



SUMITOMO MITSUI FINANCE AND LEASING COMPANY, LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2022 and 2021



Independent Auditor's Report

To the Board of Directors of
Sumitomo Mitsui Finance and Leasing Company,Limited:

Opinion

We have audited the accompanying consolidated financial statements of Sumitomo Mitsui Finance and Leasing Company,Limited (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”), which comprise the consolidated balance sheets as at March 31, 2022 and 2021, the consolidated statements of income, comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in 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 ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to Note 36, “SUBSEQUENT EVENTS,” to the consolidated financial statements. A consolidated subsidiary of the Company SMBC Aviation Capital Limited resolved to acquire all shares of an aircraft lessor Goshawk Management (Ireland) Limited from Chow Tai Fook Enterprises Limited and NWS Holdings Limited subject to receiving permission from the relevant authorities, and concluded a share transfer agreement on May 16, 2022. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The estimate of the recoverable amount of the aircraft held as leased assets	
The key audit matter	How the matter was addressed in our audit
In the consolidated balance sheet of the Group, leased assets of ¥3,143,790 million were recognized, and of the impairment losses of ¥112,560 million on the leased assets, impairment losses on aircraft of ¥10,168 million and ¥102,202	In order to assess the appropriateness of the estimate of the recoverable amount of the aircraft held as leased assets by SMBC AC Group, we inquired of the management of SMBC AC, a consolidated subsidiary, about its business

million were recognized as costs and expenses and extraordinary losses, respectively in the consolidated statement of income, as described in Note 23, "IMPAIRMENT LOSS," to the consolidated financial statements. Aircraft held by the Company's subsidiary located in Ireland, SMBC Aviation Capital Limited, and its subsidiaries (hereinafter referred to as "SMBC AC Group") as leased assets accounted for a significant portion of the impairment losses. The extraordinary losses relate to leased assets for which SMBC AC Group terminated the contracts pursuant to the sanctions against Russia imposed by the European Union due to the dispute between Russia and Ukraine.

Aircraft held by SMBC AC Group are depreciated in a systematic manner. However, when there is an indication of impairment, the recoverable amount is required to be estimated, as described in Note 3, "SIGNIFICANT ACCOUNTING ESTIMATES, (2) Impairment losses on leased assets," to the consolidated financial statements. When the recoverable amount is less than the carrying amount, the carrying amount is reduced to the recoverable amount, and the resulting decrease in the carrying amount is recognized as an impairment loss.

While the recoverable amount of the aircraft with an impairment indicator is measured as the higher of the fair value less costs of disposal or the value in use. The fair value less costs of disposal is calculated based on the market value of the aircraft (reasonable third-party appraisal), and future cash flows and discount rates are used as significant assumptions in estimating the value in use. Because the future cash flows include estimates of future rents and the residual value of the aircraft, and the discount rates were calculated based on market interest rates and other market conditions, they are subject to management's subjective judgments and uncertainties. In particular, for the aircraft that were terminated due to sanctions against Russia, 34 aircraft of ¥197,886 million (net book value before impairment) were not repossessed at the end of the current fiscal year, and estimates of future cash flows for these aircraft have a significant impact on value in use because they involve subjective judgments by management and high degree of uncertainties regarding the possibilities of multiple scenarios, including full write-off of the aircraft, collection of scrap value of the aircraft or delayed repossession of the aircraft and conclusion of separate lease contracts.

environment including the impact of sanctions against Russia. We also instructed the component auditor of SMBC AC Group, to perform an audit. We evaluated the report received from the component auditor as to whether sufficient and appropriate audit evidence was obtained over the following procedures among others:

(1) Internal control testing

Test of the design and operating effectiveness of certain of SMBC AC Group's internal controls relevant to the estimate of the recoverable amount of the aircraft.

(2) Assessment of the appropriateness of the estimate of the recoverable amount

- Assessment of the appropriateness of the estimate by comparing the appraised value of the aircraft, used by management in estimating the fair value less costs of disposal, with the third-party appraisal that the component auditor obtained independently.
- Assessment of the appropriateness of the estimated future cash flows and discount rates used to estimate the value in use by:
 - comparing amounts of estimated future rents included in future cash flows with lease terms or data available from external appraisal organizations
 - comparing the appraised value calculated using the model, adopted by management, with the appraised value by external appraisal organizations, with respect to the estimated residual value included in future cash flows; and
 - collating the input data used to calculate the discount rate with external data and comparing with the results independently estimated by the auditor.

(3) Additional procedures for aircraft terminated due to sanctions against Russia

Inquiries of management and review of minutes related to communications with Russian airlines with regard to the possibilities of multiple scenarios, including full write-off of the aircraft, repossession of the aircraft with scrap value, delayed repossession of the aircraft and conclusion of separate lease contracts.

We, therefore, determined that our assessment of the appropriateness of the estimate of the recoverable amount of the aircraft held as leased assets by SMBC AC Group was one of the most significant in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.

Assessment of the receivables related to the domestic leasing business

The key audit matter	How the matter was addressed in our audit
In the consolidated balance sheet of the Group, allowance for doubtful accounts of ¥26,597 million was recognized. The allowance was mainly provided for the installment sales receivables of ¥564,835 million, lease receivables and investment assets of ¥2,172,294 million, loans receivables of ¥604,651 million, and delinquent receivables of ¥28,242 million recognized therein, and of these receivables, those related to the domestic leasing business of the Company, which submitted consolidated financial statements, accounted for a significant portion. As described in Note 3, “SIGNIFICANT ACCOUNTING ESTIMATES, (1) Allowance for doubtful accounts” to the consolidated financial statements, the amount of allowance for doubtful accounts on the receivables including installment sales receivables, lease receivables and investment assets, loans receivables, and delinquent receivables was measured for each borrower category, which was determined according to the assigned credit risk rating. Specifically, the Company classified borrowers based on the results of the asset self-assessment in accordance with its internal self-assessment standards for assets, and recognized an allowance for doubtful accounts according to their recoverability by multiplying the total amount of receivables related to the borrower category by the actual historical percentage of bad debts or by calculating the amount of an allowance based on the estimate of uncollectible amounts in reference to the collateral value and other factors. Borrower categories are determined based on quantitative factors including financial indicators, as well as qualitative factors such as future performance outlooks and cash flow conditions. Determining the borrower category based on qualitative factors requires specific expertise to industries which relevant borrowers belong to in order to evaluate the actual business conditions in view of the most recent economic environment	The primary procedures we performed to assess the reasonableness of receivables related to the Company’s domestic leasing business included the following: (1) Internal control testing We tested the design and operating effectiveness of certain of the Company’s internal controls relevant to determining the borrower categories. In this assessment, we focused our testing on the following: ● controls to validate whether the internal self-assessment standards complied with accounting standards; ● controls to ensure the reliability of the financial information of borrowers that were entered into the credit-risk management systems; and ● controls to ensure that borrowers were continuously monitored. (2) Assessment of the appropriateness of the determination of the borrower categories In order to assess whether the borrower categories were appropriately determined, we: ● assessed the appropriateness of the model for determining the borrower category, taking into consideration accounting standards, by inspecting relevant documents; ● examined whether the model for determining the borrower category should be re-examined by comparing to the allowance for doubtful accounts recognized in the previous fiscal year with provision for allowance for doubtful accounts and credit losses for the current fiscal year to evaluate any variances between them; and ● assessed whether the borrower categories were appropriately determined based on the internal self-assessment standards for certain

and risk factors related to individual borrowers, and involves significant management judgment. In particular, for sectors having concerns about deteriorating market conditions and declining demands continued from the previous fiscal year due to the prolonged effects of COVID-19, a high degree of uncertainty is involved in estimating the assumptions used to determine the borrower category, and careful judgement is required. We, therefore, determined that our assessment of the appropriateness of the determination of the borrower categories in the assessment of receivables related to the Company's domestic leasing business was one of the most significant in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	large borrowers whose borrower categories have a significant effect on profit and loss and the borrowers whose business performance have deteriorated, by primarily performing the following procedures: • Assessment of the accuracy of quantitative factors, such as financial ratios, by agreeing them with relevant documents; and • Evaluation of whether the borrower category was determined through sufficient consideration of qualitative factors such as the current economic environment and future forecasts, including the trends of the markets which borrowers belong to and the prolonged effects of COVID-19, by inspecting relevant documents and inquiring of personnel in the departments responsible for credit.
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Other Information

The other information comprises the information included in the disclosure documents that contain or accompany the audited financial statements, but does not include the financial statements and our auditor's report thereon.

We do not perform any work on the other information as we determine such information does not exist.

Responsibilities of Management and Corporate Auditors 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.

Corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of 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 our 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, and 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 an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express 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 presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, 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 corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with corporate auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2022 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.



Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

羽太典明

Noriaki Habuto
Designated Engagement Partner
Certified Public Accountant

羽生博文

Hirofumi Hanyu
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
August 10, 2022

SUMITOMO MITSUI FINANCE AND LEASING COMPANY, LIMITED
CONSOLIDATED BALANCE SHEETS
March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
<u>Assets</u>			
Current assets:			
Cash and bank deposits (Notes 13, 14 and 26)	¥ 318,296	¥ 267,722	\$ 2,600,247
Installment sales receivable (Note 28)	564,835	524,857	4,614,293
Lease receivables and investment assets (Notes 14, 27 and 28)	2,172,294	2,118,375	17,746,052
Loans receivable (Notes 14 and 28)	604,651	500,867	4,939,559
Short-term investment securities (Note 28)	2,017	4,958	16,484
Merchandise	6,553	9,421	53,540
Real estate for sale (Notes 13 and 14)	93,339	42,897	762,517
Real estate for sale in progress	3,846	-	31,427
Other (Notes 13 and 14)	197,637	192,552	1,614,556
Allowance for doubtful accounts	(14,486)	(15,512)	(118,344)
Total current assets	3,948,987	3,646,141	32,260,332
Property and equipment:			
Leased assets (Notes 8, 13, 14 and 23)	3,143,790	2,758,044	25,682,464
Allowance for loss on disposal of leased assets	(286)	(273)	(2,344)
Advances on purchases of leased assets (Notes 13 and 14)	152,963	160,184	1,249,603
Other operating assets (Notes 8 and 14)	77,764	46,022	635,280
Property and equipment for internal use (Notes 8 and 23)	5,907	6,185	48,262
Total property and equipment	3,380,139	2,970,164	27,613,265
Intangible assets:			
Goodwill	66,553	76,624	543,689
Other	70,812	75,216	578,485
Total intangible assets	137,365	151,841	1,122,174
Investments and other assets:			
Investment securities (Notes 14, 28 and 29)	268,033	222,040	2,189,636
Long-term loans receivable	1	3	14
Delinquent receivables (Notes 10, 14 and 28)	28,242	35,493	230,722
Deferred tax assets (Note 24)	24,448	21,962	199,724
Net defined benefit asset (Note 16)	70	4	576
Other (Note 13)	20,781	16,579	169,767
Allowance for doubtful accounts	(12,111)	(22,235)	(98,939)
Total investments and other assets	329,466	273,848	2,691,500
Total assets	¥ 7,795,958	¥ 7,041,995	\$ 63,687,271

