥ 308,720</b>	<b>\$ 3,942,905</b>

Note: ¥44,438 million (US\$401,391 thousand) and ¥70,460 million of the above total assets were pledged as collateral for debts of silent partnerships and others and for derivative transactions at March 31, 2021 and 2020, respectively.

## 15. PAYABLES UNDER SECURITIZATION OF LEASE RECEIVABLES AND LONG-TERM PAYABLES UNDER SECURITIZATION OF LEASE RECEIVABLES

Payables under securitization of lease receivables are payables which arise from the securitization of lease receivables.

## 16. EMPLOYEE RETIREMENT BENEFITS

### (1) Outline of employee retirement benefits

The Company and certain consolidated subsidiaries have established defined benefit plans such as employee pension plans and lump-sum severance indemnity plans, and also established defined contribution plans. They may grant additional benefits in case where certain requirements are met when employees retire. The Company contributed some of its marketable equity securities to employee retirement benefits trust.

### (2) Defined benefit plans

- (a) Reconciliation of the beginning balance and the ending balance of projected benefit obligations

For the fiscal year ended March 31,	Millions of Yen		Thousands of U.S. Dollars	
	2021	2020	2021	
Balance at the beginning of the fiscal year..¥	25,611	¥ 23,102	\$	231,334
Service costs .....	1,388	1,354		12,537
Interest costs .....	82	79		741
Actuarial gains or losses .....	(969)	(399)		(8,753)
Benefits paid .....	(797)	(715)		(7,199)
Prior service costs .....	—	2,180		—
Other .....	49	9		443
Balance at the end of the fiscal year..... ¥	25,365	¥ 25,611	\$	229,112

Note: Certain consolidated subsidiaries adopt the simple method in calculating the projected benefit obligations, under which the projected benefit obligations are deemed to be an amount of benefits calculated assuming all employees retired voluntarily at the year-end.

Sumitomo Mitsui Finance and Leasing Company, Limited  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 2021 and 2020

(b) Reconciliation of the beginning balance and the ending balance of plan assets

For the fiscal year ended March 31,	Millions of Yen		Thousands of U.S. Dollars	
	2021	2020	2021	
Balance at the beginning of the fiscal year..¥	15,793	¥ 15,795	\$	142,652
Expected return on plan assets.....	284	285		2,565
Actuarial gains or losses .....	931	(570)		8,409
Employer contributions .....	2,421	874		21,868
Benefits paid .....	(782)	(591)		(7,063)
Balance at the end of the fiscal year.....¥	18,649	¥ 15,793	\$	168,449

(c) Reconciliation of the ending balance of projected benefit obligations and plan assets and net defined benefit liability and net defined benefit asset recorded on the consolidated balance sheet at March 31, 2021 and 2020

At March 31,	Millions of Yen		Thousands of U.S. Dollars	
	2021	2020	2021	
Funded projected benefit obligations.....¥	25,118	¥ 25,392	\$	226,881
Plan assets .....	(18,649)	(15,793)		(168,449)
	6,469	9,599		58,432
Unfunded projected benefit obligations .....	247	219		2,231
Net of liability and asset on the consolidated balance sheet .....	¥ 6,716	¥ 9,818	\$	60,663
Net defined benefit liability.....¥	6,721	¥ 9,818	\$	60,710
Net defined benefit asset.....	(4)	—		(44)
Net of liability and asset on the consolidated balance sheet .....	¥ 6,716	¥ 9,818	\$	60,663

(d) Breakdown of pension expenses

For the fiscal year ended March 31,	Millions of Yen		Thousands of U.S. Dollars	
	2021	2020	2021	
Service costs.....¥	1,388	¥ 1,354	\$	12,537
Interest costs .....	82	79		741
Expected return on plan assets.....	(284)	(285)		(2,565)
Amortization of actuarial gains or losses....	416	404		3,758
Amortization of prior service costs.....	218	(3)		1,969
Other .....	58	128		524
Pension expenses for defined benefit plans ¥	1,879	¥ 1,677	\$	16,972

Sumitomo Mitsui Finance and Leasing Company, Limited  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 2021 and 2020

(e) Breakdown of remeasurements of defined benefit plans (before tax effect) in other comprehensive income

For the fiscal year ended March 31,	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Prior service costs .....	¥ 218	¥ (2,184)	\$ 1,969
Actuarial gains or losses .....	2,317	233	20,929
Total .....	¥ 2,535	¥ (1,950)	\$ 22,898

(f) Breakdown of remeasurements of defined benefit plans (before tax effect) in accumulated other comprehensive income

At March 31,	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Unrecognized prior service costs .....	¥ 1,943	¥ 2,161	\$ 17,550
Unrecognized actuarial gains or losses .....	692	3,010	6,251
Total .....	¥ 2,636	¥ 5,172	\$ 23,810

(g) Plan assets

(i) Components of plan assets as a percentage of total plan assets

At March 31,	2021	2020
Bonds .....	41.1%	42.6%
Stocks .....	19.8	16.4
General accounts of life insurance companies .....	29.3	30.9
Other .....	9.8	10.1
Total .....	100.0%	100.0%

Note: The total amount of plan assets above includes 5.9% and 7.1% of retirement benefits trust established for employee pension plans at March 31, 2021 and 2020, respectively.

(ii) Long-term expected rate of return

Current and target asset allocations, current and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

(h) Assumptions used for actuarial calculations

For the fiscal year ended March 31,	2021	2020
Discount rate .....	Primarily 0.5%	Primarily 0.3%
Long-term expected rate of return .....	Primarily 2.0%	Primarily 2.0%

**(3) Defined contribution plans**

The amount to be contributed to the defined contribution pension plans of the Company and certain consolidated subsidiaries for the fiscal years ended March 31, 2021 and 2020 was ¥832 million (US\$7,515 thousand) and ¥829 million, respectively.

**17. ASSET RETIREMENT OBLIGATIONS**

Disclosures of asset retirement obligations were omitted since the amount of these obligations were 1% or less of total liabilities and net assets at the beginning and end of the fiscal year ended March 31, 2021.

**18. CONTINGENT LIABILITIES**

At March 31,	Millions of Yen		Thousands of
	2021	2020	U.S. Dollars
7,771 (8,614 in 2020) guarantees of obligations for business (including commitment to guarantee) .....	¥ 46,988	¥ 40,239	\$ 424,424
Loan guarantees to employees (housing loan, etc.) .....	7	10	63

Note: ¥100 million (US\$903 thousand) and ¥100 million at March 31, 2021 and 2020, respectively, of the above guarantees of obligations for business are guaranteed by other third parties.

**19. COMMITMENT LINES**

**(1) Lender side**

Unused commitments at March 31, 2021 and 2020 were as follows:

	Millions of Yen		Thousands of
	2021	2020	U.S. Dollars
Total amounts of lending commitment lines	¥ 104,283	¥ 111,730	\$ 941,947
Lending execution balances.....	55,196	71,242	498,564
Net unused balance .....	¥ 49,086	¥ 40,488	\$ 443,375

Note: Commitment line contracts are agreements to lend to customers, up to prescribed amount, as long as there is no violation of any condition established in the contracts. The commitments above include the contracts which require screening of credit condition and purpose of loan beforehand. Therefore, full amounts are not necessarily used.

**(2) Borrower side**

To enhance efficiency and stability in fund procurement, the Company has concluded commitment lines with 30 banks at March 31, 2021 (31 in 2020). The amounts of unused commitments on loans at March 31, 2021 and 2020 were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2021	2020	2021	
Total amounts of borrowing commitment lines.....	¥ 480,636	¥ 522,692	\$ 4,341,396	
Borrowing execution balances .....	118,798	143,790	1,073,056	
Net unused balance .....	¥ 361,838	¥ 378,902	\$ 3,268,341	

**20. CHANGES IN NET ASSETS**

Under the Law and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus in the accompanying consolidated balance sheets.

The Law provides that earnings in an amount equal to at least 10 percent of appropriations of retained earnings to be paid as dividends should be appropriated as a capital surplus or a legal reserve until the total of capital surplus and legal reserve equals 25 percent of stated common stock. Legal reserve is included in retained earnings in the accompanying consolidated balance sheets. In addition to transfer from capital surplus to stated common stock, either capital surplus or legal reserve may be available for dividends by resolution of the general meeting of shareholders.

Under the Law, all additional paid-in capital and all legal reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Law.

**(1) Type and number of stocks issued and treasury stocks for the fiscal years ended March 31, 2021 and 2020 were as follows:**

	Number of stocks (Thousands of stocks)			
	March 31, 2020	Increase	Decrease	March 31, 2021
<b>Stocks issued</b>				
Common stock .....	95,314	—	—	95,314
<b>Total.....</b>	<b>95,314</b>	<b>—</b>	<b>—</b>	<b>95,314</b>
<b>Treasury stocks</b>				
Common stock .....	18,309	—	10,349	7,959
<b>Total.....</b>	<b>18,309</b>	<b>—</b>	<b>10,349</b>	<b>7,959</b>

Notes: The decrease of 10,349 thousand shares of treasury stocks is due to the disposal of treasury stocks resolved at the meeting of shareholders held on February 25, 2021.

	Number of stocks (Thousands of stocks)			
	March 31, 2019	Increase	Decrease	March 31, 2020
<b>Stocks issued</b>				
Common stock .....	95,314	—	—	95,314
<b>Total.....</b>	<b>95,314</b>	<b>—</b>	<b>—</b>	<b>95,314</b>
<b>Treasury stocks</b>				
Common stock .....	18,309	—	—	18,309
<b>Total.....</b>	<b>18,309</b>	<b>—</b>	<b>—</b>	<b>18,309</b>

**(2) Information on stock acquisition rights**

There were no corresponding transactions for the fiscal years ended March 31, 2021 and 2020.

**(3) Information on dividends is as follows:**

**(a) Dividends paid in the fiscal years ended March 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	¥ 15,554	\$ 140,501	¥ 202	\$ 1.82	March 31, 2020	June 24, 2020
Date of resolution: Ordinary general meeting of shareholders held on June 23, 2020						

2020						
Type of shares	Aggregate amount of dividends		Cash dividends per stock		Record date	Effective date
	Millions of Yen		Yen			
Common stock	¥ 20,175		¥ 262		March 31, 2019	June 26, 2019
Date of resolution: Ordinary general meeting of shareholders held on June 25, 2019						

**(b) Dividends resolved to be payable in the fiscal year ending March 31, 2022**

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	\$ 114,407	¥ 145	\$ 1.31	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.

## 21. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

For the fiscal year ended March 31,	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Employee salaries and bonuses .....	¥ 33,730	¥ 34,647	\$ 304,670
Provision for allowance for doubtful accounts and credit losses .....	29,251	7,175	264,213
Amortization of goodwill .....	9,120	9,129	82,383
Provision for reserve for employee bonuses ..	1,874	2,095	16,927
Provision for reserve for directors' bonuses...	438	394	3,956
Pension expenses .....	2,712	2,507	24,496
Provision for reserve for directors' retirement benefits .....	40	138	361

## 22. IMPAIRMENT LOSS

The Group recognized impairment losses mainly for groups of property and equipment in the fiscal years ended March 31, 2021 and 2020 as follows:

Use	Type of assets	2021	
		Millions of Yen	Thousands of U.S. Dollars
Leased assets	Aircraft	¥ 19,747	\$ 178,367

Certain consolidated subsidiaries recognized impairment losses on the leased assets with low profitability mainly due to a decrease in expected future cash flows by reducing their carrying amounts to the respective recoverable amounts of each asset. The impairment losses are included in "Costs and expenses" in the consolidated statement of income. The recoverable amounts are measured by their value in use calculated by discounting future cash flows using mainly 5%.

