

Mizuho Leasing Co., Ltd.

# Integrated report 2020

**MIZUHO**

# Challenging for Further Leap Forward & Value Creation

## Sixth Mid-term Management Plan



### Desired Future Image of the Mizuho Leasing Group

#### Corporate Philosophy

We aim to be a Group which contributes to society by offering valued financial services which lead to future prosperity.

The Group has rolled out the Sixth Mid-term Management Plan covering a five-year period from April 2019.

Under the plan, we will continue to promote business together with clients and initiatives in focus areas in response to changes in social and industrial structures that have been implemented to date. At the same time, we will offer new solutions as a business development partner for clients in widely expanded business fields in Japan and overseas through alliances with strategic business partners and take on the challenge of co-creating value with clients and expanding business overseas with new business bases.

#### Vision

Value-creating company tackling challenges together with clients

#### Flow for realization of the vision

Thorough client-oriented approach

Promote business together with clients as their partner

Tackle new business domains transcending the framework of financing

Fulfill corporate social responsibility

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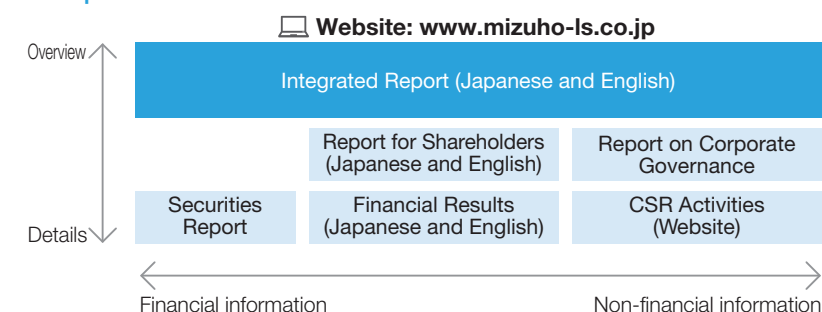
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### Editorial Policy

This report contains the Mizuho Leasing Group's financial information as well as non-financial information including management strategies, environment, social and corporate governance (ESG) to help stakeholders have a better understanding of the Group's business activities. When we edited this Report, we referred to certain guidelines including "International <IR> Framework" issued by the International Integrated Reporting Council (IIRC), and explained the Group's value-creating activities over the medium to long-term in an easy-to-understand and simple manner.

### Composition of communication tools



### Reporting Period

From April 2019 to March 2020 (including some activities that occurred outside this period)

### Entities Covered

This report covers the entire Mizuho Leasing Group.

### Notes concerning Future Forecast

This report contains management policies and future business performance based on the information on hand at the time of the preparation of this report. These statements may contain certain risks and uncertainties, and as such do not guarantee that such policies and performance will be achieved. Please be advised that any predictions for the future made in this report may differ significantly from the actual results due to various factors.

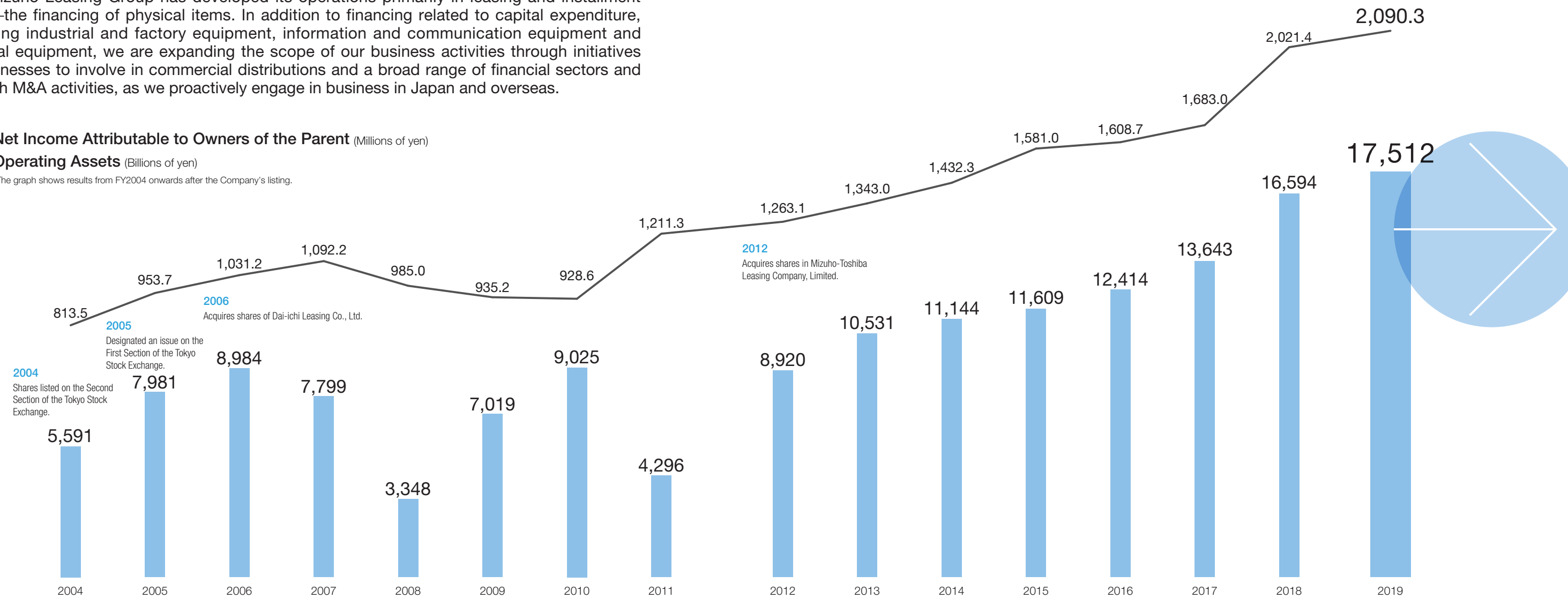
## Trajectory of the Mizuho Leasing Group

The Mizuho Leasing Group has developed its operations primarily in leasing and installment sales—the financing of physical items. In addition to financing related to capital expenditure, including industrial and factory equipment, information and communication equipment and medical equipment, we are expanding the scope of our business activities through initiatives in businesses to involve in commercial distributions and a broad range of financial sectors and through M&A activities, as we proactively engage in business in Japan and overseas.

■ **Net Income Attributable to Owners of the Parent** (Millions of yen)

— **Operating Assets** (Billions of yen)

\*The graph shows results from FY2004 onwards after the Company's listing.



### The Group's Contributions to Society

#### Sustained growth of companies, industries & technologies

1969 Mizuho Leasing Company is established as a general leasing company under an initiative by The Industrial Bank of Japan, Ltd. (now Mizuho Bank, Ltd.), with the participation of major companies representing Japanese industries.



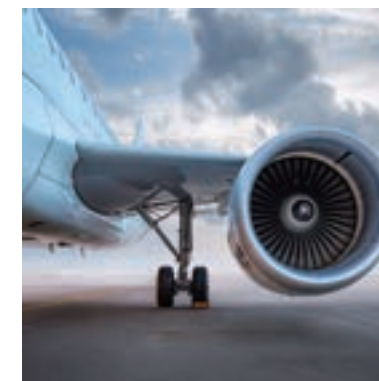
#### Establishment of social infrastructure

1972 Begins vendor leases of construction equipment as a pioneer in that field.  
1993 Establishes a subsidiary specialized in real estate leasing.



#### Globalization/improvement in mobility

Begins leasing business in Thailand in 1992, the Philippines in 1998, China in 2008, and Indonesia in 2010. Participates in aircraft operating lease business in 2016.



#### Health & welfare

2000 Business department specializing in medical and welfare services is established.

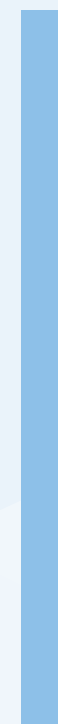
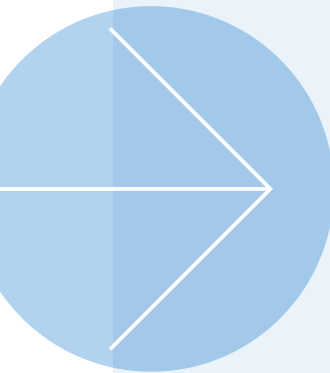


#### Climate change, environmental load reduction

2012 Business department specializing in environmental business promotion is established.



# Trajectory of the Mizuho Leasing Group



2018

17,512

2019

## March 2019

Enters into capital and business alliance with Mizuho Bank, Ltd., and alliance in leasing and financing business with Marubeni Corporation.

- Becomes an equity-method affiliate of the Mizuho Financial Group, Inc.
- Acquires shares of Mizuho Marubeni Leasing Corporation, beginning joint management with Marubeni Corporation.

## October 2019

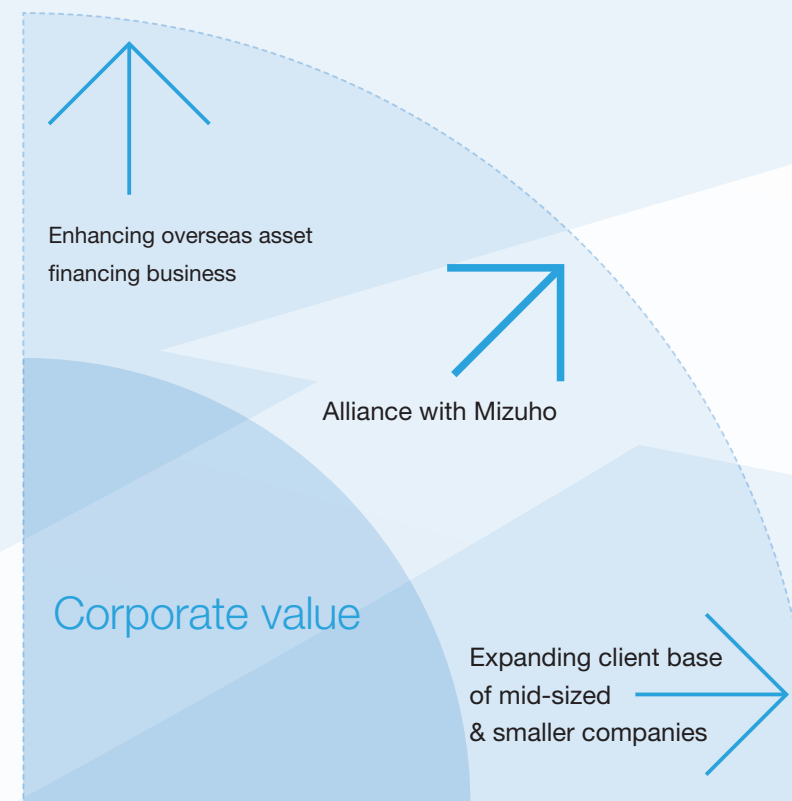
Company name is changed from IBJ Leasing Co., Ltd. to Mizuho Leasing Co., Ltd.

## March 2020

Acquires equity interests of PLM Fleet, LLC, the largest U.S. frozen/refrigerated trailer leasing and rental company, and of Aircastle Limited, a major U.S. aircraft leasing company, launching joint management of overseas asset financing business with Marubeni Corporation.

## April 2020

Acquires shares of RICOH LEASING COMPANY, LTD., launching business alliance with Ricoh Company, Ltd. and RICOH LEASING COMPANY, LTD.



Net Income Attributable to Owners of the Parent

# 30,000

(Millions of yen)

## The Group's Accumulated Strengths

High expertise and extensive know-how to solve clients' issues



Strong relationship with large and mid-sized corporate clients



Well-balanced portfolio



Strong fundraising base



2023(Target)

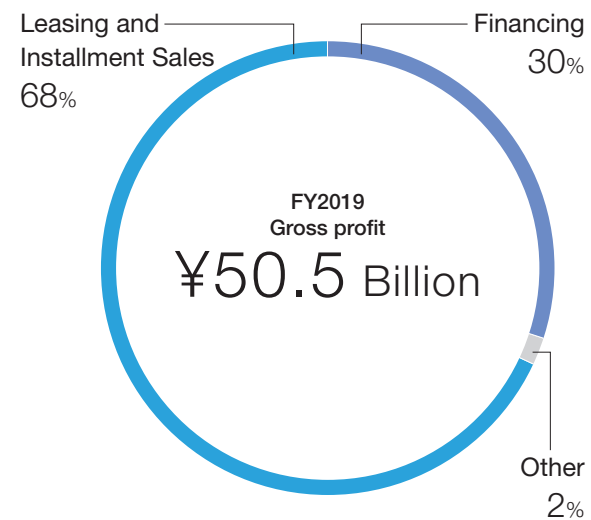


## Financial/Non-financial Highlights

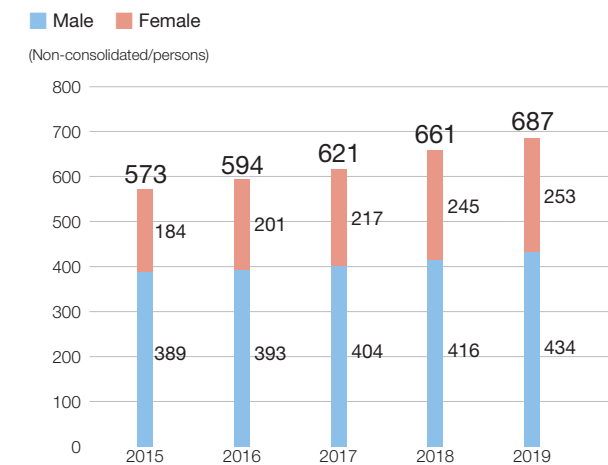
The Mizuho Leasing Group comprises Mizuho Leasing, 31 consolidated subsidiaries and six equity-method affiliates (as of March 31, 2020). Centered on this structure, we provide wide-ranging financial and business services, including leasing, installment sales and loans in Japan and overseas by utilizing our understanding of equipment and extensive financial expertise.

Leasing and Installment Sales FY2019 Gross profit ¥34.2 billion

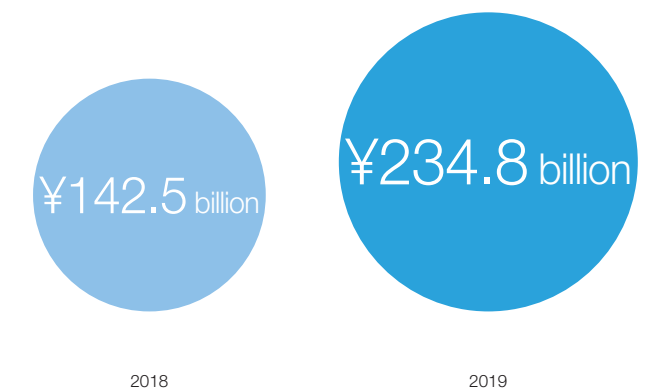
Financing and Other FY2019 Gross profit ¥16.4 billion



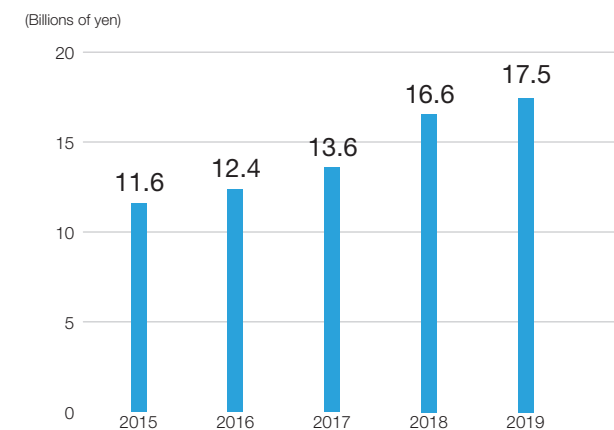
### Number of employees



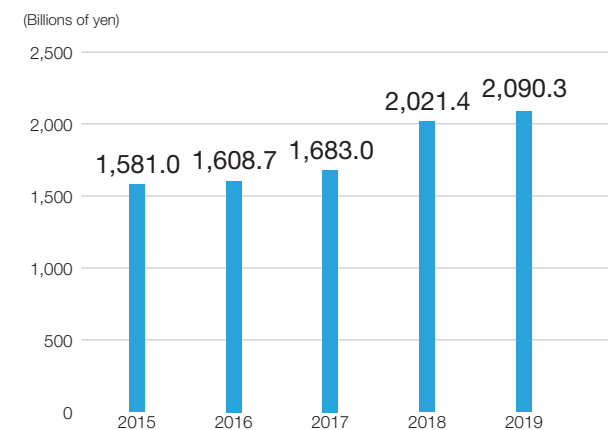
### Balance in the global area



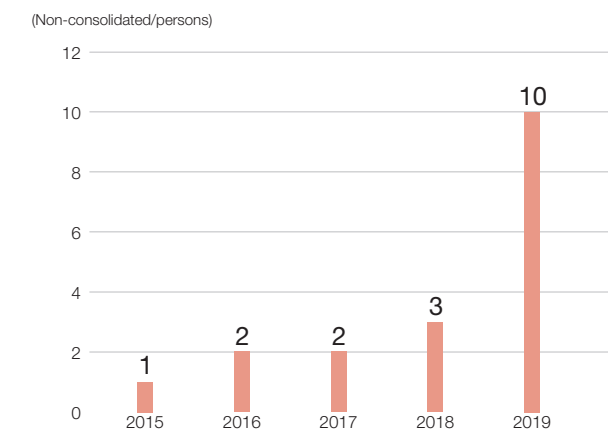
### Net income attributable to owners of the parent



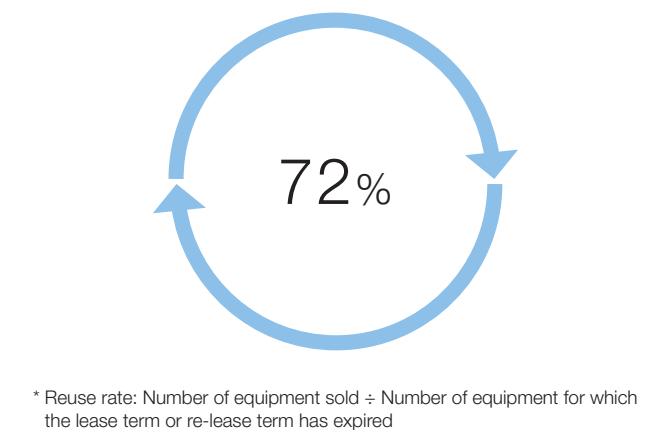
### Operating assets



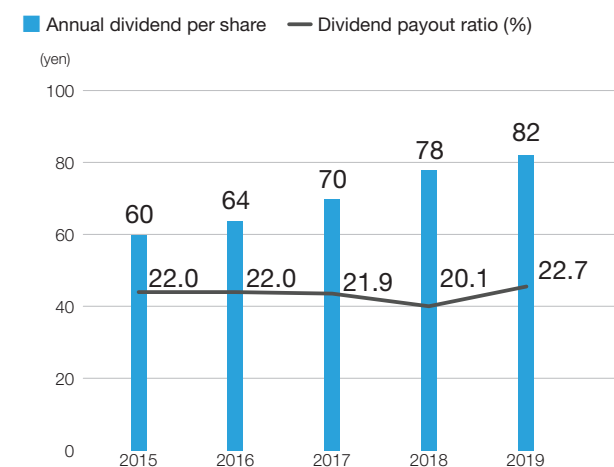
### Number of women in managerial posts



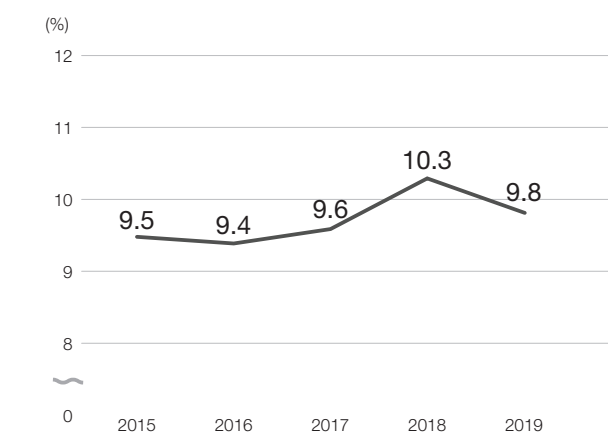
### Reuse rate\* (FY2019)



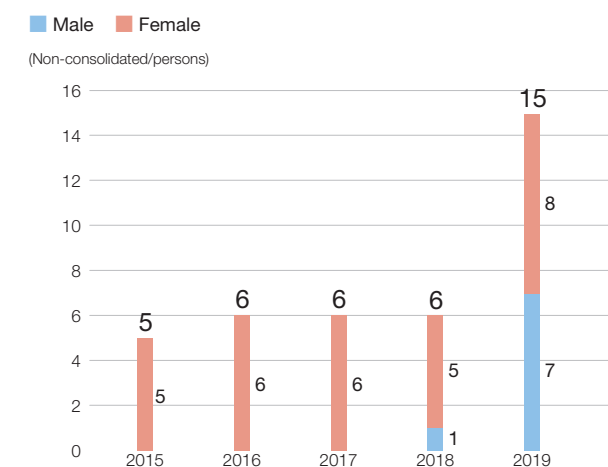
### Annual dividend per share/dividend payout ratio



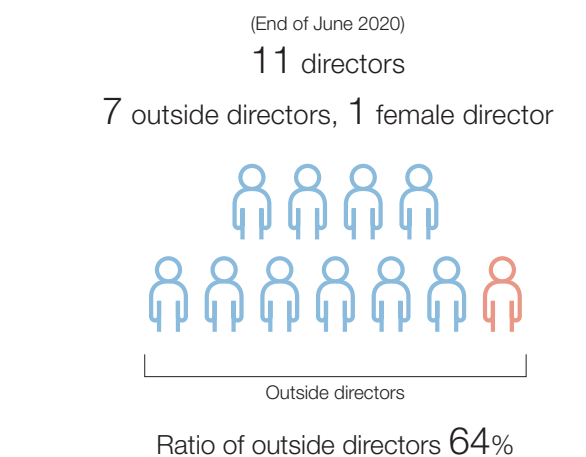
### ROE



### Number of employees who took childcare leave



### Composition of the Board of Directors



11-year Financial Summary

Consolidated Financial Results

	FY2009	FY2010	FY2011	FY2012
For the year: (Millions of yen)				
Revenues	263,598	256,059	270,066	352,492
Gross profit before funding costs	36,720	36,549	36,579	44,270
Funding costs	7,213	5,459	5,286	6,596
Gross profit	29,506	31,090	31,293	37,673
Selling, general and administrative expenses	18,248	15,646	20,601	23,007
Operating income	11,257	15,444	10,691	14,665
Net income attributable to owners of the parent	7,019	9,025	4,296	8,920

At year-end: (Millions of yen)				
Total assets	1,017,099	1,028,020	1,332,963	1,372,246
Operating assets	935,223	928,633	1,211,268	1,263,116
Lease	553,541	546,185	755,139	780,234
Installment sales receivable*	107,487	94,514	112,243	113,939
Loans	237,414	241,925	295,008	320,143
Operational investment securities	36,779	46,008	48,876	48,798
Long-term receivables	14,082	10,397	19,153	18,502
Interest-bearing debt	868,631	877,629	1,133,481	1,176,464
Equity	63,342	69,392	74,717	84,905

Per share data: (Yen)				
Net income	193.91	249.33	118.71	246.43
Equity	1,709.86	1,889.18	1,954.63	2,218.77
Dividends	44.00	46.00	48.00	50.00

Key indicators: (%)				
Return on equity (ROE)	12.0	13.9	6.2	11.8
Return on assets (ROA)	1.2	1.6	0.9	1.1
Equity ratio	6.1	6.7	5.3	5.9

Other (Number of persons)				
Number of employees	766	765	1,073	1,050

\*After subtraction of deferred profit on installment sales

FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
354,779	353,733	364,174	429,405	399,738	384,893	539,241
43,005	41,609	44,803	44,904	45,157	52,596	60,263
6,426	6,338	6,361	5,697	6,959	8,467	9,744
36,579	35,271	38,441	39,206	38,197	44,128	50,519
19,877	17,325	20,868	21,244	19,034	21,214	24,243
16,701	17,946	17,573	17,962	19,162	22,913	26,275
10,531	11,144	11,609	12,414	13,643	16,594	17,512

1,462,183	1,551,704	1,718,720	1,752,284	1,821,501	2,161,872	2,348,416
1,343,046	1,432,299	1,581,025	1,608,718	1,683,005	2,021,368	2,090,305
809,499	878,693	958,353	950,318	983,590	1,160,218	1,327,723
133,267	153,910	147,455	137,820	138,592	145,888	139,715
359,530	361,067	377,933	348,085	360,073	469,135	400,999
40,749	38,627	97,283	172,493	196,860	239,814	221,866
11,404	8,947	10,393	3,331	2,440	3,432	5,448
1,226,274	1,309,951	1,465,584	1,492,438	1,536,240	1,834,757	2,000,636
109,840	123,297	132,786	141,755	154,632	182,159	195,780

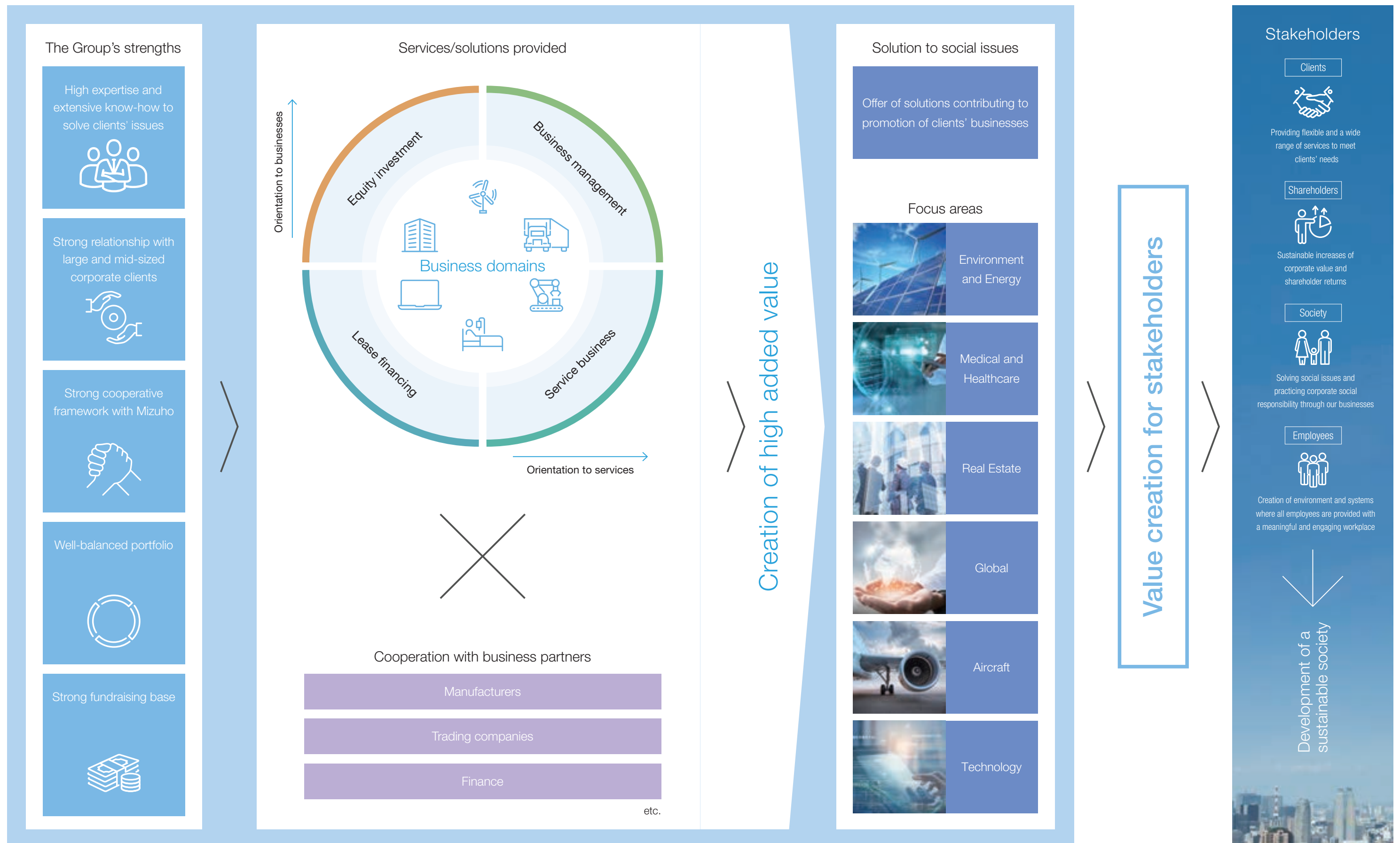
264.75	261.32	272.20	291.08	319.91	388.64	360.49
2,458.28	2,764.23	2,978.61	3,202.27	3,492.55	3,553.92	3,829.02
54.00	56.00	60.00	64.00	70.00	78.00	82.00

11.4	10.0	9.5	9.4	9.6	10.3	9.8
1.2	1.3	1.1	1.1	1.1	1.2	1.2
7.2	7.6	7.4	7.8	8.2	8.0	7.9

1,036	1,050	1,072	1,053	1,081	1,627	1,745
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# Mizuho Leasing Group's Value Creation Process

## Business model





## President's Commitment

We will continue to provide valued financing and business services in pursuit of a prosperous future together with clients.

### Social Mission to Be Fulfilled by the Mizuho Leasing Group

I am Shusaku Tsuhara. I assumed the office as President and CEO in June 2020.

First of all, I would like to express my deepest sympathy for those infected with COVID-19 and their families. I would also like to pay my sincere respect to medical professionals and other people doing their best daily to prevent the spread of infections. I am most grateful for all of them. The Group gives top priority to the safety of clients and employees, and continue to provide financial and business services, in an effort to hold down expansion of the epidemic by taking such measures as working from home and staggered commuting.

The global spread of COVID-19 has dealt a heavy blow to economic activities at home and abroad, bringing about great changes in society as well as in the manner of people's actions and thoughts. As physical contact and communication are restricted to protect human lives that matter most, companies face the need to have second thought about their own business models and the way of business management, including their products, services, supply chains, and employees' working systems.

Already, changes are underway in the social and industrial structures against the background of fewer children and aging society, globalization, and digitalization. Coupled with changes brought on by COVID-19, I believe these shifts will become complicated and progress at an accelerating pace. From now on, it will become more difficult to have a precise view of future prospects, and we will see less opportunities for the past successful judgment and response to be an optimal option as they used to be.

Although we are in such a situation, the management side is always required to steer a company in the best way. To this end, I think we need to "reset ourselves and pursue the essential value of services we provide." From our perspective, it is to "meet the needs of clients and provide valued financial and business services" and to thoroughly comply with "Challenge," "Change" and "Create" as listed in our Action Guidelines.