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SUMITOMO MITSUI FINANCE AND LEASING COMPANY, LIMITED
CONSOLIDATED BALANCE SHEETS
March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Liabilities and Net Assets			
Current liabilities:			
Trade notes payable and accounts payable (Note 28)	¥ 91,145	¥ 80,588	\$ 744,593
Short-term loans (Notes 11, 13, 14 and 28)	1,241,085	1,024,954	10,138,761
Long-term loans due within one year (Note 11)	481,290	454,577	3,931,792
Bonds due within one year (Notes 12, 13, 14 and 28)	144,905	133,274	1,183,768
Commercial paper (Notes 11 and 28)	959,700	954,400	7,840,046
Payables under securitization of lease receivables (Notes 11, 15 and 28)	2,600	7,760	21,240
Long-term payables under securitization of lease receivables due within one year (Note 11)	21,045	14,906	171,923
Lease obligations (Notes 11, 27 and 28)	13,694	16,173	111,876
Income taxes payable	7,529	7,772	61,512
Deferred profit on installment sales	20,125	19,032	164,410
Reserve for employee bonuses	2,296	1,874	18,760
Reserve for directors' bonuses	567	438	4,639
Asset retirement obligations (Note 18)	0	2	7
Other (Note 14)	147,384	154,483	1,204,021
Total current liabilities	3,133,371	2,870,239	25,597,349
Non-current liabilities:			
Bonds (Notes 12, 13, 14, 28 and 29)	754,855	687,364	6,166,614
Long-term loans (Notes 11, 13, 14 and 28)	2,501,636	2,171,217	20,436,540
Long-term payables under securitization of lease receivables (Notes 11, 15 and 28)	41,461	28,155	338,710
Lease obligations (Notes 11, 27 and 28)	24,584	28,577	200,836
Deferred tax liabilities (Note 24)	63,248	58,601	516,691
Reserve for directors' retirement benefits	399	272	3,265
Net defined benefit liability (Note 16)	4,953	6,721	40,466
Guarantee deposits received (Notes 14 and 28)	142,923	127,762	1,167,583
Asset retirement obligations (Note 18)	3,985	2,858	32,558
Other	102,997	138,158	841,411
Total non-current liabilities	3,641,045	3,249,689	29,744,675
Total liabilities	6,774,417	6,119,928	55,342,024
Net assets:			
Shareholders' equity:			
Capital stock	15,000	15,000	122,539
Capital surplus	421,975	412,086	3,447,234
Retained earnings	402,421	379,836	3,287,485
Treasury stock	(73,313)	(73,313)	(598,918)
Total shareholders' equity	766,083	733,609	6,258,340
Accumulated other comprehensive income:			
Net unrealized holding gains or losses on securities	25,977	26,382	212,214
Deferred gains or losses on hedges	(11,069)	(28,332)	(90,430)
Foreign currency translation adjustments	48,969	18,490	400,047
Remeasurements of defined benefit plans	(805)	(1,548)	(6,577)
Total accumulated other comprehensive income	63,072	14,991	515,254
Stock acquisition rights	123	-	1,009
Non-controlling interests	192,262	173,465	1,570,644
Total net assets	1,021,541	922,067	8,345,247
Total liabilities and net assets	¥ 7,795,958	¥ 7,041,995	\$ 63,687,271

See accompanying notes.

SUMITOMO MITSUI FINANCE AND LEASING COMPANY, LIMITED
CONSOLIDATED STATEMENTS OF INCOME
Years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Revenues:			
Leasing	¥ 1,279,068	¥ 1,034,558	\$ 10,449,054
Installment sales	412,778	347,247	3,372,100
Loans	17,520	25,533	143,134
Other	109,167	30,954	891,817
Total revenues	1,818,535	1,438,293	14,856,105
Costs and expenses:			
Leasing	1,060,094	862,476	8,660,195
Installment sales	397,311	331,316	3,245,744
Interest expenses	76,120	73,316	621,851
Other	63,356	14,832	517,574
Total costs and expenses (Note 23)	1,596,883	1,281,942	13,045,364
Gross profit	221,652	156,351	1,810,741
Selling, general and administrative expenses (Note 22)	105,440	114,956	861,373
Operating income	116,212	41,395	949,368
Other income (expenses):			
Interest income	122	125	1,000
Dividend income	1,285	1,623	10,501
Interest expenses	(4,043)	(2,750)	(33,029)
Equity in earnings of affiliates	7,947	4,099	64,927
Foreign exchange gains (losses)	(2,153)	(118)	(17,595)
Amortization of bond issuance cost	(257)	(361)	(2,101)
Gain on sales of investment securities	1,285	1,885	10,501
Gain on bargain purchase (Notes 26 and 33)	1,208	-	9,871
Loss on sale or disposal of property and equipment for internal use	(60)	(239)	(497)
Expenses related to system migration	-	(3,484)	-
Other—net	172	913	1,405
Total other income (expenses)—net	5,506	1,693	44,983
Extraordinary losses:			
Loss on economic sanctions on Russia (Note 23)	(81,966)	-	(669,610)
Total extraordinary losses—net	(81,966)	-	(669,610)
Profit before income taxes	39,751	43,088	324,741
Income taxes:			
Current	17,349	10,941	141,737
Deferred	(7,277)	(2,949)	(59,448)
Profit	29,678	35,096	242,452
Profit attributable to non-controlling interests	(5,684)	1,468	(46,440)
Profit attributable to owners of parent	¥ 35,363	¥ 33,627	\$ 288,892
	Yen		U.S. dollars
	2022	2021	2022
Per share of common stock (Note 35):			
Earnings per share	¥ 404.83	¥ 436.54	\$ 3.31

See accompanying notes.

SUMITOMO MITSUI FINANCE AND LEASING COMPANY, LIMITED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Profit	¥ 29,678	¥ 35,096	\$ 242,452
Other comprehensive income:			
Net unrealized holding gains or losses on securities	(252)	9,575	(2,064)
Deferred gains or losses on hedges	24,196	22,496	197,669
Foreign currency translation adjustments	44,082	4,352	360,125
Remeasurements of defined benefit plans	796	1,759	6,503
Share of other comprehensive income of affiliates accounted for using equity method	579	504	4,731
Total other comprehensive income	69,402	38,688	566,965
Comprehensive income	¥ 99,080	¥ 73,785	\$ 809,417
Comprehensive income attributable to:			
Owners of parent	¥ 83,443	¥ 62,261	\$ 681,673
Non-controlling interests	15,637	11,524	127,744

See accompanying notes.

SUMITOMO MITSUI FINANCE AND LEASING COMPANY, LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
Years ended March 31, 2022 and 2021

Millions of yen						
	Shareholders' equity					Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock		
Balance at April 1, 2020	¥ 15,000	¥ 419,255	¥ 362,264	¥ (168,639)	¥	627,880
Changes during the period						
Dividends			(15,554)			(15,554)
Profit attributable to owners of parent			33,627			33,627
Purchase of shares of consolidated subsidiaries		(11,842)				(11,842)
Disposal of treasury stock		4,673		95,326		100,000
Change in scope of consolidation			(501)			(501)
Net changes other than shareholders' equity						
Total changes during the period	-	(7,168)	17,571	95,326		105,729
Balance at March 31, 2021	¥ 15,000	¥ 412,086	¥ 379,836	¥ (73,313)	¥	733,609
Accumulated other comprehensive income						
	Net unrealized holding gains or losses on securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests
Balance at April 1, 2020	¥ 16,671	¥ (42,617)	¥ 15,905	¥ (3,600)	¥ (13,641)	¥ 121,303
Changes during the period						
Dividends						(15,554)
Profit attributable to owners of parent						33,627
Purchase of shares of consolidated subsidiaries						(11,842)
Disposal of treasury stock						100,000
Change in scope of consolidation						(501)
Net changes other than shareholders' equity	9,710	14,284	2,584	2,052	28,633	52,162
Total changes during the period	9,710	14,284	2,584	2,052	28,633	52,162
Balance at March 31, 2021	¥ 26,382	¥ (28,332)	¥ 18,490	¥ (1,548)	¥ 14,991	¥ 173,465
						¥ 922,067

SUMITOMO MITSUI FINANCE AND LEASING COMPANY, LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
Years ended March 31, 2022 and 2021

	Millions of yen				
	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	
Balance at April 1, 2021	¥ 15,000	¥ 412,086	¥ 379,836	¥ (73,313)	¥ 733,609
Changes during the period					
Dividends			(12,666)		(12,666)
Profit attributable to owners of parent			35,363		35,363
Purchase of shares of consolidated subsidiaries		(333)			(333)
Sales of shares of consolidated subsidiaries		10,222			10,222
Change in scope of consolidation			(112)		(112)
Net changes other than shareholders' equity					
Total changes during the period	-	9,888	22,584	-	32,473
Balance at March 31, 2022	¥ 15,000	¥ 421,975	¥ 402,421	¥ (73,313)	¥ 766,083
	Accumulated other comprehensive income				Total accumulated other comprehensive income
	Net unrealized holding gains or losses on securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	
Balance at April 1, 2021	¥ 26,382	¥ (28,332)	¥ 18,490	¥ (1,548)	¥ 14,991
Changes during the period					
Dividends					
Profit attributable to owners of parent					
Purchase of shares of consolidated subsidiaries					
Sales of shares of consolidated subsidiaries					
Change in scope of consolidation					
Net changes other than shareholders' equity	(405)	17,262	30,479	742	48,080
Total changes during the period	(405)	17,262	30,479	742	48,080
Balance at March 31, 2022	¥ 25,977	¥ (11,069)	¥ 48,969	¥ (805)	¥ 63,072
	Stock acquisition rights	Non-controlling interests	Total net assets		
Balance at April 1, 2021	¥ -	¥ 173,465	¥ 922,067		
Changes during the period					
Dividends			(12,666)		
Profit attributable to owners of parent			35,363		
Purchase of shares of consolidated subsidiaries			(333)		
Sales of shares of consolidated subsidiaries			10,222		
Change in scope of consolidation			(112)		
Net changes other than shareholders' equity	123	18,797	67,001		
Total changes during the period	123	18,797	99,474		
Balance at March 31, 2022	¥ 123	¥ 192,262	¥ 1,021,541		

SUMITOMO MITSUI FINANCE AND LEASING COMPANY, LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
Years ended March 31, 2022 and 2021