Use	Type of assets	2020	
		Millions of Yen	
Leased assets	Aircraft	¥ 2,594	

Certain consolidated subsidiaries recognized impairment losses on the leased assets with low profitability mainly due to a decrease in expected future cash flows by reducing their carrying amounts to the respective recoverable amounts of each asset. The impairment losses are included in "Costs and expenses" in the consolidated statement of income. The recoverable amounts are measured by their value in use calculated by discounting future cash flows using mainly 5%.

### 23. INCOME TAXES

(1) Significant components of the Group's deferred tax assets and liabilities at March 31, 2021 and 2020 were as follows:

At March 31,	Millions of Yen		Thousands of
	2021	2020	U.S. Dollars
Deferred tax assets			
Net operating loss carry-forward (*2) .....	¥ 105,458	¥ 110,587	\$ 952,561
Allowance for doubtful accounts.....	16,625	15,051	150,167
Deferred gains or losses on hedges .....	7,172	9,472	64,782
Write-off of securities .....	5,073	4,336	45,822
Depreciation .....	3,909	4,652	35,308
Net defined benefit liability.....	2,391	3,325	21,597
Other .....	15,182	10,319	137,133
Subtotal of deferred tax assets.....	<u>155,814</u>	<u>157,746</u>	<u>1,407,407</u>
Valuation allowance for net operating loss carry-forward (*2).....	(39,141)	(62,970)	(353,545)
Valuation allowance for total deductible temporary differences .....	(20,483)	(13,737)	(185,015)
Subtotal of valuation allowance (*1).....	<u>(59,625)</u>	<u>(76,708)</u>	<u>(538,569)</u>
Total of deferred tax assets .....	¥ <u>96,189</u>	¥ <u>81,037</u>	\$ <u>868,838</u>
Deferred tax liabilities			
Depreciation .....	¥ (90,074)	¥ (74,566)	\$ (813,603)
Valuation differences due to business combination.....	(22,895)	(8,147)	(206,802)
Net unrealized holding gains or losses on securities.....	(11,006)	(6,218)	(99,413)
Special exemption for lease transactions under tax law .....	(5,042)	(5,744)	(45,542)
Other .....	(3,808)	(2,940)	(34,396)
Total of deferred tax liabilities .....	<u>(132,828)</u>	<u>(97,616)</u>	<u>(1,199,783)</u>
Net deferred tax assets (liabilities).....	¥ <u>(36,638)</u>	¥ <u>(16,579)</u>	\$ <u>(330,937)</u>

Notes:

\*1. Valuation allowance decreased by ¥17,083 million (US\$154,304 thousand) for the fiscal year ended March 31, 2021 mainly due to the decrease of valuation allowance for net operating loss carry-forward.

\*2. The expiry schedule on net operating loss carry-forward and the related deferred tax assets subsequent to March 31, 2021 and 2020 was as follows:

Sumitomo Mitsui Finance and Leasing Company, Limited  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 2021 and 2020

At March 31, 2021	Millions of Yen		
	Net operating loss carry-forward (a)	Valuation allowance	Deferred tax assets
Within one year.....	¥ 1,189	¥ (101)	¥ 1,087
After one year through two years.....	34,557	(19,079)	15,478
After two years through three years .....	12,741	(3,762)	8,978
After three years through four years.....	9,475	(9,475)	—
After four years through five years.....	242	(34)	208
After five years.....	47,252	(6,688)	40,563
<b>Total</b>	<b>¥ 105,458</b>	<b>¥ (39,141)</b>	<b>¥ (b) 66,316</b>

At March 31, 2020	Millions of Yen		
	Net operating loss carry-forward (a)	Valuation allowance	Deferred tax assets
Within one year.....	¥ 19,108	¥ (15,134)	¥ 3,974
After one year through two years.....	4,176	(4)	4,171
After two years through three years .....	34,732	(23,046)	11,686
After three years through four years.....	12,239	(12,239)	—
After four years through five years.....	9,076	(9,076)	—
After five years.....	31,255	(3,470)	27,784
<b>Total</b>	<b>¥ 110,587</b>	<b>¥ (62,970)</b>	<b>¥ (b) 47,616</b>

At March 31, 2021	Thousands of U.S. Dollars		
	Net operating loss carry-forward (a)	Valuation allowance	Deferred tax assets
Within one year.....	\$ 10,740	\$ (912)	\$ 9,818
After one year through two years.....	312,140	(172,333)	139,807
After two years through three years .....	115,084	(33,981)	81,095
After three years through four years.....	85,584	(85,584)	—
After four years through five years.....	2,186	(307)	1,879
After five years.....	426,809	(60,410)	366,390
<b>Total</b>	<b>\$ 952,561</b>	<b>\$ (353,545)</b>	<b>\$ (b) 599,006</b>

Notes:

- (a) Net operating loss carry-forward shown in the above table is after multiplying the statutory tax rate.
- (b) Deferred tax assets of ¥66,316 million (US\$599,006 thousand) and ¥47,616 million were recognized with respect to net operating loss carry-forward of ¥105,458 million (US\$952,561 thousand) and ¥110,587 million (amounts multiplied by the statutory tax rate) at March 31, 2021 and 2020,

Sumitomo Mitsui Finance and Leasing Company, Limited  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 March 31, 2021 and 2020

respectively. Such deferred tax assets were recognized primarily for a part of net operating loss carry-forward for the Company and certain overseas consolidated subsidiaries. Valuation allowance was not recognized for such deferred tax assets on net operating loss carry-forward as the amount was determined to be recoverable based on the estimate of future taxable income.

(2) A reconciliation of the effective income tax rate reflected in the accompanying consolidated statements of income to the statutory tax rate for the fiscal years ended March 31, 2021 and 2020 was as follows:

For the fiscal year ended March 31,	2021	2020
Statutory tax rate.....	30.6%	30.6%
Difference of statutory tax rates of the Company and overseas consolidated subsidiaries.....	(2.0)	(8.4)
Changes in valuation allowance.....	(15.6)	(5.2)
Amortization of goodwill.....	6.5	3.1
Other.....	(1.0)	(1.7)
Effective income tax rate.....	18.5%	18.4%

## 24. COMPREHENSIVE INCOME

Reclassification adjustments and tax effects for each component of other comprehensive income for the fiscal years ended March 31, 2021 and 2020

For the fiscal year ended March 31,	Millions of Yen		Thousands of U.S. Dollars	
	2021	2020	2021	
<b>Net unrealized holding gains or losses on securities</b>				
Increase (decrease) during the year.....	¥ 14,662	¥ (9,654)	\$	132,436
Reclassification adjustments .....	(1,182)	2,007		(10,677)
Before income tax effect .....	13,480	(7,647)		121,760
Income tax effect .....	(3,905)	2,226		(35,272)
<b>Net unrealized holding gains or losses on securities.....</b>	<b>¥ 9,575</b>	<b>¥ (5,421)</b>	<b>\$</b>	<b>86,488</b>
<b>Deferred gains or losses on hedges</b>				
Increase (decrease) during the year.....	¥ 15,753	¥ (51,881)	\$	142,291
Reclassification adjustments .....	10,501	4,103		94,851
Before income tax effect .....	26,255	(47,777)		237,151
Income tax effect .....	(3,758)	5,451		(33,945)
<b>Deferred gains or losses on hedges .....</b>	<b>¥ 22,496</b>	<b>¥ (42,325)</b>	<b>\$</b>	<b>203,200</b>
<b>Foreign currency translation adjustments</b>				
Increase (decrease) during the year.....	¥ 4,352	¥ (6,622)	\$	39,316
<b>Foreign currency translation adjustments .....</b>	<b>¥ 4,352</b>	<b>¥ (6,622)</b>	<b>\$</b>	<b>39,316</b>
<b>Remeasurements of defined benefit plans</b>				
Increase (decrease) during the year.....	¥ 1,901	¥ (2,351)	\$	17,171
Reclassification adjustments .....	634	401		5,727
Before income tax effect .....	2,535	(1,950)		22,898
Income tax effect .....	(776)	597		(7,009)
<b>Remeasurements of defined benefit plans .....</b>	<b>¥ 1,759</b>	<b>¥ (1,353)</b>	<b>\$</b>	<b>15,892</b>
<b>Share of other comprehensive income of affiliates accounted for using equity method</b>				
Increase (decrease) during the year.....	¥ 625	¥ (157)	\$	5,645
Reclassification adjustments .....	(120)	9		(1,084)
<b>Share of other comprehensive income of affiliates accounted for using equity method .....</b>	<b>¥ 504</b>	<b>¥ (147)</b>	<b>\$</b>	<b>4,560</b>
<b>Total other comprehensive income .....</b>	<b>¥ 38,688</b>	<b>¥ (55,871)</b>	<b>\$</b>	<b>349,457</b>

## 25. STATEMENT OF CASH FLOWS

### (1) Cash and cash equivalents and amounts of the account mentioned in consolidated balance sheets at March 31, 2021 and 2020

	Millions of Yen		Thousands of
	2021	2020	U.S. Dollars
Cash and bank deposits .....	¥ 267,722	¥ 252,775	\$ 2,418,232
Time deposits with maturities exceeding three months.....	(3,672)	(1,430)	(33,168)
Deposits pledged as collateral.....	(40,043)	(65,481)	(361,693)
Cash and cash equivalents at the end of the fiscal year .....	¥ 224,005	¥ 185,864	\$ 2,023,357

### (2) Increase/decrease in other reserves

Increase/decrease in other reserves consists of those in allowance for loss on disposal of leased assets, reserve for employee bonuses, reserve for directors' bonuses, and reserve for directors' retirement benefits.

### (3) Breakdown of assets and liabilities of a newly consolidated subsidiary as a result of acquisition of shares

The following table represents the breakdown of acquired assets and assumed liabilities upon acquisition as well as a reconciliation of acquisition costs and expenditure for acquisition of shares of Kenedix, Inc. and its 40 subsidiaries, which were newly consolidated following the acquisition of shares in the fiscal year ended March 31, 2021.

	2021	
	Millions of Yen	Thousands of U.S. Dollars
Current assets.....	¥ 119,264	\$ 1,077,265
Non-current assets.....	131,208	1,185,150
Goodwill .....	17,574	158,739
Current liabilities .....	(33,613)	(303,613)
Non-current liabilities .....	(75,739)	(684,121)
Non-controlling interests.....	(55,549)	(501,752)
Acquisition costs of shares .....	¥ 103,144	\$ 931,659
Shares held before acquiring control.....	(0)	(0)
Gain on step acquisitions.....	(0)	(0)
Cash and cash equivalents.....	(57,858)	(522,609)
Net: purchase of investments in subsidiaries resulting in change in scope of consolidation	¥ 45,286	\$ 409,051

Sumitomo Mitsui Finance and Leasing Company, Limited  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 March 31, 2021 and 2020

The following table represents the breakdown of acquired assets and assumed liabilities upon acquisition as well as a reconciliation of acquisition costs and expenditure for acquisition of shares of Sumisho Aero Engine Lease B.V. (currently SMBC Aero Engine Lease B.V.) and MAX-REALTY INC., which were newly consolidated following the acquisition of shares in the fiscal year ended March 31, 2020.