As leasing companies face less business restrictions than other financial firms, we can offer a wide array of services matching the needs of clients. Above all, the Group is strong in that we help clients resolve problems they face in their accounting, financing and business duties by using our extensive knowledge of "Mono" (equipment & properties) and high-level financial know-how. Clients of the Group are diverse in business lines and size. There is no magic wand that can resolve clients' problems with a single solution. I believe the present Group exists as a result of our repeated practices of getting close to each client taking on challenging tasks of helping them resolve their problems, and going through changes and new value creations.

In the age of "coexisting with COVID-19" or in a "post-COVID-19" era we are going to greet, digitalization will make headway further, and it will become necessary to undertake business management based on a new sense of value that has irreversibly transformed the conventional one through the pandemic. Everyone is going to tread uncharted territory. I believe it the Group's social mission in these difficult circumstances to take on "Challenge," bring about "Change" and "Create" value leading to a prosperous future together with clients.

### Mid-term Management Plan

The Group is also in the midst of change. We face a situation where it is difficult to expect growth relying only on traditional financing and leasing due to the maturing of the domestic market, the environment of continued low interest rates, and other factors. In order for the Group to grow further, it becomes necessary to provide services in areas where social importance is rising, such as medical and healthcare, environment and energy; undertake businesses focused on the value of use of "Mono" (equipment & properties), including those based on subscription contracts and sharing economy; offer service business using digital technology; promote business taking risks on assets and business activities; and take in overseas markets further, among others. Based on that recognition, we have started the Sixth Mid-term Management Plan covering a five-year period from fiscal 2019 to fiscal 2023. Under the plan, we are seeking to achieve the following numerical targets in the final year: "¥30.0 billion in net income attrib-

utable to owners of the parent," "tripling the balance in the global area from that at the end of March 2019," and "25% or more in the consolidated dividend payout ratio." For the purpose, we are promoting joint projects with clients, undertaking businesses in focus areas (environment and energy, medical and healthcare, real estate, global, aircraft, and technology) in view of changes in the social and industrial structures, and taking on the challenge of expanding our business foundation and of advancing into new business areas through alliances with strategic business partners, including the Mizuho Financial Group and Marubeni Group.

#### Building basis for medium- to long-term growth

In fiscal 2019, the first year of the plan, we focused on building alliances with the Mizuho Financial Group and Marubeni Group, and steadily executed business strategies listed in the Sixth Mid-term Management Plan. As a result, we registered ¥17.5 billion in net income attributable to owners of the parent, achieving a record-high profit for the seventh straight year and getting off to a promising start.



## President's Commitment



We changed our company name to “Mizuho Leasing Company, Limited” in October 2019 after third-party allotment of new shares to Mizuho Bank, Ltd., and have since been operating as the Mizuho Financial Group’s sole equity-method affiliate engaged in leasing business. By strengthening alliances as a Mizuho Financial Group member with other Group companies, opportunities have increased for making deeper proposes contributing to business promotion of clients. In the environment and energy area for example, we organized financing schemes for solar and biomass-based power generation projects in cooperation with Mizuho Bank. In the real estate area, we participated in a major financing project for REIT property acquisition in partnership with the Mizuho Bank and Mizuho Securities. Through these deals, we are feeling a good response. Although these results are just a part of our track record, we believe that we can expand our business foundation further by providing clients of the Mizuho Financial Group with know-how cultivated by our own Group through cooperative projects.

We are also moving into overseas markets and new fields. In the alliance with the Marubeni Group, we have acquired an equity stake in PLM Fleet, LLC, the largest U.S. leasing and rental company for refrigerated trailers, from Marubeni Corporation to expand the business foundation of the global area, launching joint management.

Moreover, we have acquired an equity stake in Aircastle Limited, a major U.S. aircraft leasing company with which we cooperated through a joint venture since 2016, jointly with Marubeni Corporation, setting our eyes on the medium- to long-term future of the aircraft leasing business that supports economic growth and people’s affluent lives through the transportation of people and goods. We expect to take on challenges for business in the future in regions and business areas our Group was not committed to.

In addition, we acquired an equity stake in RICOH LEASING COMPANY, LTD. in April 2020, launching a business alliance with Ricoh Company, Ltd. and Ricoh Leasing. Ricoh Leasing is a comprehensive leasing firm providing some 400,000 clients, mainly small and mid-sized enterprises (SMEs), with various financial services including vendor finance. As the Company is engaged mainly in wholesale leasing for large and medium-sized companies, our client base and business areas do not overlap many of these aspects of the partner, and we can thus expect a high level of functional complementarity. We intend to accelerate the Group’s growth through the common use of the partner’s know-how on vendor finance and financial services for retail leasing as well as the partner’s infrastructure.

### Toward a more resilient organization

In fiscal 2019, we took various initiatives that form the basis of the Group’s future growth. In order to have them get firmly on track to growth, we need more resilient organizational management responding to expanding business fields. For the purpose, we are striving to improve our corporate governance system further and establish a business structure featuring greater “digitalization.”

In an effort to separate management supervision and execution, and thereby enable supervision and advice on the execution of duties from a broad perspective, we make it a rule to have outside directors well versed in various business areas occupy a majority of our Board of Directors. Through these processes, we have a system in place where multifaceted verification of agenda items and profound discussions are ensured. We are thus working to improve transparency and effectiveness of the decision-making process at the Board of Directors meetings.

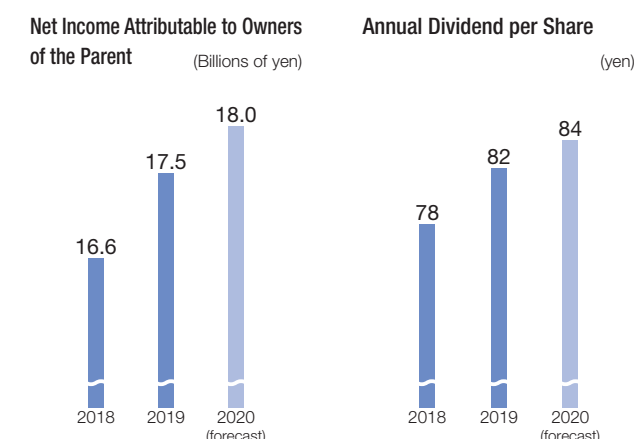
It is also important to establish an environment in which each and every employee can fully display his/her ability. We have already launched initiatives for flexible working styles free from the constraints of places and time, including staggered commuting and working from home as well as computerization of internal work processes. In the future, we will pursue a more productive and resilient organization by examining how we can set up the best organizational structure and optimal business processes through the better use of AI and IT.

### Shareholder returns

The Company’s basic policy on shareholder returns is to pay dividends in accordance with business performance in an attempt to improve profitability. At the same time, as a financial service provider, the amount of shareholders’ equity is one of the important factors to increase corporate value. Therefore, we intend to pay dividends while maintaining a balance between shareholder returns and shareholders’ equity. We plan to continue paying steady dividends. Retained earnings are effectively utilized as funds for future growth in an attempt to further expand our business base and increase ROE over the medium to long term.

In line with this policy, we continued to increase shareholder return in fiscal 2019 by raising the annual dividend ¥4 to ¥82 per share (including a commemorative dividend), with the dividend payout ratio of 22.7%.

As for fiscal 2020, we are scheduled to increase the annual dividend per share ¥2 to ¥84 to continue steady payout in anticipation of greater net income attributable to owners of the parent, although we face severe economic conditions stemming from the COVID-19 pandemic.



### Creating higher added value to walk with clients

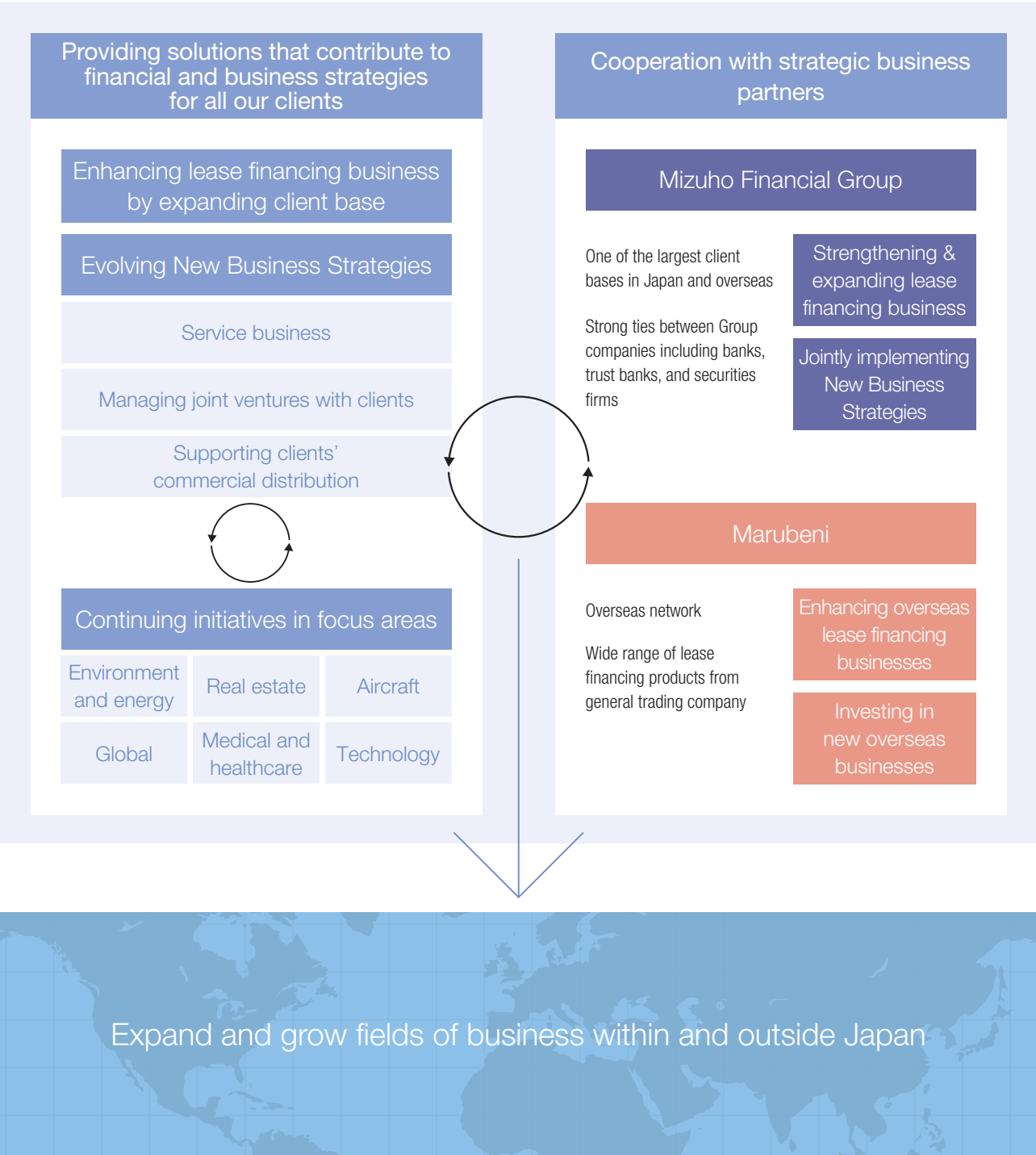
For the Group to attain sustained growth, it is necessary to create value shared with stakeholders such as clients, shareholders, society, and employees. We expect to continue growing while contributing to resolving social issues through the provision of flexible solutions available only from our Group owing to the multiple characters of both financial and business companies. We believe that “cooperation” with our alliance partners will become more important in the future. We are conducting cooperation with a variety of partners, including manufacturers, trading houses and financial institutions. This is because we are convinced that we will be able to provide a broader array of valued services by combining expertise possessed by respective partners with our know-how on “Mono” (equipment & properties) and finance. Amid dramatically changing business environments, clients’ needs for improved business models are expected to keep growing further, such as for establishment of enduring production and service systems, and for improvement in the working environment. We will endeavor to realize a sustainable society and enhance corporate value through the provision of valued services close to clients.

Sixth Mid-term Management Plan (FY2019 to FY2023)

~ Value-creating company tackling challenges together with clients ~

The Group has launched the Sixth Mid-term Management Plan covering a five-year period from fiscal 2019. Under the plan, our vision is a “value-creating company tackling challenges together with clients.” We will seek to take on the challenge of co-creating value with clients and undertaking new businesses in expanding business fields at home and abroad by fusing initiatives for new business strategies responding to the sophistication of clients’ business models and for businesses in focus areas seizing the opportunity of changes in the social and

Overview of business strategies



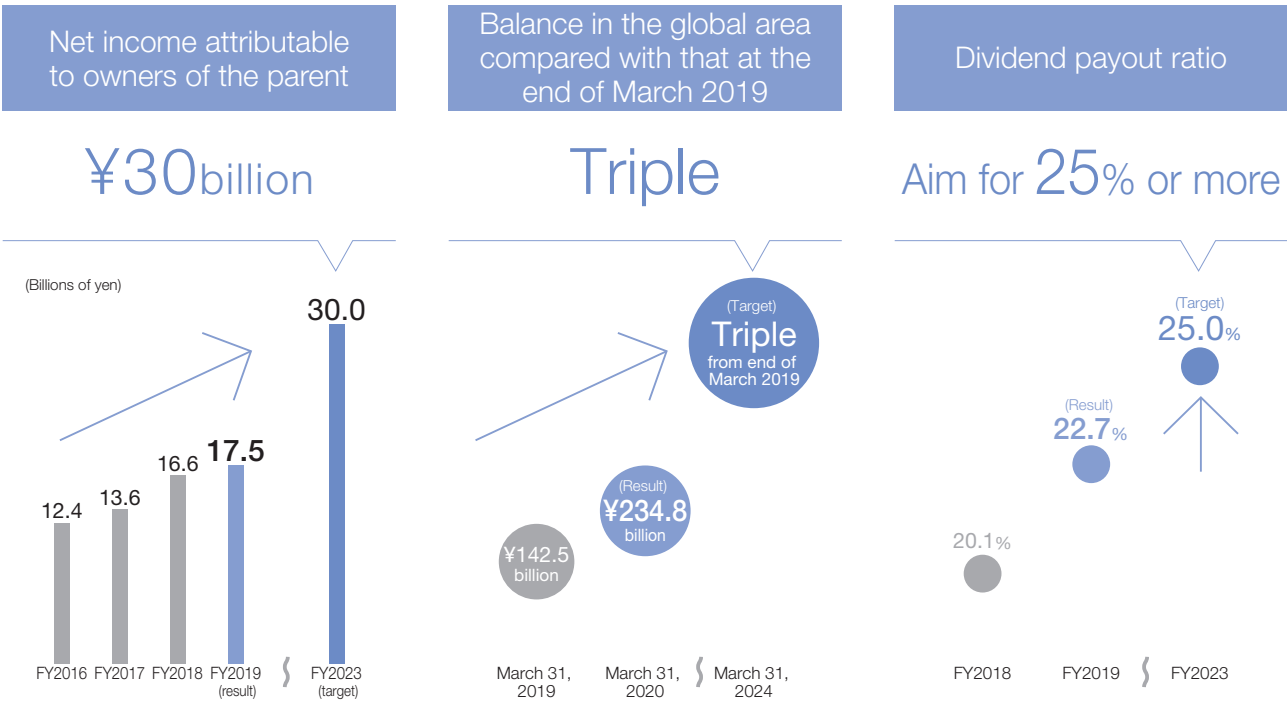
industrial structures with strategic initiatives through cooperation with the Mizuho Financial Group, Marubeni Group, etc.

Moreover, we will seek to grow the Group further by continuing to reinforce the management base in response to the expansion of business fields, with focus on “strengthening group governance,” “improving operational productivity,” “HR strategy,” and “increasing sophistication of risk-return management.”

Overview of management base reinforcement

Strengthening group governance	<ul style="list-style-type: none"><li>Strengthening ties within the Group</li><li>Consolidating functions within the Group</li></ul>
Improving operational productivity	<ul style="list-style-type: none"><li>Sweeping review of business promotion system</li><li>Improving operational efficiency and sophistication by utilizing IT</li></ul>
HR strategy	<ul style="list-style-type: none"><li>Revise the personnel and remuneration systems</li><li>Recruiting and developing highly specialized personnel</li><li>Sophisticate human resource portfolio management</li><li>Promoting diversity and work style reform</li></ul>
Increasing sophistication of risk-return management	<ul style="list-style-type: none"><li>Risk management</li><li>Portfolio management</li><li>Financial ALM</li></ul>

Consolidated targets for final fiscal year (FY2023)



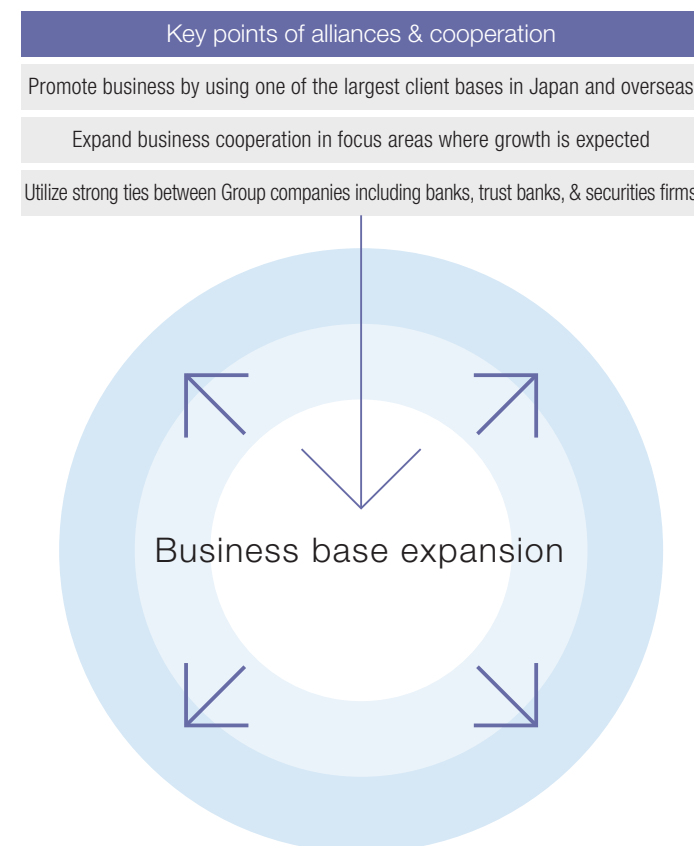
## Topics in FY2019

### Alliance/Cooperation with Mizuho

We have focused on building an alliance system and promoting business in cooperation with Mizuho since entering into a capital and business alliance with Mizuho Bank in March 2019. Taking advantage of know-how on “Mono” (equipment & properties) and expertise in commercial distribution and business cultivated by the Group, we have proposed solutions contributing to business promotion for Mizuho clients through bilateral cooperation. We have steadily achieved results of cooperation in focus areas listed in the Sixth Mid-term Management Plan as fields where growth is expected. They include alliances in renewable energy projects in the environment and energy sector, and participation in major financing projects for REIT property acquisition based on the group alliance power in the real estate sector.

As a result, actual contracts concluded (on a management accounting basis) through the alliances in fiscal 2019 showed a hefty gain of about ¥300.0 billion from fiscal 2018.

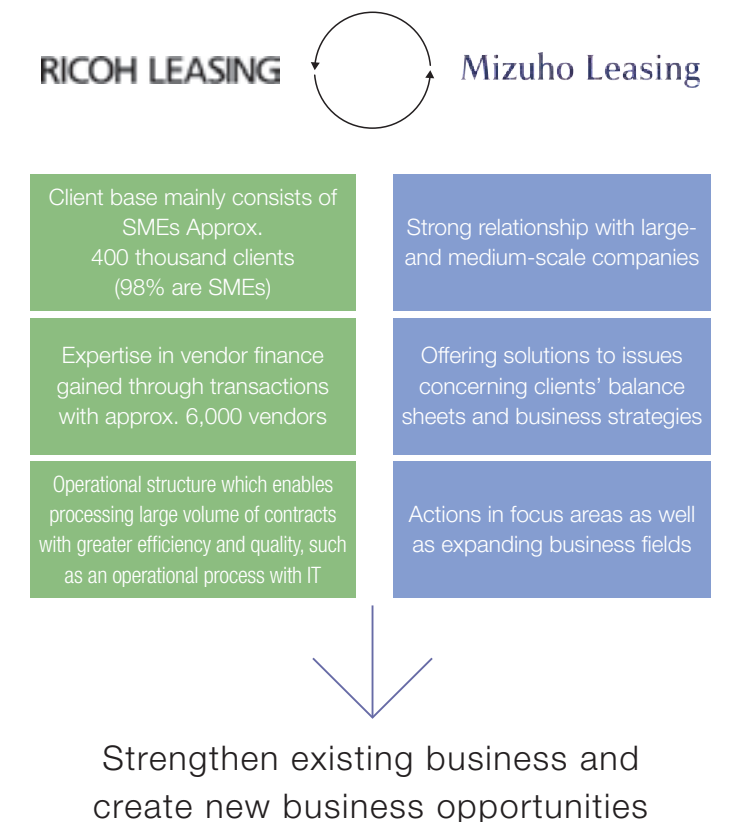
The Group will seek to accelerate this cooperation system in pursuit of the expansion of business areas.



### Business alliance with Ricoh & Ricoh Leasing

The Company, Ricoh Company, Ltd. and RICOH LEASING COMPANY, LTD. held rounds of talks with a view to enhancing their existing businesses through the use of respective strengths, business foundations, etc., and creating new business opportunities through the use of the trio's respective know-how and infrastructure, among other purposes. As a result, the three parties shared the recognition that they would be able to build relationships contributing to improving each partner's corporate value by fusing their respective strengths and promoting business cooperation. Based on the perception, we concluded a business alliance contract in March 2020. In April 2020, we acquired a 20% equity stake in Ricoh Leasing, initiating the business alliance.

We believe that we will be able to achieve further growth by a high level of functional complementarity because there are few overlapping aspects in the client base and business areas between the Company whose business base centers on wholesale leasing for large and medium-sized firms, and Ricoh Leasing whose business base is focused on vendor finance for small and mid-sized enterprises (SMEs).



### Expanding overseas asset financing business

#### Acquired equity stake in Aircastle Limited

The Group acquired all shares in Aircastle Limited (hereinafter “Aircastle”), a major U.S. company engaged in global aircraft operating leases, jointly with Marubeni Corporation in March 2020. As a result, the Group possesses a 25% equity stake in Aircastle, launching joint business operations.

Aircastle is a leading company operating globally. It is strong in marketing and repossession capabilities as well as possessing a broad global network and high-level aircraft management capabilities.

The Group will strive to boost its presence in the global leasing market by expanding its business foundation through the acquisition of a solid aircraft leasing platform, setting its eyes on medium- to long-term market expansion.



#### Acquired equity stake in PLM Fleet, LLC

In March 2020, the Group acquired a 50% equity stake in PLM Fleet, LLC, the Marubeni Group's wholly owned subsidiary engaged in the leasing and rental business for refrigerated trailers in the U.S., launching joint business operations with Marubeni Corporation.

PLM is the largest U.S. company specialized in the leasing and rental of refrigerated trailers, possessing 30 bases across the U.S. Its earnings performance is stable against the background of steady demand for frozen/refrigerated goods transport in the U.S., and steady growth in performance is expected to continue.

The Group will seek to expand its business base further and boost its presence in the global market through joint asset financing business in North America with Marubeni Corporation.





# Business Strategy under the Sixth Mid-term Management Plan



## Examples of Co-creation of Value with Clients

### Environment and Energy



#### Large wind power generation facility leased in cooperation with Mizuho

DAIWA ENERGY Co., Ltd of the Daiwa House Group is promoting energy conservation, introduction of renewable energy, and other measures to help realize a carbon-free society, focusing mainly on the use of renewable energy based on “wind, solar and water.” Daiwa Energy is undertaking a major wind power project called “DREAM Wind Ehime Seiyo” envisaging output of 16,000 kW and planned annual generation of about 35,000 MWh (equivalent to electricity consumed by some 8,000 general households per year\*). Ahead of the launch of the project, the Company proposed, in cooperation with Mizuho Bank, an optimal scheme for introducing wind power facility for the project based on expertise and financial know-how we have cultivated in the renewable energy sector, and the proposal was adopted.

\* Assuming a general household's total power consumption to be 4,432 kWh a year



### Medical and Healthcare



#### New rental system jointly set up for “Nemuri SCAN,” a health-monitoring device for medical and nursing care facilities

Use and introduction of IoT are being promoted in the medical and healthcare sector, which faces the challenging issues of growing elderly people requiring medical and nursing care, and the shrinking labor population.

Teaming with Paramount Bed Co., Ltd., a major domestic manufacturer and seller of beds for medical and nursing care, we are providing health-monitoring service by setting up a rental scheme for “Nemuri SCAN,” which helps to monitor the physical conditions of users, including maintenance and other services.

“Nemuri SCAN” is a sheet-type sensor capable of remotely monitoring in real time the user's breathing/heart rates, sleeping condition, awakening, sitting up, getting out of bed, and other activities. It can be used at medical and nursing homes, etc. for nighttime monitoring, understanding of living conditions, and other purposes. The device contributes to improving the user's safety, reducing the burden on caregivers and saving manpower at such facilities.



### Real Estate



#### Property bridge schemes proposed for acquisition of healthcare research facilities

“Shonan Health Innovation Park (hereinafter Shonan iPark)” is a science park established by Takeda Pharmaceutical Company Limited, a globally operating pharma company. Research space offered by the park is taken up by companies and organizations of a broad array of business lines and sizes from industry, academia and government, including pharma makers, firms related to next-generation medical treatment, artificial intelligence, medical equipment, venture capital companies, and administrative bodies. The park thus functions as a domestic base for promoting open innovation concerning healthcare.

This time around, Industrial & Infrastructure Fund Investment Corporation, the only REIT for industrial real estate in Japan, used a real estate bridge scheme proposed by our Group company in acquiring an equity stake in Shonan iPark. The Group favored the idea that the REIT&Shonan iPark sought to “Build a Life-science Ecosystem that is open to the world” by improving the value of park facilities through the equity acquisition, and thereby offered the bridge scheme through our Group company.



### Global



#### Supporting IT and digital infrastructure development in Thailand with leasing services

In a bid to achieve further growth, the Thai government has been working on the digital transformation of the economy and society, defining the digital sector as a priority industry.

Internet Thailand Public Company Limited, a major Thai cloud service provider, has entered into a lease agreement with Krung Thai IBJ Leasing Co., Ltd., our local subsidiary in Thailand, to invest in the reinforcement of information technology (IT) infrastructure such as data center equipment as a way to respond to digitalization to improve both efficiency and efficacy of the Thai business.

By fully utilizing finance solutions that the Mizuho Leasing Group can offer, we will support the promotion of IT infrastructure development in Asia, our focus region, to contribute to further economic development there.





Reinforcement of Management Base

In order to achieve further growth for the Group, we will strengthen measures to reinforce the management base in response to the expansion of business fields of business within and outside Japan, namely: strengthening group governance, improving operational productivity, HR strategy, and risk-return management.

Key points for reinforcing management base in the Sixth Mid-term Management Plan		
Expand and grow fields of business within and outside Japan		
	Measures	Key points
Strengthening group governance	Strengthening ties within the Group	<ul style="list-style-type: none"><li>● Building a network that maximizes synergy among the Group companies in response to diversification of business fields</li></ul>
	Consolidating functions within the Group	<ul style="list-style-type: none"><li>● Facilitating integrated management by consolidating overlapping functions within the Group</li></ul>
Improving operational productivity	Sweeping review of business promotion system	<ul style="list-style-type: none"><li>● Rebuild business promotion system by reviewing work processes, rules and organizations, and improving infrastructure</li></ul>
	Improving operational efficiency and sophistication by utilizing IT	<ul style="list-style-type: none"><li>● Improve operational efficiency by utilizing IT and focus on creation of new value added</li></ul>
HR strategy	Revise the personnel and remuneration systems	<ul style="list-style-type: none"><li>● Establish evaluation and remuneration systems to promote Challenges</li></ul>
	Recruiting and developing highly specialized personnel	<ul style="list-style-type: none"><li>● Enhance personnel in specialized areas in response to business globalization and diversification</li></ul>
	Sophisticate human resource portfolio management	<ul style="list-style-type: none"><li>● Efficiently utilizing human resources</li></ul>
	Promoting diversity and work style reform	<ul style="list-style-type: none"><li>● Accommodate diverse working styles by incorporating telework, supporting flexible working styles, work-life balance, etc.</li></ul>
Increasing sophistication of risk-return management	Risk management	<ul style="list-style-type: none"><li>● Promoting strategic capital management to support the expansion of business fields</li></ul>
	Portfolio management	<ul style="list-style-type: none"><li>● Implementing Group-wide risk capital management to establish the optimal portfolio by clarifying and identifying risks and returns</li></ul>
	Financial ALM	<ul style="list-style-type: none"><li>● Implementing flexible financial ALM attuned to diverse portfolios</li></ul>

Funding Policies

Funding Policies

The Mizuho Leasing Group offers wide-ranging financial services to meet clients' needs through funding that ensures stability and curtails costs. The Group also raises funds based on its annual cash plans and in a flexible manner that responds to fluctuations in the financial environment based on its comprehensive asset liability management (ALM) policies.

When procuring funds, we use a combination of borrowings from financial institutions and raising funds in the market, thereby achieving a balance between short- and long-term funding.

We borrow funds from more than 100 financial institutions, including city banks and regional banks, as well as insurance companies, and we maintain stable transactions with these institutions.

In addition, the Group had concluded overdraft agreements and commitment line agreements in the total amount of ¥717.8 billion with 51 financial institutions as of the end of fiscal 2019. The aim is to secure flexible fundraising and liquidity at times of deterioration in the fundraising environment. The unused balance under these agreements is ¥473.9 billion, which ensures sufficient liquidity. The Company and subsidiary Mizuho-Toshiba Leasing have issue limits for commercial paper of ¥650.0 billion and ¥150.0 billion, respectively. The Company also actively uses corporate bonds. It procured ¥45.0 billion through bonds with maturities of 3 to 10 years in fiscal 2019.