Thousands of U.S. dollars					
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2021	\$ 122,539	\$ 3,366,448	\$ 3,102,986	\$ (598,918)	\$ 5,993,055
Changes during the period					
Dividends			(103,475)		(103,475)
Profit attributable to owners of parent			288,892		288,892
Purchase of shares of consolidated subsidiaries		(2,727)			(2,727)
Sales of shares of consolidated subsidiaries		83,512			83,512
Change in scope of consolidation			(918)		(918)
Net changes other than shareholders' equity					
Total changes during the period	-	80,786	184,499	-	265,285
Balance at March 31, 2022	\$ 122,539	\$ 3,447,234	\$ 3,287,485	\$ (598,918)	\$ 6,258,340
	Accumulated other comprehensive income				Total accumulated other comprehensive income
	Net unrealized holding gains or losses on securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	
Balance at April 1, 2021	\$ 215,524	\$ (231,456)	\$ 151,051	\$ (12,646)	\$ 122,473
Changes during the period					
Dividends					
Profit attributable to owners of parent					
Purchase of shares of consolidated subsidiaries					
Sales of shares of consolidated subsidiaries					
Change in scope of consolidation					
Net changes other than shareholders' equity	(3,310)	141,026	248,997	6,069	392,781
Total changes during the period	(3,310)	141,026	248,997	6,069	392,781
Balance at March 31, 2022	\$ 212,214	\$ (90,430)	\$ 400,047	\$ (6,577)	\$ 515,254
	Stock acquisition rights	Non-controlling interests	Total net assets		
Balance at April 1, 2021	\$ -	\$ 1,417,084	\$ 7,532,612		
Changes during the period					
Dividends			(103,475)		
Profit attributable to owners of parent			288,892		
Purchase of shares of consolidated subsidiaries			(2,727)		
Sales of shares of consolidated subsidiaries			83,512		
Change in scope of consolidation			(918)		
Net changes other than shareholders' equity	1,009	153,560	547,350		
Total changes during the period	1,009	153,560	812,635		
Balance at March 31, 2022	\$ 1,009	\$ 1,570,644	\$ 8,345,247		

SUMITOMO MITSUI FINANCE AND LEASING COMPANY, LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Cash flows from operating activities:			
Profit before income taxes	¥ 39,751	¥ 43,088	\$ 324,741
Depreciation of leased assets and property and equipment for internal use	138,936	116,330	1,135,006
Impairment loss	10,358	19,907	84,618
Amortization of goodwill	10,157	9,120	82,982
Increase (decrease) in allowance for doubtful accounts	(13,639)	21,286	(111,423)
Increase (decrease) in other reserves	675	(258)	5,516
Increase (decrease) in net defined benefit liability	(759)	(796)	(6,206)
Gain on bargain purchase	(1,208)	-	(9,871)
Loss (gain) on disposal of property and equipment for internal use	60	237	496
Loss (gain) on valuation of investment securities	64	26	525
Loss (gain) on liquidation of investment securities	11	-	96
Loss on valuation of golf club memberships	2	-	16
Loss on economic sanctions on Russia	81,966	-	669,610
Interest income and dividend income	(1,407)	(1,749)	(11,501)
Interest expenses	80,163	76,067	654,880
Amortization of bond issuance cost	257	361	2,101
Equity in losses (earnings) of affiliates	(7,947)	(4,099)	(64,927)
Loss (gain) on disposal of leased assets	(16,201)	(8,690)	(132,352)
Loss (gain) on sales of investment securities	(1,172)	(1,746)	(9,576)
Decrease (increase) in installment sales receivable	(21,469)	24,193	(175,389)
Net decrease (increase) in lease receivables and investment assets	(19,334)	39,195	(157,951)
Decrease (increase) in loans receivable	(83,267)	(139,833)	(680,235)
Decrease (increase) in operational investment securities	(5,301)	(1,007)	(43,313)
Decrease (increase) in delinquent receivables	9,096	(17,994)	74,310
Decrease (increase) in real estate for sale	(50,442)	-	(412,079)
Decrease (increase) in real estate for sale in progress	(3,846)	-	(31,427)
Purchase of leased assets	(803,303)	(670,458)	(6,562,400)
Proceeds from sales of leased assets	279,661	107,936	2,284,631
Decrease (increase) in advances on purchases of leased assets	18,625	217,248	152,155
Purchase of other operating assets	(28,575)	(36,998)	(233,443)
Increase (decrease) in trade notes payable and accounts payable	10,040	(6,073)	82,023
Other—net	81,926	(10,830)	669,283
	(296,122)	(225,537)	(2,419,104)
Interest income and dividend received	3,678	2,986	30,051
Interest expense paid	(77,880)	(65,697)	(636,223)
Income taxes paid	(18,316)	(8,610)	(149,630)
Net cash used in operating activities	(388,640)	(296,859)	(3,174,906)
Cash flows from investing activities:			
Purchase of property and equipment for internal use	(5,670)	(6,232)	(46,326)
Proceeds from sales of property and equipment for internal use	0	25	6
Purchase of investment securities	(34,111)	(1,426)	(278,667)
Proceeds from sales and redemption of investment securities	4,569	3,607	37,326
Decrease (increase) in time deposits	3,272	-	26,737
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(3,836)	(50,338)	(31,340)
Other—net	(807)	2,138	(6,596)
Net cash used in investing activities	(36,583)	(52,226)	(298,860)

SUMITOMO MITSUI FINANCE AND LEASING COMPANY, LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Cash flows from financing activities:			
Net increase (decrease) in short-term loans	193,896	(12,518)	1,583,995
Net increase (decrease) in commercial paper	5,300	(67,500)	43,297
Proceeds from long-term loans	976,906	1,061,580	7,980,609
Repayments of long-term loans	(728,845)	(748,480)	(5,954,135)
Proceeds from securitization of lease receivables	36,720	52,711	299,975
Repayments of payables under securitization of lease receivables	(35,203)	(62,516)	(287,591)
Proceeds from issuance of bonds	190,219	121,938	1,553,954
Redemption of bonds	(140,376)	(70,400)	(1,146,771)
Repayments of lease obligations	(1,093)	(1,584)	(8,930)
Decrease (increase) in pledged deposits	44,275	26,581	361,700
Cash dividends paid	(12,666)	(15,554)	(103,475)
Cash dividends paid to non-controlling interests	(647)	(179)	(5,292)
Payments from non-controlling interests	16,543	2,017	135,149
Repayments to non-controlling interests	(33,474)	-	(273,466)
Proceeds from sales of treasury stock	-	100,000	-
Proceeds from issuance of stock acquisition rights	123	-	1,009
Net cash provided by financing activities	511,677	386,094	4,180,030
Effect of exchange rate change on cash and cash equivalents	7,666	910	62,631
Net increase (decrease) in cash and cash equivalents	94,120	37,919	768,895
Cash and cash equivalents at the beginning of the year	224,005	185,864	1,829,963
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	(229)	222	(1,878)
Cash and cash equivalents at the end of the year	¥ 317,896	¥ 224,005	\$ 2,596,980

See accompanying notes.

1. BASIS OF PRESENTATION

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

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

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

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

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2022, which was ¥122.41 to US\$1. These translations should not be construed as representation that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at that rate.

2. SIGNIFICANT ACCOUNTING POLICIES FOR PREPARING CONSOLIDATED FINANCIAL STATEMENTS

(1) Scope of consolidation

(a) Consolidated subsidiaries

The number of consolidated subsidiaries at March 31, 2022 was 153.

Principal companies at March 31, 2022 were as follows:

SMFL MIRAI Partners Co., Ltd.

SMFL MIRAI Partners Investment 2 Co., Ltd.

Kenedix, Inc. and its 41 subsidiaries

SC Club Co., Ltd.

SFI Leasing Company, Limited

SMFL Rental Company, Limited

AJCC Corporation

MAX-REALTY INC.

Kyushu Capital Finance Company, Limited

YANMAR CREDIT SERVICE CO., LTD.

SMFL Trust Company, Limited

SMFL Business Service Company, Limited

SMBC Aviation Capital Limited

SMBC Aviation Capital (UK) Limited

SMBC Aero Engine Lease B.V.

SMFL LCI Helicopters Limited

Sumitomo Mitsui Finance and Leasing (China) Co., Ltd.
Shanghai Sumitomo Mitsui General Finance and Leasing Co., Ltd.
Shanghai Sumitomo Mitsui Finance and Leasing Co., Ltd.
Sumitomo Mitsui Finance and Leasing (Singapore) Pte. Ltd.
SMFL Hire Purchase (Malaysia) Sdn. Bhd.
SMFL Leasing (Malaysia) Sdn. Bhd.
PT. SMFL Leasing Indonesia
DMG MORI Finance GmbH
SMFL Leasing (Thailand) Co., Ltd.
Sumitomo Mitsui Finance and Leasing (Hong Kong) Ltd.
Other 86 companies

YANMAR CREDIT SERVICE CO., LTD. and other 32 companies were newly included in the scope of consolidation due to the acquisitions of shares in the fiscal year ended March 31, 2022.

SMKY SHIPPING S.A. and other 25 companies were excluded from the scope of consolidation due to liquidation in the fiscal year ended March 31, 2022.

(b) Unconsolidated subsidiaries

Eifel Leasing Co., Ltd. and other 137 companies have been excluded from the scope of consolidation pursuant to Article 5 Paragraph 1 Item 2 of Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements because they are operators of silent partnerships for lease transactions and their assets and profits/losses do not belong to them substantially.

Irmak Leasing Co., Ltd. and other 92 companies have been excluded from the scope of consolidation because they are small business and the effect of their total assets, revenues, profit or loss (the amount in proportion to the share held by the Company), and retained earnings (the amount in proportion to the share held by the Company) on the accompanying consolidated financial statements are not significant.

(2) Application of the equity method

(a) Affiliates accounted for by the equity method: 36 companies

Sumitomo Mitsui Auto Service Company, Limited
NEC Capital Solutions Limited
CRE, Inc.
SMART Incorporated
Mirai Energy Partners Co., Ltd.
The Shimizu Lease and Card Co., Ltd.
Other 30 companies

6 companies were newly included in the scope of equity method due to the acquisition of shares in the fiscal year ended March 31, 2022.

3 companies were excluded from the scope of equity method due to liquidation in the fiscal year ended March 31, 2022.

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

Eifel Leasing Co., Ltd. and other 137 unconsolidated subsidiaries have been excluded from the scope of equity method pursuant to Article 10 Paragraph 1 Item 2 of Ordinance on Terminology,

Forms and Preparation Methods of Consolidated Financial Statements because they are operators of silent partnerships for lease transactions and their assets and profit/losses do not belong to them substantially.

Irmak Leasing Co., Ltd. and other 92 unconsolidated subsidiaries, and Bangkok SMBC Consulting Co., Ltd. have been excluded from the scope of equity method because the effect of their profit or loss (the amount in proportion to the share held by the Company) and retained earnings (the amount in proportion to the share held by the Company) on the accompanying consolidated financial statements are not significant.