	2020	
	Millions of Yen	
Current assets .....	¥	2,716
Non-current assets .....		43,715
Current liabilities .....		(7,324)
Non-current liabilities .....		(26,919)
Non-controlling interests .....		(4,528)
Acquisition costs of shares .....	¥	7,659
Cash and cash equivalents .....		(2,260)
Net: purchase of investments in subsidiaries resulting in change in scope of consolidation	¥	5,398

## 26. LEASE TRANSACTIONS

(Lessee Side)

### (1) Finance Lease Transactions

#### (a) Non-ownership-transfer type Finance leases

1) Breakdown of lease rental assets

i) Property and equipment

Vehicles for sales activity and buildings including right-of-use assets recognized based on IFRS 16

ii) Intangible assets

Software

2) Depreciation method of lease rental assets

It is described in Note 2 (4).

### (2) Operating Lease Transactions

Future minimum lease payments on operating leases which were not cancelable at March 31, 2021 and 2020 were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2021	2020	2021	
Due within one year .....	¥ 6,300	¥ 3,251	\$	56,905
Due after one year.....	17,993	5,665		162,524
<b>Total .....</b>	<b>¥ 24,294</b>	<b>¥ 8,916</b>	<b>\$</b>	<b>219,438</b>

Sumitomo Mitsui Finance and Leasing Company, Limited  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 2021 and 2020

(Lessor Side)

**(1) Finance Lease Transactions**

**(a) Breakdown of lease investment assets**

At March 31,	Millions of Yen		Thousands of
	2021	2020	U.S. Dollars
Lease receivables.....	¥ 1,243,756	¥ 1,308,718	\$ 11,234,360
Estimated residual value.....	58,573	59,168	529,067
Unearned interest revenue .....	(141,006)	(150,212)	(1,273,652)
Lease investment assets .....	¥ 1,161,323	¥ 1,217,674	\$ 10,489,775

**(b) The scheduled collections of lease receivables and investment assets**

At March 31,	Millions of Yen		Thousands of
	2021	2020	U.S. Dollars
Lease receivables			
Within one year.....	¥ 307,567	¥ 317,322	\$ 2,778,132
After one year through two years.....	232,682	226,453	2,101,725
After two years through three years .....	176,205	161,750	1,591,591
After three years through four years.....	111,613	117,674	1,008,156
After four years through five years .....	80,786	71,062	729,708
After five years .....	179,463	192,177	1,621,019
Total.....	¥ 1,088,318	¥ 1,086,441	\$ 9,830,350
Lease investment assets			
Within one year.....	¥ 364,508	¥ 401,219	\$ 3,292,458
After one year through two years.....	297,297	301,830	2,685,367
After two years through three years .....	226,216	232,168	2,043,320
After three years through four years.....	159,593	165,172	1,441,541
After four years through five years .....	96,983	101,351	876,009
After five years .....	99,156	106,975	895,637
Total.....	¥ 1,243,756	¥ 1,308,718	\$ 11,234,360

**(2) Operating lease transactions**

Future minimum lease payments on operating leases which were not cancelable at March 31, 2021 and 2020 were as follows:

	Millions of Yen		Thousands of
	2021	2020	U.S. Dollars
Due within one year .....	¥ 224,850	¥ 225,168	\$ 2,030,982
Due after one year.....	1,586,405	1,719,562	14,329,374
<b>Total.....</b>	<b>¥ 1,811,255</b>	<b>¥ 1,944,730</b>	<b>\$ 16,360,356</b>

**(3) Sublease transactions**

Lease receivables and investment assets and lease obligations under sublease transactions reported on consolidated balance sheets include interest, and the amounts at March 31, 2021 and 2020 were as follows:

	Millions of Yen		Thousands of
	2021	2020	U.S. Dollars
Lease receivables and investment assets .....	¥ 4,739	¥ 8,027	\$ 42,806
Lease obligations.....	4,752	8,041	42,923

## 27. FINANCIAL INSTRUMENTS

### (1) Group policy for financial instruments

The Group operates financial services such as leases, installment sales, and loans. The Group finances necessary funds through indirect finance such as loans from financial institutions and through direct finance such as commercial papers and bonds. Also, the Group manages interest-rate fluctuation risks and foreign exchange risks by Asset Liability Management (“ALM,” a method to manage assets and liabilities as a whole). The Group uses derivative transactions to reduce interest-rate and foreign exchange fluctuation risks arising from operating assets acquisition and financing.

### (2) Details of financial instruments and associated risks

Operating assets such as lease receivables and investment assets, installment sales receivable and loans receivable are exposed to credit risk. Short-term investment securities and investment securities consist of stocks, bonds and investments in partnership. The Group holds these securities for the business strategy and gaining financial returns, and they are exposed to market fluctuation risk and credit risk of issuers.

Financing by loans, commercial papers and bonds are exposed to liquidity risk, such as higher interest rate for financing and difficulty for sufficient financing due to rapid deterioration of financial environment or credit worthiness of the Group.

Most of operating assets are fixed interest financial assets whose collectible amount is determined based on the interest rate at the contract date. The Group plans to increase profit margin and decrease finance costs by financing with fixed and variable interest rate funds on these operating assets. Accordingly, the Group is exposed to interest rate fluctuation risk such as increase of finance costs when interest rates rise.

The Group uses derivative transactions such as interest-rate swaps to reduce and hedge interest rate fluctuation risk and applies hedge accounting on future transactions, loans and others. The effectiveness of hedges is assessed by comparing the accumulated cash flow fluctuation of the hedged items and the hedging instruments from the start date of hedges to the consolidated fiscal year-end. For interest-rate swaps that meet certain criteria, the special treatment for interest-rate swap is applied. For foreign exchange forward contracts that meet certain criteria, the allocation method is applied.

### (3) Risk management of financial instruments

#### (a) Credit risk management

The Group establishes basic principles, guidelines, and rules in general credit policies and detailed operating standards in their operating standards manual. Risk Management Department, Credit Department and Credit Administration Department handle credit risk related procedures. Risk Management Department plans risk management system and evaluation method of credit risk. Also Risk Management Department measures credit risk and controls risk capital management. Each Credit Department reviews credit transactions, supervises sales branches and plans and controls security

policies and its execution. Credit Administration Department manages doubtful receivables and makes efforts to minimize doubtful receivables. In addition, independent Internal Auditing Department audits the accuracy of the credit risk management, credit risk evaluation standard, measurement method and status of the credit risk management and reports to management meeting and board meeting.

**(b) Market risk and liquidity risk management**

The Group establishes the risk management basic framework for market risk and liquidity risk management policy and determines the structure for risk management operation as well as management system, methods, and rules in market risk and liquidity risk management rules. Risk Management Department manages and controls market risk and liquidity risk, establishing and monitoring risk limits and guidelines and reports to management meeting regularly.

**(i) Interest rate risk management**

The Group manages interest rate risk by monitoring assets and liabilities with fixed interest rates using ALM and executes hedging appropriately by keeping track of the financial environment and interest rate trend.

**(ii) Foreign exchange risk management**

The Group has a policy of principally not taking any foreign exchange risks. The Group manages the assets and liabilities in foreign currencies by hedging individual items.

**(iii) Stock price fluctuation risk management**

The Group holds stocks that have price fluctuation risk for the purpose of business strategies. Since it is difficult to buy and sell stocks flexibly and to control the risk, the Group measures the gains and losses arising from the fluctuation of listed stocks.

**(iv) Derivative transactions**

The Group sets basic transaction rules, transaction limits and reporting in the derivatives and hedge accounting rules. The Group uses derivative financial instruments to hedge interest rate and foreign exchange risk arising from financing, fund operation and acquisition of operating assets. The Group executes and manages derivative transactions appropriately by establishing the segregation of duties, which segregate functions between transaction executing Treasury Department and verifying Accounting Department.

**(v) Liquidity risk management**

The Group manages its liquidity risk by maintaining the liquidity of the fund through ALM such as considering the appropriate financing and the balance of long-term and short-term loans.

**(vi) Quantitative information about market risk**

Interest rate risk is a key risk variable for the Group, and installment sales receivable, lease receivables and investment assets, loans receivable, bonds, long-term loans, interest-rate swaps are main financial instruments which are exposed to the interest rate risk. Of non-financial instruments, future minimum lease payments on operating leases are main instruments which are exposed to the interest rate risk. The Group manages these operating assets including non-financial instruments and financial liabilities by ALM. The Group calculates Basis Point Value (BPV) regularly, the index of change in present value of position related to interest rate when interest rate fluctuates by 0.01% (changes in unrealized gains or losses), and manages the upper limit by comparing with the originally established limits. Assuming all other risk variables except for interest rate are stable, if yen interest rate increases by 1bp (0.01%) at March 31, 2021 and 2020, the Group estimates present value of entire position related to interest rate decreases by ¥402 million (US\$3,631 thousand) and ¥363 million, if yen interest rate decreases by 1bp (0.01%), present value of financial instruments susceptible to interest rate fluctuation increases by ¥402 million (US\$3,631 thousand) and ¥363 million, respectively. These amounts are calculated under the assumption that all risk variables except for interest rate are stable and correlations between interest rate and other risk variables are not considered.

**(4) Fair value of financial instruments**

As well as the values based on market prices, fair values of financial instruments include values which are reasonably calculated in cases where market prices do not exist. As the calculation of those values adopts certain assumptions, those values may vary when different assumptions are applied. Also, for the contract amount regarding derivative transactions described in Note 29. DERIVATIVE TRANSACTIONS, the contract amount itself does not indicate market risk related to derivative transactions.

**(a) Fair values of financial instruments**

	Millions of yen		
	March 31, 2021		
	Consolidated balance sheets amount	Fair Value	Difference
(i) Cash and bank deposits.....	¥ 267,722	¥ 267,722	¥ —
(ii) Installment sales receivable .....	524,857		
Deferred profit on installment sales .....	(19,032)		
Allowance for doubtful accounts (*2).....	(1,321)		
	504,504	521,211	16,707
(iii) Lease receivables and investment assets.....	2,118,375		
Allowance for doubtful accounts (*2).....	(5,681)		
	2,112,694	2,215,075	102,381
(iv) Loans receivable .....	500,867		
Allowance for doubtful accounts (*2).....	(1,061)		
	499,806	506,199	6,393
(v) Short-term investment securities and investment securities			
Other securities.....	81,602	81,602	—
Stocks of subsidiaries and affiliates .....	29,028	16,479	(12,549)
(vi) Delinquent receivables .....	35,493		
Allowance for doubtful accounts (*3).....	(21,976)		
	13,517	13,517	—
Total .....	¥ 3,508,875	¥ 3,621,807	¥ 112,932

Sumitomo Mitsui Finance and Leasing Company, Limited  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 2021 and 2020

	Millions of yen		
	March 31, 2020		
	Consolidated balance sheets amount	Fair Value	Difference
(i) Cash and bank deposits.....	¥ 252,775	¥ 252,775	¥ —
(ii) Installment sales receivable.....	558,161		
Deferred profit on installment sales .....	(25,417)		
Allowance for doubtful accounts (*2).....	(1,115)		
	531,629	547,888	16,259
(iii) Lease receivables and investment assets.....	2,161,247		
Allowance for doubtful accounts (*2).....	(5,653)		
	2,155,593	2,265,689	110,095
(iv) Loans receivable .....	361,029		
Allowance for doubtful accounts (*2).....	(1,002)		
	360,027	366,092	6,064
(v) Short-term investment securities and investment securities			
Other securities.....	54,240	54,240	—
Stocks of subsidiaries and affiliates .....	23,167	10,113	(13,054)
(vi) Delinquent receivables.....	17,611		
Allowance for doubtful accounts (*3).....	(7,435)		
	10,175	10,175	—
Total .....	¥ 3,387,611,	¥ 3,506,977	¥ 119,365