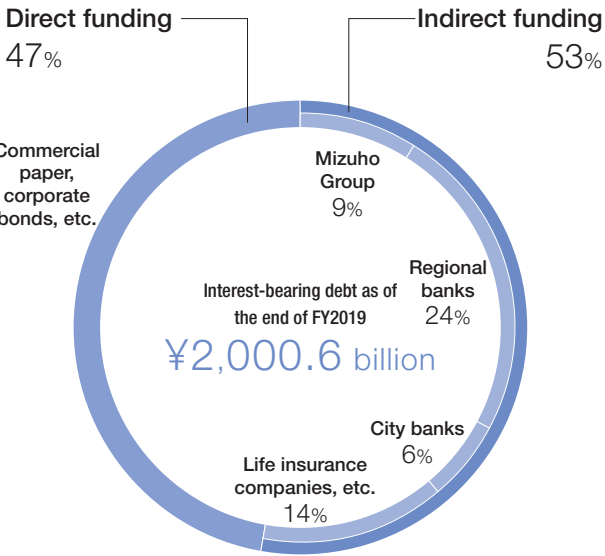
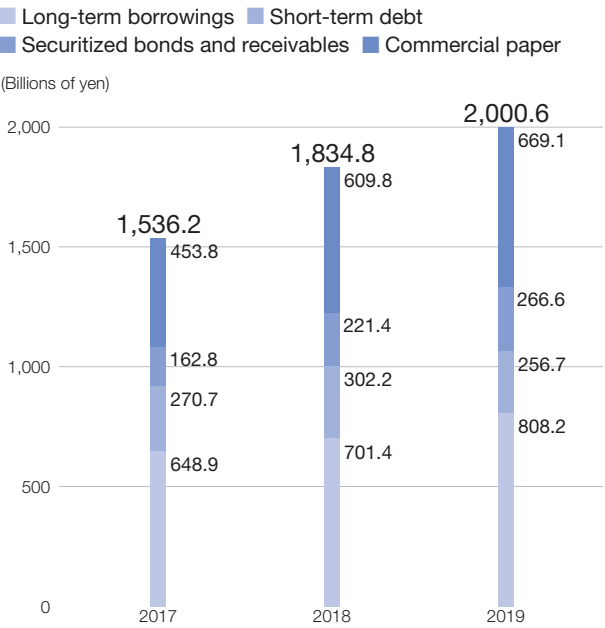
With regard to ALM operations, the Company's PM/ALM Committee, consisting of members who are officers in charge of relevant departments, holds monthly meetings to discuss the financing means that are most suitable for the portfolio composition and interest-rate outlook, and decide on the management policy. We also perform detailed analyses of the impact of interest rate volatilities on the present value of assets and liabilities, using indicators such as delta<sup>1</sup> and value at risk (VaR)<sup>2</sup>, and engage in flexible operations to ensure smooth funding and cost control.

Terms

1 **Delta:** An indicator to show how much the present value of assets and liabilities changes in the case of increases in interest rate

2 **Value at risk (VaR):** A method under which calculations are made, based on past statistics, to quantify how much loss in the position of the portfolio held would be incurred during a certain period of time with certain probabilities in the case of unfavorable market situations and ascertain the maximum amount of potential loss as risk exposure.

Interest-bearing Debt



Credit Rating

Mizuho Leasing has obtained credit ratings from Rating and Investment Information, Inc. (R&I) and Japan Credit Rating Agency, Ltd. (JCR) to evaluate its creditworthiness.

Rating and Investment Information, Inc. (R&I)

Long-term rating   Short-term rating

A   a-1

Japan Credit Rating Agency, Ltd. (JCR)

Long-term rating

A+



# CSR Activities of the Mizuho Leasing Group

## Toward Sustainable Growth

The businesses of the Mizuho Leasing Group, including financing, the management of equipment, insurance, and overseas businesses, are closely connected with the economy, society and the environment in various aspects. The Mizuho Leasing Group aims to develop a sustainable society and increase corporate value by resolving social issues through its business and creating values shared with various stakeholders including “clients,” “shareholders,” “society” and “employees.”



Governance

Management Structure

Board of Directors



President and CEO  
Shusaku Tshara

April 2009 General Manager of Executive Secretariat of Mizuho Financial Group, Inc.  
April 2010 Executive Officer, General Manager of Executive Secretariat of Mizuho Financial Group, Inc.  
April 2012 Managing Executive Officer, Director in charge of Branch Business Promotion of Mizuho Bank, Ltd.  
April 2015 Senior Managing Executive Officer of Mizuho Financial Group, Inc.  
June 2015 Member of the Board of Directors, Senior Managing Executive Officer and Head of Compliance Group of Mizuho Financial Group, Inc.  
April 2017 Deputy President, Head of Business Promotion of Mizuho Bank, Ltd.  
April 2019 Deputy President Executive Officer, Chief CSR Officer of the Company  
June 2019 Deputy President, Deputy President Executive Officer, Chief CSR Officer of the Company  
June 2020 President and CEO of the Company (present position)



Senior Managing Director  
Shinichiro Maruyama

April 2010 General Manager of Corporate Banking Division No. 1 4 of Mizuho Corporate Bank, Ltd.  
April 2012 Executive Officer, General Manager of the Corporate Business Unit (Large Corporations)  
June 2012 Executive Officer, General Manager of Planning Department of the Company  
June 2013 Director, Executive Officer, General Manager of Planning Department of the Company  
April 2015 Managing Director, Managing Executive Officer, General Manager of Corporate Planning Department of the Company  
June 2015 Managing Director, Managing Executive Officer, General Manager of Business Co-ordination Department of the Company  
April 2017 Managing Director, Managing Executive Officer of the Company  
February 2018 Managing Director, Managing Executive Officer, CFO of the Company  
June 2020 Senior Managing Director, Senior Managing Executive Officer, CFO of the Company (present position)



Managing Director  
Hidehiko Kamata

April 1984 Joined the Company  
March 2008 Manager of Corporate Business Department (Tokyo Regional No. 4) of the Company  
April 2009 Manager of Corporate Business Department (Tokyo Regional No. 1) of the Company  
April 2014 Executive Officer, Manager of Corporate Business Department (Tokyo Regional No. 1) of the Company  
April 2015 Executive Officer of the Company  
April 2016 Managing Executive Officer of the Company  
June 2019 Managing Director, Managing Executive Officer of the Company (present position)



Outside Director  
Naofumi Negishi

April 1971 Joined Sekisui Chemical Co., Ltd.  
June 2003 Director (Commissioned General Manager of Corporate Finance & Accounting Department) of Sekisui Chemical Co., Ltd.  
October 2008 Director, Executive Vice President, Assistant to the President and CFO (in charge of Corporate Communication Department and Corporate Finance & Accounting Department) of Sekisui Chemical Co., Ltd.  
March 2009 President and Representative Director of Sekisui Chemical Co., Ltd.  
March 2015 Chairman & Representative Director of Sekisui Chemical Co., Ltd.  
June 2017 Chairman and Director of Sekisui Chemical Co., Ltd.  
June 2018 Executive Advisor of Sekisui Chemical Co., Ltd. (present position)  
April 2009 Director of the Company (part-time) (present position)



Outside Director  
Hirofumi Hagihira

April 1977 Joined the Ministry of International Trade and Industry (MITI) (now: Ministry of Economy, Trade and Industry, "METI")  
June 1989 Director of Industrial Policy Planning Industrial Policy Bureau, MITI  
April 1994 Director of Cooperative Division, Small and Medium Enterprise Agency  
June 1999 Director of Consumer Goods Division, Consumer Goods Industry Bureau, MITI  
December 2000 General Manager of Paris Center Office, Japan External Trade Organization (JETRO)  
October 2003 Associate Vice President of Japan Nuclear Energy Safety Organization  
April 2009 Executive Director of Japan Petroleum Development Association  
June 2019 Director of the Company (part-time) (present position)



Outside Director  
Mari Sagiya

April 1985 Joined IBM Japan, Ltd.  
July 2002 Director of IBM Japan, Ltd.  
July 2005 Vice President, General Business of IBM Japan, Ltd.  
July 2014 Vice President, Head of Strategy, Marketing & Communications of SAP Japan Co., Ltd.  
January 2016 Vice President, Marketing of salesforce.com Co., Ltd.  
June 2019 Director of the Company (part-time) (present position)  
June 2019 Independent Director of Kokusai Pulp & Paper Co., Ltd. (present position)  
March 2020 Director, MonotaRO Co., Ltd. (present position)



Managing Director  
Yasuhisa Fujiki

April 2011 General Manager of Corporate Banking Division No.15 of Mizuho Corporate Bank, Ltd.  
April 2012 Executive Officer, General Manager of International Coordination Division of Mizuho Corporate Bank, Ltd.  
July 2013 Executive Officer, General Manager of International Coordination Division of Mizuho Bank, Ltd.  
April 2014 Managing Executive Officer (in charge of Consumer, Health, Care, Telecom, Media, Technology, Specific Global Corporations) of Mizuho Bank, Ltd.  
April 2018 Managing Executive Officer of the Company  
April 2019 Managing Executive Officer, Chief Compliance Officer (CCO) and Chief Risk Officer (CRO) of the Company  
June 2019 Managing Director, Managing Executive Officer, Chief Compliance Officer (CCO) and Chief Risk Officer (CRO) of the Company  
April 2020 Managing Director, Managing Executive Officer, Chief Compliance Officer (CCO) and General Manager of Strategic Investment Department of the Company (present position)



Outside Director (Chairman of the Board of Directors)  
Daisaku Abe

April 2007 Executive Officer, General Manager of Executive Secretariat of Mizuho Corporate Bank, Ltd.  
April 2009 Managing Executive Officer, Head of Strategic Planning Group, Head of IT, Systems & Operations Group, General Manager of Group Strategic Planning of Mizuho Financial Group, Inc.  
June 2012 Managing Director of Mizuho Financial Group, Inc.  
April 2013 Deputy President of Mizuho Financial Group, Inc.  
July 2013 Deputy President & Executive Officer of Mizuho Bank, Ltd.  
June 2014 Deputy President & Executive Officer of Mizuho Financial Group, Inc.  
April 2019 Deputy Chairman & Executive Officer of Mizuho Financial Group, Inc.  
June 2019 Director of the Company  
June 2020 Chairman of the Board of Directors of the Company (present position)



Outside Director  
Takao Komine

July 1969 Joined the Economic Planning Agency  
June 1998 Director General, Prices Bureau of Economic Planning Agency  
July 1999 Director General, Research Bureau of Economic Planning Agency  
January 2001 Director General, National and Regional Planning Bureau of Ministry of Land, Infrastructure and Transport  
April 2003 Professor, Graduate School of Social Science, Hosei University  
April 2008 Professor, Graduate School of Regional Policy Design, Hosei University  
June 2009 Outside Director (part-time) of the Company (present position)  
April 2010 Senior Research Fellow, Japan Center for Economic Research  
May 2012 Trustee, Senior Research Fellow, Japan Center for Economic Research (present position)  
April 2017 Professor, Faculty of Regional Development, Taisho University  
April 2020 Professor, Institute of Regional Development, Taisho University (present position)



Outside Director  
Takehito Miyaguchi

April 2005 General Manager of Beijing Branch of Mizuho Corporate Bank, Ltd.  
June 2007 Executive Officer of Mizuho Corporate Bank, Ltd.  
Deputy Chairman & President of Mizuho Corporate Bank (China), Ltd.  
June 2012 Senior General Manager of Mizuho Corporate Bank, Ltd.  
Chairman of Mizuho Corporate Bank (China), Ltd.  
October 2015 Adviser of Mizuho Research Institute Ltd.  
Adviser of Mizuho Bank (China), Ltd.  
June 2017 Audit & Supervisory Board Member of the Company  
June 2020 Director of the Company (present position)



Outside Director  
Hajime Kawamura

April 1981 Joined Marubeni Corporation  
April 2012 Executive Officer, Senior Operating Officer, Plant & Industrial Machinery Division of Marubeni Corporation  
April 2013 Executive Officer, Chief Operating Officer, Plant & Industrial Machinery Division of Marubeni Corporation  
April 2014 Executive Officer, Chief Operating Officer, Plant Division of Marubeni Corporation  
April 2016 Managing Executive Officer, Chief Operating Officer, Plant Division of Marubeni Corporation  
April 2018 Managing Executive Officer, Regional CEO for the Americas, Regional COO for North & Central America of Marubeni Corporation, President and CEO of Marubeni America Corporation  
April 2019 Senior Managing Executive Officer, Chief Executive Officer of Transportation & Industrial Machinery, Financial Business Group of Marubeni Corporation (present position)  
June 2020 Director of the Company (part-time) (present position)

Corporate Auditors

Outside Audit & Supervisory Board Member  
Nobukatsu Funaki

April 2005 General Manager of Accounting Division of Mizuho Corporate Bank, Ltd.  
March 2010 Corporate Auditor of Mizuho Bank, Ltd.  
April 2013 Corporate Auditor of Mizuho Securities Co., Ltd.  
June 2013 Corporate Auditor of Mizuho Financial Group, Inc.  
June 2014 Member of the Board of Directors, member of the Audit Committee of Mizuho Financial Group Inc.  
June 2019 Audit & Supervisory Board Member of the Company (present position)

Outside Audit & Supervisory Board Member  
Tatsuya Yamada

April 2010 Executive Officer, General Manager of Accounting Department of Mizuho Financial Group, Inc.  
April 2012 Managing Executive Officer, Head of Financial Control & Accounting Group of Mizuho Securities Co., Ltd.  
June 2014 Managing Executive Officer, Head of IT & Systems Group of Mizuho Securities Co., Ltd.  
April 2018 Managing Executive Officer, Deputy Head of Financial Control & Accounting Group, Deputy Head of IT & Systems Group of Mizuho Financial Group, Inc.  
Senior Executive Managing Director (Representative Director) and Senior Managing Executive Officer, Head of Financial Control & Accounting Group, Head of IT & Systems Group of Mizuho Securities Co., Ltd.  
April 2019 President of Japan Investor Relations and Investor Support, Inc.  
June 2020 Audit & Supervisory Board Member of the Company (present position)

Outside Auditor  
Shinichi Takahashi

April 1984 Joined the Dai-ichi Tokyo Bar Association  
September 1990 Nishimura & Asahi (present position)  
September 1990 Joined Simpson Thacher & Bartlett LLP (New York office)  
June 1991 Joined New York State Bar Association  
September 1996 Statutory Auditor, Lloyd's Japan Inc.  
April 2001 Liquidator, Daihyaku Mutual Life Insurance Company  
June 2017 Auditor of the Company (present position)

Outside Auditor  
Akira Noguchi

April 1979 Joined The Dai-ichi Mutual Life Insurance Company  
April 2006 Executive Vice President of DLIBJ Asset Management Co., Ltd.  
Senior Executive Vice President of DIAM Co., Ltd.  
October 2016 Director, Managing Executive Officer, Head of Institutional Marketing Division of Asset Management One Co., Ltd.  
April 2018 Director of Trust & Custody Services Bank, Ltd.  
June 2018 Deputy President of Trust & Custody Services Bank, Ltd.  
Auditor of the Company (present position)  
October 2020 Chairman, Public Interest Incorporated Foundation The Cardiovascular Institute (present position)

Corporate Executive Officers

Deputy President  
Executive Officer

Akira Nakamura

Managing  
Executive Officers

Hironobu Yamaguchi

Executive Officers

Yoshiyasu Mizutomi

Kazuomi Funakawa

Senior Managing  
Executive Officer

Katsuhiko Yoshida

Tetsuya Norimatsu

Hiromichi Koyata

Takashi Yamada

Takanori Nishiyama

Asao Tsumuji

Kensuke Sato

Masanobu Kobayashi

Yasushi Hara

Kenji Yoshida

Katsuzumi Orihashi

Kunihiro Mio

Toshiyuki Takezawa

Chihiro Tokiyasu

Mitsuyuki Kimura

Toshiyuki Takahashi

Katsunori Tomita

Toru Mukojima

Yutaka Sato

Noboru Otaka

Koki Minami

Nobuhisa Zama

Kazuo Seki



Corporate Governance

Basic Approach

Business activities of a listed company are primary aimed at enhancing corporate value from the perspective of its shareholders, consistently and over a long term. To this end, the Company recognizes that it is essential to ensure effective corporate governance, meaning a framework governing business activities centered on a closely regulated relationship between shareholders and management, and that the fundamental goal of corporate governance is to put in place an environment to ensure effective corporate governance. The Company’s idea of corporate governance required of a listed company is: primarily, that the rights and benefits of shareholders are protected and shareholder equality according to equity holdings is guaranteed; secondly, that the rights and benefits of stakeholders other than shareholders, namely, clients, employees, suppliers and others, are respected and a smooth relationship with these stakeholders is in place; thirdly, that transparency of business activities is secured through timely and appropriate disclosure of information so that the rights and benefits of the stakeholders are actually protected; and finally, that it is important for the Board of Directors and the Auditors (Audit Committee) to appropriately practice their supervisory and audit functions. Based on this belief, the Company is working to execute effective corporate governance through continuous efforts to create and improve relevant environments.

Outline of Corporate Governance Structure (As of June 24, 2020)

Form of organization		Company with auditors
Number of directors		11, of whom 7 are outside directors
Number of auditors		4, all of whom are outside auditors
Term of office of directors		2 years
Executive officer system		Adopted
Board of Directors meetings in FY2019	Number of meetings held	20 times
	Attendance rate of directors	97%
	Attendance rate of corporate auditors	98%
Audit Committee meetings in FY2019	Number of meetings held	14 times
	Attendance rate of corporate auditors	100%
Structure of compensation for directors		With regard to the compensation for directors excluding outside directors, it is performance-based corresponding to their positions and responsibilities, and as for the compensation for outside directors, it is fixed monthly corresponding to their responsibilities. In addition, a performance-linked, share-based remuneration system has been introduced.
Independent auditor		Deloitte Touche Tohmatsu LLC

The Board of Directors and Executive Officers

The Company’s Board of Directors currently has 11 members, of whom five are independent outside directors. This arrangement helps ensure the appropriateness of the supervisory function and decision making by the board.

The Company has adopted an executive officer system to ensure the rapid and efficient execution of business in accordance with the decisions of the Board of Directors, and delegates authority for business execution to the president and executive officers. The Executive Management Committee has been established as the highest decision-making body for executives to reinforce the operation of meeting bodies and Policy Planning Committees & Council have been established for each function under the Executive Management Committee, with the objective of enabling prompt and appropriate decision-making in addition to taking on challenges for new business models and responding to increasingly diversified risks.

Auditors and Audit Committee

The Company has adopted a “company with auditors” system consisting of four auditors, all of whom are outside statutory auditors. The Audit Committee audits directors’ decision-making activities at Board of Directors meetings and other occasions, as well as the Company’s entire business operations, to ensure that directors fulfill their legal duties, such as duty of prudence, fiduciary duties and ensuring that business operations are conducted properly.

To ensure the effectiveness of audits, corporate auditors attend important meetings, including Board of Directors meetings, and also have regular meetings with representative directors to exchange views on important audit-related issues. Corporate auditors also cooperate closely with the Audit Department, the internal audit department, to ensure efficiency, and regularly receive reports from this department regarding the plans and results of audits. Furthermore, the Audit Committee holds regular meetings with independent auditors to maintain close cooperation with them, listen to their reports on audit activities, and exchange information to raise the efficiency and quality of auditing.

Outside Standing Auditors Nobukatsu Funaki and Tatsuya Yamada and Outside Auditor Akira Noguchi have engaged in financial operations for many years and possess sufficient financial and accounting knowledge. Outside Auditor Shinichi Takahashi, being an attorney, is knowledgeable about legal matters.

Establishment of an Optional Nomination and Compensation Committee

The Company has an optional Nomination and Compensation Committee. The committee is formed by six directors, of whom five are independent outside directors, to improve the transparency of the decision-making process by the Board of Directors and further

enhance the corporate governance structure. The Committee deliberates the appointment and dismissal of directors and auditors, as well as the management team, and matters related to compensation, the results of which are presented to the Board of Directors.

Implementation of Effectiveness Evaluation of the Board of Directors

In order to conduct an analysis and evaluation on the effectiveness of the Board of Directors as a whole, a questionnaire was introduced for directors and auditors on the following items by an evaluation agency from fiscal 2019.

Questionnaire items

- ① Roles and functions of the Board of Directors, ② Composition and scale of the Board of Directors, ③ Operation of the Board of Directors meetings, ④ Coordination with auditing bodies, ⑤ Communication with the management team, ⑥ Shareholder and investor relations

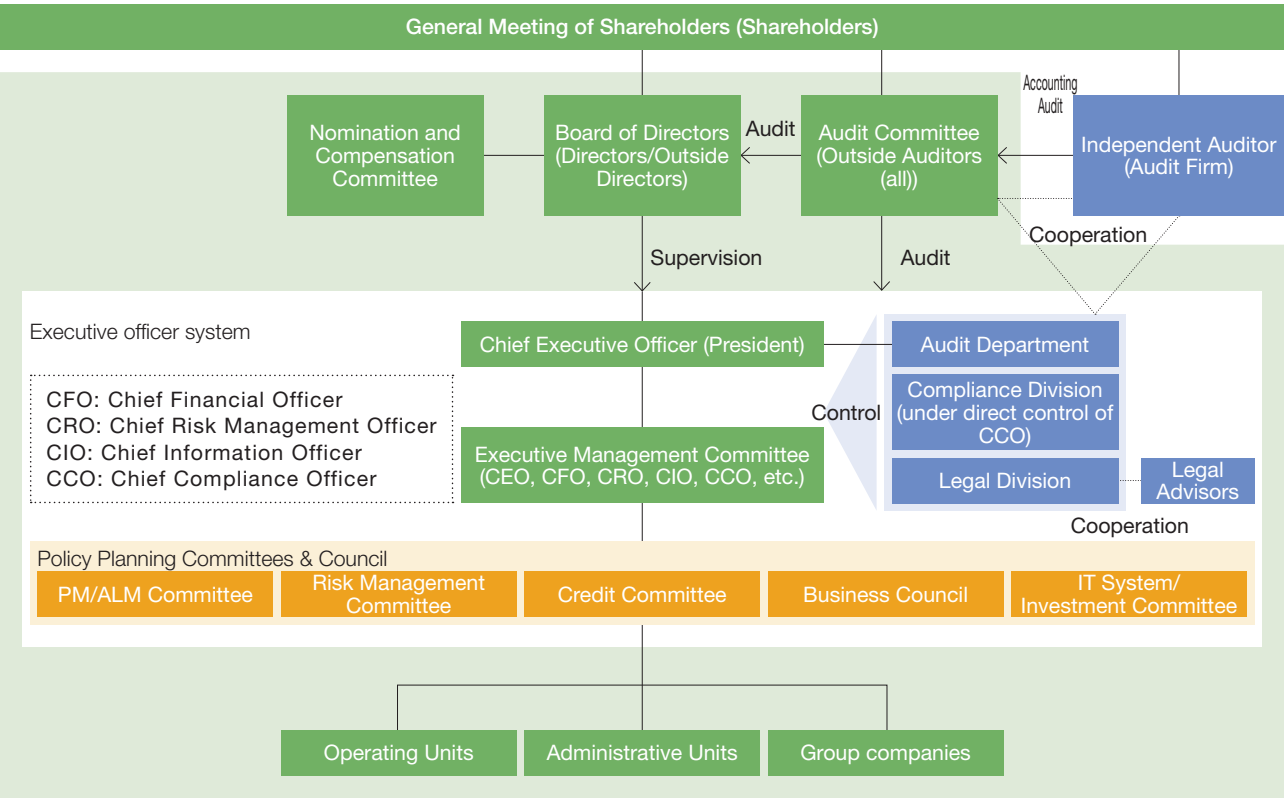
The evaluation and analysis of the Board of Directors for the previous fiscal year by the evaluation agency based on the questionnaire results were as follows.

Evaluation and analysis of the effectiveness of Directors

- 1 The Board of Directors meetings are operated as a forum for discussions on the promotion of strategies including the setting of topics for discussion.
- 2 Open and lively discussions are held at the Board of Directors.
- 3 Further improvements are expected in the methods of providing information related to the Board of Directors.

We will work to improve areas where issues were pointed out, and further improve the effectiveness and functions of the Board of Directors in light of these analyses and evaluations.

Corporate Governance Structure



Internal Audit Department

The Company’s Audit Department is responsible for conducting internal audits. To ensure the independence of this function, the department reports directly to the president. The Audit Department conducts internal audits on the entire Company organization as well as consolidated subsidiaries to ensure efficiency and appropriate conduct in business operations and

compliance measures, and to give specific advice, recommendations and suggestions regarding the improvement of business operations. The Audit Department cooperates with corporate auditors and independent auditors as necessary. Audit results are periodically reported to the Board of Directors, which determines, based on these results, whether improvements to systems, organizations and regulations are necessary for the avoidance of various risks.



Compensation for Directors

The maximum total amount of compensation to be paid to all directors has been set based on the resolution of the General Meeting of Shareholders. With regard to the compensation for directors excluding outside directors, it is performance-based corresponding to their positions and responsibilities (a combination of fixed monthly compensation and performance-linked compensation based on a performance evaluation in consideration of contribution to medium- to long-term business performance). As for the compensation for outside directors, it is fixed monthly corresponding to their responsibilities.

In addition, a performance-linked, share-based remuneration system has been introduced by the Company. The system aims to contribute to the improvement of business performance in the medium- to long-term and increasing corporate value, and

ultimately sharing awareness of raising our stock value with our shareholders by further clarifying the linkage of the remuneration for directors (excluding the chairman of the Board of Directors and outside directors) and executive officers who do not concurrently serve as directors with the business performance and stock value of the Company.

Total amount of compensation, etc. for directors and corporate auditors in FY2019

Officer category	Number recipients	Total amount of compensation, etc.	Total amount of compensation, etc.	
			Fixed compensation	Performance-linked compensation
Directors excluding outside directors	8	¥298 million	¥176 million	¥122 million
Corporate auditors excluding outside auditors	—	¥— million	¥— million	¥— million
Outside officers	13	¥105 million	¥105 million	¥— million

1. Respondents include the three directors (excluding outside directors) and the four outside directors who resigned on or prior to the end of period covered by this report (FY2019).  
2. Performance-linked compensation states the amount that should be recorded as expenses in FY2019.

Message from Outside Director

The role of outside directors is primarily to monitor and supervise a company's executive system, but in addition to exercising such defensive governance, they should also back up the company when it takes up the challenge of a new business.

Therefore, it is better to have diversity among outside directors so that they would provide a variety of opinions. In this respect, the Company's outside directors are well-experienced experts, each with professional background in the fields of economic policy, trade and industry, systems, manufacturing, among others, making it a well-balanced team.

We as outside directors naturally need to have information on which to premise discussions. When there is an important issue to be discussed, we are briefed in advance at the so called Communication Meeting. Thanks to this, the board is always engaged in lively exchange of opinions, which means the system is in full function.

In fiscal 2020, amid an extremely tough economic environment due to the impacts of COVID-19, the Group's new mid-term management plan to achieve further growth is already under way, led by Mr. Tsuhara, the new President. Under the plan, the Group aims to work together with its clients towards contributing to the development of society and realization of an enriched future, such as by expanding the Group's role in the Japanese economy as well as expanding its activities abroad.

We as outside directors are committed to working as part of the Company to evolve itself into what it aims to become, while also keeping close watch on the Company's management to ensure its transparency and soundness.



Naofumi Negishi      Executive Advisor,  
Sekisui Chemical Co., Ltd.

Reasons for Appointment of Outside Directors, Expected Expertise

Title	Name	Reasons for appointment	Expertise we expect of the director				
			Corporate management	Economic policy	Finance	Finance and accounting	Technology
Outside director	Daisaku Abe	In addition to his vast knowledge of financial administration, he also has vast corporate management experience having served at financial institutions. We believe that he will be able to contribute to the Company's sustainable growth and improvement in the medium- to long-term corporate value, in light of his aforementioned abundant business experience.	○		○		
	Takao Komine	We expect that he would make use of his abundant experience and broad insight in the field of economic policy and specialized academic fields to contribute to the Company's sustainable growth and improvement in the medium- to long-term corporate value.		○			
	Naofumi Negishi	We expect that in light of his vast knowledge and sound judgement in manufacturing industry's corporate management, he will be able to contribute to the Company's sustainable growth and improvement in the medium- to long-term corporate value.	○				
	Hirofumi Hagihira	We expect that in light of his vast experience and knowledge in the field of economic, industrial, and trade policies, he will be able to contribute to the Company's sustainable growth and improvement in the medium- to long-term corporate value.		○			
	Mari Sagiya	We expect that in light of her vast knowledge and corporate management experience in systems and IT, she will be able to contribute to the Company's sustainable growth and improvement in the medium- to long-term corporate value.	○				○
	Takehito Miyaguchi	As the former corporate auditor of the Company, he has experience in supervising the directors' execution of duties. Through working at overseas bases of a financial institution, he has gained experience in management that takes diversity into consideration. He also has profound knowledge of the Company's business and operation of the Board of Directors, as well as a high standard of awareness of internal control. We expect that he will be able to contribute to strengthening the Company's supervisory function over the management as well as its sustainable growth and improvement in the medium- to long-term corporate value.			○		
	Hajime Kawamura	He has vast experience and knowledge related to overseas and finance operations at a general trading company and also has vast corporate management experience. In light of our business alliance with the Marubeni Group, we believe that he will be able to contribute to the sustainable growth and improvement in the medium- to long-term corporate value of the Company in light of his aforementioned abundant business experience and knowledge.	○			○	

Internal Control

The Group regards it as a key management responsibility to maintain and ensure the appropriate operation of a system that ensures proper conduct of business operations, and to work toward strengthening internal control. Under the Companies Act, the Group

is required to strengthen its internal control system, and to this end, Mizuho Leasing and seven domestic Group companies have formulated basic policies to ensure proper and effective operation. Furthermore, regarding internal control on financial reporting pursuant to the Financial Instruments and Exchange Act, the Group maintains and implements a structure to ensure reliability of its financial reports.

# Compliance and Risk Management

## Compliance

The Group’s definition of “compliance” is “to comply with the laws and regulations and to practice honest and fair business activities in accordance with the norms of society.” Duly recognizing that any issues with compliance may undermine the very foundations of management, and regarding that the “principles of compliance” are to be highly appreciated by shareholders and the market and to earn the trust of society, the Group is working to strengthen its compliance system.

### Compliance Structure

In order to thoroughly enforce compliance, the Group has formulated rules, administrative guides, manuals and other materials based on the Basic Policy for Compliance. We have in place a structure headed by the Board of Directors and directed by the chief compliance officer (CCO), who is fully responsible and authorized to plan and manage the overall compliance-related affairs, with the Compliance Division and promoting overall compliance-related affairs, preventive measures against money laundering, etc., and blocking-off of any relationship with anti-social forces, among others, as well as grasping and controlling the state of the Group’s compliance and providing guidance and supervision.

More specifically, the general managers, as the compliance officer of their respective department or branch, grasp and control the state of compliance within the department or branch and provide guidance and supervision, while the Audit Department, etc. audit the state of compliance in the Company. General Manager of the Compliance Division gives instructions based on the content of reports and outcome of the above-mentioned actions, pursuant to which the general managers of the departments and branches take necessary responses or correction measures and other actions.