(3) The balance sheet dates of consolidated subsidiaries

The balance sheet date of Sumitomo Mitsui Finance and Leasing (China) Co., Ltd. and other 63 companies is December 31. The balance sheet date of Aviation Management Co., Ltd. is the end of February. They are consolidated on the basis of their respective balance sheet dates because the differences from consolidated balance sheet date are three months or less.

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

Amador Leasing Co., Ltd. and other 55 companies are consolidated based on provisional financial statements as of the consolidated balance sheet date.

(4) Accounting policies

(a) Securities

Other securities (Securities other than trading purpose securities, held-to-maturity securities and investments in unconsolidated subsidiaries and affiliates are classified as "Other securities.")

Other securities other than stocks, etc. with no market value: These are carried at their fiscal year-end market prices. Unrealized gains and losses, net of applicable taxes, are reported in a separate component of net assets. The costs of securities sold are calculated by moving-average method.

Stocks, etc. with no market value in other securities: Carrying amounts are calculated mainly by using moving-average cost method.

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

(b) Derivative transactions

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

(c) Inventories

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

(d) Leased assets

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

(e) Other operating assets

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

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

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

Buildings 2 to 50 years

Office Equipment 2 to 20 years

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

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

(h) Lease rental assets used as lessees

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

(i) Allowance for doubtful accounts

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

As for claims in bankruptcy etc., the amounts deemed uncollectible were directly written off. The amounts directly written off for the fiscal years ended March 31, 2022 and 2021 were ¥35,903 million (US\$293,301 thousand) and ¥38,513 million, respectively.

(j) Allowance for loss on disposal of leased assets

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

(k) Reserve for employee bonuses

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

(l) Reserve for directors' bonuses

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

(m) Reserve for directors' retirement benefits

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

(n) Accounting method for severance and retirement benefits

The benefit formula basis is used to attribute expected retirement benefits to the respective fiscal year in calculating projected benefit obligations.

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

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

(o) Recognition of income and expense

i) Recognition of income and expense on finance leases

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

ii) Recognition of income on operating leases

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

(p) Foreign currency translation

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

(q) Hedge accounting

i) Hedge accounting methods

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

ii) Hedging instruments and hedged items

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

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

iii) Hedging policy and method of assessing hedge effectiveness

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

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

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

(r) Goodwill

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

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

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

For the purpose of presenting the consolidated statements of cash flows, cash and cash equivalents represent cash, due from banks and short-term investments due within three

months from the date of acquisition, which are easily convertible into cash with little or no risk from fluctuation in value.

(t) Interest expense on development projects

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

(u) Application of the consolidated taxation system

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

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

The Company and some of its consolidated subsidiaries in Japan will transition from the consolidated taxation system to the group tax sharing system from the next fiscal year. However, having regard to paragraph 3 of “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (Accounting Standards Board of Japan (“ASBJ”) Practical Issues Task Force (“PITF”) No. 39, March 31, 2020), the Company and its domestic consolidated subsidiaries did not follow paragraph 44 of “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, February 16, 2018) but applied provisions of pre-amended tax laws when calculating the amounts of deferred tax assets and liabilities that relate to transitioning to the group taxation system and related amendments of tax laws for transitioning to the single tax payment system. From the beginning of the next fiscal year, the Company plans to apply “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (ASBJ PITF No. 42, August 12, 2021), which prescribes treatment for accounting and disclosure for income tax, local income tax, and tax effect accounting in cases where the group tax sharing system is applied.

3. SIGNIFICANT ACCOUNTING ESTIMATES

(1) Allowance for doubtful accounts

a. Carrying amounts in the consolidated financial statements for the year ended March 31, 2022

As of March 31,	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Allowance for doubtful accounts	¥ 26,597	¥ 37,747	\$ 217,278

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

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

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

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

(2) Impairment losses on leased assets

a. Carrying amounts in the consolidated financial statements for the year ended March 31, 2022

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Leased assets.....	¥ 3,143,790	¥ 2,758,044	\$ 25,682,464
Impairment losses on leased assets.....			
Costs and expenses.....	10,358	19,907	84,617
Extraordinary losses	102,202 (*1)	-	834,915

Note:

*1. Due to leased assets relating to the contracts terminated by SMBC Aviation Capital Limited, a consolidated subsidiary of the Company, pursuant to the rules of the sanctions against Russia imposed by the European Union due to Russia's invasion of Ukraine.

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

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

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

The future cash flows and discount rates used as assumptions in the estimates are calculated based on the secondhand trading market and other market conditions, taking into consideration the status of lease contracts as of the end of the fiscal year. In addition, for leased assets that are likely to be affected by COVID-19, the Group has made accounting estimates assuming that the effects of COVID-19 will continue over a certain period of time, based on information from several external sources. Furthermore, leased assets subject to contract termination pursuant to the rules of sanctions against Russia (34 aircraft, net book value of ¥197,886 million (US\$1,616,584 thousand) before impairment) involve a high degree of uncertainty due to the Russia-Ukraine situation. In evaluating the aircraft which remain in Russia, an impairment rate of 52% has been calculated taking into consideration multiple scenarios including the full write-off of the aircraft, collection of scrap value of the aircraft or delayed repossession of the aircraft and conclusion of separate lease contracts.

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

(3) Deferred tax assets

a. Carrying amounts in the consolidated financial statements for the year ended March 31, 2022

As of March 31,	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Deferred tax assets	¥ 24,448	¥ 21,962	\$ 199,724
Deferred tax liabilities.....	63,248	58,601	516,691

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

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

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

The judgment on the recoverability of deferred tax assets is based on the scheduling of future taxable income and temporary differences, etc., which are estimated by revising the figures assumed in the medium-term management plan in line with external factors such as the business environment, the Group's business performance, and the status of achievement of the medium-term management plan. In addition, the Group has made accounting estimates assuming that the effects of COVID-19 will continue over a certain period of time, based on information from several external sources.

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

4. CHANGE IN ACCOUNTING POLICY

For the fiscal year ended March 31, 2022

Application of Accounting Standard for Revenue Recognition, etc.

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

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

Application of Accounting Standard for Fair Value Measurement, etc.

The Company and its domestic consolidated subsidiaries have applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the fiscal year ended March 31, 2022, and decided to apply the new accounting policies prescribed in the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional measures provided for in paragraph 19 of the Accounting Standard For Fair Value Measurement, and paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). As a result of this application, the method used to evaluate the stocks with market value in other securities has been changed from the fair value method based on their average market value during the one month prior to the balance sheet date to the fair value method based on their market value at the balance sheet date.

Moreover, Note 28. FINANCIAL INSTRUMENTS includes notes to components of fair values of financial instruments by level, etc.

For the fiscal year ended March 31, 2021

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

5. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

- **“Implementation Guidance on Accounting Standard for Fair Value Measurement”** (ASBJ Guidance No. 31, June 17, 2021)

(1) Overview

Based on the June 17, 2021 revision of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31), as a certain period of time was considered to be required for discussions, etc. with related parties for the “fair value measurement of investment trusts” and as certain consideration was required also for notes on the fair value of “investments in partnerships, etc. that are carried on the balance sheet at the net value of the equity interest” at the time of the accounting standard’s announcement on July 4, 2019, after the “Accounting Standard for Fair Value Measurement” was announced, items that have been given further consideration over about one year have been revised and announced.

(2) Effective date

Effective from the beginning of the fiscal year ending March 31, 2023.

(3) Effects of the application of the standards

The effects of applying the Implementation Guidance on Accounting Standard for Fair Value Measurement on the consolidated financial statements are currently under evaluation.

6. CHANGES IN PRESENTATION METHOD

For the fiscal year ended March 31, 2022

There were no changes in presentation in the fiscal year ended March 31, 2022.

For the fiscal year ended March 31, 2021

Adoption of “Accounting Standard for Disclosure of Accounting Estimates”

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

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

7. ADDITIONAL INFORMATION

For the fiscal year ended March 31, 2022

There was no additional information in the fiscal year ended March 31, 2022.

For the fiscal year ended March 31, 2021

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

8. ADVANCED DEPRECIATION AND ACCUMULATED DEPRECIATION OF PROPERTY AND EQUIPMENT

The Company applied advanced depreciation to property and equipment (leased assets) purchased with government subsidy. ¥20 million (US\$163 thousand) and ¥27 million were deducted from the cost of property and equipment (leased assets) at March 31, 2022 and 2021, respectively.

Accumulated depreciation of property and equipment at March 31, 2022 and 2021 were as follows:

At March 31,	Millions of yen		Thousands of U.S. dollars	
	2022	2021	2022	
Leased assets	¥ 662,612	¥ 466,761	\$ 5,413,054	
Other operating assets	5,527	2,028	45,151	
Property and equipment for internal use.....	8,643	7,219	70,607	

Note:

Accumulated depreciation includes accumulated impairment loss.

9. INVESTMENT AND RENTAL PROPERTY

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

Rental profits were ¥27,502 million (US\$224,671 thousand) and ¥20,256 million (rental profits are recorded as revenues and rental expenses are recorded as costs and expenses) for the fiscal years ended March 31, 2022 and 2021, respectively.

The carrying amounts in the consolidated balance sheets, the increase/decrease during the fiscal year, and the fair value of the rental properties for the fiscal years ended March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2022	2021	2022	
Carrying amounts in the consolidated balance sheets:				
Beginning balance	¥ 956,990	¥ 811,053	\$ 7,817,907	
Net increase during the fiscal year	159,859	145,936	1,305,931	
Ending balance	1,116,849	956,990	9,123,838	
Fair value at the balance sheet date	1,299,832	1,061,119	10,618,675	

Notes:

1. The carrying amounts in the consolidated balance sheets represent the acquisition cost less accumulated depreciation and accumulated impairment loss.
2. For the fiscal year ended March 31, 2022, the main reason for the increase was the purchase of property of ¥329,882 million (US\$2,694,894 thousand) and the main reason for the decrease was the sales of property of ¥148,713 million (US\$1,214,876 thousand). For the fiscal year ended March 31, 2021, the main reasons for the increase were the purchase of property of ¥187,717 million and the acquisition of shares of Kenedix, Inc. and its subsidiaries of ¥39,736 million, and the main reason for the decrease was the sales of property of ¥82,934 million.
3. With regard to the fair value at the balance sheet date, the fair values of major properties were estimated based on Japan's Real Estate Appraisal Standard. For other properties, fair values were estimated based on consistent values and indices that are judged as appropriately reflecting market values.