Sumitomo Mitsui Finance and Leasing Company, Limited  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 2021 and 2020

	Thousands of U.S. Dollars		
	March 31, 2021		
	Consolidated balance sheets amount	Fair Value	Difference
(i) Cash and bank deposits .....	\$ 2,418,232	\$ 2,418,232	\$ —
(ii) Installment sales receivable .....	4,740,834		
Deferred profit on installment sales .....	(171,910)		
Allowance for doubtful accounts (*2) .....	(11,932)		
	<u>4,556,987</u>	<u>4,707,894</u>	<u>150,908</u>
(iii) Lease receivables and investment assets .....	19,134,454		
Allowance for doubtful accounts (*2) .....	(51,314)		
	<u>19,083,136</u>	<u>20,007,904</u>	<u>924,767</u>
(iv) Loans receivable .....	4,524,142		
Allowance for doubtful accounts (*2) .....	(9,584)		
	<u>4,514,552</u>	<u>4,572,297</u>	<u>57,745</u>
(v) Short-term investment securities and investment securities			
Other securities .....	737,079	737,079	—
Stocks of subsidiaries and affiliates .....	262,199	148,848	(113,350)
(vi) Delinquent receivables .....	320,600		
Allowance for doubtful accounts (*3) .....	(198,501)		
	<u>122,094</u>	<u>122,094</u>	<u>—</u>
Total .....	<u>\$ 31,694,291</u>	<u>\$ 32,714,362</u>	<u>\$ 1,020,070</u>

Sumitomo Mitsui Finance and Leasing Company, Limited  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 2021 and 2020

	Millions of yen		
	March 31, 2021		
	Consolidated		
	balance sheets	Fair Value	Difference
	amount		
(i) Trade notes payable and accounts payable.....	¥ 80,588	¥ 80,588	¥ —
(ii) Short-term loans .....	1,024,954	1,024,954	—
(iii) Commercial paper.....	954,400	954,304	(95)
(iv) Payables under securitization of lease receivables .....	7,760	7,760	—
(v) Bonds.....	820,639	834,330	13,691
(vi) Long-term loans.....	2,625,795	2,758,720	132,925
(vii) Long-term payables under securitization of lease receivables.....	43,062	43,646	584
(viii) Lease obligations .....	44,751	44,870	119
(ix) Guarantee deposits received.....	127,762	124,139	(3,622)
Total .....	¥ 5,729,714	¥ 5,873,316	¥ 143,602
Derivative transactions (*4)			
Hedge accounting not applied.....	¥ 427	¥ 427	¥ —
Hedge accounting applied (*5) .....	(42,080)	(42,080)	—
Total .....	¥ (41,653)	¥ (41,653)	¥ —

Sumitomo Mitsui Finance and Leasing Company, Limited  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 2021 and 2020

	Millions of yen		
	March 31, 2020		
	Consolidated		
	balance sheets	Fair Value	Difference
	amount		
(i) Trade notes payable and accounts payable.....	¥ 86,578	¥ 86,578	¥ —
(ii) Short-term loans .....	1,037,413	1,037,413	—
(iii) Commercial paper.....	1,021,900	1,021,886	(13)
(iv) Payables under securitization of lease receivables.....	17,179	17,179	—
(v) Bonds.....	762,952	778,288	15,335
(vi) Long-term loans.....	2,143,238	2,261,824	118,585
(vii) Long-term payables under securitization of lease receivables .....	43,449	44,052	603
(viii) Lease obligations .....	53,066	53,436	369
(ix) Guarantee deposits received.....	113,275	111,116	(2,158)
Total .....	¥ 5,279,053	¥ 5,411,777	¥ 132,723
Derivative transactions (*4)			
Hedge accounting not applied.....	¥ 522	¥ 522	¥ —
Hedge accounting applied.....	(72,351)	(72,351)	—
Total .....	¥ (71,829)	¥ (71,829)	¥ —

Sumitomo Mitsui Finance and Leasing Company, Limited  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 2021 and 2020

	Thousands of U.S. Dollars		
	March 31, 2021		
	Consolidated balance sheets amount	Fair Value	Difference
(i) Trade notes payable and accounts payable.....	\$ 727,925	\$ 727,925	\$ —
(ii) Short-term loans .....	9,258,012	9,258,012	—
(iii) Commercial paper.....	8,620,721	8,619,854	(858)
(iv) Payables under securitization of lease receivables .....	70,102	70,102	—
(v) Bonds.....	7,412,510	7,536,176	123,665
(vi) Long-term loans.....	23,717,776	24,918,436	1,200,659
(vii) Long-term payables under securitization of lease receivables.....	388,962	394,237	5,275
(viii) Lease obligations .....	404,218	405,293	1,075
(ix) Guarantee deposits received.....	1,154,025	1,121,299	(32,716)
Total .....	\$ 51,754,259	\$ 53,051,359	\$ 1,297,101
Derivative transactions (*4)			
Hedge accounting not applied.....	\$ 3,857	\$ 3,857	\$ —
Hedge accounting applied (*5) .....	(380,092)	(380,092)	—
Total .....	\$ (376,235)	\$ (376,235)	\$ —

Notes:

- \*1. The financial instruments whose fair value is extremely difficult to determine are not included above.
- \*2. Allowance for doubtful accounts corresponding to each financial instrument is deducted.
- \*3. Specifically identified allowances for doubtful accounts corresponding to delinquent receivables are deducted.
- \*4. Net assets and liabilities arising from derivative transactions are presented on a net basis and net liability positions are shown in parenthesis.
- \*5. These are interest rate swap and other derivative transactions designated as hedging instruments for stabilizing cash flows of future transactions, loans and others that are hedged items. The Company has mainly applied deferred hedge accounting for those derivative transactions. For these hedging relationships, the Company has applied “Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR” (PITF No. 40, September 29, 2020).

Valuation methods for financial instruments are as follows.

Assets

(i) Cash and bank deposit

The consolidated balance sheet amount is deemed to approximate the fair value since the instruments are scheduled to be settled in a short period of time.

(ii) Installment sales receivables and (iii) Lease receivables and investment assets

The fair value of these items is measured by estimated future cash flows discounted by the market interest rate, considering the internal ratings of the counterparties, probability of default based on the internal ratings and estimated uncollectible rate of the default based on the collateral and guarantees.

(iv) Loans receivable

With regard to loans receivable with floating rate, the consolidated balance sheet amount is deemed to approximate the fair value because these loans reflect the short-term market interest rate unless the credit conditions of the counterparties do not change significantly after executing the loans. For fixed rate loans, the fair value is measured by estimated future cash flows discounted by the market interest rate, considering the internal ratings of the counterparties, probability of default based on the internal ratings and estimated uncollectible rate of the default based on the collateral and guarantees.

(v) Short-term investment securities and investment securities

The fair value of the securities with available market price is based on the average market price during one month before the fiscal year-end. The consolidated balance sheet amount of the securities without available market price maturing within six months is deemed to approximate the fair value due to short period of time. The fair value of investment securities with remaining term more than six months without market prices is measured by estimated future cash flows discounted by the market interest rate, considering the internal ratings of each issuer, probability of default based on the internal ratings and estimated uncollectible probability on the default based on the collateral and guarantees.

(vi) Delinquent receivables

The consolidated balance sheet amount after deducting estimated uncollectible amount on the fiscal year-end is deemed to approximate the fair value since the uncollectible amount is calculated considering the expected amount of recoveries from their collateral and guarantees.

Liabilities

(i) Trade notes payable and accounts payable

The carrying value is deemed to approximate the fair value since the instruments are scheduled to be settled in a short period of time.

(ii) Short-term loans, (iii) Commercial paper and (iv) Payables under securitization of lease receivables

Among these with floating rate, the consolidated balance sheet amount is deemed to approximate

the fair value because interest rate changes have been timely reflected and the credit conditions of the Company has not changed significantly after executing the borrowing. For those with fixed interest rate and remaining term within six months, the consolidated balance sheet amount is deemed to approximate the fair value since the instruments are scheduled to be settled in a short period of time. For those with remaining term more than six months, the fair value is based on present values of total principal amounts and interests discounted by an interest rate which is expected to be applied in case of similar new borrowings.

(v) Bonds, (vi) Long-term loans, (vii) Long-term payables under securitization of lease receivables, (viii) Lease obligations and (ix) Guarantee deposits received

The fair value of these with available market price (publicly-offered corporate bonds) is determined by market price. Among these without available market price, for those with floating rate, the consolidated balance sheet amount is deemed to approximate the fair value because interest rate changes have been timely reflected and the credit conditions of the Company has not changed significantly after executing the borrowing. For those with fixed interest rate, the fair value is based on present values of total principal amounts and interests discounted by an interest rate which is expected to be applied in case of similar new fund-raising from the market. The fair value of bonds and long-term loans to which the allocation method for foreign exchange forward contracts and the special treatment for interest-rate swaps are applied is based on present values of total principal amounts and interests together with cash flows of these derivative transactions discounted by an interest rate which is expected to be applied in case of similar new bonds issue and borrowings.

#### Derivative transactions

The fair value of derivative transactions is based on the price presented by the counterparty financial institutions. The fair value of foreign exchange forward contracts under the allocation method and interest-rate swaps under the special treatment is included in the fair value of corresponding bonds or long-term loans hedged by these derivative transactions.

Additional information is provided in Note 29. DERIVATIVE TRANSACTIONS.

#### **(b) Financial instruments whose fair value is extremely difficult to determine**

At March 31,	Millions of Yen		Thousands of U.S. Dollars	
	2021	2020	2021	
Unlisted stocks (*1) .....	¥ 51,949	¥ 41,576	\$ 469,235	
Investments in partnerships (*2) .....	58,582	49,730	529,148	
Investments in others (*2) .....	5,834	2,100	52,696	
<b>Total .....</b>	<b>¥ 116,367</b>	<b>¥ 93,406</b>	<b>\$ 1,051,097</b>	

Notes:

\*1. Unlisted stocks do not have market prices and thus are not included in the above (a) Short-term investment securities and investment securities, as it is extremely difficult to determine the fair value.

\*2. Investments in partnerships and investments in others are not included in the above (a) Short-term investment securities and investment securities, as future cash flow is not determined and it is extremely difficult to determine the fair value.