To facilitate early detection of misconducts in the workplace, the Group has established channels through which employees can securely make reports or have consultations, namely, the consultation desk of the Compliance Division, corporate auditor’s hotline, and an external contact point to attorneys. The Group also stipulates in its Rules on the Protection of Whistleblowers that a reporter shall not receive any disadvantageous treatment whatsoever.

### Enhancing Compliance Awareness

The Group has formulated the Corporate Code of Conduct of the Mizuho Leasing Group, which sets out concrete action guidelines for directors and employees, as well as published a Compliance Manual that serves as the Group’s standards of compliance, outlining key rules and regulations that must be followed and compliance activities that need to be conducted in its business operations. The Compliance Manual is also available on the corporate intranet so that directors and employees can refer to it easily in the course of their daily work.

As a practical scheme to ensure the thorough practice of compliance, the Group works out a Compliance Program. Once a year, the Compliance Program is discussed at the Risk Management Committee and resolved by the Executive Management Committee, and the result of its implementation is reported to the Executive Management Committee every six months. Specifically, through job level-specific trainings on compliance such as that for general managers, theme-specific trainings such as that on preventing insider trading, as well as e-learning sessions, the Group is working to drive home the principles and standards of compliance to all of its members, thereby enhancing its compliance and nurturing awareness.

management framework centered on the allocation of risk capital. Operational risk such as administrative risk, system risk, legal risk, etc., is monitored for the status of occurrence of risk events, countermeasures, preventive measures, etc.

In addition, to realize the goal of becoming a multiple financial services company and expand our specialized financing services, we are aware that further enhancement of our risk management system,

for example, monitoring and handling the various risks inherent in transactions, etc., will be more important than ever. For example, when we start handling new products and developing new businesses, we evaluate risks from the perspective of both financial risks and operational risks, and work to strengthen management through the establishment of a structure for thorough reviews in advance.

#### Keywords Explained

- 1 Credit risk is the risk of loss associated with the inability to collect lease payments, installment payments, or loan principal and interest as contracted, due to factors such as bankruptcy or deterioration of financial position of the debtor.
- 2 Market risk is the risk of incurring loss as a result of a decline or disappearance in, or total loss of, the value of the Company’s financial assets and liabilities attendant on market price fluctuations (interest rates, stock prices, foreign exchange rates, etc.).
- 3 Price fluctuation risk is the risk of fluctuations in the value of items other than marketable products, for example, the risk of fluctuations in the estimated residual value in operating leases and risk inherent in real estate-related financing.

## Risk Capital Allocation

The Group places an extremely high priority on the integrated monitoring and control of total financial risk. Thus we incorporate an integrated risk management structure in based on that of the mega-banks into our management policies in order to improve the soundness and stability of our business. Specifically, we quantify various risk factors and employ integrated and centralized control systems to ensure that our total risk exposure remains below the required percentage of our shareholders’ equity (i.e., our financial strength).

In other words, we define our risk tolerance as the amount of risk capital, calculated by subtracting equity capital and part of retained income as reserves reported for the maintenance of the Company from

shareholders’ equity. By allocating this risk capital to each financial risk, we control losses incurred from any unforeseen situation within manageable limits, thereby maintaining our financial stability.

Key aspects, such as the amount of risk capital to be allocated for each risk, are determined as a part of the fiscal year’s management plan at the Board of Directors meetings, and specific operating policies are determined through resolutions by the Executive Management Committee and Policy Planning Committees (such as the PM/ALM Committee), and reflected in business operations. Within such a framework, the Risk Management Department, which is independent from the business and treasury departments, monitors operations periodically to measure risks. The results of this monitoring are reported to the Board of Directors on a monthly basis.

## Risk Management Structure

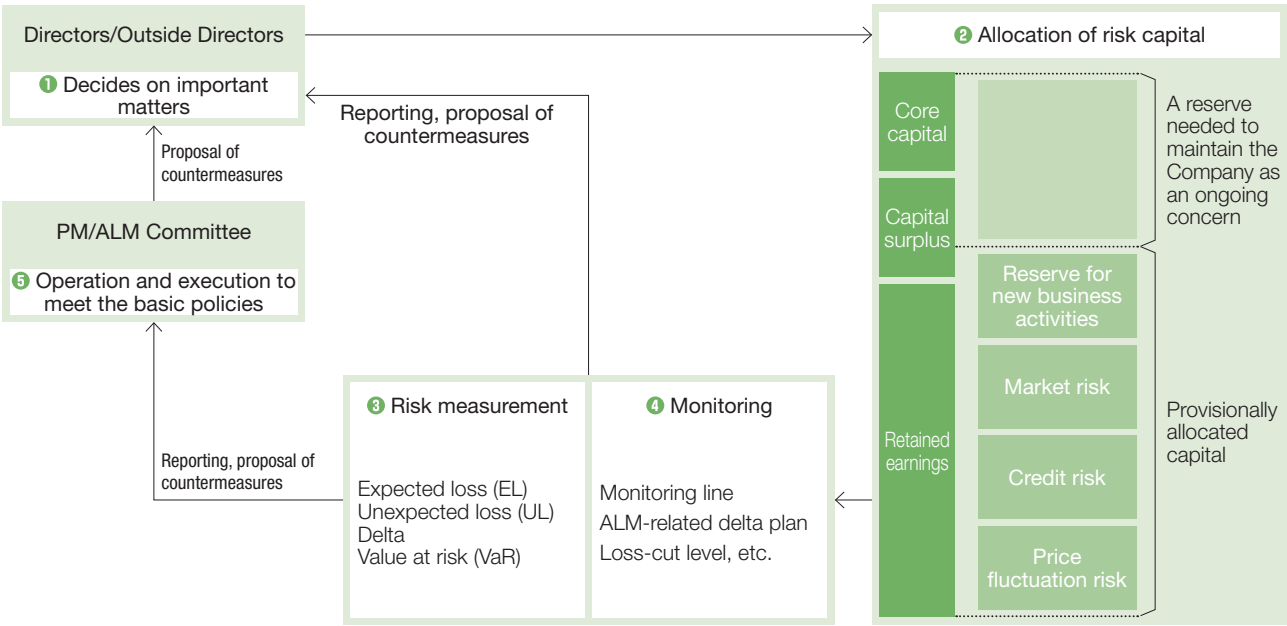
### Comprehensive Risk Management Activities

As financial services become more diversified and sophisticated, the various risks that arise from business operations grow increasingly complex. In this environment, the Group recognizes that precise monitoring and analysis, as well as the proper control and management of these risks is exceedingly important for maintaining or increasing the soundness of business operations, and is strengthening and streamlining its risk management system accordingly.

The Mizuho Leasing Group has categorized risks that arise in association with the operating activities into financial risk to be managed quantitatively and operational risk to be managed qualitatively, and risk management systems are established for each risk. Moreover, the Risk Management Committee was instituted to establish a comprehensive risk management system to centrally manage operational risk and financial risk.

As for financial risk, meaning credit risk<sup>1</sup>, market risk<sup>2</sup>, and price fluctuation risk<sup>3</sup>, the locations and the magnitude of risk are monitored based on the

#### Risk Management Framework Centered on Allocation of Risk Capital



Note: The colored box on the right side of the chart above is not intended to denote the relative size of risk allocated to each risk category.



Compliance and Risk Management

Attitude towards Credit Risk Management

The Mizuho Leasing Group aims to minimize credit costs by optimizing its credit management structure at all stages of each transaction, from entrance to exit, regarding credit risk of our clients.

Firstly, at the initial stage of deal execution under our “client credit rating system,” we grant a credit rating for each debtor, conduct a strict credit screening for each debtor when reviewing a deal, and, to avoid excessive concentrations of credit, manage credit limit by using our “credit monitoring systems by ratings.”

Next, during the contract period, we conduct self-assessments of assets in accordance with the “Temporary treatment of accounting and auditing on the application of accounting standard for financial instruments in the leasing industry.” (Report No. 19 of the Industry Auditing Committee of the Japanese Institute of Certified Public Accountants) and also implement write-offs and provide reserves based on the assessment results. Also, we periodically follow up on non-performing assets and make debt collection of assets for which we have already provided reserves to facilitate final disposal of nonperforming assets.

Meanwhile, our approach to credit portfolio management is based on the use of statistical methods to calculate the potential for losses related to credit risk. To that end, each month we calculate the expected loss (EL, i.e., credit cost), which is the average loss anticipated over the next year, and the unexpected losses (UL, i.e., credit risk amount), which is the maximum amount of any additional loss in excess of the EL.

As for expected losses, our stance is to cover an expected loss from income gained through credit transactions, and we use this amount as a reference value when estimating the cost of credit for our income plan as well as when arranging deals. Concerning unexpected losses, if an unexpected loss is incurred, our stance is to cover it from our equity capital, which we monitor in relation to the pre-allocated risk capital, and report to the Board of Directors on a monthly basis.

In addition, we are focusing on initiatives to improve our asset quality by controlling the risks inherent in the business and assets through portfolio management.

Market Risk Management Structure

The Mizuho Leasing Group establishes basic policies based on market environments, financial strength, etc., at the Board of Directors meeting each year to properly control risks in line with financial operations. In addition, ALM operating policies based on the basic policies, various credit lines for transactions, and loss limits, etc., are determined on a monthly basis at the meetings of the PM/ALM Committee, whose members

include executives in charge of relevant departments. Through these measures, the Mizuho Leasing Group strives to maintain stable earnings by controlling risk.

Also, in terms of organizational structure, in order to provide effective checks and balances, we have established clearly defined dividing lines between departments handling market operations (“front office”) and departments providing back-office administration (“back office”), and an independent risk management department dedicated to risk management has been established.

Furthermore, risk-related analyses are reported monthly at meetings of the PM/ALM Committee as well as those of the Board of Directors.

Attitude towards Operational Risk Management

The Operational Risk Management Division of the Risk Management Department centrally collects and manages operational risk events resulting from inadequacies, administrative errors, compliance issues, inappropriate business operations, system failures and any other external factors and takes appropriate actions according to the relevant risk categories such as the formulation of countermeasures and measures to prevent recurrence.

Furthermore, risk-related analyses are reported quarterly at meetings of the Risk Management Committee, as well as those of the Board of Directors, together with financial risk.

Dialogue with Shareholders and Investors

Disclosure Policy

The Company discloses information to the public on a consolidated basis of the Mizuho Leasing Group to protect rights and interests of shareholders and other stakeholders. Timely, proper and fair disclosure of

information will ensure transparency of the Company’s corporate activities. A system to disclose information accurately and promptly in a positive manner is also in place and properly implemented.

IR Activities

The basic stance of the Company regarding IR activities is to continuously disclose information in a fair, timely and appropriate manner and to enhance communication with shareholders and investors, to enable their further understanding about the Mizuho Leasing Group and fair evaluation of its corporate value. The Company holds briefing sessions to explain financial results to institutional investors and analysts and individual meetings with domestic and overseas investors on a regular basis, as well as annual company information sessions, questionnaire surveys, etc. for individual investors. Through such means,

Record of IR Activity in FY2019

Financial results briefing session	Twice
Individual meeting with institutional investors, etc.	62 times

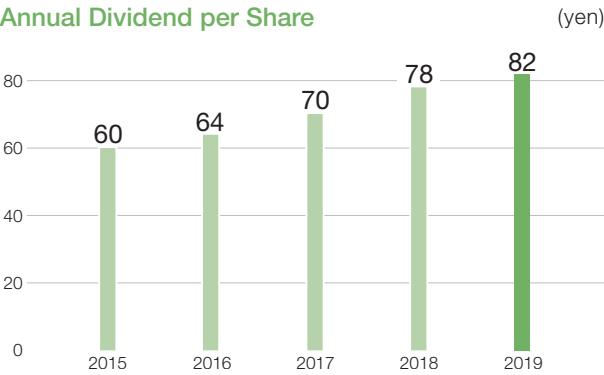
we engage in active dialogue with shareholders and investors.

The Mizuho Leasing Group aims to achieve sustainable increases in corporate value by appropriately incorporating opinions and feedback obtained through dialogue into management.

Shareholder Returns

Dividend Policy

The basic policy of the Company on dividends is to realize dividends based on the business performance of the Company while improving its earning capacity in due consideration of balance between return of profits to shareholders and securing shareholders’ equity.



Shareholders Benefit Plan

The Company has a shareholders benefit plan to show our appreciation to shareholders. The reference date of this plan is March 31 each year.



\* QUO cards have replaced pre-paid book cards as shareholders benefit items from those dispatched after the general meeting of shareholders in June 2020.

Shareholders Special Benefit Plan

If shares are held for two consecutive years or longer*	
A ¥3,000 QUO card is given out to each shareholder who holds 1 unit (100 shares) or more shares.	A ¥4,000 QUO card is given out to each shareholder who holds 1 unit (100 shares) or more shares.

\* Shareholders who hold 1 unit (100 shares) or more shares for two consecutive years or longer are those who are recorded in the shareholder registry on the record date (March 31) by the same shareholder number as that on the record date of the previous fiscal year.



Human Resource Strategy

Commitment by the Personnel Unit



Hidehiko Kamata Managing Director in charge of Personnel Department

You may think that the service of a leasing company is simply about leasing “Mono (equipment & properties)” to its clients, but the Group’s business is not limited to it. We believe that the business of the Group is all about accurately grasping the diverse and unique needs of our clients and offering the right solutions to match these needs. To do this, we need to make full use of our skills in “Mono,” finance, taxation, accounting, laws and commercial distribution, among others, and put ourselves in the shoes of the clients to squarely face their concerns and challenges while we conduct our business in a constructive manner. And it is the “human,” or each and every employee of the Group, that forms the core of our business. How much we can bring out the potential of each employee is the key to the Group’s growth.

Based on this view, with “developing human resources and creating a corporate culture willing to take on challenges for innovation and promoting work style reform” as the pillar of our personnel strategy, we are working to create an environment in which employees can work at their best. Our efforts towards this goal is divided into the four major categories of “personnel and remuneration systems,” “human resource development,” “human resource portfolio and personnel allocation,” and “the promotion of diversity & inclusion and work style reform.” Measures

we have implemented so far include: developing personnel evaluation and remuneration systems to promote Challenge; strengthening and developing human resources capable of playing an active role on the global scene; introducing systems for career conversions and retirement age extension; and facilitating flexible working styles such as by utilizing teleworking.

In a drastically changing business environment, we believe that the capability to undertake tasks with autonomy will become more and more important. The Group is supporting the autonomous growth of employees by presenting “career plans” as their benchmark for designing career paths, offering job level-specific trainings catered to each career stage, strategically allocating personnel to make the best use of each employee’s strengths and characteristics, and proactively passing on knowledge to the next generation, and other means.

Development of an organization in which each employee can demonstrate his/her individuality, understand and accept diversity among themselves, and together embody comfort and affluence, will lead to the company’s growth and employees’ good work-life balance. We will continue our efforts to provide an environment that allows our employees to exert their full potential.

Personnel and Remuneration Systems

Revision of Personnel and Remuneration Systems

Recognizing that each individual employee is the supporting pillar of the Group’s growth, we have revised our personnel and remuneration systems in fiscal 2019. We redefined the roles expected of each employment type and position from general staff to the management along with examples of job requirements

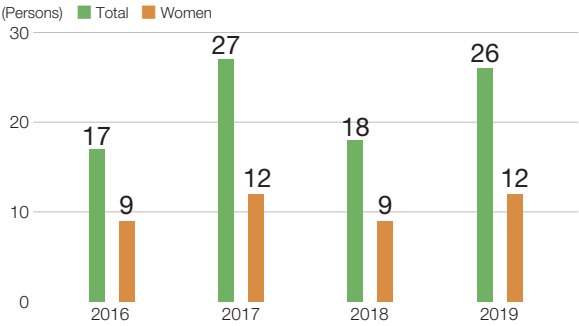
and accountability, and laid out a system that evaluates each person’s job and organizational capabilities from different perspectives objectively and adequately, using a common evaluation matrix. We will continue working to improve the system in which capable and energetic employees are adequately appraised, keeping in step with the diversifying work style and business.

Development of Human Resources

Hiring New Graduates

Based on its policy to conduct fair and impartial pre-employment screening, the Company hires new graduates who “have flexible mindset and full of challenger spirits.” We have in place systems and environments for women to continue working actively. The proportion of women among new graduates employed has remained above 40% in the past years.

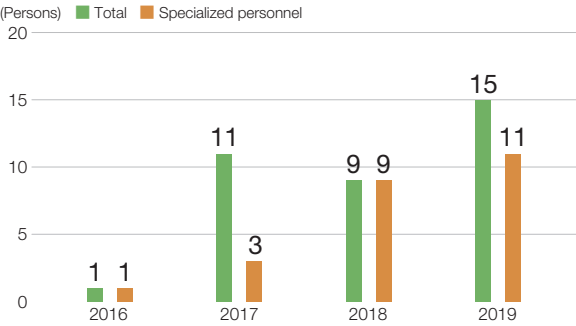
Number of new graduates employed



Hiring Mid-career Workers

In response to the globalization trends and expanding business fields, the Group is increasingly recruiting diverse talents with a challenger spirits and high professional expertise in various fields.

Number of mid-career workers employed





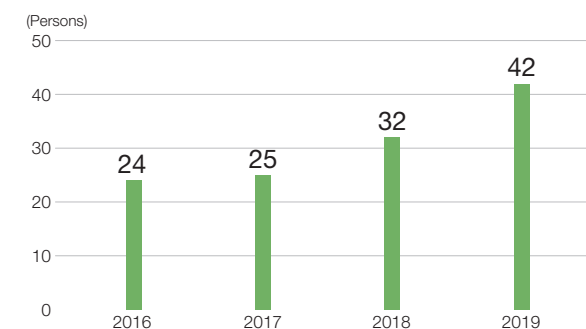
## Human Resource Strategy

### Global Human Resources

The Group has established a target for the final fiscal year of the Sixth Mid-term Management Plan to triple the balance in the Global field from the end of March 2019. The Group is implementing the development and strengthening of human resources who can play an active role in a global scale.

The “open call for overseas-oriented employees” that started in fiscal 2017 has gathered a total of 46 applicants in three years. Applicants are given a six-month practical language training, sent to our overseas bases as trainees, or transferred to divisions related to global business, as a means to develop human resources for overseas business. We are also increasingly hiring mid-career talents in search for potential overseas-oriented employees, and strategically increasing personnel size of global units involved in overseas projects.

Personnel in global business divisions (number of Japanese employees involved in overseas projects)



### Career Plans

The Company sets up “career plans” for each employee as a guide for them to understand the knowledge, skills, etc., which they should acquire in each of the steps in their career, and to devote themselves to their duties and self-improvement by setting their own goals and undergo necessary training in a systematic manner.

The career plan divides a person's career into phases, namely, the “learning” phase covering from the first day of work to the end of second year, the “flourishing” phase covering the third and fourth year, and “leap” phase from the fifth year onward, and stipulates the targeted level of achievement, experience, knowledge, skills and training for each phase. It is thus designed to allow each employee to grow as they move up from phase to phase.



We foster growth of our employees by improving and expanding training on themes meaningful to employees who aspire to move on to the next step, such as on skills related to sales or productivity improvement.

### Succession Plans

The Company has set out succession plan with a view to “fostering the management tier in a planned manner” and “sustainable growth enabled by transparent process for appointing directors.” Specifically, as a succession program aimed at making the successor candidates visible and fostering their growth in on a long-term basis, we set up the “Mizuho Leasing University,” a corporate university, which has begun operation in fiscal 2020.



## Human Resource Portfolio and Personnel Allocation

### Designing and Building Human Resource Portfolio and Allocating Personnel Accordingly

In order to achieve the numerical targets of the Sixth Mid-term Management Plan, it is essential that we secure and nurture excellent talents and allocate personnel fittingly. To this end, we calculate the number

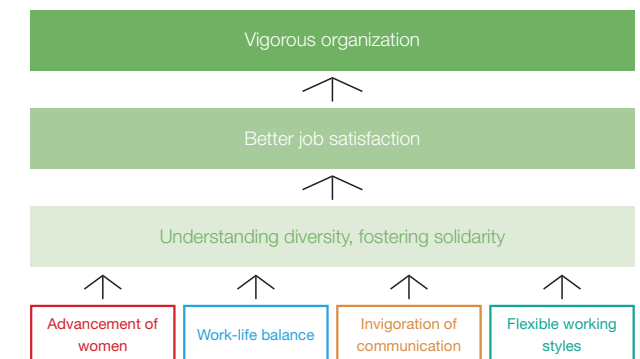
of staff required for each segment or unit based on the targeted business portfolio and allocate personnel accordingly. Furthermore, we will build a system to centralize the collection and analysis of all internal information related to human resources. Utilizing this system, we aim to allocate and train our personnel as well as select successors in a more strategic manner.

## Diversity & Inclusion and Work Style Reform

Mizuho Leasing Group is promoting diversity and inclusion in our organization. We believe it is important that the employees understand and accept diversity and the difference in their backgrounds, and based on this notion, help each other bring out their best, foster solidarity, and thereby promote their own growth while adapting to changes.

By promoting the advancement of women, work-life balance, invigoration of communication, and flexible working styles, we are working to achieve a rewarding workplace environment where diverse ways of thinking and values are accepted and respected and that maximizes the unique abilities of each of our employees.

### ● D&I at Mizuho Leasing



### Initiatives for Creating Worker-friendly Environment

#### ● Promoting Flexible Working Styles

To promote work-life balance and improve work productivity, we are promoting flexible working styles that are not bound by a fixed location. Since we had already begun using satellite offices and gradually introducing telework system in fiscal 2019, we were able to make a smooth shift to a full-scale teleworking arrangement in the wake of COVID-19 (state of emergency). Combining this with flexible staggered working

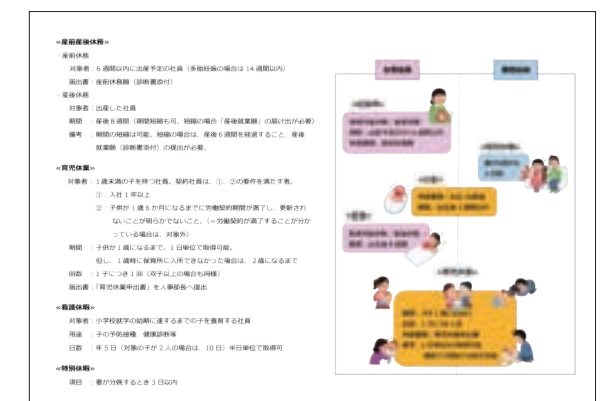
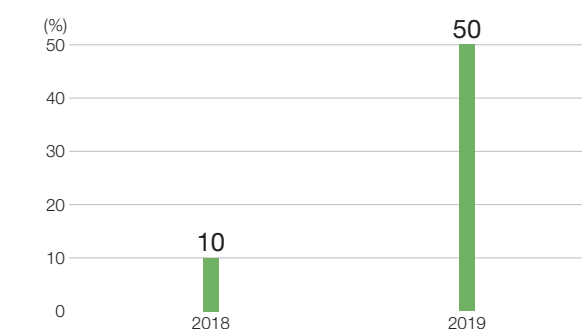
hours, we are putting in place a system for protecting the health and safety of our employees. In addition, we conducted a questionnaire survey of our employees on teleworking to understand the current state and problems, and shared the best practices in telework utilization among the whole Group. Through these efforts, we are striving to improve work efficiency and boost communication. Going forward, we will apply working arrangement that suits each job on a trial basis and eventually revise the system so as to realize an even more comfortable working environment.

### Work-life Balance Support Initiatives

#### ● Encouraging Male Employees to Take Childcare Leave

In order to create a corporate culture in which it is easy for male employees to take childcare leave, we are encouraging male employees with a newborn to take childcare leave through activities such as distribution of leaflets that provide an overview of the work-life balance support system and a summary on how to take leaves as well as personally handing a “hand-written congratulation card” from the supervisor and colleagues. As a result, we saw a great leap in the percentage of male employees taking child care leave. The Group is supporting male employees' participation in childcare.

#### Percentage of male employees who took childcare leave



Environmental and Social Activities

Employee Feedback



Hiroki Nangumo    Accounting Department

At first, I was not really familiar with the system, but prompted by my boss who urged me to take the childcare leave, and backed by a cooperative workplace mindset towards childcare and advice from my boss and colleagues who also offered to cover for me while I am away, I decided to go for it for the sake of my family.

During the leave, I did every childcare task other than breastfeeding. Now that I know firsthand the hardship of childcare, I think my wife and I are bonded through a shared understanding of childcare, which is an advantage for the future of my family. I also feel that this new experience of caring for a child has broadened my insights and expanded my possibilities both professionally and personally.

Round-table Talks for Employees Returning to Work from Childcare Leave

We offer Childcare Leave Returnee Training for employees who have been reinstated to work after childcare leave. The training aims to help them strengthen awareness of participation while achieving a balance between work and childcare, learn about the approach to work after reinstatement, and gain knowledge related to housework and childcare. Meanwhile, in response to the requests for “chances to mingle in a small group” and “connecting with people in the same situation,” we also host round-table talks as a venue for working mothers to exchange information. We are also making efforts to ease or relieve anxieties and worries the employees may have by inviting well-experienced lecturers to both the training and round-table talks, from whom participants can receive advice.



Eri Natsui    General Manager, Diversity Promotion Division

Nursing Care Seminar

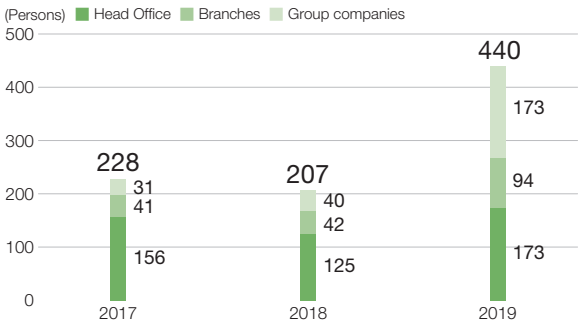
Work and Nursing Care Balance Support Seminars are held by an external lecturer for Group employees on basic knowledge concerning nursing care and the nursing care insurance system, as well as to brace themselves for nursing care. The lecturer also holds individual consultations after the seminar.

In fiscal 2019, we held seminars targeting the managerial staff, in addition to those intended for all employees. The seminar offers managers an opportunity to learn from outside lecturers to deepen their understanding of employees who are caregivers and how to respond when consulted by a staff member about nursing care, using case studies, so as to create a workplace culture of mutual support.

Initiatives to Invigorate Communication

The Mizuho Leasing Group runs Torakoya, an in-house educational institution established with the purpose of transferring knowledge and know-how accumulated by the Group in its history and providing a venue for communication among employees beyond generations. Torakoya was held with a variety of themes: in “Value of equipment & properties,” participants learned from a lecturer with rich experience in sales the expertise on equipment and commercial distribution; in “Balancing Work and Childcare,” three female employees talked about working style and shared the know-how to balance between work and childcare based on their own experience.

Number of Torakoya participants



Initiatives for a Recycling-Oriented Society

In lease transactions, equipment “owned” by leasing companies is “used” by clients; therefore, after the lease term expires, the equipment will be returned to the leasing companies for destruction, sale, disposal, etc. The Mizuho Leasing Group screens expired equipment that can be reused or that can be used

as materials, implements 3Rs (Reduce, Reuse and Recycle) by taking appropriate disposal measures such as selling to used-item dealers and consigning to recycling companies, and thereby contributes to the creation of a recycling-oriented society.

Implementation of Environmental Management System

The Company and seven Group companies have been awarded a certification for the international standard for environment, ISO 14001 Certification.

Organizational Structure of Environmental Management System

The Mizuho Leasing Group ensures that the environmental management system (PDCA cycle) is operated properly. To this end, the Chief CSR Officer oversees the Environmental Management Officer who

is responsible for the management of environmental activities as a whole, and the Department responsible for environmental management of the Company and the Operating Officer of Environmental Management of each Group company promote activities to achieve the environmental goal.

Basic Environmental Policy

- ① We strictly comply with environmental laws and regulations and continuously improve our environmental conservation activities with our corporate social responsibility in mind at all times.
- ② We strive to balance environmental conservation and economic development by developing and providing goods and services that contribute to environmental conservation.
- ③ We properly manage equipment for which lease terms have expired, promote recycle and reuse, and thereby contribute to building a recycling-oriented society.
- ④ We make every effort to understand environmental impact each business activity will make, and to reduce environmental load and prevent pollution.

Main Environmental Purposes and Targets

Environmental Purposes - Medium-term target -	Environmental target -Annual target -	
	FY2019 target	Results
Reduce the amount of paper used	Less than average monthly level (sheets used per person) of FY2016-FY2018	19% reduction from target
Reduce consumption of electric power	Less than average monthly level of FY2016-FY2018	17% reduction from target
Sustainable contribution to building a recycling-oriented society	Achieve reuse rate* of 68% or more	Reuse rate 72% achieved
Promote 3R by purchasing used equipment	Used equipment purchases of ¥730 million	96% achieved
Ensure disposal in compliance with laws and regulations and select law-abiding recycling business operators	Regularly investigate industrial waste disposal business operators used group-wide	Implemented group-wide

\* Reuse rate means the rate calculated by: Number of equipment sold ÷ Number of equipment for which the lease term or re-lease term has expired

Social Contribution Activities

Investing in the Tokyo ESG Fund

The Company has decided to invest in SPARX Public-Private Partnership ESG Investment Limited Partnership (hereinafter Tokyo ESG Fund) set up by the Tokyo Metropolitan Government and managed by SPARX Asset Management Co., Ltd.

The Tokyo ESG Fund, one of the Tokyo Metropolitan Government’s initiatives for realizing the “Global Financial City: Tokyo” vision, aims to promote and accelerate ESG investment as a way of helping to solve social issues

through finance. The Fund invests in renewable energy development projects in Japan, while a portion of the commission earned goes to supporting projects with high degree of social contribution, such as supporting children, promoting women’s participation and advancement in work, assisting single parents, and promoting employment of persons with disabilities, among others.

The Group will strive to further increase its corporate value through its efforts to contribute to solving social issues.



Analyses on Business Conditions and Results of Operations

1. Financial Results and Business Performance Overview

The economic environment in fiscal 2019 saw moderate economic growth in the world and in Japan, but with the downward pressures caused by trade policy trends and the global spread of COVID-19 pandemic since early 2020, there is a growing concern of an economic slowdown.

In the financial market, amid the continued monetary easing policy, both long-term interest rates and short-term interest rates remained low. In the leasing industry, despite the impact of COVID-19, the transaction volumes increased from the previous fiscal year, thanks to the growth in the handling of information and communication equipment.

The Group has started the Sixth Mid-term Management Plan covering a five-year period from April 2019 to fiscal 2023. Under the plan, we will accelerate our efforts in promoting business together with our clients as partners and in focus areas that matches the changes in social and industrial structures, while expanding our business base through alliance and co-operation with Mizuho Financial Group and Marubeni Group and taking up challenges in the new business areas.