10. DELINQUENT RECEIVABLES

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

11. BORROWED MONEY

At March 31,	Millions of Yen		Thousands of U.S. Dollars	Weighted average interest rate (%)	Due
	2022	2021	2022		
Short-term loans from banks and other financial institutions	¥ 1,239,150	¥ 1,024,466	\$ 10,122,947	0.24	-

Sumitomo Mitsui Finance and Leasing Company, Limited
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2022 and 2021

Short-term non-recourse loans from banks and other financial institutions	1,935	488	15,808	0.67	-
Long-term loans due within one year from banks and other financial institutions	472,689	436,960	3,861,523	1.47	-
Long-term non-recourse loans due within one year from banks and other financial institutions	8,600	17,617	70,256	1.20	-
Lease obligations due within one year	13,694	16,173	111,876	2.76	-
Long-term loans excluded due within one year from banks and other financial institutions	2,388,697	2,095,999	19,513,904	1.87	Apr. 2023 - Sep. 2038
Non-recourse long-term loans excluded due within one year from banks and other financial institutions	112,939	75,218	922,629	0.92	Sep. 2023 - Dec. 2026
Lease obligations excluded due within one year	24,584	28,577	200,836	4.67	Apr. 2023 - Nov. 2035
Other interest bearing debts					
Commercial paper due within one year	959,700	954,400	7,840,046	0.01	-
Payables under securitization of lease receivables	2,600	7,760	21,240	0.09	-
Long-term payables under securitization of lease receivables due within one year	21,045	14,906	171,923	1.15	-
Long-term payables under securitization of lease receivables	41,461	28,155	338,710	1.06	Apr. 2023 - Jul. 2037
Total	¥ 5,287,098	¥ 4,700,724	\$ 43,191,716	-	-

Notes:

1. Weighted average interest rates are calculated based on the year-end balance of the borrowings.
2. The repayment schedule on long-term loans, lease obligations, other interest bearing debts and non-recourse loans excluding due within one year subsequent to March 31, 2022 was as follows:

	Millions of yen	Thousands of U.S. dollars
Long-term loans	¥	\$
After one year through two years	371,912	3,038,249
After two years through three years	390,962	3,193,873
After three years through four years	459,033	3,749,963
After four years through five years	308,169	2,517,515
Lease obligations		
After one year through two years	¥ 9,989	\$ 81,603
After two years through three years	6,653	54,350
After three years through four years	3,924	32,056
After four years through five years	2,385	19,484
Other interest bearing debts		
After one year through two years	¥ 18,606	\$ 151,997
After two years through three years	10,182	83,179
After three years through four years	3,343	27,309
After four years through five years	1,676	13,692
Long-term non-recourse loans		
After one year through two years	¥ 1,615	\$ 13,193
After two years through three years	20,550	167,878
After three years through four years	26,060	212,891
After four years through five years	63,176	516,102

Sumitomo Mitsui Finance and Leasing Company, Limited
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2022 and 2021

12. BONDS

Issuers	Date of issuance	Millions of yen		Thousands of U.S. Dollars	Interest rate (%)	Collateral	Due
		2022	2021	2022			
The Company:							
Euro Medium Term Note (Japanese yen)	Apr. 18, 2019 -Mar. 16, 2022	¥ 58,500	¥ 74,300	\$ 477,902	0.01~ 0.30	Unsecured	Apr. 19, 2022 -Mar. 17, 2027
(Due within one year).....		33,700	49,300	275,304			
Unsecured Bond (public offering)	Aug. 5, 2014 - Dec. 16, 2021	315,000	305,000	2,573,319	0.01~ 0.73	Unsecured	Aug. 3, 2022 - Dec. 16, 2031
(Due within one year).....		50,000	20,000	408,463			
Unsecured Bond (U.S. dollar).....	Jan. 22, 2020	61,205	55,355	500,000	2.55	Unsecured	Jan. 22, 2025
(Due within one year)		-	-				
Unsecured Bond (private placement).....	Mar. 11, 2019	100,000	105,000	816,927	0.26	Unsecured	Mar. 10, 2026
(Due within one year).....		-	5,000				
SMBC AVIATION CAPITAL FINANCE DESIGNATED ACTIVITY COMPANY:							
U.S. dollar-denominated Bond	Jul. 19, 2017 - Oct. 15, 2021	306,025	221,635	2,500,000	1.90~ 4.13	Unsecured	Jul. 15, 2022 - Jun. 15, 2028
(Due within one year).....		61,205	55,570	500,000			
Otemachi 142 Tokutei Mokuteki Kaisha:							
Specified Bond (Note 1).....	Mar. 24, 2017	50,730	50,730	414,427	0.75	Secured	Sep. 30, 2025
(Due within one year).....		-	-				
Others	-	8,300	8,618	67,805	-	-	-
(Due within one year).....		-	3,403				
Total.....	-	¥ 899,760	¥ 820,639	\$ 7,350,380	-	-	-
(Due within one year).....		144,905	133,274	1,183,768			

Notes:

- The specified bond is classified as a non-recourse loan.
- The redemption schedule on bonds and non-recourse bonds subsequent to March 31, 2022 was as follows:

	Millions of yen	Thousands of U.S. dollars
Bonds:		
Within one year	¥ 144,905	\$ 1,183,768
After one year through two years	141,205	1,153,541
After two years through three years	214,143	1,749,391
After three years through four years.....	135,566	1,107,475
After four years through five years.....	92,005	751,613
Non-recourse bonds:		
Within one year	¥ -	\$ -
After one year through two years	-	-
After two years through three years	-	-
After three years through four years.....	50,730	414,427
After four years through five years.....	-	-

13. NON-RECOURSE LOANS

- (1) Non-recourse loans of consolidated special purpose company at March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Short-term loans	¥ 1,935	¥ 488	\$ 15,808
Long-term loans (including current portion)	121,540	92,835	992,893
Bonds (including current portion)	50,730	52,222	414,427

- (2) Assets corresponding to the non-recourse loans at March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Cash and bank deposits	¥ 16,127	¥ 16,939	\$ 131,746
Real estate for sale	83,612	41,378	683,049
Other current assets	1,219	4,685	9,958
Leased assets	145,942	152,151	1,192,239
Advances on purchases of leased assets	537	88	4,387
Other investments and other assets	913	612	7,459

Note:

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

14. ASSETS PLEDGED AS COLLATERAL AND CORRESPONDING LIABILITIES

- (1) Assets pledged as collateral at March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Cash and bank deposits	¥ 4,701	¥ 41,645	\$ 38,404
Lease receivables and investment assets	8,848	18,610	72,282
Loans receivable	2,066	2,183	16,878
Real estate for sale	83,612	41,378	683,049
Other current assets	527	1,261	4,305
Leased assets (*1)	425,597	528,572	3,476,816
Advances on purchases of leased assets	537	88	4,387
Other operating assets	6,790	7,210	55,469
Investment securities	3,097	2,210	25,300
Delinquent receivables	210	325	1,716
Total	¥ 535,990	¥ 643,488	\$ 4,378,646

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

(2) Liabilities corresponding to the assets pledged as collateral at March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Short-term loans	¥ 1,935	¥ 488	\$ 15,808
Long-term loans (including current portion)	340,953	381,766	2,785,336
Bonds (including current portion)	50,730	52,222	414,427
Other current liabilities	833	552	6,805
Guarantee deposits received	1,690	1,489	13,806
Total	¥ 396,142	¥ 436,519	\$ 3,236,190

Note:

¥5,164 million (US\$42,186 thousand) and ¥44,438 million of the above total assets were pledged as collateral for debts of silent partnerships and others and for derivative transactions at March 31, 2022 and 2021, respectively.

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

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

16. EMPLOYEE RETIREMENT BENEFITS

(1) Outline of employee retirement benefits

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

(2) Defined benefit plans

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

For the fiscal year ended March 31,	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Balance at the beginning of the fiscal year	¥ 25,365	¥ 25,611	\$ 207,213
Service costs	1,384	1,388	11,306
Interest costs	120	82	980
Actuarial gains or losses	(796)	(969)	(6,503)
Benefits paid	(1,242)	(797)	(10,146)
Other	177	49	1,446
Balance at the end of the fiscal year	¥ 25,008	¥ 25,365	\$ 204,297

Note:

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

Sumitomo Mitsui Finance and Leasing Company, Limited
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2022 and 2021

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

For the fiscal year ended March 31,	Millions of yen		Thousands of U.S. dollars	
	2022	2021	2022	
Balance at the beginning of the fiscal year	¥ 18,649	¥ 15,793	\$ 152,349	
Expected return on plan assets	340	284	2,778	
Actuarial gains or losses	(180)	931	(1,470)	
Employer contributions	2,400	2,421	19,606	
Benefits paid	(1,181)	(782)	(9,648)	
Other	98	-	801	
Balance at the end of the fiscal year	¥ 20,125	¥ 18,649	\$ 164,407	

(c) Reconciliation of the ending balance of projected benefit obligations and plan assets and net defined benefit liability and net defined benefit asset recorded on the consolidated balance sheet at March 31, 2022 and 2021

At March 31,	Millions of yen		Thousands of U.S. dollars	
	2022	2021	2022	
Funded projected benefit obligations	¥ 24,732	¥ 25,118	\$ 202,042	
Plan assets	(20,125)	(18,649)	(164,407)	
	4,606	6,469	37,628	
Unfunded projected benefit obligations	276	247	2,255	
Net of liability and asset on the consolidated balance sheet	¥ 4,882	¥ 6,716	\$ 39,882	
Net defined benefit liability	¥ 4,953	¥ 6,721	\$ 40,466	
Net defined benefit asset	(70)	(4)	(576)	
Net of liability and asset on the consolidated balance sheet	¥ 4,882	¥ 6,716	\$ 39,882	

(d) Breakdown of pension expenses

For the fiscal year ended March 31,	Millions of yen		Thousands of U.S. dollars	
	2022	2021	2022	
Service costs	¥ 1,384	¥ 1,388	\$ 11,306	
Interest costs	120	82	980	
Expected return on plan assets	(340)	(284)	(2,778)	
Amortization of actuarial gains or losses	321	416	2,622	
Amortization of prior service costs	¥ 210	¥ 218	\$ 1,716	
Other	258	58	2,108	
Pension expenses for defined benefit plans	¥ 1,954	¥ 1,879	\$ 15,963	

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

For the fiscal year ended March 31,	Millions of yen		Thousands of U.S. dollars	
	2022	2021	2022	
Prior service costs	¥ 210	¥ 218	\$ 1,716	
Actuarial gains or losses	936	2,317	7,646	
Total	¥ 1,147	¥ 2,535	\$ 9,370	

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

At March 31,	Millions of yen		Thousands of U.S. dollars	
	2022	2021	2022	
Unrecognized prior service costs	¥ 1,732	¥ 1,943	\$ 14,149	
Unrecognized actuarial gains or losses	(244)	692	(1,993)	
Total	¥ 1,488	¥ 2,636	\$ 12,156	

(g) Plan assets

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

At March 31,	2022	2021
Bonds.....	41.0%	41.1%
Stocks.....	19.6	19.8
General accounts of life insurance companies	29.7	29.3
Other.....	9.7	9.8
Total.....	100.0%	100.0%

Note:

The total amount of plan assets above includes 5.4% and 5.9% of retirement benefits trust established for employee pension plans at March 31, 2022 and 2021, respectively.