(5) The redemption schedule for monetary claims and securities with maturities

	Millions of yen							
	March 31, 2021							
	Due in six months or less	Due after six months through one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years	
Bank deposits.....	¥ 264,036	¥ 3,672	¥ —	¥ —	¥ —	¥ —	¥ —	—
Installment sales receivable	164,237	73,109	114,069	82,478	50,996	25,922	14,043	
Lease receivables and investment assets (*1) .....	313,314	279,862	473,210	361,531	243,295	158,889	208,763	
Loans receivable .....	199,099	63,362	66,651	34,495	24,411	40,702	73,948	
Short-term investment securities and investment securities (*2) .....	3,165	1,793	5,488	2,110	50	5,316	19,217	
Other securities with maturities of the above								
Corporate bonds.....	983	—	1,240	538	—	1,972	750	
Other .....	2,181	1,793	4,248	1,572	50	3,344	18,467	
Total .....	¥ 943,852	¥ 421,801	¥ 659,420	¥ 480,615	¥ 318,754	¥ 230,831	¥ 315,973	

	Millions of yen							
	March 31, 2020							
	Due in six months or less	Due after six months through one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years	
Bank deposits.....	¥ 251,345	¥ 1,430	¥ —	¥ —	¥ —	¥ —	¥ —	—
Installment sales receivable	168,995	80,756	123,667	87,235	54,703	28,066	14,735	
Lease receivables and investment assets (*1) .....	321,023	314,329	468,914	351,482	252,482	152,127	221,764	
Loans receivable .....	195,246	27,971	32,316	32,992	20,957	15,556	36,247	
Short-term investment securities and investment securities (*2) .....	—	—	7,603	9,287	5,238	647	18,869	
Other securities with maturities of the above								
Corporate bonds.....	—	—	1,623	—	2,462	—	750	
Other .....	—	—	5,979	9,287	2,776	647	18,119	
Total .....	¥ 936,610	¥ 424,488	¥ 632,501	¥ 480,998	¥ 333,381	¥ 196,397	¥ 291,617	

Sumitomo Mitsui Finance and Leasing Company, Limited  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 2021 and 2020

Thousands of U.S. Dollars

	March 31, 2021						
	Due in six months or less	Due after six months through one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Bank deposits.....	\$ 2,384,934	\$ 33,168	\$ —	\$ —	\$ —	\$ —	\$ —
Installment sales receivable	1,483,488	660,365	1,030,341	744,991	460,627	234,143	126,845
Lease receivables and investment assets (*1).....	2,830,042	2,527,884	4,274,320	3,265,568	2,197,588	1,435,182	1,885,674
Loans receivable.....	1,798,383	572,324	602,032	311,580	220,495	367,645	667,943
Short-term investment securities and investment securities (*2).....	28,588	16,195	49,571	19,059	452	48,017	173,580
Other securities with maturities of the above							
Corporate bonds.....	8,879	—	11,200	4,860	—	17,812	6,774
Other.....	19,700	16,195	38,371	14,199	452	30,205	166,805
Total.....	\$ 8,525,445	\$ 3,809,963	\$ 5,956,282	\$ 4,341,207	\$ 2,879,180	\$ 2,085,006	\$ 2,854,060

Notes:

- \*1. Estimated residual value of ¥79,506 million (US\$718,147 thousand) and ¥79,122 million are not included in lease receivables and investment assets for the fiscal years ended March 31, 2021 and 2020, respectively.
- \*2. Short-term investment securities and investment securities of ¥0 million (US\$0 thousand) and ¥0 million are not included in the table above since they are deemed as uncollectible for the fiscal years ended March 31, 2021 and 2020, respectively.

**(6) The redemption schedule for bonds, short-term loans and other liabilities with bearing interest**

		Millions of yen						
		March 31, 2021						
	Due in six months or less	Due after six months through one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years	
Short-term loans .....	¥ 908,236	¥ 116,717	¥ —	¥ —	¥ —	¥ —	¥ —	—
Commercial paper .....	852,400	102,000	—	—	—	—	—	—
Payables under securitization of lease receivables .....	7,760	—	—	—	—	—	—	—
Bonds .....	84,578	48,696	107,370	135,373	201,469	181,752	61,398	
Long-term loans .....	210,836	243,740	387,099	286,641	322,966	410,872	763,637	
Long-term payables under securitization of lease receivables .....	9,366	5,540	9,390	8,484	2,765	945	6,570	
Lease obligations .....	8,598	7,574	12,159	8,187	4,829	2,389	1,012	
Total .....	¥ 2,081,777	¥ 524,269	¥ 516,019	¥ 438,686	¥ 532,031	¥ 595,959	¥ 832,618	

		Millions of yen						
		March 31, 2020						
	Due in six months or less	Due after six months through one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years	
Short-term loans .....	¥ 981,798	¥ 55,615	¥ —	¥ —	¥ —	¥ —	¥ —	—
Commercial paper .....	1,004,900	17,000	—	—	—	—	—	—
Payables under securitization of lease receivables .....	16,742	436	—	—	—	—	—	—
Bonds .....	30,100	37,300	93,980	106,821	94,405	199,615	200,730	
Long-term loans .....	177,334	174,458	359,147	316,053	220,270	268,481	627,492	
Long-term payables under securitization of lease receivables .....	12,318	8,728	9,227	3,694	2,780	895	5,803	
Lease obligations .....	9,652	8,981	14,191	10,060	6,021	2,901	1,257	
Total .....	¥ 2,232,846	¥ 302,520	¥ 476,545	¥ 436,630	¥ 323,477	¥ 471,894	¥ 835,284	

Sumitomo Mitsui Finance and Leasing Company, Limited  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 2021 and 2020

Thousands of U.S. Dollars

	March 31, 2021						
	Due in six months or less	Due after six months through one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term loans .....	\$ 8,203,739	\$ 1,054,259	\$ —	\$ —	\$ —	\$ —	\$ —
Commercial paper .....	7,699,395	921,326	—	—	—	—	—
Payables under securitization of lease receivables .....	70,102	—	—	—	—	—	—
Bonds .....	763,960	439,852	969,831	1,222,771	1,819,790	1,641,695	554,584
Long-term loans .....	1,904,399	2,201,608	3,496,513	2,589,116	2,917,225	3,711,246	6,897,633
Long-term payables under securitization of lease receivables.....	84,599	50,041	84,816	76,633	24,975	8,536	59,344
Lease obligations .....	77,662	68,413	109,827	73,950	43,618	21,579	9,141
Total .....	\$ 18,803,875	\$ 4,735,516	\$ 4,660,997	\$ 3,962,479	\$ 4,805,627	\$ 5,383,064	\$ 7,520,712



Sumitomo Mitsui Finance and Leasing Company, Limited  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 2021 and 2020

		Millions of Yen			
		March 31, 2020			
	Type	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains (losses)	
Securities whose consolidated balance sheet amount exceeds the acquisition costs	Stocks	¥ 9,930	¥ 34,087	¥ 24,157	
	Bonds:				
	Corporate bonds	—	—	—	
	Other	4,591	5,527	935	
	Sub total	14,521	39,615	25,093	
Securities whose consolidated balance sheet amount does not exceed the acquisition costs	Stocks	9,950	8,008	(1,942)	
	Bonds:				
	Corporate bonds	4,836	4,836	—	
	Other	1,991	1,781	(210)	
	Sub total	16,778	14,625	(2,153)	
	Total	¥ 31,300	¥ 54,240	¥ 22,940	

		Thousands of U.S. Dollars			
		March 31, 2021			
	Type	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains (losses)	
Securities whose consolidated balance sheet amount exceeds the acquisition costs	Stocks	\$ 114,001	\$ 440,990	\$ 326,989	
	Bonds:				
	Corporate bonds	—	—	—	
	Other	78,999	91,166	12,167	
	Sub total	193,009	532,165	339,156	
Securities whose consolidated balance sheet amount does not exceed the acquisition costs	Stocks	158,631	150,899	(7,732)	
	Bonds:				
	Corporate bonds	49,526	49,526	—	
	Other	4,516	4,471	(36)	
	Sub total	212,682	204,914	(7,768)	
	Total	\$ 405,700	\$ 737,079	\$ 331,379	

Note: Unlisted stocks and investments in silent partnerships, etc. (consolidated balance sheet amount: ¥63,919 million (US\$577,355 thousand) and ¥55,494 million for the fiscal years ended March 31, 2021 and 2020, respectively) do not have market prices and thus are not included in the above "Other securities," as it is extremely difficult to determine the fair value.

**(3) Other securities sold during the fiscal year**

Millions of Yen					
For the fiscal year ended March 31, 2021					
Type	Sales amount	Gains on sales	Losses on sales		
Stocks.....	¥ 3,238	¥ 1,885	¥ 139		
Bonds:					
Corporate bonds .....	3,097	—	—		
Other.....	13,415	357	—		
<b>Total</b>	<b>¥ 19,751</b>	<b>¥ 2,243</b>	<b>¥ 139</b>		

Millions of Yen					
For the fiscal year ended March 31, 2020					
Type	Sales amount	Gains on sales	Losses on sales		
Stocks.....	¥ 3,220	¥ 2,550	¥ 3		
Bonds:					
Corporate bonds .....	528	—	—		
Other.....	15,359	—	—		
<b>Total</b>	<b>¥ 19,108</b>	<b>¥ 2,550</b>	<b>¥ 3</b>		

Thousands of U.S. Dollars					
For the fiscal year ended March 31, 2021					
Type	Sales Amount	Gains on Sales	Losses on sales		
Stocks.....	\$ 29,248	\$ 17,026	\$ 1,256		
Bonds:					
Corporate bonds .....	27,974	—	—		
Other.....	121,172	3,225	—		
<b>Total</b>	<b>\$ 178,403</b>	<b>\$ 20,260</b>	<b>\$ 1,256</b>		

**(4) Other securities on which valuation losses were recognized**

If the fair value of other securities with market prices declines materially below the acquisition costs, it is regarded as non-recoverable and the Company reduces the book value to the fair value and recognizes valuation losses in the consolidated statement of income. Valuation losses, including for the securities whose fair value was extremely difficult to determine, were ¥30 million (US\$271 thousand) and ¥2,041 million for the fiscal years ended March 31, 2021 and 2020, respectively.

## 29. DERIVATIVE TRANSACTIONS

### (1) Derivative transaction to which hedge accounting is not applied

#### (a) Interest rate derivatives

There were no interest rate derivatives to which hedge accounting is not applied at March 31, 2021 and 2020.

#### (b) Currency derivatives

Type	Millions of Yen					
	March 31, 2021					
	Contract amount		Fair value	Valuation gains (losses)		
Total	Over one year					
Over-the-counter transaction						
Currency swaps	¥ 16,357	¥ 14,928	¥ 427	¥ 427		
Foreign exchange forward contracts						
Sold.....	181	—	8	8		
Bought.....	181	—	(8)	(8)		
Total.....	¥ 16,721	¥ 14,928	¥ 427	¥ 427		

Type	Millions of Yen					
	March 31, 2020					
	Contract amount		Fair value	Valuation gains (losses)		
Total	Over one year					
Over-the-counter transaction						
Currency swaps	¥ 19,024	¥ 16,892	¥ 522	¥ 522		
Total.....	¥ 19,024	¥ 16,892	¥ 522	¥ 522		

Sumitomo Mitsui Finance and Leasing Company, Limited  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 March 31, 2021 and 2020

Type	Thousands of U.S. Dollars			
	March 31, 2021			
	Contract amount		Fair value	Valuation gains (losses)
Total	Over one year			
Over-the-counter transaction				
Currency swaps	\$ 147,746	\$ 134,839	\$ 3,857	\$ 3,857
Foreign exchange forward contracts				
Sold.....	1,635	—	72	72
Bought.....	1,635	—	(72)	(72)
Total.....	\$ 151,034	\$ 134,839	\$ 3,857	\$ 3,857

Note: Fair value is calculated using discounted present value and forward exchange rates.