In fiscal 2019, we concentrated on structuring a framework for our alliance with Mizuho Financial Group and Marubeni Group and implemented the business strategies set out in the Sixth Mid-term Management Plan step by step. Making use of the Group’s extensive knowledge of “Mono (equipment & properties)” and advanced financial expertise, we have been offering solutions that contribute to our clients’ business promotion and expanding business in focus areas with

growth prospects against the backdrop of changes in social and industrial structures. We aim to further expand our business base by extending these services to the clients of Mizuho Financial Group in addition to our existing clients. Recognizing that the Group needs to strengthen global sales and business bases in order to grow further, we are also carrying forward our cooperation with Marubeni Group.

As for activities in our focus areas, in the environment and energy area, the Group boosted efforts in the field of renewable energy, including the leasing of wind power generation facilities, domestic consumption-type power supply service using photovoltaic power generation in collaboration with our clients, and financing in biomass power generation project in cooperation with Mizuho Bank, Ltd.

In the medical and healthcare area, activities centered around the leasing of facilities and equipment for medical and nursing care institutions, expanding business fields. In Japan, we launched a new rental service of manpower-saving equipment for nursing care institutions in collaboration with manufacturers, while in overseas business we engaged in vendor finance services targeting local medical equipment dealers in the Philippines.

In the real estate area, we saw growth in the execution of bridge scheme projects targeting logistics facilities, warehouses, etc. for REITs managed by leading business operators, and also participated in a large scale finance project for property acquisition by REIT in cooperation with Mizuho Bank Ltd. and Mizuho Securities Co., Ltd. Additionally, we are offering real estate solutions covering factories, offices, and commercial facilities in line with the clients’ real estate strategies.

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Contract Execution Volume (Millions of yen)

	2015	2016	2017	2018	2019
Leasing and installment sales	465,505	475,661	430,482	549,418	692,350
Financing	599,847	616,366	901,485	996,700	590,088
Other	—	—	3,941	2,698	—
Total	1,065,352	1,092,027	1,335,909	1,548,817	1,282,438

Operating Assets (Millions of yen)

	2015	2016	2017	2018	2019
Leasing and installment sales	1,105,808	1,088,139	1,122,183	1,306,106	1,467,439
Financing	475,216	520,579	556,933	708,950	622,866
Other	—	—	3,888	6,311	—
Total	1,581,025	1,608,718	1,683,005	2,021,368	2,090,305

## Analyses on Business Conditions and Results of Operations

In the aircraft area, recognizing that a platform equipped with advanced know-how and function is essential to expand business base in this field where the market is expected to grow in medium- to long-term, we acquired a 25% stake in Aircastle Limited (now an equity-method affiliate of the Company), a leading US aircraft leasing company, in March 2020. Aircastle has become a joint venture with the Company and Marubeni Corporation.

In the global area, we continued working to grasp the clients' needs for plant and equipment investment as well as financing, while also actively seeking the needs for infrastructure development abroad and forging ahead into new business areas. In March 2020, the Group acquired a 50% stake in PLM Fleet, LLC (now an equity-method affiliate of the Company), the largest leasing and rental company specializing in refrigerated trailers in the US and a wholly owned subsidiary of Marubeni Group, making the company the Group's joint operating company with Marubeni Corporation.

The contract execution volume in leasing and installment sales increased 26.0% year on year to ¥692,350 million, while the volume in financing decreased 40.8% to ¥590,088 million owing to the decline in short-term commercial distribution finance. As a result, the total contract execution volume decreased 17.2% from the previous year to ¥1,282,438 million.

Regarding the results, reflecting the growing trend in the projects in which we acquire and temporarily hold a property based on request from a client (hereinafter bridge scheme), there was an increase in sales of properties upon completion of real estate-related bridge scheme projects. For this and other reasons, the revenues increased 40.1% year on year to ¥539,241 million. Operating income increased 14.7% to ¥26,275 million, while net income attributable to owners of the parent increased 5.5% from the previous year to ¥17,512 million.

Regarding the financial position, operating assets increased ¥68,937 million year on year to ¥2,090,305 million due to the growth in contract execution volume in leasing and installment sales, and total assets increased by ¥186,543 million to ¥2,348,416 million.

Meanwhile, total liabilities increased ¥172,922 million year on year to ¥2,152,635 million, of which interest-bearing debt increased ¥165,878 million to ¥2,000,636 million owing to the growth in operating assets and investment in overseas JV companies together with Marubeni Corporation.

Total equity stood at ¥195,780 million, showing a continued growth partly due to the income during the year.

The financial results for each segment are as follows. (Revenues indicate revenues to external customers.)

### [Leasing and Installment Sales]

Revenues in leasing and installment sales increased 39.8% year on year to ¥511,721 million driven by the rise in sales of properties upon completion of real estate-related bridge scheme projects. However, as cost of revenue also rose, operating income totaled ¥18,588 million, a 3.0% increase from the previous fiscal year.

Operating assets at the end of fiscal 2019 was ¥1,467,439 million, a ¥161,332 million increase year on year due to the growth in contract execution volume mainly in industrial and factory equipment and information and communication equipment.

### [Financing]

Revenues in financing increased 12.2% year on year to ¥18,772 million as the Group captured and served the diverse client needs, while operating income increased 33.9% year on year to ¥12,832 million partly owing to the sale of operational investment securities.

Operating assets at the end of fiscal 2019 decreased ¥86,083 million year on year to ¥622,866 million, pushed up by the clients' active investment in plant and equipment and rise in business-related loans but driven down by the decline in short-term commercial distribution finance.

### [Other]

In the other segment, revenues increased 321.9% year on year to ¥8,747 million due to the sale, during period, of a photovoltaic power generation plant in a bridge scheme project, but the cost of revenue also increased, causing the operating income to decrease by 11.5% to ¥584 million.

Operating assets as of the end of fiscal 2019 stood at zero, decreasing ¥6,311 million from the previous fiscal year as a result of the sale of a photovoltaic power generation plant.

## 2. Analyses on the Results of Operations and Other Matters

### Results of Operations and Financial Position

Regarding the results of operations, revenues increased ¥154,348 million year on year to ¥539,241 million, partly driven by the rise in sales of properties upon completion of real estate-related bridge scheme projects.

Funding costs increased ¥1,276 million year on year to ¥9,744 million due to higher foreign currency borrowings following an increase in foreign currency assets. Meanwhile, gross profit increased ¥6,390 million year on year to ¥50,519 million, thanks to the initiatives in focus areas, promotion of strategies under the Sixth Mid-term Management Plan including the cooperation with Mizuho Financial Group, and gain on sale from the renewal of investment properties.

Selling, general and administrative expenses increased ¥3,028 million year on year to ¥24,243 million, driven by the rise in personnel and facilities costs due to the increase in staff to match the expansion of business areas and continuing investment in systems. As a result, operating income increased ¥3,362 million year on year to ¥26,275 million.

As for extraordinary income and loss, extraordinary income was ¥481 million and extraordinary loss was ¥658 million, recording a net extraordinary loss of ¥176 million. The extraordinary income was due to the sale of investment securities. The extraordinary loss was partly due to the recording of a loss on devaluation of investment securities.

As a result of the above, net income attributable to owners of the parent increased ¥918 million year on year to ¥17,512 million, setting new record high for seven consecutive periods.

Regarding the financial position, operating assets increased ¥68,937 million compared with the previous year to ¥2,090,305 million due to the growth in contract execution volume in leasing and installment sales, and total assets rose by ¥186,543 million compared with the previous year to ¥2,348,416 million.

Meanwhile, total liabilities increased ¥172,922 million compared with the previous year to ¥2,152,635 million, of which interest-bearing debt rose ¥165,878 million to ¥2,000,636 million, owing to the growth in operating assets and investment in overseas JV companies together with Marubeni Corporation.

Total equity increased ¥13,620 million compared to the previous year to ¥195,780 million partly due to the income during the year.

The impact of COVID-19 on the performance in fiscal 2019 was limited, but for fiscal 2020, the harsh economic situation is expected to continue for some time. Although gradual recovery is expected subsequently, the impact will remain through the year. The Group anticipates impacts from some industries' postponement of plant and equipment investment plans and rise in

credit costs, among others, due to economic slow-down.

### Source of capital and liquidity of funds

In order to offer wide-ranging financial services to meet customer needs, the Group strives for funding that ensures stability and curtails costs. The Group also raises funds flexibly based on its annual cash plans and comprehensive asset liability management (ALM) policies that respond to fluctuations in the financial environment.

The Group's funds comprise long-term and short-term procurements using a combination of indirect funding via borrowing from financial institutions and direct funding from the market. At the end of fiscal 2019, indirect funding increased ¥61,416 million compared with the previous year to ¥1,064,981 million. Direct funding increased ¥104,462 million compared with the previous year to ¥935,654 million, partly due to the issuance of commercial paper and bonds.

In addition, the Group has concluded overdraft agreements and commitment line agreements in the total amount of ¥717,778 million with 51 financial institutions as of the end of fiscal 2019 with the aim of securing the liquidity of working capital and flexibility in fundraising. The unused balance under these agreements is ¥473,902 million, which ensures sufficient liquidity.

### Status of cash flows

Concerning the status of cash flows in fiscal 2019, there was an increase in operating assets, investment in overseas business corporations and other types of cash outflow accompanied by buoyant business activities, for which we raised funds in the market and through borrowings from financial institutions while securing liquidity of funds. As a result, the balance of cash and cash equivalents as of the end of fiscal 2019 decreased ¥3,139 million compared with the previous year to ¥22,299 million. The status of cash flow from each activity category and their factors are as follows.

Net cash used in operating activities was ¥69,130 million partly due to an increase in operating assets, mainly in lease receivables and investment in lease.

Net cash used in investing activities was ¥98,336 million due to ongoing system investments and investment in overseas JV companies together with Marubeni Corporation.

Net cash provided by financing activities as a whole was ¥164,538 million, with ¥3,920 million of cash outflow for cash dividends paid against ¥63,927 million of cash inflow from indirect funding and ¥104,481 million of cash inflow from direct funding through the issuance of commercial paper and bonds.

## Business Risks and Other Risks

The following factors constitute the principal business risks that have the potential to affect the business results, stock price and financial position of the Mizuho Leasing Group. Forward-looking statements contained herein represent the judgment of the Mizuho Leasing Group as of the end of fiscal 2019.

### 1. Credit Risk

Comprising the main business activity of the Mizuho Leasing Group, lease transactions involve the provision of credit to customers in the form of leases over relatively long terms (averaging five years). The initial expected revenue is secured by collecting the full amount of leasing fees from the customer.

If a customer suffers a decline in business due to a slump in the economy and the initially expected leasing fees cannot be collected, it may affect the business performance of the Mizuho Leasing Group.

Therefore, the Mizuho Leasing Group determines the appropriateness of entering into contracts by conducting strict credit checks at the start of each transaction and assessing the future second-hand value of leased equipment. Once a transaction has begun, we regularly monitor the customer's credit status and take various measures to ensure collection if needed.

Moreover, in instances when a customer's credit status has deteriorated and issues such as non-payment of leasing fees occur, we work to recover as much as possible of the outstanding amount through the sale or transfer of leased equipment to other customers.

Furthermore, we conduct self-assessments of assets in accordance with "Temporary treatment of accounting and auditing on the application of accounting standard for financial instruments in the leasing industry" (Report No. 19 of the Industry Auditing Committee of the Japanese Institute of Certified Public Accountants).

The Mizuho Leasing Group provides allowance against 100% of the portion of credit in "doubtful operating receivables and receivables, etc., equivalent to the foregoing" and directly reduces the entire amount as the amount deemed uncollectible.

### 2. Interest Rate Fluctuation Risk

Fund procurement for the Mizuho Leasing Group's key businesses depends on borrowings from external financial institutions and issuing of bonds.

Since the conditions for interest income (which is based on the lease period and whether the rate is fixed or floating) and interest paid differ, fluctuations in interest rates give rise to fluctuations in the difference between interest received and interest paid, which may affect interest revenue.

To mitigate the risk of such interest rate fluctuations, we carry out hedging using derivative transactions.

Specifically, we manage the matching ratio (setting the ratio of the portion of assets not subjected to interest rate fluctuation risk by allocating liabilities and derivatives with fixed-rate interest and floating-rate interest to assets with fixed-rate and floating-rate yields) through the use of asset liability management (ALM) techniques.

### 3. Risk of Changes to Regulatory Systems

The Mizuho Leasing Group provides comprehensive financial services, consisting mainly of lease transactions, in accordance with current laws and regulations, tax systems and accounting standards.

Significant changes to such regulatory systems and standards may affect the business performance of the Mizuho Leasing Group.

In order to address such changes, information on revisions and repeals of regulatory systems and standards are gathered and shared with top management. Furthermore, we have established an internal management structure that enables flexible response to minimize the impact of such changes on the Mizuho Leasing Group.

### 4. Risks of Errors and Other Cases that Occur in Business Activities

In addition to the above, inappropriate processing of clerical work, failure or malfunction of IT systems, and legal matters such as lawsuits can lead to loss of revenue opportunities or incur compensatory damages, which may result in affecting the business performance of the Mizuho Leasing Group.

Therefore, we have established a risk management structure to ensure a flexible and group-wide response to such cases, and take measures to keep the impact on the Mizuho Leasing Group to a minimum.

### 5. Risk Related to the Impacts of COVID-19

The grim economic state in fiscal 2020 caused by the spread of COVID-19 continues, and although we anticipate a gradual recovery, the impact is expected to continue throughout the year. Depending on how the pandemic unfolds, factors such as an increase in credit costs due to a decline in customers' business

performance caused by the economic downturn and a rise in fund procurement costs may affect the business performance of the Mizuho Leasing Group.

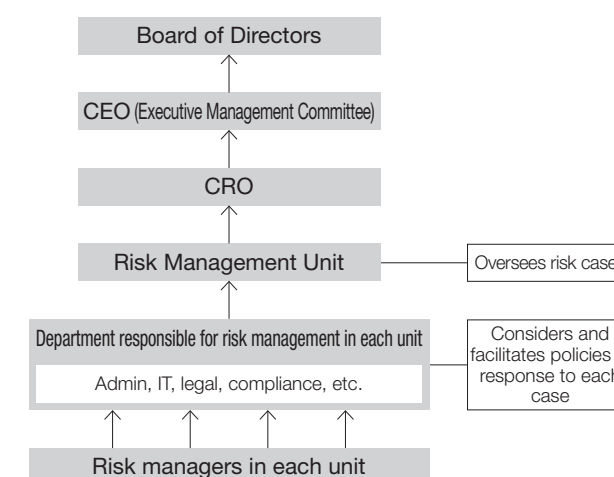
While it is difficult to precisely estimate the likelihood, severity, and timing of risks and their impact on the Mizuho Leasing Group's business results and financial position, we employ statistical techniques to calculate the maximum loss that would be caused by deteriorated credit status resulting from economic downturn and by the impact fluctuations in interest rates would have on the Mizuho Leasing Group, and conduct monitoring through our risk management structure.

### Risk Management Structure

In order to accurately identify, analyze and control the risks involved in the business activities of the Mizuho Leasing Group and mitigate their impact, we have established a CRO (Chief Risk Management Officer) who oversees and facilitates risk management from a group-wide perspective, defined the internal units responsible for managing specific risks, and built a structure to enable fast and flexible response to risks.

Furthermore, every quarter the Risk Management Committee holds meetings to verify the state of implementation of risk-mitigation measures, and the level of penetration and effectiveness of said measures, and reports the results to the Board of Directors.

The units responsible for managing specific risks identify business risks, implement measures to bring them under control in a timely manner, and verify their effectiveness.





# Consolidated Financial Statements

## Consolidated Balance Sheet

Mizuho Leasing Company, Limited and Consolidated Subsidiaries  
As of March 31, 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and Cash Equivalents (Note 18)	¥ 22,299	¥ 25,438	\$ 204,898
Lease Receivables and Investments in Lease (Notes 6, 9, 17 and 18)	1,082,088	930,318	9,942,922
Receivables (Notes 6, 9 and 18):			
Notes and Accounts	886	1,015	8,143
Lease	6,560	3,336	60,287
Installment Sales	141,812	147,979	1,303,068
Loans	271,323	235,279	2,493,092
Factoring	129,676	233,106	1,191,554
Other	—	750	—
Total Receivables	550,260	621,467	5,056,144
Operational Investment Securities (Notes 5, 6, 9, 18 and 22)	221,866	239,814	2,038,653
Prepaid Expenses and Other (Note 22)	72,510	51,121	666,273
Allowance for Doubtful Receivables (Note4(2))	(1,752)	(1,555)	(16,101)
Total Current Assets	1,947,272	1,866,604	17,892,789
<b>Property and Equipment:</b>			
Leased Assets (Notes 6, 7, 9 and 17)	245,533	229,817	2,256,121
Advances for Purchases of Leased Assets	656	6,042	6,035
Other Operating Assets	—	6,311	—
Own-used Assets (Note 9)	3,455	3,360	31,753
Total Property and Equipment	249,646	245,531	2,293,909
<b>Investments and Other Assets:</b>			
Investment Securities (Notes 5, 9 and 18)	20,776	18,215	190,910
Investments in Unconsolidated Subsidiaries and Associated Companies	98,355	13,770	903,749
Long-term Receivables (Note 18)	5,448	3,432	50,065
Goodwill (Note 8)	63	528	588
Intangible Leased Assets (Note 6)	101	82	936
Deferred Tax Assets (Note 12)	2,609	2,338	23,979
Asset for Employees' Retirement Benefits (Note 11)	—	11	—
Other (Note4(1))	24,629	11,573	226,312
Allowance for Doubtful Receivables (Note4(2))	(487)	(215)	(4,480)
Total Investments and Other Assets	151,497	49,736	1,392,059
Total Assets	¥ 2,348,416	¥ 2,161,872	\$ 21,578,757

See accompanying Notes to Consolidated Financial Statements.

## Consolidated Balance Sheet

Mizuho Leasing Company, Limited and Consolidated Subsidiaries  
As of March 31, 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
<b>LIABILITIES and EQUITY</b>			
<b>Current Liabilities:</b>			
Short-term Borrowings (Notes 9, 10, 18 and 22)	¥ 1,031,075	¥ 994,386	\$ 9,474,183
Current Portion of Long-term Debt (Notes 9, 10, 18 and 22)	185,358	197,959	1,703,196
Lease Payable (Notes 17 and 18)	8,772	8,010	80,606
Accounts Payable - trade (Note 18)	49,318	56,040	453,169
Accrued Expenses (Note 22)	3,455	3,561	31,751
Income Taxes Payable	4,098	4,654	37,663
Deferred Profit on Installment Sales (Note 6)	2,097	2,091	19,273
Reserve for Management Board Benefit Trust - current	56	—	514
Accruals for Debt Guarantees	15	31	138
Other	29,875	27,442	274,516
Total Current Liabilities	1,314,123	1,294,178	12,075,009
<b>Long-term Liabilities:</b>			
Long-term Debt (Notes 9, 10, 18 and 22)	784,202	642,411	7,205,753
Deposits Received	31,296	33,217	287,571
Liability for Employees' Retirement Benefits (Note 11)	2,655	2,461	24,399
Reserve for Management Board Benefit Trust (Note 2(aa))	211	144	1,939
Other	20,147	7,299	185,127
Total Long-term Liabilities	838,512	685,534	7,704,789
<b>Commitments and Contingent Liabilities (Note 13)</b>			
<b>Equity: (Notes 2(aa), 14, 21 and 23)</b>			
Common Stock			
Authorized, 140,000,000 Shares;			
Issued, 49,004,000 Shares as of March 31, 2020 and 2019	26,088	26,088	239,714
Capital Surplus	23,941	23,941	219,990
Retained Earnings	131,579	118,219	1,209,035
Treasury Stock - at cost			
640,003 shares as of March 31, 2020 and 147,127 shares as of March 31, 2019	(1,745)	(400)	(16,040)
Accumulated Other Comprehensive Income:			
Unrealized Gain on Available-for-sale Securities	7,430	6,755	68,280
Deferred Loss on Derivatives under Hedge Accounting	(1,060)	(502)	(9,744)
Foreign Currency Translation Adjustments	(1,005)	(577)	(9,237)
Defined Retirement Benefit Plans	(41)	109	(384)
Total	185,186	173,633	1,701,614
Non-controlling Interests	10,594	8,526	97,345
Total Equity	195,780	182,159	1,798,959
<b>Total Liabilities and Equity</b>	<b>¥ 2,348,416</b>	<b>¥ 2,161,872</b>	<b>\$ 21,578,757</b>

See accompanying Notes to Consolidated Financial Statements.

## Consolidated Financial Statements

### Consolidated Statement of Income

Mizuho Leasing Company, Limited and Consolidated Subsidiaries  
For the year ended March 31, 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
<b>Revenues</b>	¥ 539,241	¥ 384,893	\$ 4,954,901
<b>Cost and Expenses</b>	488,722	340,765	4,490,699
<b>Gross Profit</b>	50,519	44,128	464,202
<b>Selling, General and Administrative Expenses (Note 15)</b>	24,243	21,214	222,766
<b>Operating Income</b>	26,275	22,913	241,436
<b>Other Income (Expenses):</b>			
Interest Income (Note 22)	47	5	434
Dividend Income	463	515	4,259
Equity in Earnings of Associated Companies	816	332	7,507
Profit from Investments (Note 22)	17	1,512	162
Interest Expenses	(700)	(526)	(6,441)
Bond Issuance Costs	(268)	(345)	(2,469)
Stock Issuance Costs	—	(143)	—
Gain on Sales of Investment Securities	481	908	4,426
Gain on Step Acquisition	—	42	—
Loss on Devaluation of Investment Securities	(336)	(53)	(3,088)
Loss on Impairment of Long-lived Assets (Notes 8 and 16)	(322)	(8)	(2,959)
Other — net (Note 3)	63	(38)	586
<b>Income before Income Taxes</b>	26,538	25,114	243,853
<b>Income Taxes: (Note 12)</b>			
Current	8,506	7,581	78,164
Deferred	(55)	327	(514)
Total	8,450	7,909	77,650
<b>Net Income</b>	18,087	17,205	166,203
<b>Net Income attributable to Non-controlling Interests</b>	574	611	5,283
<b>Net Income attributable to Owners of the Parent</b>	¥ 17,512	¥ 16,594	\$ 160,920

	Yen		U.S. dollars (Note 1)
	2020	2019	2020
<b>Amounts per Share of Common Stock (Notes 2(x) and 23)</b>			
Net Income attributable to Owners of the Parent per Share	¥ 360.49	¥ 388.64	\$ 3.31
Cash Dividends applicable to the fiscal year	¥ 82.00	¥ 78.00	\$ 0.75

See accompanying Notes to Consolidated Financial Statements.

### Consolidated Statement of Comprehensive Income

Mizuho Leasing Company, Limited and Consolidated Subsidiaries  
For the year ended March 31, 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
<b>Net Income</b>	¥ 18,087	¥ 17,205	\$ 166,203
<b>Other Comprehensive Loss: (Note 20)</b>			
Unrealized Gain (Loss) on Available-for-sale Securities	686	(2,295)	6,310
Deferred Loss on Derivatives under Hedge Accounting	(559)	(647)	(5,142)
Foreign Currency Translation Adjustments	(599)	(1,223)	(5,508)
Defined Retirement Benefit Plans	(154)	64	(1,416)
Share of Other Comprehensive Income (Loss) in Associated Companies	112	(40)	1,037
Total Other Comprehensive Loss	(513)	(4,142)	(4,719)
<b>Comprehensive Income</b>	¥ 17,574	¥ 13,062	\$ 161,484
<b>Total Comprehensive Income attributable to:</b>			
Owners of the Parent	¥ 17,051	¥ 12,519	\$ 156,679
Non-controlling Interests	522	543	4,805

See accompanying Notes to Consolidated Financial Statements.

Consolidated Financial Statements

Consolidated Statement of Changes in Equity

Mizuho Leasing Company, Limited and Consolidated Subsidiaries  
For the year ended March 31, 2020

	Thousands	Millions of yen										
	Number of shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Non-controlling Interests	Total Equity
Balance as of April 1, 2018	42,648	¥ 17,874	¥ 16,070	¥ 105,148	¥ (1)	¥ 9,047	¥ 141	¥ 621	¥ 48	¥ 148,951	¥ 5,681	¥ 154,632
Net Income attributable to Owners of the Parent				16,594						16,594		16,594
Cash Dividends Paid				(3,241)						(3,241)		(3,241)
Purchase of Treasury Stock					(399)					(399)		(399)
Disposal of Treasury Stock												
Issuance of New Stock	6,208	8,213	8,213							16,427		16,427
Change in Scope of Consolidation												
Change in Scope of Application of Equity Method				(282)						(282)		(282)
Change in an Interest in Subsidiary by Sales Transaction			(59)							(59)		(59)
Change in an Interest in Subsidiary due to Transactions with Non-controlling Interests			(283)							(283)		(283)
Net change during year						(2,292)	(644)	(1,198)	61	(4,074)	2,845	(1,229)
Balance as of March 31, 2019	48,856	¥ 26,088	¥ 23,941	¥ 118,219	¥ (400)	¥ 6,755	¥ (502)	¥ (577)	¥ 109	¥ 173,633	¥ 8,526	¥ 182,159
Net Income attributable to Owners of the Parent				17,512						17,512		17,512
Cash Dividends Paid				(3,920)						(3,920)		(3,920)
Purchase of Treasury Stock (Note 21)	(543)				(1,483)					(1,483)		(1,483)
Disposal of Treasury Stock	50				137					137		137
Issuance of New Stock												
Change in Scope of Consolidation				(232)						(232)		(232)
Change in Scope of Application of Equity Method												
Change in an Interest in Subsidiary by Sales Transaction												
Change in an Interest in Subsidiary due to Transactions with Non-controlling Interests												
Net change during year						675	(557)	(428)	(151)	(461)	2,067	1,605
Balance as of March 31, 2020	48,363	¥ 26,088	¥ 23,941	¥ 131,579	¥ (1,745)	¥ 7,430	¥ (1,060)	¥ (1,005)	¥ (41)	¥ 185,186	¥ 10,594	¥ 195,780

	Thousands of U.S. dollars (Note 1)										
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Non-controlling Interests	Total Equity
Balance as of March 31, 2019	\$ 239,714	\$ 219,990	\$ 1,086,274	\$ (3,679)	\$ 62,070	\$ (4,620)	\$ (5,302)	\$ 1,007	\$ 1,595,454	\$ 78,348	\$ 1,673,802
Net Income attributable to Owners of the Parent			160,920						160,920		160,920
Cash Dividends Paid			(36,022)						(36,022)		(36,022)
Purchase of Treasury Stock (Note 21)				(13,628)					(13,628)		(13,628)
Disposal of Treasury Stock				1,267					1,267		1,267
Issuance of New Stock											
Change in Scope of Consolidation			(2,137)						(2,137)		(2,137)
Change in Scope of Application of Equity Method											
Change in an Interest in Subsidiary by Sales Transaction											
Change in an Interest in Subsidiary due to Transactions with Non-controlling Interests											
Net change during year					6,210	(5,124)	(3,935)	(1,391)	(4,240)	18,997	14,757
Balance as of March 31, 2020	\$ 239,714	\$ 219,990	\$ 1,209,035	\$ (16,040)	\$ 68,280	\$ (9,744)	\$ (9,237)	\$ (384)	\$ 1,701,614	\$ 97,345	\$ 1,798,959

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows

Mizuho Leasing Company, Limited and Consolidated Subsidiaries  
For the year ended March 31, 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Cash Flows from Operating Activities:			
Income before Income Taxes	¥ 26,538	¥ 25,114	\$ 243,853
Adjustments for:			
Income Taxes Paid	(9,059)	(4,938)	(83,242)
Depreciation and Disposal of Fixed Assets	15,108	13,227	138,824
Equity in Earnings of Associated Companies	(816)	(332)	(7,507)
Profit from Investments	(17)	(1,512)	(162)
Loss on Impairment of Long-lived Assets	322	8	2,959
Increase (Decrease) in Allowance for Doubtful Receivables	468	(1,022)	4,304
(Decrease) Increase in Accruals for Debt Guarantees	(16)	4	(152)
Gain on Sales of Marketable and Investment Securities	(481)	(908)	(4,426)
Loss on Devaluation of Investment Securities	336	53	3,088
Change in assets and liabilities:			
Increase in Lease Receivables and Investments in Lease	(151,648)	(107,665)	(1,393,440)
Decrease (Increase) in Receivables	70,804	(105,120)	650,601
Decrease (Increase) in Operational Investment Securities	15,524	(43,330)	142,650
(Increase) Decrease in Accounts Payable — trade	(6,693)	1,739	(61,508)
Gain on Step Acquisition	—	(42)	—
Purchases of Leased Assets	(181,931)	(120,504)	(1,671,704)
Proceeds from Sales of Leased Assets	158,161	38,874	1,453,287
(Decrease) Increase in Interest Payable	(58)	193	(535)
Other — net	(5,670)	10,461	(52,105)
Total Adjustments	(95,668)	(320,816)	(879,068)
Net Cash Used in Operating Activities	(69,130)	(295,701)	(635,215)
Cash Flows from Investing Activities:			
Purchases of Own-used Assets	(3,032)	(3,368)	(27,867)
Purchases of Marketable and Investment Securities	(84,559)	(9,812)	(776,983)
Proceeds from Sales and Redemption of Marketable and Investment Securities	1,527	6,434	14,037
Purchase of Subsidiaries causing Changes in Scope of Consolidation	—	(711)	—
Other — net	(12,272)	(487)	(112,763)
Net Cash Used in Investing Activities	(98,336)	(7,945)	(903,576)
Cash Flows from Financing Activities:			
Net Increase in Short-term Borrowings	29,999	193,162	275,658
Proceeds from Long-term Debt	356,368	304,488	3,274,541
Repayments of Long-term Debt	(217,958)	(211,098)	(2,002,744)
Proceeds from Common Stock Issuance	—	16,427	—
Cash Dividends Paid	(3,920)	(3,241)	(36,022)
Other — net	49	(192)	455
Net Cash Provided by Financing Activities	164,538	299,546	1,511,888
Foreign Currency Translation Adjustments on Cash and Cash Equivalents	65	(68)	601
Net Decrease in Cash and Cash Equivalents	(2,862)	(4,168)	(26,302)
Cash and Cash Equivalents at Beginning of Year	25,438	29,607	233,745
Decrease in Cash and Cash Equivalents resulting from Exclusion from Scope of Consolidation	(276)	—	(2,545)
Cash and Cash Equivalents at End of Year	¥ 22,299	¥ 25,438	\$ 204,898

See accompanying Notes to Consolidated Financial Statements.