(ii) Long-term expected rate of return

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

(h) Assumptions used for actuarial calculations

For the fiscal year ended March 31,	2022	2021
Discount rate.....	Primarily 0.7%	Primarily 0.5%
Long-term expected rate of return	Primarily 2.0%	Primarily 2.0%

(3) Defined contribution plans

The amount to be contributed to the defined contribution pension plans of the Company and certain consolidated subsidiaries for the fiscal years ended March 31, 2022 and 2021 was ¥953 million (US\$7,785 thousand) and ¥832 million, respectively.

17. STOCK OPTIONS

(1) Expenses and account titles for stock options

No items to report.

(2) Details, size and changes in the number of stock options

(a) Description of stock option

Company name	Consolidated subsidiary (Kenedix, Inc.)		
Name	7th stock acquisition rights	8th stock acquisition rights	9th stock acquisition rights
Date of resolution	October 29, 2021		
Category and number of persons granted (Persons)	Directors of said company: 2 Employees, etc. of said company: 67	Delegated executive officers, etc. of said company: 8	Custodian: 1 (*1)
Number of stock options by stock class	Common stock 11,695,167 shares	Common stock 2,202,833 shares	Common stock 1,542,678 shares
Grant date	November 25, 2021		
Vesting conditions	(i) The stock acquisition rights may not be exercised if, in so doing, the total number of the said company's issued shares at that time would exceed the total number of authorized shares. (ii) Other terms and conditions for the exercise of stock acquisition rights are as specified in the written stock acquisition rights allotment agreement entered into by and between said company and the holders of stock acquisition rights.		
Requisite service period	No provision for requisite service period		
Exercise period	From April 1, 2025 to November 24, 2031		

Note:

*1. These stock acquisition rights are allotted to a trust for which Kotaeru Trust Co., Ltd. is the custodian. The shares are delivered to the persons among said company's officers and employees designated as beneficiaries as of the expiration date of the trust period.

(b) Size and changes in the number of stock options

Stated by translating the number of stock options in existence for the fiscal year ended March 31, 2022 into the number of shares.

Sumitomo Mitsui Finance and Leasing Company, Limited
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2022 and 2021

(i) Number of stock options

Company name Name	Consolidated subsidiary (Kenedix, Inc.)		
	7th stock acquisition rights	8th stock acquisition rights	9th stock acquisition rights
	(Shares)		
Prior to vesting rights			
As of March 31, 2021	-	-	-
Granted	11,695,167	2,202,833	1,542,678
Forfeited	-	-	-
Vested	-	-	-
Unvested	11,695,167	2,202,833	1,542,678

(ii) Per-unit price information

Company name Name	Consolidated subsidiary (Kenedix, Inc.)							
	7th stock acquisition rights		8th stock acquisition rights		9th stock acquisition rights			
Exercise price	¥	750	\$	6.13	¥	750	\$	6.13
Average share price at the time of exercise		-		-		-		-
Fair value per unit at grant date		-		-		-		-

(3) Method of estimating fair value unit price of stock options

As Kenedix, Inc. is an unlisted company, as a substitute for estimating the fair per-unit value of the stock option, a method of estimating the intrinsic value per unit of the stock options is used. As a basis for determining the intrinsic value per unit, the method for assessing the company's own shares was applied using the price determined based on recent examples of sale.

(4) Method of estimating number of stock options vested

The Company generally uses the actual number of expired options to estimate the number of vested options, because it is difficult to reasonably estimate how many options will expire in the future.

(5) Total intrinsic value as of the end of the current fiscal year for when computing using a stock option's intrinsic value and the total intrinsic value at the exercise date of stock options exercised for the fiscal year ended March 31, 2022

	Millions of yen		Thousands of U.S. dollars	
(a) Total intrinsic value at the end of the fiscal year ended March 31, 2022	¥	-	\$	-
(b) Total intrinsic value of options exercised during the fiscal year ended March 31, 2022		-		-

18. ASSET RETIREMENT OBLIGATIONS

Disclosures of asset retirement obligations were omitted since the amount of these obligations were 1% or less of total liabilities and net assets at the beginning and end of the fiscal year ended March 31, 2022.

19. CONTINGENT LIABILITIES

At March 31,	Millions of yen		Thousands of U.S. dollars	
	2022	2021	2022	
7,825 (7,771 in 2021) guarantees of obligations for business (including commitment to guarantee)	¥	53,763	¥	46,988
Loan guarantees to affiliates		1,339		-
Loan guarantees to employees (housing loan, etc.)		5		7
				41

Note:

¥100 million (US\$817 thousand) and ¥100 million at March 31, 2022 and 2021, respectively, of the above guarantees of obligations for business are guaranteed by other third parties.

20. COMMITMENT LINES

(1) Lender side

Unused commitments at March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2022	2021	2022	
Total amounts of lending commitment lines.....	¥ 123,475	¥ 104,283	\$ 1,008,700	
Lending execution balances	61,141	55,196	499,477	
Net unused balance.....	¥ 62,333	¥ 49,086	\$ 509,215	

Note:

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

(2) Borrower side

To enhance efficiency and stability in fund procurement, the Company has concluded commitment lines with 29 financial institutions at March 31, 2022 (30 in 2021). The amounts of unused commitments on loans at March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2022	2021	2022	
Total amounts of borrowing commitment lines	¥ 425,841	¥ 480,636	\$ 3,478,809	
Borrowing execution balances	134,576	118,798	1,099,387	
Net unused balance.....	¥ 291,264	¥ 361,838	\$ 2,379,413	

21. CHANGES IN NET ASSETS

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

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

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

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

(1) Type and number of stocks issued and treasury stocks for the fiscal years ended March 31, 2022 and 2021 were as follows:

	Number of stocks (Thousands of stocks)			
	March 31, 2021	Increase	Decrease	March 31, 2022
Stocks issued				
Common stock.....	95,314	-	-	95,314
Total	95,314	-	-	95,314
Treasury stocks				
Common stock.....	7,959	-	-	7,959
Total	7,959	-	-	7,959

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

Note:

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

(2) Information on stock acquisition rights

For the fiscal years ended March 31, 2022

Type	Breakdown of stock acquisition rights	Class of shares to be issued upon exercise of stock acquisition rights	Number of shares to be issued upon exercise of stock acquisition rights				Balance at March 31, 2022	
			March 31, 2021	Increase	Decrease	March 31, 2022	Millions of yen	Thousands of U.S. dollars
Consolidated subsidiary	-	-	-	-	-	-	¥ 123	\$ 1,009
Total	-	-	-	-	-	-	123	1,009

For the fiscal years ended March 31, 2021

There were no corresponding transactions.

(3) Information on dividends is as follows:

(a) Dividends paid in the fiscal years ended March 31, 2022 and 2021

2022							
Type of shares	Aggregate amount of dividends		Cash dividends per stock		Record date	Effective date	
	Millions of Yen	Thousands of U.S. Dollars	Yen	U.S. Dollars			
Common stock	¥ 12,666	\$ 103,475	¥ 145	\$ 1.18	March 31, 2021	June 29, 2021	

Date of resolution: Ordinary general meeting of shareholders held on June 28, 2021

2021							
Type of shares	Aggregate amount of dividends		Cash dividends per stock		Record date	Effective date	
	Millions of Yen		Yen				
Common stock	¥ 15,554		¥ 202		March 31, 2020	June 24, 2020	

Date of resolution: Ordinary general meeting of shareholders held on June 23, 2020

(b) Dividends resolved to be payable in the fiscal year ending March 31, 2023

2022							
Type of shares	Aggregate amount of dividends		Cash dividends per stock		Record date	Effective date	
	Millions of Yen	Thousands of U.S. Dollars	Yen	U.S. Dollars			
Common stock	¥ 12,491	\$ 102,042	¥ 143	\$ 1.17	March 31, 2022	June 27, 2022	

Notes:

1. Date of resolution: Ordinary general meeting of shareholders held on June 24, 2022
2. The dividends were paid out from retained earnings.

22. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

For the fiscal year ended March 31,	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Employee salaries and bonuses	¥ 39,414	¥ 33,730	\$ 321,983
Provision for allowance for doubtful accounts and credit losses	2,605	29,251	21,281
Amortization of goodwill	10,157	9,120	82,975
Provision for reserve for employee bonuses	2,296	1,874	18,757
Provision for reserve for directors' bonuses	567	438	4,632
Pension expenses	2,908	2,712	23,756
Provision for reserve for directors' retirement benefits	180	40	1,470

23. IMPAIRMENT LOSS

The Group recognized impairment losses mainly for groups of property and equipment in the fiscal years ended March 31, 2022 and 2021 as follows:

		2022	
		Millions of yen	Thousands of U.S. dollars
Use	Type of assets		
Leased assets	Aircraft	¥ 112,370	\$ 917,981

Certain consolidated subsidiaries recognized impairment losses on the leased assets with low profitability mainly due to a decrease in expected future cash flows by reducing their carrying amounts to the respective recoverable amounts of each asset. The impairment losses (¥10,168 million (US\$83,065 thousand)) are included in "Costs and expenses" in the consolidated statements of income.

In addition, SMBC Aviation Capital Limited, a consolidated subsidiary of the Company, canceled all lease contracts with Russian airlines and issued notices to those airlines demanding the cessation of operation and immediate return of the subject aircraft pursuant to the rules of the sanctions against Russia imposed by the European Union due to Russia's invasion of Ukraine. Furthermore, the future cash flows regarding the 34 aircraft constituting the leased assets are subject to a high degree of uncertainty due to the Russia-Ukraine situation and have been calculated taking into consideration multiple scenarios. As a result, the carrying amount of said leased assets on the balance sheet was reduced to the recoverable amount and this amount of reduction (¥102,202 million (US\$834,915 thousand)) was recorded in extraordinary losses as loss on economic sanctions on Russia.

The recoverable amount of those assets was measured at their fair value after deducting their disposal cost or their value in use, and their fair value after deducting their disposal cost was measured on the basis of market value and their value in use was measured using future cash flows with mainly a discount rate of 5%.

		2021
		Millions of yen
Use	Type of assets	
Leased assets	Aircraft	¥ 19,747

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

Loss on economic sanctions on Russia

Pursuant to the rules of the sanctions against Russia imposed by the European Union due to Russia's invasion of Ukraine, SMBC Aviation Capital Limited, a consolidated subsidiary of the Company, canceled all lease contracts with Russian airlines and issued notices to those airlines demanding the cessation of operation and immediate return of the subject aircraft. Based on those events, the Company has conducted impairment accounting, etc. on the leased assets owned (aircraft) and recorded in extraordinary losses.

Due to the occurrence of said events, in the fiscal year ended March 31, 2022, the Company recorded ¥81,966 million (US\$669,610 thousand) in extraordinary losses, after deducting total guarantees and related asset depreciation of ¥20,235 million (US\$165,305 thousand) from the impairment accounting amount of ¥102,202 million (US\$834,915 thousand).