(2) Derivative transactions to which hedge accounting is applied

(a) Interest rate derivatives

Millions of Yen				
March 31, 2021				
Type	Hedged item	Contract amount		Fair value
		Total	Over one year	
<u>Deferral hedge method</u>				
Interest-rate swaps	Future transactions, loans and others			
Receivable floating rate/ payable fixed rate .....		¥ 828,362	¥ 798,395	¥ (41,237)
<u>Recognition of gain or loss on the hedged items</u>				
Interest-rate swaps	Bonds			
Receivable fixed rate/ payable floating rate .....		55,355	—	152
<u>Special treatment</u>				
Interest-rate swaps	Loans and others			
Receivable floating rate/ payable fixed rate .....		64,223	62,674	(*2)
Total.....		¥ 947,940	¥ 861,069	¥ (41,085)

Millions of Yen				
March 31, 2020				
Type	Hedged item	Contract amount		Fair value
		Total	Over one year	
<u>Deferral hedge method</u>				
Interest-rate swaps	Future transactions, loans and others			
Receivable floating rate/ payable fixed rate.....		¥ 865,080	¥ 819,235	¥ (72,085)
<u>Recognition of gain or loss on the hedged items</u>				
Interest-rate swaps	Bonds			
Receivable fixed rate/ payable floating rate .....		54,405	54,405	306
<u>Special treatment</u>				
Interest-rate swaps	Loans and others			
Receivable floating rate/ payable fixed rate .....		55,122	53,621	(*2)
Total.....		¥ 974,608	¥ 927,261	¥ (71,779)

Sumitomo Mitsui Finance and Leasing Company, Limited  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 2021 and 2020

Thousands of U.S. Dollars				
March 31, 2021				
Type	Hedged item	Contract amount		Fair value
		Total	Over one year	
<u>Deferral hedge method</u>				
Interest-rate swaps	Future transactions, loans and others			
Receivable floating rate/ payable fixed rate .....		\$ 7,482,269	\$ 7,211,589	\$ (372,478)
<u>Recognition of gain or loss on the hedged items</u>				
Interest-rate swaps	Bonds			
Receivable fixed rate/ payable floating rate .....		500,000	—	1,373
<u>Special treatment</u>				
Interest-rate swaps	Loans and others			
Receivable floating rate/ payable fixed rate .....		580,101	566,110	(*2)
Total.....		\$ 8,562,370	\$ 7,777,698	\$ (371,105)

Notes:

\*1. Fair value is calculated using discounted present value.

\*2. Fair value of the interest-rate swaps contracts to which the special treatment for interest-rate swap is applied is included in the fair value of loans and others as hedged item.

**(b) Currency derivatives**

Millions of Yen				
March 31, 2021				
Type	Hedged item	Contract amount		Fair value
		Total	Over one year	
<u>Deferral hedge method</u>				
Currency swaps .....	Future transactions, loans and others	¥ 26,534	¥ 24,495	¥ (995)
<u>Allocation method</u>				
Currency swaps .....	Loans and others	25,735	17,672	(*2)
Foreign exchange forward contracts Sold .....		1,951	—	(*2)
Total .....		¥ 54,221	¥ 42,168	¥ (995)

Millions of Yen				
March 31, 2020				
Type	Hedged item	Contract amount		Fair value
		Total	Over one year	
<u>Deferral hedge method</u>				
Currency swaps .....	Future transactions, loans and others	¥ 29,789	¥ 27,084	¥ (572)
<u>Allocation method</u>				
Currency swaps .....	Loans and others	31,722	24,170	(*2)
Foreign exchange forward contracts Sold .....		782	—	(*2)
Total .....		¥ 62,294	¥ 51,255	¥ (572)

Sumitomo Mitsui Finance and Leasing Company, Limited  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 March 31, 2021 and 2020

Thousands of U.S. Dollars				
March 31, 2021				
Type	Hedged item	Contract amount		Fair value
		Total	Over one year	
<u>Deferral hedge method</u>				
Currency swaps .....	Future transactions, loans and others	\$ 239,671	\$ 221,254	\$ (8,987)
<u>Allocation method</u>				
Currency swaps .....	Loans and others	232,454	159,624	(*2)
Foreign exchange forward contracts				
Sold .....		17,623	—	(*2)
<b>Total .....</b>		<b>\$ 489,757</b>	<b>\$ 380,887</b>	<b>\$ (8,987)</b>

Notes:

\*1. Fair value is calculated using discounted present value and forward exchange rates.

\*2. Fair value of the foreign exchange forward contracts to which allocation method is applied is included in the fair value of loans and others as hedged item.

### 30. BUSINESS COMBINATION

*For the fiscal year ended March 31, 2021*

#### 1. Business combination through acquisition

##### **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 shares were subsequently sold to ARA Real Estate Investors 30 Limited, a group company of ARA Real Estate Investors XVIII Pte. Ltd., on March 16, 2021.) (“the Major Shareholder”), and its wholly-owning parent company, ARA Asset Management Limited.

The parties have agreed under the Shareholders Agreement to take necessary measures 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. Pursuant to the Shareholders Agreement, the Target Company implemented a share consolidation effective on March 19, 2021.

Subsequently, on May 14, 2021, the Tender Offeror transferred a portion of the Target Company’s stock to the Major Shareholder, bringing the shareholding ratio of the Tender Offeror and the Major Shareholder to 70% and 30%, respectively.

**(1) Outline of the business combination**

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

Name of the acquired company: 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) Performance period of the acquired company included in the consolidated financial statements**

As the deemed date of acquisition is December 31, 2020, the difference between the consolidated closing date of the Company and that of the acquired company does not exceed three months. Consequently, the performance of the acquired company is not included in the consolidated statements of income.

**(3) 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	931,659
Acquisition cost .....	103,145	931,668

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\$6.77)).

**(4) Difference between the acquisition cost of the acquired company and the total acquisition cost for each transaction leading to the acquisition**

Gain on step acquisition: ¥0 million (US\$0 thousand)

**(5) Details and amounts of primary acquisition-related costs**

Fees and commissions payable to advisors: ¥1,511 million (US\$13,648 thousand)

**(6) Amount of goodwill recognized, reason for recognition, amortization method and amortization period**

(a) Amount of goodwill recognized: ¥17,574 million (US\$158,739 thousand)

(b) Reason for recognition: Since the acquisition cost exceeded the Company's share of net assets at fair value at the time of the business combination, the amount of difference was recognized as goodwill.

(c) Amortization method and amortization period: Amortized over 20 years using the straight-line method

**(7) Amount of assets acquired and liabilities assumed on the date of business combination and its major breakdown**

	Millions of Yen	Thousands of U.S. Dollars
Current assets .....	¥ 119,264	\$ 1,077,265
Non-current assets .....	131,208	1,185,150
Total assets .....	250,472	2,262,415
Current liabilities.....	33,613	303,613
Non-current liabilities.....	75,739	684,121
Total liabilities .....	109,352	987,734

**(8) Amount and breakdown by type of the acquisition cost allocated to intangible assets other than goodwill, and the weighted average amortization period for the entire acquisition and for each type**

Amount allocated to intangible assets other than goodwill:

¥43,418 million (US\$392,178 thousand)

Amortization period: 20 years

Of which, customer-related assets: ¥43,418 million (US\$392,178 thousand)

Amortization period: 20 years

Note: The fair value of customer-related assets on the date of business combination is calculated as the present value of future cash flows from contractual relationships with customers related to existing businesses operated by the Target Company.

In the process of calculating future cash flows, changes in assets under management and other factors are taken into account as important factors in the estimation, and the risk that future cash flows will deviate from the estimated values is reflected in the discount rate.

**(9) Approximate amount of impact of business combination on the consolidated statements of income for the fiscal year ended March 31, 2021 assuming that the business combination was completed at the beginning of the fiscal year ended March 31, 2021 and calculation method thereof**

	Millions of Yen	Thousands of U.S. Dollars
Revenues .....	¥ 31,892	\$ 288,068
Profit before income taxes.....	11,334	102,376
Profit attributable to owners of parent.....	3,598	32,499

Calculation method of approximate amount:

The amounts are calculated based on the assumption that the business combination was completed on April 1, 2020. Calculations are made on the assumption that goodwill and other items recognized at the time of the business combination have arisen on April 1, 2020, and by adjusting the amount of amortization accordingly.

This note has not been audited by KPMG AZSA LLC.

*For the fiscal year ended March 31, 2020*

## **1. Transactions under common control**

### **Divestiture of the Real Estate Leasing Business**

The Company resolved at the meeting of the Board of Directors held on January 29, 2019 that a part of the real estate leasing business of the Company would be succeeded by SMFL MIRAI Partners Co., Ltd., a wholly owned subsidiary of the Company, through an absorption-type split (the "Absorption-type Split of the Real Estate Leasing Business"). On the same date, the Company entered into an agreement for the Absorption-type Split of the Real Estate Leasing Business, based on which the Company executed the said Absorption-type Split effective April 1, 2019.

#### **(1) Outline of the transaction**

(a) Name of the business subject to the transaction and description of business

Real estate leasing

(b) Date of the business combination

April 1, 2019

(c) Legal form of the business combination

Absorption-type split in which the Company would be the splitting company and SMFL MIRAI Partners Co., Ltd. would be the succeeding company.

(d) Name of the company after the business combination

SMFL MIRAI Partners Co., Ltd.

(e) Other matters concerning the transaction

SMFL MIRAI Partners Co., Ltd. will provide various new services in each area including real estate, environment energy, regional revitalization, social infrastructure and healthcare, based on the various insights, expertise and achievements accumulated by the Company.

The Absorption-type Split of the Real Estate Leasing Business was executed in order to significantly improve the Company's client services as well as to strengthen its client

relationship.

**(2) Outline of the accounting treatment**

The Absorption-type Split of the Real Estate Leasing Business is accounted for as a transaction under common control based on the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, January 16, 2019) and “Implementation Guidance on Accounting Standard for Business Combinations and Business Divestitures” (ASBJ Guidance No. 10, January 16, 2019).

**2. Business combination through acquisition**

**Joint Partnership of the Aircraft Engine Leasing Business**

Based on an agreement with Sumitomo Corp. signed on December 28, 2018, the Company completed the acquisition of the shares of Sumisho Aero Engine Lease B.V. (“SAEL”), an aircraft engine leasing company and joint venture between Sumitomo Corp. and MTU Aero Engines (a major Germany-based company that manufactures and services aircraft engines), on April 1, 2019. As a result, SAEL became a subsidiary of the Company.

**(1) Outline of the business combination**

(a) Name of the absorbed company and description of its business

Name: Sumisho Aero Engine Lease B.V. (currently SMBC Aero Engine B.V.)

Description of its business: Aircraft engine leasing

(b) Objective of the business combination

The airline industry is rapidly growing supported by the strong demand from passengers. In this environment, the Group intends to expand the scale of SAEL’s operations to raise its profile in the industry as well as to broaden the scope of its aircraft business in partnership with SMBC Aviation Capital Limited, which is affiliated under the Company.

(c) Date of the business combination

April 1, 2019

(d) Legal form of the business combination

Acquisition of shares

(e) Name of the company after the business combination

Sumitomo Mitsui Finance and Leasing Company, Limited

(f) Ratio of voting rights acquired  
 65.0%

(g) Primary reason for determining the acquiring company  
 The primary reason was because the Company acquired the shares for cash consideration.

**(2) Period of performance of the acquired company included in the consolidated statements of income**

Period from April 1, 2019 to December 31, 2019

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

Acquisition cost of Sumisho Aero Engine Lease B.V. (Cash): ¥6,571 million

**(4) Primary acquisition-related cost and its amount**

Fees and commissions payable to advisors: ¥48 million

**(5) Amount of goodwill recognized, reason for recognition, amortization method and amortization period**

Not applicable.