## Consolidated Financial Statements

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### 1. Basis of Presenting Consolidated Financial Statements

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the company's financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2019 consolidated financial statements to conform to the classifications used in 2020.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥108.83 to US\$1.00, the approximate rate of exchange at March 31, 2020. The translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate. The amounts indicated in millions of yen are rounded down by truncating the figures below one million. As a result, totals may not add up exactly.

#### 2. Summary of Significant Accounting Policies

##### (a) Consolidation

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

The number of consolidated subsidiaries as of March 31, 2020 and 2019 was 31 and 32, respectively. The consolidated financial statements for the year ended March 31, 2020 newly include the accounts of TDP 1 Limited and MM WHEEL LLC as they were newly incorporated. PT. IBJ VERENA FINANCE was excluded from the scope of the consolidation as it was merged with other consolidated subsidiary. The account of KL INSURANCE&CO.,LTD. was excluded as it became immaterial. The account of IBJ Air Funding Limited was also excluded as it was liquidated during the year.

The number of associated companies accounted for under the equity method as of March 31, 2020 and 2019 was 6 and 3, respectively. Major investments in associated companies consist of MG Leasing Corporation, PLM Fleet, LLC, Krung Thai IBJ Leasing Co., Ltd., PNB-Mizuho Leasing and Finance Corporation and Aircastle Limited. MM Air Limited was newly included in the associated companies accounted for under the equity method as it was newly incorporated. Aircastle Limited and PLM Fleet, LLC were also included in the associated companies as the Company purchased these shares.

Kaikias Leasing Co., Ltd. and 103 other subsidiaries are neither consolidated nor accounted for under the equity method as they are acting as operators under Tokumei Kumiai agreements and the leased assets and liabilities do not substantially belong to the subsidiaries. Aries Line Shipping S.A. and 32 other subsidiaries are also not consolidated or accounted for under the equity method as they are immaterial. IBJ ROYAL LINE S.A. and 1 associated company are not accounted for under the equity method as they are immaterial.

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

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

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

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

The Company securitizes its lease receivables to diversify its funding sources and ensure stable funding. In the securitization structures, the Company uses SPEs that include *Tokurei Yugen Kaisha* and *Kabushiki Kaisha*. The Company transfers the lease receivables to the SPEs in the securitization structures. The SPEs procure funds, such as borrowings, backed by the transferred assets and these funds flow back to the Company as sales proceeds of the transferred assets. The Company also

provides collection services to the SPEs. A portion of the receivables is not transferred and is held by the Company. These receivables held by the Company are properly evaluated at the end of the fiscal year, and these are appropriately reflected in the consolidated financial statements.

As a result of securitizations, the Company had 21 and 20 SPEs that were not consolidated under Guidance No. 15 as of March 31, 2020 and 2019. Total assets (simply compiled amount) of such SPEs as of March 31, 2020 and 2019 were ¥189,934 million (\$1,745,244 thousand) and ¥124,429 million, respectively. Total liabilities (simply compiled amount) of such SPEs as of March 31, 2020 and 2019 were ¥190,322 million (\$1,748,804 thousand) and ¥124,935 million, respectively. The Company owns no voting rights in most of the SPEs while some employees of the Company serve as directors.

The total amount of Lease Receivables and Investments in Lease transferred from the Company to such SPEs in 2020 and 2019 was ¥27,188 million (\$249,825 thousand) and ¥11,151 million, respectively, with no gain/loss on the transfer of such receivables. The Company holds subordinated interests of such transferred receivables of ¥5,234 million (\$48,097 thousand) and ¥212 million in 2020 and 2019, respectively. The Company recognized profit dividends of ¥303 million (\$2,793 thousand) and ¥173 million, respectively, for the years ended March 31, 2020 and 2019, and servicing fees received of ¥1 million (\$14 thousand) with respect to the transactions with such SPEs for both of the years ended March 31, 2020 and 2019. These amounts do not include transactions with SPEs that do not meet the criteria for off-balance-sheet transactions, because the Company treats these asset transfer transactions to the SPEs as financial transactions.

##### (b) Business Combinations

Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. The acquirer recognizes any bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interests is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

##### (c) Cash Equivalents

Cash Equivalents are short-term investments that are readily convertible into cash and exposed to insignificant risk of changes in value. Cash Equivalents include time deposits, certificates of deposit, commercial paper and bond funds, all of which mature or become due within three months of the date of acquisition.

##### (d) Lease Accounting

In March 2007, the ASBJ issued ASBJ Statement No. 13, “Accounting Standard for Lease Transactions,” which revised the previous accounting standard for lease transactions. As a lessor, all finance leases that are deemed to transfer ownership of the leased property to the lessee are recognized as Lease Receivables, and all finance leases that are deemed not to transfer ownership of the leased property to the lessee are recognized as Investments in Lease. All other leases are accounted for as operating leases.

As a lessee, all finance leases that are deemed to transfer ownership of the leased property to the lessee are capitalized.

##### (e) Installment Sales

For installment sales contracts, Installment Sales Receivables are recognized for the principal equivalent portion of the total contract amounts when properties are delivered. Interest equivalent amounts are recognized as Installment Sales when the related installment receivables become due.

For sales-type contracts, Installment Sales and the corresponding Installment Cost of Sales are fully recognized when the property is sold. Interest equivalent amounts applicable to the portion to be collected are deferred and recorded as Deferred Profit on Installment Sales.

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(f) Operational Investment Securities and Investment Securities

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

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

(g) Loans Receivables and Factoring Receivables

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

(h) Property and Equipment

1. Leased Assets

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

2. Own-used Assets

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

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

(i) Long-lived Assets

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

(j) Intangible Assets

1. Leased Assets

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

2. Own-used Software

Own-used Software is amortized over the internally estimated useful lives (5 years) by the straight-line method.

3. Other Intangible Assets

Other Intangible Assets are stated at cost. Amortization of intangible assets by the Company and its domestic consolidated subsidiaries is mainly computed by the straight-line method over the estimated useful lives.

(k) Bond Issue Costs

Costs for bond issuance are expensed upon payment.

(l) Allowance for Doubtful Receivables

Allowance for Doubtful Receivables is provided based on the estimated historical default rate for general trade receivables, and is based on individual reviews for receivables from doubtful and legally bankrupt creditors.

The amounts of Long-term Receivables considered uncollectible, which include receivables from legally bankrupt creditors, were directly written off. The amounts directly written off were ¥7,199 million (\$66,150 thousand) and ¥8,406 million at March 31, 2020 and 2019, respectively.

(m) Reserve for Bonus Payments

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

(n) Reserve for Bonus Payments to Directors

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

(o) Retirement and Pension Plans

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

The Company and certain consolidated subsidiaries account for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects and are recognized in profit or loss over 10 to 15 years no longer than the expected average remaining service period of the employees. The discount rate is determined using a single weighted-average discount rate reflecting the estimated timing and amount of benefit payment.

(p) Reserve for Management Board Benefit Trust

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

(q) Asset Retirement Obligations

An asset retirement obligation is recorded for a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

(r) Accruals for Debt Guarantees

The Company and certain domestic consolidated subsidiaries provide Accruals for Debt Guarantees for losses that might occur in relation to guarantees of the indebtedness of others, taking the debtors’ financial condition into consideration.

(s) Income Taxes

The Company and its domestic consolidated subsidiaries are subject to corporate tax, inhabitants’ taxes and enterprise taxes. Deferred income taxes are recorded by the asset and liability method based on the differences between the tax bases of assets and liabilities and those as reported in the consolidated financial statements, using enacted tax rates that will be in effect when the differences are expected to reverse.

(t) Recognition of Revenues and Cost of Sales

Revenues and cost of sales relating to finance lease transactions are recognized when lease payments are received.

(u) Translation of Foreign Currency Assets and Liabilities

1. Translation of foreign currency transactions

All monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the Consolidated Statement of Income as income or expenses.

Revenue and expense items arising from transactions denominated in foreign currencies are generally translated into Japanese yen at the rates effective at the respective transaction dates.

2. Translation of foreign currency financial statements

The assets, liabilities, revenues and expenses of overseas consolidated subsidiaries are translated into Japanese yen at the exchange rates at the balance sheet dates of each subsidiary. Differences arising from such translation are shown in either Non-controlling Interests or Foreign Currency Translation Adjustments under Accumulated Other Comprehensive Income in a separate component of Equity.

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### (v) Derivatives and Hedging Activities

The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Interest rate swaps are utilized to manage interest rate risks associated with certain assets and liabilities, including Loans Receivables and Long-term Debt. Short-term Borrowings, Long-term Debt and Foreign currency forward contracts are utilized to reduce risks from fluctuations of foreign currency exchange rates associated with certain assets including Other Receivable, Operational Investment Securities and Investment Securities as well as committed transactions denominated in foreign currencies. Interest rate and currency swaps are utilized to manage interest rate risks as well as foreign currency risks. The Group does not enter into derivatives for trading or speculative purposes.

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

Monetary receivables and payables covered by foreign currency forward contracts are translated at the contract rates. Any differences between the foreign currency forward contract rates and historical rates resulting from the translation of receivables and payables are recognized as income or expense over the lives of the related contracts.

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

### (w) Consumption Taxes

The Company and its domestic consolidated subsidiaries are subject to Japanese consumption taxes. Japanese consumption taxes are excluded from the transaction amounts.

### (x) Per Share Information

Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits. Cash dividends per share shown in the Consolidated Statement of Income are the amounts applicable to the respective fiscal years including dividends to be paid after the end of the year.

### (y) Accounting Changes and Error Corrections

Under ASBJ Statement No. 24, “Accounting Standard for Accounting Changes and Error Corrections,” and ASBJ Guidance No. 24, “Guidance on Accounting Standard for Accounting Changes and Error Corrections,” accounting treatments are required as follows: (1) Changes in Accounting Policies - When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions in which case the entity shall comply with the specific transitional provisions. (2) Changes in Presentation - When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates - A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior-Period Errors - When an error in prior-period financial statements is discovered, those statements are restated.

### (z) New Accounting Pronouncement

**Revenue Recognition**— On March 31, 2020, the ASBJ issued ASBJ Statement No.29, “Accounting Standard for Revenue Recognition,” ASBJ Guidance No.30, “Implementation Guidance on Accounting Standard for Revenue Recognition” and ASBJ Guidance No. 19 “Implementation Guidance on Disclosures about Fair Value of Financial Instruments”.

In May 2014, the International Accounting Standard Board (“IASB”) and the Financial Accounting Standards Board (“FASB”) issued “Revenue from Contracts with Customers”, i.e., IFRS 15 from IASB and Topic 606 from FASB. They are comprehensive accounting standards for revenue recognition as a consequence of the cooperative development project by the two boards.

ASBJ developed a comprehensive accounting standard for revenue recognition and published it in conjunction with the Implementation Guidance in the light of the circumstances where IFRS 15 will be applied from the fiscal year starting on and after January 1, 2018, and Topic 606 will be applied from the fiscal year starting on or after December 15, 2017.

The basic policy of the ASBJ in developing the accounting standard for revenue recognition is, first, to take in the basic principles of IFRS 15 to be consistent with it and keep comparability. If there are practices that are prevailing in Japan and need to be treated differently, then, the ASBJ develops an alternative accounting treatment to the extent it does not harm the comparability of the other accounting standard.

The Group expects to apply the accounting standard and guidance for the fiscal year beginning on or after April 1, 2021, and is in the process of measuring the effects of applying the accounting standard and guidance in future applicable periods.

**Fair Value Measurement**— On July 4, 2019, the ASBJ issued ASBJ Statement No. 30 “Accounting Standard for Fair Value Measurement”, ASBJ Statement No. 9 (revised 2019) “Accounting Standard for Measurement of Inventories”, ASBJ Statement No. 10 (revised 2019) “Accounting Standard for Financial Instruments” and ASBJ Guidance No. 31 “Implementation Guidance on Accounting Standard for Fair Value Measurement”. On March 31, 2020, ASBJ issued ASBJ Guidance No. 19 (revised 2019) “Implementation Guidance on Disclosures about Fair Value of Financial Instruments”.

Those accounting standards were issued from the perspective of efforts toward convergence between the international accounting standards and JGAAP regarding the guidance on measurement and disclosure about fair value of financial instruments.

The Group expects to apply those accounting standards for the fiscal year beginning on or after April 1, 2021 and is in the process of measuring the effects of applying those accounting standards in future applicable periods.

**Disclosure of Accounting Estimates**— On March 31, 2020, the ASBJ issued ASBJ Statement No. 31, “Accounting Standard for Disclosure of Accounting Estimates.”

IASB issued the IAS 1, “Presentation of Financial Statements” in 2003, and the paragraph 125 of this accounting standard requires a disclosure of key sources of estimation uncertainty. As these information is useful for the users of financial statements and should be disclosed under JGAAP, ASBJ developed and issued “Accounting Standard for Disclosure of Accounting Estimates.”

The Group expects to apply the accounting standard from the end of fiscal year ending on March 31, 2021.

**Accounting Policy Disclosures, Accounting Changes and Error Corrections**— On March 31, 2020, the ASBJ issued ASBJ Statement No. 24, “Accounting Standard for the revised ASBJ Statement No.24 (revised 2020) Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections.”

ASBJ revised certain accounting standards, and issued “Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Correction” upon recommendation on the enhancement of the information in notes regarding accounting principles and procedures adopting when the related accounting standards being not definitive. The Group expects to apply the accounting standard from the end of fiscal year ending on March 31, 2021.

### (aa) Management Board Benefit Trust system (the “BBT”)

The Company has introduced a performance-linked stock compensation system (the “Stock Compensation System”) for directors (excluding a chairperson and outside directors) and executive officers who are not concurrently serving as director (directors and executive officers are collectively referred to as “Directors, etc.”). The Stock Compensation System contributes to the improvement of medium- and long-term performance and increase in corporate value, and as a result, aims to share with shareholders the sense of increasing stock value, by clarifying the link between compensation for Directors, etc., and the Company’s performance and stock value.

#### (1) Outline of Stock Compensation System

The Stock Compensation System is a performance-linked stock-based system where the Company’s shares are acquired through a trust by fund contributed by the Company, and the Company’s shares and/or the money equivalent to the market value of the Company’s shares (the “the Company Stock, etc.”) are paid to Directors, etc., through trusts in accordance with the Company’s executive share benefit rules. Directors, etc., receive the Company Stock, etc., at a certain time after the end of each medium-term management plan period or after their retirement.

#### (2) Shares of the Company held in trust

Shares of the Company held in trust are recorded as Treasury Stock in Equity at book value in the trust (excluding accompanying expenses). The carrying amount of such Treasury Stock for the year ended March 31, 2020 was ¥1,743 million (\$16,025 thousand), while the number of such treasury stock was 639,200 shares.

## 3. Change in Presentation

Foreign Exchange Loss, which was presented separately in Other Income (Expenses) section for the fiscal year ended March 31, 2019, has been included in “Other—net” for the fiscal year ended March 31, 2020, as the amount has become immaterial. The amount of Foreign Exchange Loss for the fiscal year ended March 31, 2020 and 2019 was ¥87 million (\$808 thousand) and ¥109 million, respectively.



## Consolidated Financial Statements

### 4. Additional Information

#### (1) File of litigation

On March 31, 2020, Mizuho-TOSHIBA Leasing Company, Limited (hereinafter "MTL"), the Company's consolidated subsidiary, filed suit against NS Solutions Corporation(hereinafter "NS Solutions") in the Tokyo District Court, claiming that MTL has a legitimate right to charge the sales price amounting to ¥ 10,926 million (\$ 100,395 thousand) in the sales contract for system server and its peripheral devices concluded with NS Solutions (hereinafter "the Contract"), though NS Solutions intended to cancel the Contract in November 2019. The Receivable amounts equivalent to the sales price are included in "Other" of Investments and Other Assets in the accompanying consolidated balance sheet.

#### (2) Incorporating the effects of COVID-19 pandemic when making accounting estimates

The Company made accounting estimates including allowance for doubtful receivable assuming that the severe economic condition caused by the spread of the novel coronavirus (COVID-19) infection will continue for the time being and the impact will remain by the end of this year followed by the moderate recovery afterward.

The assumption used for the estimate is uncertain. The significant loss may occur if the end of contagion is delayed and the impact on the economic environment is prolonged.

### 5. Operational Investment Securities and Investment Securities

#### (1) Available-for-sale Securities whose fair values are readily determinable as of March 31, 2020 and 2019 were as follows:

##### Available-for-sale Securities

##### Securities with carrying amounts exceeding acquisition costs

(Millions of yen)						
	2020			2019		
	Carrying amount	Acquisition cost	Unrealized gain	Carrying amount	Acquisition cost	Unrealized gain
Equity Securities Bonds	¥ 19,866	¥ 10,507	¥ 9,358	¥ 17,893	¥ 11,805	¥ 6,088
National and Local Government Bonds	—	—	—	2,003	2,000	3
Corporate Bonds	115,775	113,580	2,195	130,250	126,281	3,969
Other	14,789	14,674	115	7,958	7,739	218
Total	¥ 150,431	¥ 138,761	¥ 11,669	¥ 158,105	¥ 147,826	¥ 10,279

(Thousands of U.S. dollars)			
	2020		
	Carrying amount	Acquisition cost	Unrealized gain
Equity Securities Bonds	\$ 182,542	\$ 96,551	\$ 85,991
National and Local Government Bonds	—	—	—
Corporate Bonds	1,063,820	1,043,646	20,174
Other	135,896	134,834	1,062
Total	\$ 1,382,258	\$ 1,275,031	\$ 107,227

##### Securities with carrying amounts not exceeding acquisition costs

(Millions of yen)						
	2020			2019		
	Carrying amount	Acquisition cost	Unrealized loss	Carrying amount	Acquisition cost	Unrealized loss
Equity Securities Bonds	¥ 1,589	¥ 1,962	¥ (373)	¥ 630	¥ 996	¥ (366)
Corporate Bonds	9,531	9,700	(168)	—	—	—
Other	9,500	9,895	(395)	9,239	9,422	(182)
Total	¥ 20,621	¥ 21,558	¥ (937)	¥ 9,870	¥ 10,419	¥ (549)

(Thousands of U.S. dollars)			
	2020		
	Carrying amount	Acquisition cost	Unrealized loss
Equity Securities Bonds	\$ 14,606	\$ 18,034	\$ (3,428)
Corporate Bonds	87,579	89,130	(1,551)
Other	87,298	90,930	(3,632)
Total	\$ 189,483	\$ 198,094	\$ (8,611)

(2) Proceeds from sales of Available-for-sale Securities for the years ended March 31, 2020 and 2019 were ¥21,140 million (\$194,255 thousand) and ¥6,499 million, respectively. Gross realized gains on these sales were ¥2,442 million (\$22,442 thousand) and ¥1,071 million for the years ended March 31, 2020 and 2019, respectively.

(3) The Group recorded impairment losses on investment securities of ¥336 million (\$3,088 thousand) and ¥53 million for the years ended March 31, 2020 and 2019, respectively.

### 6. Operating Assets

#### (1) Operating Assets as of March 31, 2020 and 2019 consisted of the following:

	(Millions of yen)	(Thousands of U.S. dollars)	
	2020	2019	2020
Leasing and Installment Sales:			
Finance Lease	¥ 1,082,088	¥ 930,318	\$ 9,942,922
Operating Lease	245,635	229,900	2,257,057
Installment Sales <sup>(1)</sup>	139,715	145,888	1,283,795
Leasing and Installment Sales total	1,467,439	1,306,106	13,483,774
Finance	622,866	708,950	5,723,299
Other	—	6,311	—
Total Operating Assets	¥ 2,090,305	¥ 2,021,368	\$ 19,207,073

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

#### (2) The total amounts of new contracts for the years ended March 31, 2020 and 2019 were as follows:

	(Millions of yen)	(Thousands of U.S. dollars)	
	2020	2019	2020
Leasing and Installment Sales:			
Finance Lease	¥ 447,660	¥ 374,218	\$ 4,113,388
Operating Lease	187,316	120,314	1,721,188
Installment Sales <sup>(*)1</sup>	57,373	54,885	527,181
Leasing and Installment Sales total	692,350	549,418	6,361,757
Finance	590,088	996,700	5,422,116
Other	—	2,698	—
Total	¥ 1,282,438	¥ 1,548,817	\$ 11,783,873

### 7. Investment Property

Certain domestic consolidated subsidiaries own certain rental properties such as commercial facilities with land in Tokyo and other areas. Net rental income for these rental properties for the years ended March 31, 2020 and 2019 was ¥4,447 million (\$40,871 thousand) and ¥4,676 million, respectively. Rental income and operating expenses are mainly recognized as "Revenues" and "Cost and Expenses", respectively.

Gain on sales of rental properties for the years ended March 31, 2020 and 2019 was ¥718 million (\$6,599 thousand) and ¥165 million, respectively. Proceeds from sales of rental properties and costs are recognized as "Revenues" and "Cost and Expenses", respectively, otherwise net gain on sales is recognized as "Other Income (Expense)".

The carrying amounts, changes in such balances and market prices of such properties are as follows:

(Millions of yen)			
Carrying Amount			Fair Value
April 1, 2019	Decrease	March 31, 2020	March 31, 2020
¥ 168,670	¥ (8,096)	¥ 160,574	¥ 173,206

(Millions of yen)			
Carrying Amount			Fair Value
April 1, 2018	Increase	March 31, 2019	March 31, 2019
¥ 112,432	¥ 56,237	¥ 168,670	¥ 179,301

(Thousands of U.S. dollars)			
Carrying Amount			Fair Value
April 1, 2019	Decrease	March 31, 2020	March 31, 2020
\$ 1,549,852	\$ (74,393)	\$ 1,475,459	\$ 1,591,528

(\*)1 Carrying amount recognized in the Consolidated Balance Sheets is net of accumulated depreciation.

(\*)2 "Decrease" for the year ended March 31, 2020 primarily represents the sales of certain properties for ¥158,189 million (\$1,453,549thousand) and "Increase" for the year ended March 31, 2019 primarily represents the acquisition of certain properties for ¥95,602 million.

(\*)3 Fair values of properties are mainly determined by appraisal reports issued by real estate appraisers.

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### 8. Long-lived Assets

The Group reviewed its long-lived assets for impairment as of March 31, 2020 and 2019. As a result, for the year ended March 31, 2020, the Group recognized an impairment loss aggregating ¥322 million (\$2,959 thousand) as Other Expenses. Impairment loss was recognized for goodwill of PT. VERENA MULTI FINANCE Tbk, the Company's overseas consolidated subsidiary, due to the unlikelihood of an estimated profitability in the business plan at the time of acquisition to be generated. The carrying amounts of such assets were written down to the recoverable amount for the year ended March 31, 2020. The recoverable amounts are estimated based on the future business plan.

For the year ended March 31, 2019, certain consolidated subsidiaries recognized an impairment loss aggregating ¥8 million as Other Expenses.

Impairment loss was recognized for certain software due to the replacement of the core system. The carrying amounts of such assets were written down to the recoverable amount for the year ended March 31, 2019. The recoverable amounts are estimated based on the value in use, but they were evaluated as zero because no future cash flow is expected.

### 9. Pledged Assets

Assets pledged as collateral as of March 31, 2020 were as follows:

	(Millions of yen)	(Thousands of U.S. dollars)
	2020	2020
Lease Receivables and Investments in Lease	¥ 12,916	\$ 118,687
Installment Sales Receivable	990	9,099
Loans Receivables	5,789	53,202
Operational Investment Securities	22,023	202,365
Leased Assets	30,990	284,764
Own-used Assets	106	974
Investment Securities	8	77
Total	¥ 72,825	\$ 669,168

Liabilities secured by the above assets as of March 31, 2020 were as follows:

	(Millions of yen)	(Thousands of U.S. dollars)
	2020	2020
Short-term Borrowings	¥ 8,982	\$ 82,538
Current Portion of Long-term Debt	4,522	41,557
Long-term Debt	51,383	472,146
Total	¥ 64,888	\$ 596,241

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

(1) "Short-term Borrowings" as of March 31, 2020 and 2019 was as follows:

	(Millions of yen)	(Thousands of U.S. dollars)	Weighted average interest rate
	2020	2019	2020
Short-term Borrowings			
Short-term Borrowings from banks and other financial institutions	¥ 256,732	¥ 302,209	\$ 2,359,023
Commercial Paper	669,100	609,800	6,148,121
Payables under securitized lease receivables	105,242	82,376	967,039
Total	¥ 1,031,075	¥ 994,386	\$ 9,474,183
Current Portion of Long-term Debt			
Bonds payable, Japanese Yen	¥ —	¥ 20,000	\$ —
Bonds payable, Indonesian Rupiah	—	777	—
Long-term Debt from banks and other financial institutions	185,358	177,182	1,703,196
Total	¥ 185,358	¥ 197,959	\$ 1,703,196

(2) "Long-term Debt" as of March 31, 2020 and 2019 was as follows:

	(Millions of yen)	(Thousands of U.S. dollars)	Weighted average interest rate
	2020	2019	2020
Long-term Debt			
Bonds payable, Japanese Yen	¥ 130,000	¥ 85,000	\$ 1,194,523
Bonds payable, U.S. Dollar	5,332	—	49,000
Long-term Debt from banks and other financial institutions	622,890	524,173	5,723,517
Payables under securitized lease receivables	25,979	33,238	238,713
Total	¥ 784,202	¥ 642,411	\$ 7,205,753

(\*1) The Group has entered into overdraft contracts with 51 and 58 financial institutions that provide the Group with credit facilities amounting to ¥717,778 million (\$6,595,410 thousand) and ¥758,035 million as of March 31, 2020 and 2019, respectively. The unused facilities maintained by the Group as of March 31, 2020 and 2019 amounted to ¥473,902 million (\$4,354,517 thousand) and ¥494,715 million, respectively.

(\*2) "Payables under securitized lease receivables" is a type of financing based on the law for the regulation of specific claims. The lease receivables sold under this law as of March 31, 2020 and 2019 were ¥164,497 million (\$1,511,508 thousand) and ¥142,889 million, respectively.

(\*3) The aggregate annual maturities of "Long-term Debt" as of March 31, 2020 were as follows:

	(Millions of yen)	(Thousands of U.S. dollars)
Years Ending March 31	2020	2020
2022	¥ 220,705	\$ 2,027,983
2023	147,092	1,351,582
2024	110,551	1,015,818
2025	93,350	857,763
2026 and thereafter	212,502	1,952,607
Total	¥ 784,202	\$ 7,205,753

### 11. Retirement and Pension Plans

#### Outline of plans

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

#### Defined benefit plan

(1) The changes in defined benefit obligation for the years ended March 31, 2020 and 2019, were as follows:

	(Millions of yen)	(Thousands of U.S. dollars)	
	2020	2019	2020
Balance at beginning of year	¥ 6,555	¥ 6,505	\$ 60,240
Current service cost	391	365	3,599
Interest cost	25	25	236
Actuarial gains	18	(86)	172
Benefits paid	(393)	(255)	(3,618)
Balance at end of year	¥ 6,598	¥ 6,555	\$ 60,629

(\*1) Certain consolidated subsidiaries that have lump-sum severance payment plans use the simplified method in determining the projected benefit obligations.

(2) The changes in plan assets for the years ended March 31, 2020 and 2019, were as follows:

	(Millions of yen)	(Thousands of U.S. dollars)	
	2020	2019	2020
Balance at beginning of year	¥ 4,106	¥ 4,095	\$ 37,731
Expected return on plan assets	22	22	208
Actuarial gains	(179)	4	(1,652)
Contributions from the employer	185	181	1,707
Benefits paid	(191)	(196)	(1,764)
Balance at end of year	¥ 3,942	¥ 4,106	\$ 36,230

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- (3) Reconciliation between the liability recorded in the Consolidated Balance Sheet and the balances of defined benefit obligation and plan assets as of March 31, 2020 and 2019, were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2020	2019	2020
Defined benefit obligation	¥ 4,168	¥ 4,094	\$ 38,302
Plan assets	(3,942)	(4,106)	(36,230)
Total	225	(11)	2,072
Unfunded defined benefit obligation	2,429	2,461	22,327
Net liability arising from defined benefit obligation	¥ 2,655	¥ 2,449	\$ 24,399

	(Millions of yen)		(Thousands of U.S. dollars)
	2020	2019	2020
Asset for employees' retirement benefits	¥ —	¥ (11)	\$ —
Liability for employees' retirement benefits	2,655	2,461	24,399
Net liability arising from defined benefit obligation	¥ 2,655	¥ 2,449	\$ 24,399

- (4) The components of net periodic benefit costs for the years ended March 31, 2020 and 2019, were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2020	2019	2020
Service cost <sup>(*)</sup>	¥ 391	¥ 365	\$ 3,599
Interest cost	25	25	236
Expected return on plan assets	(22)	(22)	(208)
Recognized actuarial losses	(4)	1	(41)
Net periodic benefit costs	¥ 390	¥ 370	\$ 3,586

(\*) Service cost includes retirement benefits expenses of certain consolidated subsidiaries that use the simplified method.

- (5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2020 and 2019, were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2020	2019	2020
Actuarial (losses) gains	¥ (220)	¥ 93	\$ (2,028)
Total	¥ (220)	¥ 93	\$ (2,028)

- (6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2020 and 2019, were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2020	2019	2020
Unrecognized actuarial (losses) gains	¥ (86)	¥ 142	\$ (792)
Total	¥ (86)	¥ 142	\$ (792)

- (7) Plan assets as of March 31, 2020 and 2019, were as follows:

- a. Components of plan assets

Plan assets consisted of the following:

	2020	2019
Domestic debt investments	20.9%	19.6%
Domestic equity investments	19.1	21.8
Foreign debt investments	9.0	7.4
Foreign equity investments	17.8	20.0
Insurance assets (general account)	30.0	28.4
Others	3.2	2.8
Total	100.0%	100.0%

- b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return that are expected currently and in the future from the various components of the plan assets.

- (8) Assumptions used for the years ended March 31, 2020 and 2019, are set forth as follows:

	2020	2019
Discount rate	0.30 - 0.47%	0.30 - 0.47%
Expected rate of return on plan assets	0.55%	0.56%
Expected rate of future salary increases	4.38 - 9.27%	4.38 - 9.27%

### Defined contribution plan

The Group's contributions to the defined contribution retirement plan for the years ended March 31, 2020 and 2019, were ¥62 million (\$576 thousand) and ¥61 million, respectively.

## 12. Income Taxes

The Company and certain consolidated subsidiaries are subject to a number of taxes based on income, which, in the aggregate, resulted in a normal effective statutory tax rate in Japan of approximately 30.6% for the years ended March 31, 2020 and 2019.