Loss on sales and retirement of property and equipment for internal use

For the fiscal year ended March 31,	Millions of yen		Thousands of U.S. dollars	
	2022	2021	2022	
Buildings	¥ 44	¥ 182	\$ 359	
Office equipment	14	57	114	
Software	1	-	8	
Other	-	0	-	
Total	¥ 60	¥ 239	\$ 496	

24. INCOME TAXES

- (1) Significant components of the Group's deferred tax assets and liabilities at March 31, 2022 and 2021 were as follows:

At March 31,	Millions of yen		Thousands of U.S. dollars	
	2022	2021	2022	
Deferred tax assets				
Net operating loss carry-forward (*2)	¥ 108,002	¥ 105,458	\$ 882,297	
Allowance for doubtful accounts	17,585	16,625	143,657	
Write-off of securities	6,271	5,073	51,229	
Depreciation	3,801	3,909	31,051	
Deferred gains or losses on hedges	3,651	7,172	29,826	
Net defined benefit liability	1,849	2,391	15,105	
Other	16,227	15,182	132,563	
Subtotal of deferred tax assets	157,389	155,814	1,285,753	
Valuation allowance for net operating loss carry-forward (*2)	(30,254)	(39,141)	(247,153)	
Valuation allowance for total deductible temporary differences	(22,194)	(20,483)	(181,309)	
Subtotal of valuation allowance (*1)	¥ (52,449)	¥ (59,625)	\$ (428,470)	
Total of deferred tax assets	104,940	96,189	857,283	
Deferred tax liabilities				
Depreciation	¥ (100,971)	¥ (90,074)	\$ (824,859)	
Valuation differences due to business combination	(21,189)	(22,895)	(173,099)	
Net unrealized holding gains or losses on securities	(10,894)	(11,006)	(88,996)	
Special exemption for lease transactions under tax law	(4,321)	(5,042)	(35,299)	
Other	(6,362)	(3,808)	(51,973)	
Total of deferred tax liabilities	(143,740)	(132,828)	(1,174,250)	
Net deferred tax assets (liabilities)	¥ (38,799)	¥ (36,638)	\$ (316,959)	

Sumitomo Mitsui Finance and Leasing Company, Limited
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2022 and 2021

Notes:

- *1. Valuation allowance decreased by ¥7,176 million (US\$58,623 thousand) for the fiscal year ended March 31, 2022 mainly due to the decrease of valuation allowance for net operating loss carry-forward.
- *2. The expiry schedule on net operating loss carry-forward and the related deferred tax assets subsequent to March 31, 2022 and 2021 was as follows:

At March 31, 2022	Millions of yen		
	Net operating loss carry-forward (a)	Valuation allowance	Deferred tax assets
Within one year.....	¥ 25,881	¥ (17,674)	¥ 8,206
After one year through two years.....	12,248	(3,681)	8,567
After two years through three years.....	8,983	(600)	8,382
After three years through four years.....	136	(33)	103
After four years through five years.....	338	(144)	193
After five years.....	60,413	(8,119)	52,294
Total.....	¥ 108,002	¥ (30,254)	¥ (b) 77,748

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

At March 31, 2022	Thousands of U.S. Dollars		
	Net operating loss carry-forward (a)	Valuation allowance	Deferred tax assets
Within one year.....	\$ 211,429	\$ (144,384)	\$ 67,037
After one year through two years.....	100,057	(30,071)	69,986
After two years through three years.....	73,385	(4,902)	68,475
After three years through four years.....	1,111	(270)	841
After four years through five years.....	2,761	(1,176)	1,577
After five years.....	493,530	(66,326)	427,204
Total.....	\$ 882,297	\$ (247,153)	\$ (b) 635,144

Notes:

- (a) Net operating loss carry-forward shown in the above table is after multiplying the statutory tax rate.
- (b) Deferred tax assets of ¥77,748 million (US\$635,144 thousand) and ¥66,316 million were recognized with respect to net operating loss carry-forward of ¥108,002 million (US\$882,297 thousand) and ¥105,458 million (amounts multiplied by the statutory tax rate) at March 31, 2022 and 2021, respectively. Such deferred tax assets were recognized primarily for a part of net operating loss carry-forward for the Company and certain overseas consolidated subsidiaries. Valuation allowance was not recognized for such deferred tax assets on net operating loss carry-forward as the amount was determined to be recoverable based on the estimate of future taxable income.

Sumitomo Mitsui Finance and Leasing Company, Limited
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2022 and 2021

- (2) A reconciliation of the effective income tax rate reflected in the accompanying consolidated statements of income to the statutory tax rate for the fiscal years ended March 31, 2022 and 2021 was as follows:

For the fiscal year ended March 31,	2022	2021
Statutory tax rate	30.6%	30.6%
Difference of statutory tax rates of the Company and overseas consolidated subsidiaries...	16.6	(2.0)
Changes in valuation allowance.....	(18.1)	(15.6)
Amortization of goodwill.....	7.8	6.5
Equity in earnings of affiliates	(6.7)	(2.9)
Other.....	(4.9)	1.9
Effective income tax rate.....	25.3%	18.5%

25. COMPREHENSIVE INCOME

Reclassification adjustments and tax effects for each component of other comprehensive income for the fiscal years ended March 31, 2022 and 2021

For the fiscal year ended March 31,	Millions of yen		Thousands of U.S. dollars	
	2022	2021	2022	
Net unrealized holding gains or losses on securities				
Increase (decrease) during the year	¥ (398)	¥ 14,662	\$ (3,251)	
Reclassification adjustments	(148)	(1,182)	(1,209)	
Before income tax effect	(546)	13,480	(4,460)	
Income tax effect	294	(3,905)	2,402	
Net unrealized holding gains or losses on securities	¥ (252)	¥ 9,575	\$ (2,064)	
Deferred gains or losses on hedges				
Increase (decrease) during the year	¥ 12,429	¥ 15,753	\$ 101,536	
Reclassification adjustments	14,300	10,501	116,821	
Before income tax effect	26,730	26,255	218,365	
Income tax effect	(2,533)	(3,758)	(20,693)	
Deferred gains or losses on hedges	¥ 24,196	¥ 22,496	\$ 197,669	
Foreign currency translation adjustments				
Increase (decrease) during the year	¥ 44,082	¥ 4,352	\$ 360,125	
Foreign currency translation adjustments.....	¥ 44,082	¥ 4,352	\$ 360,125	
Remeasurements of defined benefit plans				
Increase (decrease) during the year	¥ 615	¥ 1,901	\$ 5,024	
Reclassification adjustments	531	634	4,338	
Before income tax effect	1,147	2,535	9,370	
Income tax effect	(351)	(776)	(2,867)	
Remeasurements of defined benefit plans	¥ 796	¥ 1,759	\$ 6,503	
Share of other comprehensive income of affiliates accounted for using equity method				
Increase (decrease) during the year	¥ 1,468	¥ 625	\$ 11,992	
Reclassification adjustments	(889)	(120)	(7,262)	
Share of other comprehensive income of affiliates accounted for using equity method	¥ 579	¥ 504	\$ 4,731	
Total other comprehensive income	¥ 69,402	¥ 38,688	\$ 566,965	

26. STATEMENT OF CASH FLOWS

(1) Cash and cash equivalents and amounts of the account mentioned in consolidated balance sheets at March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Cash and bank deposits	¥ 318,296	¥ 267,722	\$ 2,600,247
Time deposits with maturities exceeding three months	(400)	(3,672)	(3,268)
Deposits pledged as collateral	-	(40,043)	-
Cash and cash equivalents at the end of the fiscal year	¥ 317,896	¥ 224,005	\$ 2,596,980

(2) Increase/decrease in other reserves

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

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

The following table represents the breakdown of acquired assets and assumed liabilities upon acquisition as well as a reconciliation of acquisition costs and expenditure for acquisition of shares of YANMAR CREDIT SERVICE CO., LTD., which was newly consolidated following the acquisition of shares in the fiscal year ended March 31, 2022.

	2022	
	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 42,565	\$ 347,725
Non-current assets	4,900	40,029
Current liabilities.....	(32,728)	(267,364)
Non-current liabilities.....	(10,223)	(83,514)
Non-controlling interests.....	(1,805)	(14,746)
Gain on bargain purchase	(1,208)	(9,868)
Acquisition costs of shares	¥ 1,500	\$ 12,254
Cash and cash equivalents	(356)	(2,908)
Net: purchase of investments in subsidiaries resulting in change in scope of consolidation .	¥ 1,143	\$ 9,337

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

Sumitomo Mitsui Finance and Leasing Company, Limited
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2022 and 2021

	2021
	Millions of Yen
Current assets	¥ 119,264
Non-current assets	131,208
Goodwill.....	17,574
Current liabilities.....	(33,613)
Non-current liabilities.....	(75,739)
Non-controlling interests.....	(55,549)
Acquisition costs of shares	¥ 103,144
Shares held before acquiring control.....	(0)
Gain on step acquisitions.....	(0)
Cash and cash equivalents	(57,858)
Net: purchase of investments in subsidiaries resulting in change in scope of consolidation .	¥ 45,286

27. LEASE TRANSACTIONS

(Lessee Side)

(1) Finance Lease Transactions

(a) Non-ownership-transfer type Finance leases

1) Breakdown of lease rental assets

i) Property and equipment

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

ii) Intangible assets

Software

2) Depreciation method of lease rental assets

It is described in Note 2 (4).