**(6) Amount of assets acquired and liabilities assumed on the date of business combination and its major breakdown**

	Millions of Yen
Current assets .....	¥ 622
Non-current assets .....	43,128
<b>Total assets .....</b>	<b>43,750</b>
Current liabilities.....	7,194
Non-current liabilities.....	26,461
<b>Total liabilities .....</b>	<b>33,655</b>

**(7) Approximate amount of impact of business combination on the consolidated statements of income for the fiscal year ended March 31, 2020 assuming that the business combination was completed at the beginning of the fiscal year ended March 31, 2020 and calculation method thereof**

	Millions of Yen	
Revenues .....	¥	970
Profit before income taxes.....		146
Profit attributable to owners of parent.....		75

Calculation method of approximate amount:

The amounts are calculated based on the assumption that the business combination was completed on April 1, 2019. This note has not been audited by KPMG AZSA LLC.

### 31. SEGMENT INFORMATION

#### (1) General information about reportable segments

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 Group has the reportable segments of "Domestic Leasing Business," "Real Estate Business," "Transportation Business," and "Overseas Business."

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.

(Matters concerning changes in reportable segments, etc.)

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, 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" from the fiscal year ended March 31, 2021. In addition, segment profit has been changed from operating income to ordinary income.

The segment information for the previous fiscal year has been prepared based on the classification method after the change.

#### (2) Basis of measurement about reported segment revenues, segment profit or loss, segment assets, segment liabilities and other material items

The accounting policies of each reportable segment are almost consistent to those disclosed in Note 2 SIGNIFICANT ACCOUNTING POLICIES. 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.

Sumitomo Mitsui Finance and Leasing Company, Limited  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 March 31, 2021 and 2020

(3) Information about reported segment revenues, segment profit or loss, segment assets, segment liabilities and other material items

For the fiscal year ended March 31, 2021	Millions of yen				Adjustments (*1)	Consolidated (*2)
	Reportable segment					
	Domestic leasing	Real estate	Trans- portation	Overseas		
Revenues						
Revenues from external customers.....	¥ 968,712	¥ 184,005	¥ 195,699	¥ 89,875	¥ —	¥ 1,438,293
Intersegment revenues or transfers.....	6,625	310	3,260	74,258	(84,454)	—
Total revenues .....	975,338	184,315	198,960	164,133	(84,454)	1,438,293
Segment profit (loss) .....	29,102	29,151	(197)	2,306	(15,266)	45,096
Segment assets.....	¥ 2,517,537	¥ 1,239,812	¥ 1,938,279	¥ 520,945	¥ 825,420	¥ 7,041,995

Notes:

- \*1. a) "Adjustments" for "Segment profit (loss)" of ¥(15,266) million included amortization of goodwill of ¥(9,120) million which was not allocated to each reportable segment.
- b) "Segment assets" in each reportable segment are mainly operating assets. "Adjustments" for "Segment assets" were principally corporate assets which were not allocated to each reportable segment.
- \*2. Adjustments for "Segment profit (loss)" were made to match ordinary income in the 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 CONSOLIDATED FINANCIAL STATEMENTS  
 March 31, 2021 and 2020

For the fiscal year ended March 31, 2020	Millions of yen					
	Reportable segment				Adjustments (*1)	Consolidated (*2)
	Domestic leasing	Real estate	Trans- portation	Overseas		
Revenues						
Revenues from external customers.....	¥ 951,819	¥ 186,635	¥ 281,334	¥ 93,912	¥ —	¥ 1,513,701
Intersegment revenues or transfers.....	5,585	346	3,747	50,233	(59,913)	—
Total revenues .....	957,405	186,981	285,082	144,145	(59,913)	1,513,701
Segment profit (loss) .....	30,532	25,050	42,111	4,717	(12,091)	90,321
Segment assets.....	¥ 2,474,807	¥ 971,119	¥ 1,433,431	¥ 525,796	¥ 973,547	¥ 6,378,701

Notes:

\*1. a) "Adjustments" for "Segment profit (loss)" of ¥(12,091) million included amortization of goodwill of ¥(9,129) million which was not allocated to each reportable segment.

b) "Segment assets" in each reportable segment are mainly operating assets. "Adjustments" for "Segment assets" were principally corporate assets which were not allocated to each reportable segment.

\*2. Adjustments for "Segment profit (loss)" were made to match ordinary income in the 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 CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 2021 and 2020

For the fiscal year ended March 31, 2021	Thousands of U.S. Dollars					
	Reportable segment				Adjustments (*1)	Consolidated (*2)
	Domestic leasing	Real estate	Trans- portation	Overseas		
Revenues						
Revenues from external customers.....	\$ 8,749,995	\$ 1,662,045	\$ 1,767,672	\$ 811,806	\$ —	\$ 12,991,544
Intersegment revenues or transfers.....	59,841	2,800	29,446	670,743	(762,840)	—
Total revenues .....	8,809,846	1,664,845	1,797,128	1,482,549	(762,840)	12,991,544
Segment profit (loss) .....	262,867	263,310	(1,779)	20,829	(137,892)	407,335
Segment assets.....	\$ 22,739,924	\$ 11,198,735	\$ 17,507,714	\$ 4,705,492	\$ 7,455,695	\$ 63,607,585

Notes:

- \*1. a) "Adjustments" for "Segment profit (loss)" of US\$(137,892) thousand included amortization of goodwill of US\$(82,377) thousand which was not allocated to each reportable segment.
- b) "Segment assets" in each reportable segment are mainly operating assets. "Adjustments" for "Segment assets" were principally corporate assets which were not allocated to each reportable segment.
- \*2. Adjustments for "Segment profit (loss)" were made to match ordinary income in the 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 consolidated statements of income and ordinary income was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
	Operating income .....	¥ 41,395	¥ 89,413
Interest income .....	125	184	1,133
Dividend income.....	1,623	1,327	14,669
Interest expenses .....	(2,750)	(3,054)	(24,843)
Equity in earnings of affiliates.....	4,099	2,761	37,032
Foreign exchange gains (losses) .....	(118)	142	(1,073)
Amortization of bond issuance cost .....	(361)	(794)	(3,269)
Loss on sales of long-term receivables .....	—	(125)	—
Other — net .....	1,082	465	9,780
Ordinary income .....	¥ 45,096	¥ 90,321	\$ 407,335

Sumitomo Mitsui Finance and Leasing Company, Limited  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 March 31, 2021 and 2020

(4) Information by product and service

Millions of yen				
For the fiscal year ended March 31, 2021				
	Leases, rentals and Installment sales	Loans	Other	Total
Revenues from external customers .	¥ 1,381,806	¥ 25,533	¥ 30,954	¥ 1,438,293

Millions of yen				
For the fiscal year ended March 31, 2020				
	Leases, rentals and Installment sales	Loans	Other	Total
Revenues from external customers .	¥ 1,480,650	¥ 8,423	¥ 24,628	¥ 1,513,701

Thousands of U.S. Dollars				
For the fiscal year ended March 31, 2021				
	Leases, rentals and Installment sales	Loans	Other	Total
Revenues from external customers .	\$ 12,481,312	\$ 230,630	\$ 279,595	\$ 12,991,544

Sumitomo Mitsui Finance and Leasing Company, Limited  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 2021 and 2020

(5) Geographic information

a. Revenues

Millions of yen				
2021				
Europe and the United States			Asia	Total
Japan	Ireland	Other	/Oceania	
¥ 1,174,464	¥ 151,007	¥ 94,589	¥ 18,232	¥ 1,438,293

Notes:

1. Revenues represent revenues in countries or regions where the Group companies are located.
2. Classification of countries or regions is based on geographical proximity.
3. The major countries or regions in each classification
  - (1) Europe and the United States ··· Ireland, the Netherlands, the United Kingdom
  - (2) Asia/Oceania ··· China, Taiwan, Thailand

Millions of yen				
2020				
Europe and the United States			Asia	Total
Japan	Ireland	Other	/Oceania	
¥ 1,156,516	¥ 233,203	¥ 102,399	¥ 21,582	¥ 1,513,701

Notes:

1. Revenues represent revenues in countries or regions where the Group companies are located.
2. Classification of countries or regions is based on geographical proximity.
3. The major countries or regions in each classification
  - (1) Europe and the United States ··· Ireland, the United Kingdom, the United States
  - (2) Asia/Oceania ··· China, Taiwan, Thailand

Thousands of U.S. Dollars				
2021				
Europe and the United States			Asia	Total
Japan	Ireland	Other	/Oceania	
\$ 10,608,473	\$ 1,363,987	\$ 854,385	\$ 164,683	\$ 12,991,544

Notes:

1. Revenues represent revenues in countries or regions where the Group companies are located.
2. Classification of countries or regions is based on geographical proximity.
3. The major countries or regions in each classification
  - (1) Europe and the United States ··· Ireland, the Netherlands, the United Kingdom
  - (2) Asia/Oceania ··· China, Taiwan, Thailand

Sumitomo Mitsui Finance and Leasing Company, Limited  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 2021 and 2020

b. Property and equipment

Millions of yen				
2021				
Europe and the United States				
Japan	Ireland	Other	Asia /Oceania	Total
¥ 1,282,136	¥ 1,513,292	¥ 152,506	¥ 22,230	¥ 2,970,164

Millions of yen				
2020				
Europe and the United States				
Japan	Ireland	Other	Asia /Oceania	Total
¥ 1,030,599	¥ 1,377,717	¥ 128,252	¥ 5,300	¥ 2,541,869

Thousands of U.S. Dollars				
2021				
Europe and the United States				
Japan	Ireland	Other	Asia /Oceania	Total
\$ 11,581,032	\$ 13,668,973	\$ 1,377,527	\$ 200,795	\$ 26,828,331

(6) Information about major customers

Information by major customer is omitted because there are no third party customers individually accounting for 10% or more of revenues in the consolidated statements of income.

(7) Information about impairment loss on fixed assets by reportable segment

Millions of yen						
For the fiscal year ended March 31, 2021						
	Domestic leasing	Real estate	Trans- portation	Overseas	Corporate or elimination	Total
Impairment loss.....	¥ 159	¥ —	¥ 19,747	¥ —	¥ —	¥ 19,907

Millions of yen						
For the fiscal year ended March 31, 2020						
	Domestic leasing	Real estate	Trans- portation	Overseas	Corporate or elimination	Total
Impairment loss.....	¥ 30	¥ —	¥ 2,594	¥ —	¥ —	¥ 2,625

Thousands of U.S. Dollars						
For the fiscal year ended March 31, 2021						
	Domestic leasing	Real estate	Trans- portation	Overseas	Corporate or elimination	Total
Impairment loss.....	\$ 1,436	\$ —	\$ 178,367	\$ —	\$ —	\$ 179,814

Sumitomo Mitsui Finance and Leasing Company, Limited  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 2021 and 2020

(8) Information about amortization and carrying amount of goodwill by reportable segment

	Millions of yen						Total	
	For the fiscal year ended March 31, 2021							
	Domestic leasing	Real estate	Trans- portation	Overseas	Corporate or elimination (*1)			
Amortization of goodwill.....	¥	—	¥	—	¥	—	¥ 9,120	¥ 9,120
Carrying amount of goodwill.....		—	17,574	—	—	—	59,050	76,624

	Millions of yen						Total	
	For the fiscal year ended March 31, 2020							
	Domestic leasing	Real estate	Trans- portation	Overseas	Corporate or elimination (*1)			
Amortization of goodwill.....	¥	—	¥	—	¥	—	¥ 9,129	¥ 9,129
Carrying amount of goodwill.....		—	—	—	—	—	68,144	68,144

	Thousands of U.S. Dollars						Total	
	For the fiscal year ended March 31, 2021							
	Domestic leasing	Real estate	Trans- portation	Overseas	Corporate or elimination (*1)			
Amortization of goodwill.....	\$	—	\$	—	\$	—	\$ 82,383	\$ 82,383
Carrying amount of goodwill.....		—	158,739	—	—	—	533,375	692,119

Note:

\*1. Amount in "Corporate or elimination" contains amortization of goodwill and unamortized balance of goodwill that were not allocated to each reportable segment.