Deferred Tax Assets and Liabilities consisted of the following:

	(Millions of yen)		(Thousands of U.S. dollars)
	2020	2019	2020
Deferred Tax Assets:			
Allowance for Doubtful Receivables	¥ 528	¥ 810	\$ 4,856
Depreciation	740	597	6,802
Liability for Employees' Retirement Benefits	429	364	3,943
Write-off of Securities	337	163	3,105
Accrued Enterprise Tax	390	336	3,588
Other	5,459	3,838	50,164
Deferred Tax Assets Subtotal	7,885	6,111	72,458
Valuation Allowance	(1,173)	(328)	(10,779)
Total Deferred Tax Assets	6,712	5,783	61,679
Deferred Tax Liabilities:			
Net unrealized gain on Available-for-sale Securities	(3,241)	(2,925)	(29,789)
Investments in Lease	(110)	(156)	(1,016)
Other	(1,065)	(458)	(9,790)
Total Deferred Tax Liabilities	(4,417)	(3,540)	(40,595)
Net Deferred Tax Assets	¥2,294	¥2,242	\$ 21,084

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the years ended March 31, 2020 and 2019 is not presented as the difference is less than 5% of the effective statutory tax rate.

## 13. Commitments and Contingent Liabilities

- (1) Commitments

The Company had loan commitment agreements as of March 31, 2020 and 2019 of ¥4,299 million (\$39,507 thousand) and ¥7,620 million, respectively. The loans provided under these credit facilities as of March 31, 2020 and 2019 amounted to ¥3,274 million (\$30,086 thousand) and ¥6,674 million, respectively. Many of these facilities expire without being utilized and the related borrowings are subject to periodic reviews of the borrowers' credibility. Any unused amount will not necessarily be utilized in full.

- (2) Contingent Liabilities

Contingent Liabilities as of March 31, 2020 were as follows:

	(Millions of yen)	(Thousands of U.S. dollars)
	2020	2020
Guarantee Obligations with respect to operating activities <sup>(*)</sup>	¥ 12,519	\$ 115,039
Other Guarantee Obligations	11,394	104,701
Total	¥ 23,914	\$ 219,740

(\*) The amount includes bank loans and trade receivables provided by Unipres Corporation and others, which are guaranteed by the Company.



14. Equity

Japanese companies are subject to the Companies Act of Japan (the “Companies Act”). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividends upon resolution at the shareholders meeting. Additionally, for companies that meet certain criteria such as (1) having a Board of Directors, (2) having independent auditors, (3) having a Board of Audit & Supervisory Board members, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the Company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet (4) of the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to certain limitations and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases / decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of the aggregate amount of legal reserves and additional paid-in capital equals 25% of common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserves may be reversed without limitation. The Companies Act also provides that common stock, legal reserves, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula.

15. Selling, General and Administrative Expenses

Major components of Selling, General and Administrative Expenses were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2020	2019	2020
Reversal for Doubtful Receivables	¥ (435)	¥ (586)	\$ (4,003)
Accruals/(reversal) for Debt Guarantees	(16)	4	(152)
Salaries and Wages	8,492	7,692	78,037
Provision for Bonus Payments	1,018	907	9,361
Provision for Bonus Payments to Directors	94	130	864
Retirement Benefits Costs for Employees	453	431	4,163
Provision for Reserve for Management Board Benefit Trust	266	144	2,452
Commission Expenses	2,426	1,853	22,295

16. Segment Information

Under ASBJ Statement No. 17, “Accounting Standard for Segment Information Disclosures,” and ASBJ Guidance No. 20, “Guidance on Accounting Standard for Segment Information Disclosures,” an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity whose separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1) Description and revision of reportable segments

The reportable segments of the Group are those for which separate financial information is available and regular evaluation by the Company management is being performed in order to decide periodically how resources are allocated among the Group.

The Group provides total financial services such as leasing business, installment sales and loan business to a wide range of customers from large companies to small and medium-sized companies. The Group has three business segments based on its services: “Leasing and Installment Sales”, “Finance” and “Other”.

“Leasing and Installment Sales” segment represents leasing business for industrial machinery, information-related equipment and transportation equipment (including sales of subject properties upon expiration or cancellation of lease agreements) and installment sales business. “Finance” segment represents loan business, factoring business and securities business which invests in securities that are held for the purpose of generating operational revenues. “Other” segment represents buying and selling of used properties business and sales of solar power business etc.

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

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- (3) The accounting policies of each reportable segment are consistent with those disclosed in Note 2, “Summary of Significant Accounting Policies”.

Information about sales, profit, assets, liabilities and other items for the years ended March 31, 2020 and 2019 was as follows:

(Millions of yen)						
2020						
	Reportable segment			Total	Reconciliations <sup>(*)</sup> (2) (3)	Consolidated <sup>(4)</sup>
	Leasing and Installment Sales	Finance	Other			
Sales:						
Sales to external customers	¥ 511,721	¥ 18,772	¥ 8,747	¥ 539,241	¥ —	¥ 539,241
Intersegment sales and transfers	348	867	18	1,234	(1,234)	—
Total	512,069	19,640	8,766	540,476	(1,234)	539,241
Operating Expenses	493,481	6,807	8,181	508,470	4,495	512,966
Segment Profit	¥ 18,588	¥ 12,832	¥ 584	¥ 32,005	¥ (5,730)	¥ 26,275
Segment Assets	¥ 1,558,974	¥ 712,935	¥ 2,288	¥ 2,274,197	¥ 74,218	¥ 2,348,416
Others						
Depreciation and Amortization	12,962	—	—	12,962	2,141	15,104
Capital Expenditure	181,931	—	—	181,931	3,032	184,964

(Millions of yen)						
2019						
	Reportable segment			Total	Reconciliations <sup>(*)</sup> (2) (3)	Consolidated <sup>(4)</sup>
	Leasing and Installment Sales	Finance	Other			
Sales:						
Sales to external customers	¥ 366,095	¥ 16,724	¥ 2,073	¥ 384,893	¥ —	¥ 384,893
Intersegment sales and transfers	333	700	119	1,153	(1,153)	—
Total	366,429	17,424	2,193	386,047	(1,153)	384,893
Operating Expenses	348,382	7,837	1,532	357,753	4,227	361,980
Segment Profit	¥ 18,046	¥ 9,587	¥ 660	¥ 28,294	¥ (5,380)	¥ 22,913
Segment Assets	¥ 1,320,729	¥ 842,165	¥ 11,940	¥ 2,174,835	¥ (12,962)	¥ 2,161,872
Others						
Depreciation and Amortization	11,460	—	—	11,460	1,767	13,227
Capital Expenditure	120,504	—	—	120,504	3,368	123,872

(Thousands of U.S. dollars)						
2020						
	Reportable segment			Total	Reconciliations <sup>(*)</sup> (2) (3)	Consolidated <sup>(4)</sup>
	Leasing and Installment Sales	Finance	Other			
Sales:						
Sales to external customers	\$ 4,702,024	\$ 172,497	\$ 80,380	\$ 4,954,901	\$ —	\$ 4,954,901
Intersegment sales and transfers	3,204	7,970	172	11,346	(11,346)	—
Total	4,705,228	180,467	80,552	4,966,247	(11,346)	4,954,901
Operating Expenses	4,534,428	62,550	75,178	4,672,156	41,309	4,713,465
Segment Profit	\$ 170,800	\$ 117,917	\$ 5,374	\$ 294,091	\$ (52,655)	\$ 241,436
Segment Assets	\$ 14,324,856	\$ 6,550,907	\$ 21,025	\$ 20,896,788	\$ 681,969	\$ 21,578,757
Others						
Depreciation and Amortization	119,112	—	—	119,112	19,679	138,791
Capital Expenditure	1,671,704	—	—	1,671,704	27,867	1,699,571

- (\*)1 The details of Reconciliations to Segment Profit for the years ended March 31, 2020 and 2019 were as follows:

	(Millions of yen)	(Thousands of U.S. dollars)
	2020	2019
Elimination of intersegment transactions	¥ 332	¥ (426)
Administrative expenses not allocated to the reportable segments	(6,062)	(4,953)
Total	¥ (5,730)	¥ (5,380)

- (\*)2 The details of Reconciliations to Segment Assets as of March 31, 2020 and 2019 were as follows:

	(Millions of yen)	(Thousands of U.S. dollars)
	2020	2019
Elimination of intersegment transactions	¥ (48,014)	¥ (49,664)
Corporate assets not allocated to the reportable segments	122,233	36,702
Total	¥ 74,218	¥ (12,962)

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

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

- (4) Information about Geographical Areas  
Property and Equipment

(Millions of yen)				
2020				
Japan	Europe	North America / Latin America	Asia	Total
¥ 201,178	¥ 8,982	¥ 39,234	¥ 250	¥ 249,646

(Millions of yen)				
2019				
Japan	Europe	North America / Latin America	Asia	Total
¥ 216,669	¥ 9,515	¥ 18,933	¥ 413	¥ 245,531

(Thousands of U.S. dollars)				
2020				
Japan	Europe	North America / Latin America	Asia	Total
\$ 1,848,560	\$ 82,534	\$ 360,514	\$ 2,301	\$ 2,293,909

(\*)1 Assets are classified by country or region based on the location of the Company and consolidated subsidiaries.

(\*)2 Information by geographic segment of Sales is not presented as domestic sales exceeded 90% of all segments.

- (5) Impairment loss of long-lived assets per reportable segment:

(Millions of yen)						
2020						
	Reportable segment			Total	Reconciliations	Consolidated
	Leasing and Installment Sales	Finance	Other			
Impairment loss	¥ 322	¥ —	¥ —	¥ 322	¥ —	¥ 322

(Millions of yen)						
2019						
	Reportable segment			Total	Reconciliations	Consolidated
	Leasing and Installment Sales	Finance	Other			
Impairment loss	¥ —	¥ —	¥ —	¥ —	¥ 8	¥ 8

(Thousands of U.S. dollars)						
2020						
	Reportable segment			Total	Reconciliations	Consolidated
	Leasing and Installment Sales	Finance	Other			
Impairment loss	\$ 2,959	\$ —	\$ —	\$ 2,959	\$ —	\$ 2,959

- (6) Goodwill per reportable segment:

Goodwill per reportable segment for the years ended March 31, 2020 and 2019 is not presented as they were immaterial.

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### 17. Lease Transactions

#### Operating Leases as lessee

The minimum rental commitments under non-cancellable operating leases as of March 31, 2020 and 2019 were as follows:

	(Millions of yen)	(Thousands of U.S. dollars)	
	2020	2019	2020
Due within one year	¥ 7	¥ 7	\$ 67
Due after one year	14	14	136
Total	¥ 22	¥ 21	\$ 203

#### Finance Leases as lessor

(1) The net investments in lease were as follows:

	(Millions of yen)	(Thousands of U.S. dollars)	
	2020	2019	2020
Lease contract receivables	¥ 991,739	¥ 948,306	\$ 9,112,744
Estimated residual value	732	1,187	6,730
Interest income equivalents	(56,594)	(94,500)	(520,028)
Total	¥ 935,877	¥ 854,993	\$ 8,599,446

(2) Maturities of Lease Receivables for finance leases that were deemed to transfer ownership of the leased property to the lessee were as follows:

	(Millions of yen)	(Thousands of U.S. dollars)
	2020	2020
2021	¥ 44,474	\$ 408,658
2022	36,235	332,954
2023	31,108	285,849
2024	18,528	170,255
2025	11,264	103,510
2026 and thereafter	9,921	91,162
Total	¥ 151,533	\$ 1,392,388

(3) Maturities of Investments in Lease for finance leases that were deemed not to transfer ownership of the leased property to the lessee were as follows:

	(Millions of yen)	(Thousands of U.S. dollars)
	2020	2020
2021	¥ 273,755	\$ 2,515,440
2022	199,480	1,832,955
2023	143,244	1,316,227
2024	115,819	1,064,225
2025	87,580	804,749
2026 and thereafter	171,858	1,579,148
Total	¥ 991,739	\$ 9,112,744

#### Operating Leases as lessor

Future lease receivables under non-cancellable operating leases were summarized as follows:

	(Millions of yen)	(Thousands of U.S. dollars)	
	2020	2019	2020
Due within one year	¥ 79,605	¥ 96,880	\$ 731,471
Due after one year	152,306	119,341	1,399,494
Total	¥ 231.912	¥ 216.222	\$ 2,130.965

#### Sub-lease transactions

Among the receivables and obligations relating to the sub-lease transactions, the amounts before deducting interest equivalents and included in the Consolidated Balance Sheet as of March 31, 2020 and 2019 were summarized as follows:

	(Millions of yen)	(Thousands of U.S. dollars)	
	2020	2019	2020
Lease Receivable	¥ 686	¥ 632	\$ 6,312
Investments in Lease	7,923	7,199	72,807
Lease Payable	8,769	8,007	80,579

### 18. Financial Instruments and Related Disclosures

(1) Policy for financial instruments

The Group provides comprehensive financial services, including leasing, installment sales and loans. From the perspective of financial stability, the Group diversifies its funding sources. In addition to the indirect funding from financial institutions, the Group utilizes direct funding such as issuing bonds, commercial paper and securitization of lease receivables. Further, the Group has an integrated Asset-Liability Management (ALM) program. Derivatives are used to avoid fluctuation risks such as interest rates and to secure stable profits.

(2) Nature and extent of risks arising from financial instruments

Financial assets held by the Group mainly consist of lease receivables and investments in lease, installment sales receivables, loans receivables, and factoring receivables mainly due from domestic business companies. These assets are exposed to the credit risks triggered by a contractual default of a counterparty to the transactions. In the case of deterioration in the credit conditions of counterparties caused by a change in economic conditions or the environment, it is possible that the repayment of obligations under the contract may not be performed. Investment securities, which are mainly comprised of stocks, bonds, preferred equities and investments in partnerships, are exposed to market price fluctuation risks if they are exchange-traded in addition to the credit risk of issuers. Transactions related to real estate finance are exposed to the risk of price fluctuations in the targeted real estate.

Borrowings, bonds and commercial paper are exposed to the interest rate fluctuation risk for floating interest rate funding, and the liquidity risk that ready access to funds may not be available due to a change in the financial market environment. An ALM analysis is employed in order to make stable profit as well as to manage these funding risks.

Derivative transactions are mainly composed of interest rate swaps arranged as a part of ALM. The Group enters into interest rate swap transactions as a hedging instrument and applies hedge accounting to the interest rate fluctuation risk associated with interest bearing debt such as bank loans. It is the Group's basic policy to utilize hedge transactions within the limit of the debt amount to reduce interest rate risks and to improve cash flow from financial activities. The effectiveness of the hedge transactions are assessed by comparing the changes in the market price and cumulative cash flows between the hedging instrument and the hedged item from the beginning of the hedge to the time of assessment.

The Group also utilizes derivative transactions such as foreign currency forward contracts and interest and currency swaps etc. to control the level of the risk associated with the assets and liabilities denominated in foreign currencies.

(3) Risk management for financial instruments

#### (a) Integrated risk management

The Group places an extremely high priority on integrated monitoring and control of total financial risks, including credit risks and market risks which consist of interest rate risk and share price fluctuation risk. Thus, The Group incorporates an integrated risk management system into its management policy in order to improve the stability of the business. Specifically, the Group manages various quantified risks in an integrated fashion to control the total risk under a certain level of net equity (business capacity) of the company. In addition, a risk analysis is performed monthly, the results of which are reported to the Board of Directors.

#### (b) Credit risk management

The Group aims to minimize credit costs by optimizing its credit management structure at all stages of each transaction, from entrance to exit to manage the credit risks of business partners.

Firstly, at the initial stage of deal execution, the Group assigns a credit rating to each debtor under its client credit rating system, conducts a strict credit screening and makes judgments on contract arrangements based on the prospects of future value of leasing assets, and from the perspective of the avoidance of excessive concentrations of credit, the Group monitors its credit administration ceiling by using its credit rating monitoring systems. Any large contract or matter requiring complex risk judgment requires the deliberation and decision by the Credit Committee, which enhances the risk control process. When offering new services or new products, the Group thoroughly reviews the identification and evaluation of inherent risks through the Risk Control Committee.

And next, as an ongoing management measures, the Group provides necessary write-offs or allowances in accordance with the self-assessment rules for assets conforming to "Temporary treatment of accounting and auditing on the application of accounting standard for financial instruments in the leasing industry". Furthermore, regarding credit risk management for the portfolio as a whole, through the quantification of the volume of the risk based on the credit rating of business customers, the Group endeavors to minimize credit costs. Also, the Group periodically follows up on non-performing assets and performs debt collection of assets for which the Group has already provided reserves to facilitate final disposal of non-performing assets.



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(c) Market risk management

The Group establishes basic policies (e.g., funding policy, setting commercial paper program, hedging policy and securities trading policy) at the Board of Directors that are designed based on market environments and financial strength meeting to control risks in line with financial operations. In addition, monthly ALM operating policies based on these basic policies, position limits, and loss limits, etc., are determined on a monthly basis at the PM・ALM Committee, and the Group strives to maintain stable earnings by controlling risk factors. Also, with regard to market transactions, in order to maintain a mutual check system, The Group separately established the risk control department that is independent from departments that are responsible for executions or for approval of delivery settlement.

(i) Interest rate risk management

In order to manage interest rate risk, the Group monitors the matching ratio (i.e., proportion of assets that is not exposed to interest rate risk without allocation of the matching fixed/floating interest bearing debt to entire assets) under ALM. Also, the Group quantifies the interest rate and maturity of financial assets and liabilities based on \*BPV (Basis Point Value). The Group analyzes and monitors them using statistical techniques such as \*VaR (Value at Risk).

In addition, compliance with the internal rules etc. is managed by the risk control department.

Sensitivity to interest rate (10BPV) interest rate risk volume (VaR) figures in the Group as of March 31, 2020 and 2019, are as shown below. The Internal Models Approach applied to measure VaR is based on the assumption that past price fluctuations follow a normal distribution and the model calculates variance and covariance, based on which the Group estimates maximum losses statistically (variance/covariance method).

	(Millions of yen)		(Thousands of U.S. dollars)
	2020	2019	2020
Sensitivity to interest rate (10BPV)	¥ (2,410)	¥ (2,410)	\$ (22,145)
Interest rate risk volume (VaR)	¥ 3,560	¥ 1,520	\$ 32,712

The VaR measurement method is as follows:

Variance-covariance model for linear risk

Quantitative criteria:

- (1) Confidence interval: 99%;
- (2) Holding period of one month; and
- (3) Historical observation period of one year

(ii) Price fluctuation risk management of securities such as stock

Relating to the price fluctuation risk of securities, the risk control department captures the volume of the risk using the VaR. In addition, it monitors the status of compliance with our internal rules.

The VaR measurements in the Group as of March 31, 2020 and 2019, are shown below. To measure the VaR, the Group created a model that shows the price fluctuation of each stock based on the stock price index fluctuation. The Group adopted the stock price fluctuation model that sets the stock price index fluctuation ratio represented by the risk factor of general market risk. Also, the inherent fluctuation portion of each stock that is unable to be shown by the stock price index is set as a risk factor of individual risk in our model.

	(Millions of yen)		(Thousands of U.S. dollars)
	2020	2019	2020
Price variation risk of stock (VaR)	¥ 0	¥ 0	\$ 0

(Note) The VaR value shown above reflects annual realized profit or loss (including impairment loss) and unrealized profit or loss, net of corporate income taxes.

The VaR measurement method is as follows:

Quantitative criteria:

- (1) Confidence interval: 99%;
- (2) Holding period of one month; and
- (3) Historical observation period of one year.

The market price at the measurement date is used for securities with market price. The moving-average acquisition costs or the amortized costs are used for securities without market price. General market risk (risk of suffering losses due to stock market movement) and individual risk (price variance risk due to factors associated with the issuer of stock) are calculated and combined. Individual risk for securities without market price is calculated assuming a fluctuation ratio of 8%.

(iii) Derivative transactions

The derivative transactions carried out by the Group mainly consist of interest rate swaps, entered as a part of ALM, to hedge the interest rate risks. The operating policy of hedging is determined at the monthly PM・ALM Committee to control the interest rate risk. Also, from an operational control perspective, in order to ensure a proper review function, the Group has an organizational structure whereby the transaction execution department is clearly separated from the market risk control department, which is responsible for evaluation of the effectiveness of hedging transactions, and the operations department, which is responsible for delivery settlement. For the use of derivative transactions, the Group enters into such transactions only with major financial institutions in order to mitigate counterparty risk.

(d) Other price fluctuation risk management

The risk mainly consists of real estate price fluctuation risks for specified bonds, preferred shares, investments in partnerships, and non-recourse loans relating to a real estate finance vehicle. The risk is managed by estimating the fair value of real estate at exit and monitoring the quantified risk for loss of principal.

(e) Liquidity risk management

The Group manages liquidity risk by diversifying the method of funding and balancing its long-term and short-term funding needs, depending upon the market environment.

(4) Supplemental explanation for quantitative information concerning market risk

Because quantitative information concerning market risk is based on statistical assumptions, the quantitative information may differ depending upon the quantitative basis and measurement method assumed. Also, the quantitative information is a statistical result based on certain assumptions. It is not intended to show the expected maximum losses. Because future market conditions may differ considerably from past conditions, there are many limitations on the quantitative data that is estimated using observation values of past data.

(Glossary)

- \*BPV: BPV is one of the interest rate risk indices indicating the change in present value of subject assets or liabilities given a basis point (0.01%) change in interest rates. The Group adopts 10 basis points (0.1%) as the basis for change of value.
- \*VaR: VaR is a technique for estimating the probable maximum portfolio losses as a volume of risk when the market is affected adversely based on the statistical analysis of historical data under a given time and probability (99% one-sided confidence interval).

(5) Supplemental explanation for fair values of financial instruments

Fair values of financial instruments are based on the quoted prices in active markets. If a quoted price is not available, another rational valuation technique is used instead. Such prices have been calculated using certain assumptions, and may differ if calculated based on different assumptions.

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## (a) Fair values of financial instruments

(Millions of yen)						
March 31,	2020			2019		
	Carrying amount	Fair value	Unrealized gain (loss)	Carrying amount	Fair value	Unrealized gain (loss)
Cash and Cash Equivalents	¥ 22,299	¥ 22,299	¥ —	¥ 25,438	¥ 25,438	¥ —
Securities <sup>(*)1</sup>						
Available-for-sale Securities	171,052	171,052	—	167,975	167,975	—
Lease Receivables and Investments in Lease <sup>(*)2</sup> <sup>(*)3</sup> <sup>(*)4</sup>	1,064,970	1,116,018	51,048	914,870	950,811	35,941
Installment Sales Receivables <sup>(*)2</sup> <sup>(*)5</sup>	139,138	139,914	775	145,571	147,962	2,391
Loans Receivables <sup>(*)2</sup>	270,640	285,431	14,791	234,615	246,816	12,200
Factoring Receivables <sup>(*)2</sup>	129,621	131,146	1,524	233,053	234,617	1,563
Long-term Receivables <sup>(*)6</sup>	4,973	4,973	—	3,228	3,228	—
Assets total	¥ 1,802,696	¥ 1,870,835	¥ 68,139	¥ 1,724,753	¥ 1,776,850	¥ 52,097
Short-term Borrowings	¥ 1,031,075	¥ 1,030,982	¥ 92	¥ 994,386	¥ 995,470	¥ (1,083)
Lease Payable	8,772	8,763	8	8,010	8,042	(31)
Accounts Payable — trade	49,318	49,300	17	56,040	56,015	25
Long-term Debt <sup>(*)7</sup> <sup>(*)8</sup>	969,560	971,019	(1,458)	840,371	844,996	(4,625)
Liabilities total	¥ 2,058,726	¥ 2,060,065	¥ (1,338)	¥ 1,898,809	¥ 1,904,524	¥ (5,715)
Hedge accounting is not applied <sup>(*)9</sup>	¥ 68	¥ 68	¥ —	¥ (30)	¥ (30)	¥ —
Hedge accounting is applied <sup>(*)9</sup>	(2,172)	(2,172)	—	(956)	(956)	—
Derivative transactions total	¥ (2,103)	¥ (2,103)	¥ —	¥ (987)	¥ (987)	¥ —

(Thousands of U.S. dollars)			
March 31,	2020		
	Carrying amount	Fair value	Unrealized gain (loss)
Cash and Cash Equivalents	\$ 204,898	\$ 204,898	\$ —
Securities <sup>(*)1</sup>			
Available-for-sale Securities	1,571,741	1,571,741	—
Lease Receivables and Investments in Lease <sup>(*)2</sup> <sup>(*)3</sup> <sup>(*)4</sup>	9,785,635	10,254,700	469,065
Installment Sales Receivables <sup>(*)2</sup> <sup>(*)5</sup>	1,278,494	1,285,620	7,126
Loans Receivables <sup>(*)2</sup>	2,486,820	2,622,730	135,910
Factoring Receivables <sup>(*)2</sup>	1,191,049	1,205,059	14,010
Long-term Receivables <sup>(*)6</sup>	45,696	45,696	—
Assets total	\$ 16,564,333	\$ 17,190,444	\$ 626,111
Short-term Borrowings	\$ 9,474,183	\$ 9,473,329	\$ 854
Lease Payable	80,606	80,527	79
Accounts Payable — trade	453,169	453,007	162
Long-term Debt <sup>(*)7</sup> <sup>(*)8</sup>	8,908,949	8,922,348	(13,399)
Liabilities total	\$ 18,916,907	\$ 18,929,211	\$ (12,304)
Hedge accounting is not applied <sup>(*)9</sup>	\$ 633	\$ 633	\$ —
Hedge accounting is applied <sup>(*)9</sup>	(19,965)	(19,965)	—
Derivative transactions total	\$ (19,332)	\$ (19,332)	\$ —

<sup>(\*)1</sup> Securities include Operational Investment Securities and Investment Securities.

<sup>(\*)2</sup> Lease Receivables and Investments in Lease, Installment Sales Receivables, Loans Receivables and Factoring Receivables are stated net of Allowance for Doubtful Receivables.

<sup>(\*)3</sup> Investments in Lease are stated net of estimated residual value of lease assets for finance leases that are deemed not to transfer ownership of the leased property to the lessee.

<sup>(\*)4</sup> Unearned lease payments received are not included in Lease Receivables and Investments in Lease.

<sup>(\*)5</sup> Installment Sales Receivables are stated net of Deferred Profit on Installment Sales.

<sup>(\*)6</sup> Long-term Receivables are stated net of Allowance for Doubtful Receivables.

<sup>(\*)7</sup> Current Portion of Long-term Debt is included.

<sup>(\*)8</sup> Long-term Debt includes Payables under Securitized Lease Receivables.

<sup>(\*)9</sup> Assets and liabilities incurred resulting from derivative transactions are netted. The net liability is presented in parenthesis.

Methods for determining the fair values of financial instruments were as follows:

**(a) Cash and Cash Equivalents**

The carrying values of bank deposits approximate fair values because of their short maturities.

**(b) Operational Investment Securities and Investment Securities**

The fair values of securities are measured at the quoted market price of the stock exchange for the equity instruments. The fair values of bonds are measured at the quoted price obtained from the financial institution for the debt instruments, or are determined by discounting the future cash flows, by credit risk categories for risk management, at an appropriate benchmark rate such as an interbank market rate plus a credit spread. Fair value information for securities by classifications is included in Note 5. Operational Investment Securities and Investment Securities.

**(c) Lease Receivables and Investments in Lease**

The fair values of Lease Receivables and Investments in Lease are principally determined by discounting the future cash flows (lease payments received less maintenance fees), by credit risk categories for risk management, at an appropriate benchmark rate such as an interbank market rate plus a credit spread.

**(d) Installment Sales Receivables**

The fair values of Installment Sales Receivables are determined by discounting the future cash flows, by credit risk categories for risk management, at an appropriate benchmark rate such as an interbank market rate plus a credit spread.

**(e) Loans Receivables and Factoring Receivables**

The fair values of Loans Receivables and Factoring Receivables are determined by discounting the future cash flows, by credit risk categories for risk management, at an appropriate benchmark rate such as an interbank market rate plus a credit spread.

**(f) Long-term Receivables**

The carrying values of Long-term Receivables at the balance sheet date (net of Allowance for Doubtful Receivables) approximate fair values, because the Allowance for Doubtful Receivables is determined based on the amount that is expected to be recovered from collateral and guarantees.

**(g) Short-term Borrowings**

*Short-term Borrowings from banks and other financial institutions*

The fair values of Short-term Borrowings from banks and other financial institutions are measured at the amount of principal plus interest to be paid at maturity discounted at an appropriate benchmark rate such as an interbank market rate plus a credit spread.

**Commercial Paper**

The fair values of Commercial Paper are measured at the amount of principal plus interest to be paid at maturity discounted at an appropriate benchmark rate such as an interbank market rate plus a credit spread.

**Payables under Securitized Lease Receivables**

The fair values of Payables under Securitized Lease Receivables are determined by discounting the future cash flows at an appropriate benchmark rate such as an interbank market rate plus spread for securitization.

**(h) Lease Payable**

The fair values of Lease Payable are principally determined by discounting the future cash flows at an appropriate benchmark rate such as an interbank market rate plus a credit spread.

**(i) Accounts Payable - trade**

The carrying values of Accounts Payable - trade approximate fair value because they are settled within a short period. The fair values of long-term Accounts Payable are determined by discounting the future cash flows at an appropriate benchmark rate such as an interbank market rate plus a credit spread.

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### (j) Long-term Debt

#### Bonds Payable

The fair values of Bonds Payable are measured at the amount of interest and principal to be paid at maturity discounted at an appropriate benchmark rate such as an interbank market rate plus a credit spread.

#### Long-term Debt from banks and other financial institutions

The fair values of Long-term Debt from banks and other financial institutions are measured at the amount of interest and principal to be paid at maturity discounted at an appropriate benchmark rate such as an interbank market rate plus a credit spread.

#### Payables under Securitized Lease Receivables

The fair values of Payables under Securitized Lease Receivables are determined by discounting the future cash flows at an appropriate benchmark rate such as an interbank market rate plus spread for securitization.

### (k) Derivatives

Fair value information for derivatives is included in Note 19.

#### (b) Carrying amount of financial instruments whose fair values cannot be readily determined

	(Millions of yen)		(Thousands of U.S. dollars)
	2020	2019	2020
Unlisted Stocks <sup>(*)</sup> <sup>(2)</sup>	¥ 99,875	¥ 17,575	\$ 917,722
Funds, Investments in Partnerships <sup>(*)</sup> <sup>(3)</sup>	39,873	53,124	366,386
Preferred Equities <sup>(*)</sup> <sup>(4)</sup>	4,427	3,533	40,680
Other <sup>(*)</sup> <sup>(4)</sup>	25,769	29,590	236,783
Total	¥ 169,945	¥ 103,824	\$ 1,561,571

<sup>(\*)</sup>(1) As unlisted stocks do not have quoted market prices in an active market and their fair values cannot be readily determined, they are excluded from the disclosure of market value information.