(9) Information about negative goodwill by reportable segment

There was no material negative goodwill.

## 32. RELATED PARTY TRANSACTION

### (1) Related party transaction

#### (a) Transactions between the Company and related parties

##### (i) Fellow subsidiaries

For the fiscal year ended March 31, 2021							
Category	Related party	Location	Capital		Business	Ownership ratio	Connection
			(Millions of yen)	(Thousands of U.S. Dollars)			
Subsidiary of other affiliates	Sumitomo Mitsui Banking Corporation	Chiyoda-ku, Tokyo	¥ 1,770,996	\$ 15,996,712	Banking	—	Concurrent officers Loan borrowings

Transaction	Transaction amount		Account	Balance	
	(Millions of yen)	(Thousands of U.S. Dollars)		(Millions of yen)	(Thousands of U.S. Dollars)
Loan borrowings	¥ 3,806,436	\$ 34,382,043	Short-term loans	¥ 500,195	\$ 4,518,065
Payment of interest	3,031	27,378	Long-term loans due within one year	19,756	178,448
			Long-term loans	96,487	871,529

For the fiscal year ended March 31, 2020						
Category	Related party	Location	Capital	Business	Ownership ratio	Connection
			(Millions of yen)			
Subsidiary of other affiliates	Sumitomo Mitsui Banking Corporation	Chiyoda-ku, Tokyo	¥ 1,770,996	Banking	—	Concurrent officers Loan borrowings

Transaction	Transaction amount		Account	Balance	
	(Millions of yen)	(Millions of yen)		(Millions of yen)	(Millions of yen)
Loan borrowings	¥ 6,872,902		Short-term loans	¥ 511,757	
Payment of interest	3,364		Long-term loans due within one year	18,986	
			Long-term loans	66,289	

Note: Trade conditions and its determination policy

As for loan borrowings, interest rates have been reasonably determined taking the market interest rate into consideration.

Sumitomo Mitsui Finance and Leasing Company, Limited  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 2021 and 2020

**(ii) Other affiliates**

For the fiscal year ended March 31, 2021

Category	Related party	Location	Capital		Business	Ownership ratio	Connection
			(Millions of yen)	(Thousands of U.S. Dollars)			
Other affiliates	Sumitomo Mitsui Financial Group, Inc.	Chiyoda-ku, Tokyo	¥ 2,341,274	\$ 21,147,810	Bank holding company	Directly owned by 50%	Concurrent officers
Other affiliates	Sumitomo Corporation	Chiyoda-ku, Tokyo	¥ 219,781	\$ 1,985,196	General trading	Directly owned by 50%	Concurrent officers Leasing of equipment Purchase of receivables

Transaction	Transaction amount		Account	Balance	
	(Millions of yen)	(Thousands of U.S. Dollars)		(Millions of yen)	(Thousands of U.S. Dollars)
Disposal of treasury stock	¥ 50,000	\$ 451,630	—	¥ —	\$ —
Purchase of receivables	¥ 86,551	\$ 781,781	Other loans receivable	¥ 21,367	\$ 193,000
Disposal of treasury stock	50,000	451,630			

For the fiscal year ended March 31, 2020

Category	Related party	Location	Capital		Business	Ownership ratio	Connection
			(Millions of yen)	(Thousands of U.S. Dollars)			
Other affiliates	Sumitomo Corporation	Chiyoda-ku, Tokyo	¥ 219,612		General trading	Directly owned by 50%	Concurrent officers Leasing of equipment Purchase of receivables

Transaction	Transaction amount		Account	Balance	
	(Millions of yen)	(Thousands of U.S. Dollars)		(Millions of yen)	(Thousands of U.S. Dollars)
Leasing of equipment	¥ 746		Lease investment assets	¥ 16,705	
Purchase of receivables	109,468		Other loans receivable	22,829	

Notes: Trade conditions and its determination policy

- i) In leasing of equipment and related purchasing of assets, the Company has offered the transaction price based on the market situation and the same trade conditions as the other general contracts.
- ii) In purchasing of receivables, interest rates have been reasonably determined taking the market interest rate into consideration.
- iii) The amounts of purchase and disposal of treasury stock were based on the agreement of the transaction parties.

Sumitomo Mitsui Finance and Leasing Company, Limited  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 2021 and 2020

**(b) Transactions between consolidated subsidiaries of the Company and its related parties**

**Fellow subsidiaries**

For the fiscal year ended March 31, 2021

Category	Related party	Location	Capital		Business	Ownership ratio	Connection
			(Millions of yen)	(Thousands of U.S. Dollars)			
Subsidiary of other affiliates	Sumitomo Mitsui Banking Corporation	Chiyoda-ku, Tokyo	¥ 1,770,996	\$ 15,996,712	Banking	—	Concurrent officers Loan borrowings
Subsidiary of other affiliates	SMBC Trust Bank Ltd.	Minato-ku, Tokyo	¥ 87,550	\$ 790,805	Banking	—	Concurrent officers Loan borrowings

Transaction	Transaction amount		Account	Balance	
	(Millions of yen)	(Thousands of U.S. Dollars)		(Millions of yen)	(Thousands of U.S. Dollars)
Loan borrowings	¥ 280,173	\$ 2,530,693	Short-term loans	¥ 6,003	\$ 54,223
Payment of interest	16,869	152,371	Long-term loans due within one year	84,419	762,524
			Long-term loans	647,820	5,851,504
Loan borrowings	¥ 331,578	\$ 2,995,014	Long-term loans due within one year	¥ 7,604	\$ 68,684
Payment of interest	9,377	84,699	Long-term loans	298,647	2,697,561

For the fiscal year ended March 31, 2020

Category	Related party	Location	Capital		Business	Ownership ratio	Connection
			(Millions of yen)	(Thousands of U.S. Dollars)			
Subsidiary of other affiliates	Sumitomo Mitsui Banking Corporation	Chiyoda-ku, Tokyo	¥ 1,770,996		Banking	—	Concurrent officers Loan borrowings
Subsidiary of other affiliates	SMBC Trust Bank Ltd.	Minato-ku, Tokyo	¥ 87,550		Banking	—	Concurrent officers Loan borrowings

Transaction	Transaction amount		Account	Balance	
	(Millions of yen)	(Thousands of U.S. Dollars)		(Millions of yen)	(Thousands of U.S. Dollars)
Loan borrowings	¥ 426,285		Short-term loans	¥ 4,679	
Payment of interest	15,525		Long-term loans due within one year	60,631	
			Long-term loans	505,495	
Loan borrowings	¥ 74,944		Long-term loans due within one year	¥ 6,256	
Payment of interest	10,504		Long-term loans	243,573	

Note: Trade conditions and its determination policy

As for loan borrowings, interest rates have been reasonably determined taking the market interest rate into consideration.

Sumitomo Mitsui Finance and Leasing Company, Limited  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 2021 and 2020

**33. PER SHARE DATA**

At and for the fiscal year ended March 31,	Yen		U.S. Dollars
	2021	2020	2021
Net assets per share .....	¥ 8,569.72	¥ 7,976.67	\$ 77.41
Earnings per share .....	436.54	795.01	3.94

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 fiscal year ended March 31,	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Earnings per share			
Profit attributable to owners of parent.....	¥ 33,627	¥ 61,219	\$ 303,747
Amount not attributable to common stockholders.....	—	—	—
Profit attributable to owners of parent related to common stock.....	33,627	61,219	303,747
Average number of common stock during the fiscal year (thousand) .....	77,032	77,004	

Note: Net assets per share were calculated based on the followings:

At March 31,	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Net assets .....	¥ 922,067	¥ 735,542	\$ 8,328,670
Amounts excluded from net assets.....	173,465	121,303	1,566,843
Non-controlling interests on the above.....	(173,465)	(121,303)	(1,566,843)
Net assets attributable to common stock at the fiscal year-end .....	748,601	614,239	6,761,819
Number of common stock at the fiscal year-end used for the calculation of net assets per share (thousand).....	87,354	77,004	

#### 34. SUBSEQUENT EVENTS

*For the fiscal year ended March 31, 2021*

##### **Possibilities of uncollectable or delayed collections of receivables**

On June 21, 2021, the Paris Commercial Court initiated rehabilitation procedures (redressement judiciaire) against Terra Aviation Network S.A.S., Ciel Voyage S.A.S., Ciel Voyage 2 S.A.S., and Integrated Aero Network S.A.S., which are customers of the Company's consolidated subsidiaries SMBC Aviation Capital Limited and SMBC Aero Engine Lease B.V.

The total amount of receivables related to operating lease contracts held by the Company's consolidated subsidiaries SMBC Aviation Capital Limited and SMBC Aero Engine Lease B.V. against the above customers is ¥55,412 million (US\$500,515 thousand), the amount of operating lease receivables of which are ¥48,421 million (US\$437,368 thousand). The treatment of lease investment assets and the effects on collectability of the above receivables for the fiscal year ending March 31, 2022 have not been determined at this point in time since the procedures for the rehabilitation of the above customers have been undecided.

**35. QUARTERLY INFORMATION (Unaudited)**

Quarterly information for the fiscal year ended March 31, 2021 was as follows:

<u>Cumulative</u>	<u>1st Quarter</u>	<u>2nd Quarter</u>	<u>3rd Quarter</u>	<u>4th Quarter</u>
Revenues (Millions of Yen) .....	¥ 329,546	¥ 661,432	¥ 1,028,270	¥ 1,438,293
Quarterly profit before income taxes (Millions of Yen) .....	9,424	17,313	31,070	43,088
Quarterly profit attributable to owners of parent (Millions of Yen) .....	5,995	12,744	23,672	33,627
Quarterly earnings per share (Yen) .....	77.86	165.50	307.42	436.54

<u>Cumulative</u>	<u>1st Quarter</u>	<u>2nd Quarter</u>	<u>3rd Quarter</u>	<u>4th Quarter</u>
Revenues (Thousands of U.S. Dollars) .....	\$ 2,976,660	\$ 5,974,456	\$ 9,287,960	\$ 12,991,544
Quarterly profit before income taxes (Thousands of U.S. Dollars) .....	85,123	156,382	280,643	389,203
Quarterly profit attributable to owners of parent (Thousands of U.S. Dollars) .....	54,150	115,112	213,820	303,747
Quarterly earnings per share (U.S. Dollars) ...	0.70	1.49	2.78	3.94

	<u>1st Quarter</u>	<u>2nd Quarter</u>	<u>3rd Quarter</u>	<u>4th Quarter</u>
Quarterly earnings per share (Yen) .....	¥ 77.86	¥ 87.64	¥ 141.92	¥ 129.12

	<u>1st Quarter</u>	<u>2nd Quarter</u>	<u>3rd Quarter</u>	<u>4th Quarter</u>
Quarterly earnings per share (U.S. Dollars) ..	\$ 0.70	\$ 0.79	\$ 1.28	\$ 1.17