<sup>(\*)</sup>(2) The impairment loss on certain unlisted stocks for the year ended March 31, 2020 and 2019 was ¥336 million (\$3,088 thousand) and ¥53 million, respectively.

<sup>(\*)</sup>(3) Investments in funds and partnerships are excluded from the disclosure of market value information, as they are composed of financial instruments whose fair values cannot be readily determined, such as unlisted stocks.

<sup>(\*)</sup>(4) These financial instruments are excluded from the disclosure of market value information, as they do not have quoted market prices in an active market and fair values cannot be readily determined.

#### (6) Maturity analysis for financial assets and securities with contractual maturities

	(Millions of yen)					
March 31, 2020	Due in one year or less	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
Cash and Cash Equivalents	¥ 22,299	¥ —	¥ —	¥ —	¥ —	¥ —
Securities						
Available-for-sale Securities						
Bonds						
National and Local government Bonds	—	—	—	—	—	—
Corporate Bonds	25,300	22,000	23,160	25,620	3,500	23,700
Other	3,453	8,099	20,100	9,910	4,864	18,245
Lease Receivables and Investments in Lease	301,755	225,341	166,226	127,920	93,890	166,953
Installment Sales Receivables	50,156	37,648	24,440	18,050	7,108	4,407
Loans Receivables	85,711	46,203	47,535	32,652	24,574	34,644
Factoring Receivables	106,017	8,848	4,439	3,536	2,372	4,463
Total	¥ 594,693	¥ 348,142	¥ 285,901	¥ 217,691	¥ 136,311	¥ 252,414

	(Millions of yen)					
March 31, 2019	Due in one year or less	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
Cash and Cash Equivalents	¥ 25,438	¥ —	¥ —	¥ —	¥ —	¥ —
Securities						
Available-for-sale Securities						
Bonds						
National and Local government Bonds	2,000	—	—	—	—	—
Corporate Bonds	5,500	25,300	22,000	28,160	21,620	24,600
Other	33,526	5,453	10,048	10,697	4,584	8,287
Lease Receivables and Investments in Lease	270,736	201,256	148,710	95,118	73,835	140,661
Installment Sales Receivables	58,024	38,312	24,917	14,862	7,205	4,657
Loans Receivables	54,883	54,215	36,284	29,521	25,415	34,959
Factoring Receivables	210,157	10,843	4,557	2,084	1,343	4,119
Total	¥ 660,267	¥ 335,380	¥ 246,517	¥ 180,444	¥ 134,004	¥ 217,285

	(Thousands of U.S. dollars)					
March 31, 2020	Due in one year or less	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
Cash and Cash Equivalents	\$ 204,898	\$ —	\$ —	\$ —	\$ —	\$ —
Securities						
Available-for-sale Securities						
Bonds						
National and Local government Bonds	—	—	—	—	—	—
Corporate Bonds	232,473	202,150	212,809	235,413	32,160	217,771
Other	31,734	74,424	184,693	91,060	44,701	167,654
Lease Receivables and Investments in Lease	2,772,723	2,070,580	1,527,392	1,175,420	862,730	1,534,077
Installment Sales Receivables	460,872	345,943	224,576	165,863	65,316	40,498
Loans Receivables	787,571	424,552	436,788	300,036	225,811	318,334
Factoring Receivables	974,153	81,307	40,789	32,493	21,797	41,015
Total	\$ 5,464,424	\$ 3,198,956	\$ 2,627,047	\$ 2,000,285	\$ 1,252,515	\$ 2,319,349

<sup>(\*)</sup>(1) Please see Note 10 for annual maturities of Long-term Debt.



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19. Derivatives

Fair values of derivative transactions were as follows. The fair value is measured at quoted prices obtained from the financial institutions. The contract amounts shown in the tables are the notional amounts of derivatives and do not indicate the Company's exposure to credit or market risks:

Derivative transactions to which hedge accounting is not applied:

(1) Interest rate and currency swaps

(Millions of yen)								
At March 31,	2020				2019			
	Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized Gain (Loss)	Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized Gain (Loss)
Payment - floating rate in Japanese Yen, receipt - floating rate in U.S. dollars	¥ 3,333	¥ 2,243	¥ 68	¥ 68	¥ 3,333	¥ 3,333	¥ (30)	¥ (30)

(Thousands of U.S. dollars)				
At March 31,	2020			
	Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized Gain (Loss)
Payment - floating rate in Japanese Yen, receipt - floating rate in U.S. dollars	\$ 30,629	\$ 20,616	\$ 633	\$ 633

Derivative transactions to which hedge accounting is applied:

(1) Interest rate swaps

(Millions of yen)							
At March 31,		2020			2019		
	Hedged item	Contract Amount	Contract Amount due after One Year	Fair Value	Contract Amount	Contract Amount due after One Year	Fair Value
Payment - fixed rate, receipt - floating rate	Short-term Borrowings, Long-term Debt	¥ 137,899	¥ 116,028	¥ (1,445)	¥ 106,697	¥ 88,224	¥ (791)
	Bonds Payable	¥ —	¥ —	¥ —	¥ 8,000	¥ 8,000	¥ 40
Payment - floating rate, receipt - fixed rate	Long-term Debt	¥ 19,500	¥ 19,500	¥ 28	¥ —	¥ —	¥ —
	Bonds Payable	¥ 18,000	¥ 18,000	¥ 21	¥ —	¥ —	¥ —

(Thousands of U.S. dollars)				
At March 31,		2020		
	Hedged item	Contract Amount	Contract Amount due after One Year	Fair Value
Payment - fixed rate, receipt - floating rate	Short-term Borrowings, Long-term Debt	\$ 1,267,015	\$ 1,066,148	\$ (13,287)
	Bonds Payable	\$ —	\$ —	\$ —
Payment - floating rate, receipt - fixed rate	Long-term Debt	\$ 179,179	\$ 179,179	\$ 263
	Bonds Payable	\$ 165,396	\$ 165,396	\$ 200

(2) Interest rate and currency swaps

(Millions of yen)							
At March 31,		2020			2019		
	Hedged item	Contract Amount	Contract Amount due after One Year	Fair Value	Contract Amount	Contract Amount due after One Year	Fair Value
Payment - fixed rate in Japanese Yen, receipt - fixed rate in U.S. dollars	Operational Investment Securities	¥14,976	¥14,278	¥ (777)	¥ 9,017	¥ 9,017	¥ (207)
Payment - fixed rate in Indonesian Rupiah, receipt - floating rate in U.S. dollars	Long-term Debt	¥ —	¥ —	¥ —	¥ 14	¥ —	¥ 1

(Thousands of U.S. dollars)				
At March 31,		2020		
	Hedged item	Contract Amount	Contract Amount due after One Year	Fair Value
Payment - fixed rate in Japanese Yen, receipt – fixed rate in U.S. dollars	Operational Investment Securities	\$137,615	\$131,201	\$ (7,146)
Payment - fixed rate in Indonesian Rupiah, receipt - floating rate in U.S. dollars	Long-term Debt	\$ —	\$ —	\$ —

Foreign currency forward contracts to which specific accounting is applied:

The following foreign currency forward contracts, which qualify for hedge accounting and meet specific matching criteria, are not re-measured at market value. However, any differences between the foreign exchange contract rates and historical rates resulting from the translation of receivables and payables are recognized as income or expense over the lives of the related contracts. In addition, the fair value of such foreign currency forward contracts in Note 18 is included in those of the hedged items (i.e. Loans Receivable), in principle.

(1) Foreign currency forward contracts

(Millions of yen)						
At March 31,		2020			2019	
	Hedged item	Contract Amount	Contract Amount due after One Year	Fair Value	Contract Amount	Contract Amount due after One Year
Foreign currency forward contracts Selling, U.S. dollars	Committed transactions in foreign currencies	¥ 91	¥ —	¥ 0	¥ —	¥ —

(Thousands of U.S. dollars)			
At March 31,		2020	
	Hedged item	Contract Amount	Contract Amount due after One Year
Foreign currency forward contracts Selling, U.S. dollars	Committed transactions in foreign currencies	\$ 844	\$ —

## Consolidated Financial Statements

### Interest rate swaps and interest rate and currency swaps to which specific accounting is applied:

The following interest rate swaps and interest rate and currency swaps, which qualify for hedge accounting and meet specific matching criteria, are not re-measured at market value. However, the differential paid or received under the swap agreements is recognized and included in interest expense or income. In addition, the fair value of such interest rate swaps in Note 18 is included in those of the hedged items (i.e. Loans Receivables, Factoring Receivables and Long-term Debt).

#### (1) Interest rate swaps

(Millions of yen)						
At March 31,	2020			2019		
	Hedged item	Contract Amount	Contract Amount due after One Year	Hedged item	Contract Amount	Contract Amount due after One Year
Payment - fixed rate, receipt - floating rate	Loans Receivables	¥ 2,672	¥ 2,672	Loans Receivables	¥ 3,063	¥ 3,063
	Long-term Debt	¥ 137,232	¥ 125,032	Long-term Debt	¥ 75,263	¥ 65,214
Payment - floating rate, receipt - fixed rate	Long-term Debt	¥ 16,067	¥ 16,067	Long-term Debt	¥ 12,000	¥ 12,000

(Thousands of U.S. dollars)				
At March 31,	2020			
	Hedged item	Contract Amount	Contract Amount due after One Year	
Payment - fixed rate, receipt - floating rate	Loans Receivables	\$ 24,558	\$ 24,558	
	Long-term Debt	\$ 1,260,983	\$ 1,148,882	
Payment - floating rate, receipt - fixed rate	Long-term Debt	\$ 147,641	\$ 147,641	

#### (2) Interest rate and currency swaps

(Millions of yen)						
At March 31,	2020			2019		
	Hedged item	Contract Amount	Contract Amount due after One Year	Hedged item	Contract Amount	Contract Amount due after One Year
Payment - fixed rate in Indonesian Rupiah, receipt - floating rate in U.S. dollars	Factoring Receivables	¥ 153	¥ 153	Factoring Receivables	¥ —	¥ —

(Thousands of U.S. dollars)				
At March 31,	2020			
	Hedged item	Contract Amount	Contract Amount due after One Year	
Payment - fixed rate in Indonesian Rupiah, receipt - floating rate in U.S. dollars	Factoring Receivables	\$ 1,408	\$ 1,408	

## 20. Other Comprehensive Loss

The components of other comprehensive loss for the years ended March 31, 2020 and 2019 were as follows:

	(Millions of yen)	(Thousands of U.S. dollars)	
	2020	2019	2020
Unrealized Gain (Loss) on Available-for-sale Securities			
Gains arising during the year	¥ 2,358	¥ (2,081)	\$ 21,671
Reclassification adjustments to profit or loss	(1,355)	(1,227)	(12,458)
Amount before income tax effect	1,002	(3,308)	9,213
Income tax effect	315	(1,012)	2,903
Total	¥ 686	¥ (2,295)	\$ 6,310
Deferred Loss on Derivatives under Hedge Accounting			
Losses arising during the year	¥ (1,224)	¥ (1,234)	\$ (11,249)
Reclassification adjustments to profit or loss	418	302	3,850
Amount before income tax effect	(805)	(932)	(7,399)
Income tax effect	(245)	(285)	(2,257)
Total	¥ (559)	¥ (647)	\$ (5,142)
Foreign Currency Translation Adjustments			
Adjustments arising during the year	¥ (599)	¥ (1,223)	\$ (5,508)
Reclassification adjustments to profit or loss	—	—	—
Amount before income tax effect	(599)	(1,223)	(5,508)
Income tax effect	—	—	—
Total	¥ (599)	¥ (1,223)	\$ (5,508)
Defined Retirement Benefit Plans			
Adjustments arising during the year	¥ (216)	¥ 91	\$ (1,989)
Reclassification adjustments to profit or loss	(4)	1	(41)
Amount before income tax effect	(220)	93	(2,030)
Income tax effect	(66)	28	(614)
Total	¥ (154)	¥ 64	\$ (1,416)
Share of Other Comprehensive Income (Loss) in associates			
Income (Loss) arising during the year	¥ 112	¥ (40)	\$ 1,037
Reclassification adjustments to profit or loss	—	—	—
Total	¥ 112	¥ (40)	\$ 1,037
Total Other Comprehensive Loss	¥ (513)	¥ (4,142)	\$ (4,719)

## 21. Supplemental Information on Changes in Equity

The increase of 543 thousand shares of treasury stock is due to the acquisition of the Company's share under the Company's BBT of 543,300 shares and the purchase of shares less than one unit of 176 shares. The decrease of 50 thousand shares of treasury stock is due to the sales from BBT mentioned above. Issued shares in common stock at the end of fiscal year includes treasury stock of 639,200 shares held by the Company's BBT. (See Note 2 (aa) for details on BBT.)

## Consolidated Financial Statements

### 22. Related-Party Disclosures

Transactions of the Group with related parties, i.e., a major shareholder, parent company of a major shareholder, unconsolidated subsidiaries, and fellow company for the years ended March 31, 2020 were as follows:

	(Millions of yen)	(Thousands of U.S. dollars)
	2020	2020
Borrowing funds	¥ 1,396,550	\$ 12,832,404
Securitization of receivables	43,934	403,697
Issuance of commercial paper	1,740,000	15,988,239
Payment of interest	2,728	25,075
Receipt of interest	1,054	9,685
Issuance of bonds payable	45,000	413,489

The balances due to or from these companies at March 31, 2020 were as follows:

	(Millions of yen)	(Thousands of U.S. dollars)
	2020	2020
Operational investment securities	¥ 65,717	\$ 603,852
Accrued income	310	2,852
Prepaid expenses	1	15
Short-term borrowings	76,757	705,299
Commercial paper	76,300	701,093
Payables under securitized lease receivables	55,359	508,682
Current Portion of Long-term debt	58,264	535,371
Bonds payable	130,000	1,194,524
Long-term debt	58,244	535,184
Long-term payables under securitized lease receivables	25,042	230,103
Accrued expenses	168	1,552

### 23. Per Share Information

Details of basic net income attributable to owners of the parent per share ("EPS") for the years ended March 31, 2020 and 2019 were as follows:

	(Millions of yen)	(Thousands of shares)	(Yen)	(U.S. dollars)	(Millions of yen)	(Thousands of shares)	(Yen)	(U.S. dollars)
For the year ended March 31,	2020				2019			
	Net income attributable to owners of the parent	Weighted-average shares	EPS		Net income attributable to owners of the parent	Weighted-average shares	EPS	
Basic EPS								
Net income available to common shareholders	¥ 17,512	48,581	¥ 360.49	\$ 3.31	¥ 16,594	42,697	¥ 388.64	\$ 3.57

### 24. Subsequent Events

#### (1) Appropriation of Retained Earnings

The following appropriation of Retained Earning at March 31, 2020, was approved at the Company's shareholders' meeting on June 24, 2020:

	(Millions of yen)	(Thousands of U.S. dollars)
Year-end cash dividends, ¥42.00 (\$0.39) per share	¥ 2,058	\$ 18,911

#### (2) Acquisition of the shares

On March 9, 2020, the Company, Ricoh Company, Ltd. ("Rico"), and Ricoh Leasing Company, Ltd. ("Rico Leasing") reached an agreement to enter into a business alliance among the three companies, subject to the conclusion of the acquisition of Ricoh Leasing's 6,160,000 shares of common stock (20.00% of the voting rights ratio (rounded at the third decimal point. In the calculation of the voting rights ratio, hereinafter the same applies.)) by the Company from Ricoh. The Company completed the acquisition of 6,160,000 shares of common stock of Ricoh Leasing on April 23, 2020.

#### (1) Purpose of the business alliance agreement

The Company, Ricoh and Ricoh Leasing agreed to proceed discussions to decide the specific details of the business alliance among the parties in order to achieve their own business growth and increase corporate value for the purpose of effectively utilizing their own business foundations to strengthen their existing businesses, and using their know-how and infrastructure to create new business opportunities.

#### (2) Corporate name, business and capital of the company whose shares were acquired

- Corporate name  
Rico Leasing Company, Ltd.
- Description of the business  
Lease, Installment Sales Business and Financial Services Business
- Capital  
¥7,896 million (\$72,561 thousand)

#### (3) Date of the acquisition of the shares

April 23, 2020

#### (4) Number of shares acquired, acquisition price and voting rights ratio held after the transaction

- Number of shares acquired  
6,160,000 shares
- Acquisition price  
¥36,799 million (\$338,141 thousand)
- Voting rights ratio held after the transaction  
20.00%



## Independent Auditor's Report



Deloitte Touche Tohmatsu LLC  
Marunouchi Nijubashi Building  
3-2-3 Marunouchi, Chiyoda-ku  
Tokyo 100-8360  
Japan  
Tel: +81 (3) 6213 1000  
Fax: +81 (3) 6213 1005  
www.deloitte.com/jp/en

### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Mizuho Leasing Company, Limited:

#### Opinion

We have audited the consolidated financial statements of Mizuho Leasing Company, Limited (formerly, IBJ Leasing Company, Limited) and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2020, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

#### Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

#### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

#### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

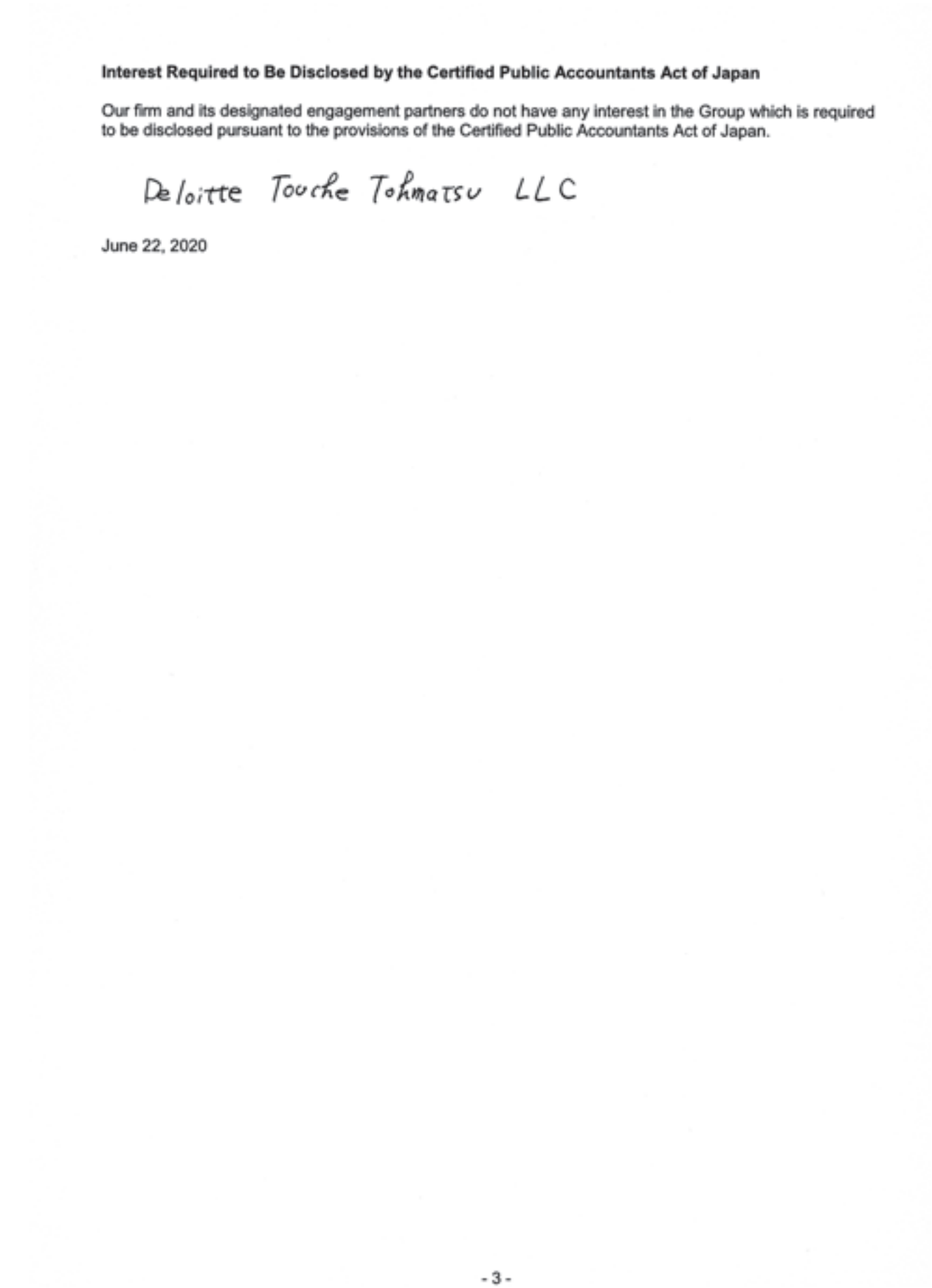
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



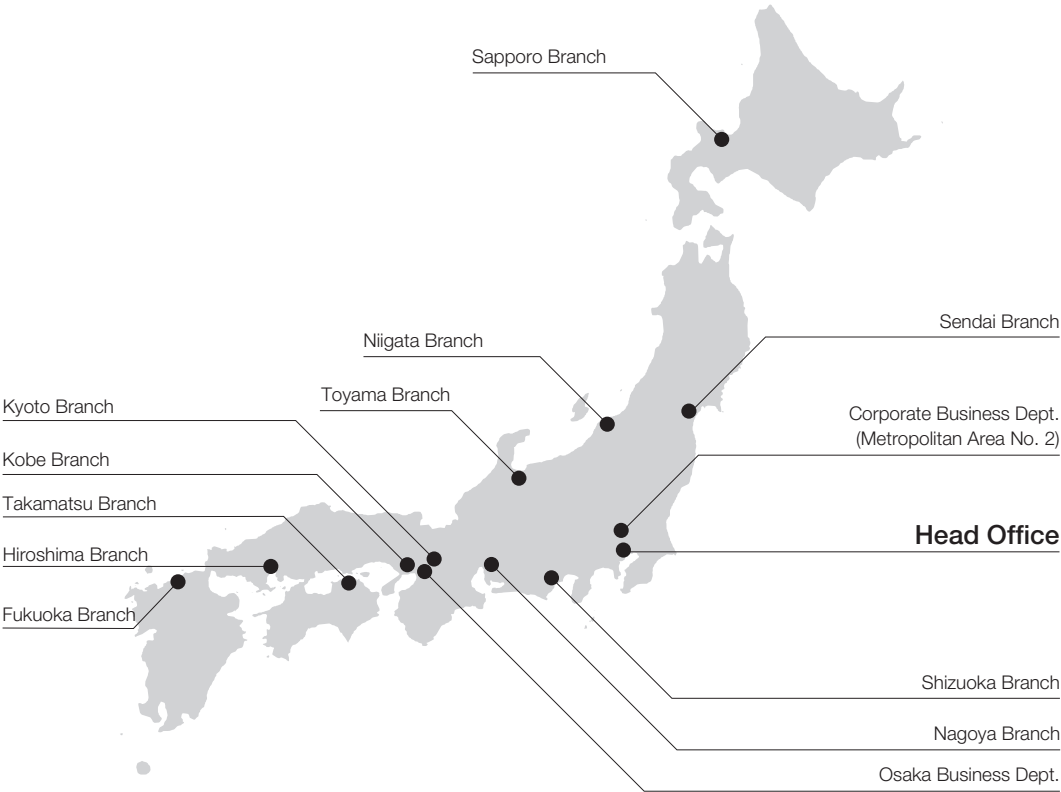
Corporate Information

Corporate Profile (As of August 31, 2020)

Company Name	Mizuho Leasing Company, Limited	Paid-in Capital	¥26,088 million
Head Office	2-6 Toranomon 1-chome, Minato-ku, Tokyo 105-0001, Japan Tel: +81-3-5253-6511 (main exchange)	Number of Employees	Consolidated: 1,745; Non-consolidated: 687
Date of Establishment	December 1, 1969	Business Description	Integrated financial services

Business Sites (As of August 31, 2020)

Head Office	2-6, Toranomon 1-chome, Minato-ku, Tokyo 105-0001
Sapporo Branch	2, Kita 1-jo Nishi 5, Chuo-ku, Sapporo, Hokkaido 060-0001
Sendai Branch	4-1, Ichiban-cho 2-chome, Aoba-ku, Sendai, Miyagi 980-0811
Corporate Business Dept. (Metropolitan Area No. 2)	65-2, Naka-cho 2-chome, Omiya-ku, Saitama, Saitama 330-0845
Niigata Branch	866, Rokuban-cho, Nishihori-dori, Chuo-ku, Niigata, Niigata 951-8061
Toyama Branch	5-13, Sakurabashi-dori, Toyama, Toyama 930-0004
Shizuoka Branch	5-9, Miyuki-cho, Aoi-ku, Shizuoka, Shizuoka 420-0857
Nagoya Branch	11-11, Nishiki 1-chome, Naka-ku, Nagoya, Aichi 460-0003
Kyoto Branch	659, Tearaimizu-cho, Nishikikozi-agaru, Karasuma-dori, Nakagyo-ku, Kyoto, Kyoto 604-8152
Osaka Business Dept.	1-1, Koraihashi 4-chome, Chuo-ku, Osaka, Osaka 541-0043
Kobe Branch	69, Kyomachi, Chuo-ku, Kobe, Hyogo 650-0034
Hiroshima Branch	1-22, Kamiyacho 2-chome, Naka-ku, Hiroshima, Hiroshima 730-0031
Takamatsu Branch	6-8, Bancho 1-chome, Takamatsu, Kagawa 760-0017
Fukuoka Branch	13-2, Tenzin 1-chome, Chuo-ku, Fukuoka, Fukuoka 810-0001





Major Group Companies (As of August 31, 2020)

Company Name	Locations	Paid-in Capital or Investment	Business Activity	Ownership
Mizuho-Toshiba Leasing Company, Limited	Japan	¥1,520 million	General leasing	90%
Dai-ichi Leasing Co., Ltd.	Japan	¥2,000 million	General leasing	90%
Universal Leasing Co., Ltd.	Japan	¥50 million	General leasing	90%
Mizuho Marubeni Leasing Corporation*	Japan	¥4,390 million	General leasing	50%
RICOH LEASING COMPANY, LTD.*	Japan	¥7,896 million	General leasing	20%
Mizuho Auto Lease Company, Limited	Japan	¥386 million	Auto leasing	100%
ML Estate Company, Limited	Japan	¥10 million	Real estate leasing	100%
ML Shoji Company, Limited	Japan	¥310 million	Used equipment sales	100%
ML Office Service Company, Limited	Japan	¥10 million	Office services	100%
Mizuho Leasing (China) Ltd.	China	US\$30,000 thousand	General leasing	100%
PT. Verena Multi Finance Tbk	Indonesia	IDR568,735,399 thousand	General leasing	67%
Mizuho Leasing (UK) Limited	United Kingdom	GBP6,000 thousand	General leasing	100%
Krung Thai IBJ Leasing Co., Ltd.*	Thailand	THB100,000 thousand	General leasing	49%
PNB-Mizuho Leasing and Finance Corporation*	Philippines	PHP1,000,000 thousand	General leasing	25%
PLM Fleet, LLC*	USA	US\$72,933 thousand	Trailer leasing	50%
AIRCASTLE LIMITED*	USA	US\$140	Aircraft leasing	25%
IBJ Air Leasing Limited	Bermuda	US\$1	Aircraft leasing	75%
IBJ Air Leasing (US) Corp.	USA	US\$100	Aircraft leasing	75%

\*An equity-method affiliate

Stock Information (As of March 31, 2020)

Stock Information

Number of Shares Authorized	140,000,000	Securities Code	8425
Number of Shares Issued	49,004,000	Shareholder Registry Administrator	Mizuho Trust & Banking Co., Ltd.
Number of Shareholders	44,056	(Office Location)	Stock Transfer Agency Department, Mizuho Trust & Banking Co., Ltd. 2-1, Yaesu 1-chome, Chuo-ku, Tokyo
Stock Exchange Listing	Tokyo Stock Exchange, 1st section		

Major Shareholders (Top 20)

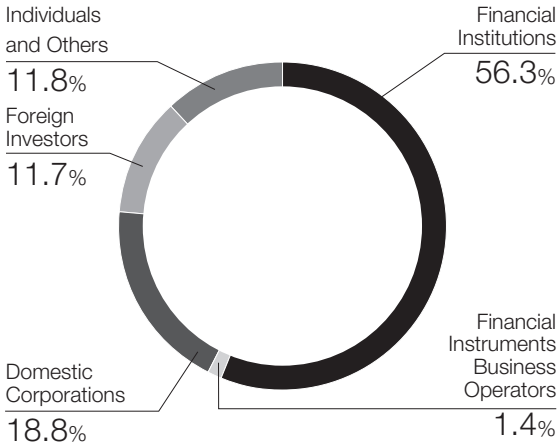
Shareholders	Number of Shares Held (1,000 shares)	Shareholding Ratio* (%)
Mizuho Bank, Ltd.	11,283	23.03
The Dai-ichi Life Insurance Company, Limited	2,930	5.98
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,059	4.20
NISSAN MOTOR CO., LTD. Retirement Benefit Trust Account, with the trustee being Mizuho Trust & Banking Co., Ltd., and re-trustee Trust & Custody Services Bank, Ltd.	1,750	3.57
UNIZO Holdings Company, Limited.	1,546	3.15
Meiji Yasuda Life Insurance Company	1,251	2.55
DOWA HOLDINGS CO., LTD.	1,120	2.29
Japan Trustee Services Bank, Ltd. (Trust Account)	1,098	2.24
Japan Trustee Services Bank, Ltd. (TOSHIBA CORPORATION Retirement Benefit Trust Account re-entrusted by the Mitsui Sumitomo Trust & Banking Co., Ltd.)	900	1.84
Japan Trustee Services Bank, Ltd. (Trust Account 9)	843	1.72
SSBTC CLIENT OMNIBUS ACCOUNT	733	1.50
Credit Saison Co., Ltd.	670	1.37
JP MORGAN CHASE BANK 385151	669	1.37
IINO KAIUN KAISHA, LTD.	666	1.36
Trust & Custody Services Bank, Ltd. (Trust Account E)	639	1.30
Japan Trustee Services Bank, Ltd. (Trust Account 5)	626	1.28
Sompo Japan Nipponkoa Insurance Inc.	540	1.10
Nippon Life Insurance Company	504	1.03
The Master Trust Bank of Japan, Ltd. (Retirement Benefit Trust, The Senshu Ikeda Bank, Ltd. Account)	405	0.83
KISSEI PHARMACEUTICAL CO., LTD.	400	0.82

\*Shareholding ratio is calculated by deducting treasury stock.

Stock Performance



Distribution of Shareholders







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**Mizuho Leasing Co., Ltd.**

2-6 Toranomom 1-chome, Minato-ku, Tokyo 105-0001, Japan

[www.mizuho-ls.co.jp](http://www.mizuho-ls.co.jp)

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