(2) Operating Lease Transactions

Future minimum lease payments on operating leases which were not cancelable at March 31, 2022 and 2021 were as follows:

Sumitomo Mitsui Finance and Leasing Company, Limited
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Due within one year.....	¥ 6,151	¥ 6,300	\$ 50,249
Due after one year	15,295	17,993	124,949
Total	¥ 21,447	¥ 24,294	\$ 175,206

(Lessor Side)

(1) Finance Lease Transactions

(a) Breakdown of lease investment assets

	Millions of yen		Thousands of U.S. dollars
At March 31,	2022	2021	2022
Lease receivables	¥ 1,234,716	¥ 1,243,756	\$ 10,086,725
Estimated residual value	59,342	58,573	484,781
Unearned interest revenue	(137,032)	(141,006)	(1,119,451)
Lease investment assets	¥ 1,157,026	¥ 1,161,323	\$ 9,452,055

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

	Millions of yen		Thousands of U.S. dollars
At March 31,	2022	2021	2022
Lease receivables			
Within one year	¥ 349,419	¥ 307,567	\$ 2,854,497
After one year through two years	244,089	232,682	1,994,028
After two years through three years	165,772	176,205	1,354,236
After three years through four years	115,216	111,613	941,230
After four years through five years	111,086	80,786	907,491
After five years	184,215	179,463	1,504,902
Total	¥ 1,169,800	¥ 1,088,318	\$ 9,556,409
Lease investment assets			
Within one year	¥ 368,293	¥ 364,508	\$ 3,008,684
After one year through two years	292,705	297,297	2,391,185
After two years through three years	219,024	226,216	1,789,266
After three years through four years	154,578	159,593	1,262,789
After four years through five years	89,686	96,983	732,669
After five years	110,428	99,156	902,116
Total	¥ 1,234,716	¥ 1,243,756	\$ 10,086,725

(2) Operating lease transactions

Future minimum lease payments on operating leases which were not cancelable at March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Due within one year	¥ 232,048	¥ 224,850	\$ 1,895,662
Due after one year	1,593,654	1,586,405	13,018,985
Total	¥ 1,825,703	¥ 1,811,255	\$ 14,914,656

(3) Sublease transactions

Lease receivables and investment assets and lease obligations under sublease transactions reported on consolidated balance sheets include interest, and the amounts at March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Lease receivables and investment assets	¥ 4,900	¥ 4,739	\$ 40,029
Lease obligations	5,161	4,752	42,162

28. FINANCIAL INSTRUMENTS

(1) Group policy for financial instruments

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

(2) Details of financial instruments and associated risks

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

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

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

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

(3) Risk management of financial instruments

(a) Credit risk management

The Group establishes basic principles, guidelines, and rules in general credit policies and detailed operating standards in their operating standards manual. Risk Management Department, Credit Department and Credit Administration Department handle credit risk related procedures. Risk Management Department plans risk management system and evaluation method of credit risk. Also Risk Management Department measures credit risk and controls risk capital management. Each Credit Department reviews credit transactions, supervises sales branches and plans and controls security policies and its execution. Credit Administration Department manages doubtful receivables and makes efforts to minimize doubtful receivables. In addition, independent Internal Auditing Department audits the accuracy of the credit risk management, credit risk evaluation standard, measurement method and status of the credit risk management and reports to management meeting and board meeting.

(b) Market risk and liquidity risk management

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

(i) Interest rate risk management

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

(ii) Foreign exchange risk management

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

(iii) Stock price fluctuation risk management

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

(iv) Derivative transactions

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

(v) Liquidity risk management

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

(vi) Quantitative information about market risk

Interest rate risk is a key risk variable for the Group, and installment sales receivable, lease receivables and investment assets, loans receivable, bonds, long-term loans, interest-rate swaps are main financial instruments which are exposed to the interest rate risk. Of non-financial instruments, future minimum lease payments on operating leases are main instruments which are exposed to the interest rate risk. The Group manages these operating assets including non-financial instruments and financial liabilities by ALM. The Group calculates Basis Point Value (BPV) regularly, the index of change in present value of position related to interest rate when interest rate fluctuates by 0.01% (changes in unrealized gains or losses), and manages the upper limit by comparing with the originally established limits. Assuming all other risk variables except for interest rate are stable, if yen interest rate increases by 1bp (0.01%) at March 31, 2022 and 2021, the Group estimates present value of entire position related to interest rate decreases by ¥452 million (US\$3,693 thousand) and ¥402 million, if yen interest rate decreases by 1bp (0.01%), present value of financial instruments susceptible to interest rate fluctuation increases by ¥452 million (US\$3,693 thousand) and ¥402 million, respectively. These amounts are calculated under the assumption that all risk variables except for interest rate are stable and correlations between interest rate and other risk variables are not considered.

(4) Fair values of financial instruments

As the calculation of fair values of financial instruments adopts certain assumptions, those values may vary when different assumptions are applied. Also, for the contract amount regarding

derivative transactions described in Note 30. DERIVATIVE TRANSACTIONS, the contract amount itself does not indicate market risk related to derivative transactions.

(5) Fair values of financial instruments and components of fair values by level

Carrying amounts in the consolidated balance sheets, fair values and the differences between them and fair values by level as of March 31, 2022 (closing date for consolidated accounting) were as follows: In accordance with paragraph 26 of the ASBJ Guidance No. 31 "Implementation Guidance on Accounting Standard for Fair Value Measurement" (the "Fair Value Implementation Guidance"), investment trusts to which transitional measures have been applied and shares, etc. with no market value are not included in the following table, and in accordance with paragraph 27 of the Fair Value Implementation Guidance, investments in partnerships, etc. to which transitional measures have been applied are not included in the following table.

Based on the observability and the materiality of the inputs used to measure the fair value, the fair value of financial instruments is classified into the following three levels:

Level 1: Fair values determined based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Fair values determined based on inputs other than Level 1 inputs that are observable, either directly or indirectly

Level 3: Fair values determined based on significant unobservable inputs

If multiple inputs that have a significant influence on determination of fair value, the fair value is classified as the lowest priority level of fair value measurement of levels in which each input belongs.

(a) Financial assets and financial liabilities that are recorded at fair value on the consolidated balance sheet

Type	Millions of yen			
	March 31, 2022			
	Consolidated balance sheets amount			
	Level 1	Level 2	Level 3	Total
Short-term investment securities and investment securities				
Other securities (*1)	¥ 54,129	¥ 2,531	¥ -	¥ 56,661
Derivative transactions (*2) (*3)				
Interest related transactions	-	(11,795)	-	(11,795)
Currency related transactions	-	(478)	-	(478)
Total	¥ 54,129	¥ (9,741)	¥ -	¥ 44,387

Type	Millions of yen	
	March 31, 2021	
	Consolidated balance sheets amount	
Short-term investment securities and investment securities		
Other securities (*1)	¥ 62,544	
Derivative transactions (*2) (*3)		
Interest related transactions	(41,085)	
Currency related transactions	(567)	
Total	¥ 20,891	

Sumitomo Mitsui Finance and Leasing Company, Limited
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2022 and 2021

Type	Thousands of U.S. Dollars			
	March 31, 2022			
	Consolidated balance sheets amount			
	Level 1	Level 2	Level 3	Total
Short-term investment securities and investment securities				
Other securities (*1)	\$ 442,194	\$ 20,676	\$ -	\$ 462,879
Derivative transactions (*2) (*3)				
Interest related transactions	-	(96,357)	-	(96,357)
Currency related transactions	-	(3,905)	-	(3,905)
Total	\$ 442,194	\$ (79,577)	\$ -	\$ 362,609

Notes:

- *1. In accordance with paragraph 26 of the Fair Value Implementation Guidance, investment trusts to which transitional measures have been applied are not included in the balance. The amounts of those investment trusts in the consolidated balance sheet were ¥32,157 million (US\$262,699 thousand) and ¥19,057 million at March 31, 2022 and 2021, respectively.
- *2. Net assets and liabilities arising from derivative transactions are presented on a net basis.
- *3. The amount in the consolidated balance sheet corresponding to derivative transactions to which hedge accounting has been applied were ¥(12,399) million (US\$(101,291) thousand) and ¥(42,080) million at March 31, 2022 and 2021, respectively. These are interest rate swap and other derivative transactions designated as hedging instruments for stabilizing cash flows of future transactions, loans and others that are hedged items. The Company has mainly applied deferred hedge accounting for those derivative transactions. For these hedging relationships, the Company has applied "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (ASBJ PITF No. 40, March 17, 2022).

(b) Financial assets and financial liabilities that are not recorded at fair value on the consolidated balance sheet

As the fair values for bank deposits, trade notes payable and accounts payable, short-term loans, commercial paper, and payables under securitization of lease receivables approximate the carrying amounts because they are settled in cash in a short period of time, notes thereto have been omitted.

	Millions of yen											
	March 31, 2022											
Type	Fair value				Consolidated balance sheets amount	Difference						
	Level 1	Level 2	Level 3	Total								
Installment sales receivable (*1) (*2)...	¥	-	¥	-	¥	554,682	¥	554,682	¥	543,183	¥	11,499
Lease receivables and investment assets (*2)		-		-		2,237,701		2,237,701		2,166,284		71,417
Loans receivable (*2)		-		-		608,259		608,259		603,317		4,941
Delinquent receivables (*2)		-		-		16,451		16,451		16,451		-
Total assets	¥	-	¥	-	¥	3,417,095	¥	3,417,095	¥	3,329,237	¥	87,857
Bonds		-		898,547		-		898,547		899,760		(1,212)
Long-term loans		-		3,099,364		-		3,099,364		2,982,927		116,437
Long-term payables under securitization of lease receivables		-		63,073		-		63,073		62,506		566
Lease obligations		-		38,153		-		38,153		38,279		(125)
Guarantee deposits received		-		136,799		-		136,799		142,923		(6,124)
Total liabilities	¥	-	¥	4,235,938	¥	-	¥	4,235,938	¥	4,126,397	¥	109,540

Sumitomo Mitsui Finance and Leasing Company, Limited
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2022 and 2021

	Millions of yen			
	March 31, 2021			
	Consolidated balance sheets amount	Fair value	Difference	
Installment sales receivable (*1) (*2).....	¥ 504,504	¥ 521,211	¥	16,707
Lease receivables and investment assets (*2)	2,112,694	2,215,075		102,381
Loans receivable (*2)	499,806	506,199		6,393
Delinquent receivables (*2)	13,517	13,517		-
Total assets	¥ 3,130,521	¥ 3,256,003	¥	125,481
Bonds	820,639	834,330		13,691
Long-term loans	2,625,795	2,758,720		132,925
Long-term payables under securitization of lease receivables.....	43,062	43,646		584
Lease obligations	44,751	44,870		119
Guarantee deposits received.....	127,762	124,139		(3,622)
Total liabilities.....	¥ 3,662,010	¥ 3,805,708	¥	143,698

	Thousands of U.S. Dollars						
	March 31, 2022						
Type	Fair value				Consolidated balance sheets amount	Difference	
	Level 1	Level 2	Level 3	Total			
Installment sales receivable (*1) (*2)...	\$ -	\$ -	\$ 4,531,345	\$ 4,531,345	\$ 4,437,407	\$ 93,938	
Lease receivables and investment assets (*2)	-	-	18,280,377	18,280,377	17,696,953	583,425	
Loans receivable (*2)	-	-	4,969,030	4,969,030	4,928,658	40,364	
Delinquent receivables (*2)	-	-	134,393	134,393	134,393	-	
Total assets	\$ -	\$ -	\$ 27,915,162	\$ 27,915,162	\$ 27,197,427	\$ 717,727	
Bonds	-	7,340,471	-	7,340,471	7,350,380	(9,901)	
Long-term loans	-	25,319,533	-	25,319,533	24,368,328	951,205	
Long-term payables under securitization of lease receivables	-	515,260	-	515,260	510,628	4,624	
Lease obligations	-	311,682	-	311,682	312,711	(1,021)	
Guarantee deposits received	-	1,117,548	-	1,117,548	1,167,583	(50,029)	
Total liabilities	\$ -	\$ 34,604,509	\$ -	\$ 34,604,509	\$ 33,709,640	\$ 894,862	

Notes:

- *1. Deferred profit on installment sales has been deducted from the amounts recorded in the consolidated balance sheet.
- *2. Allowances for doubtful accounts corresponding to installment sales receivables, lease receivables and investment assets, loans receivable, and delinquent receivables, have been deducted at ¥1,526 million (US\$12,466 thousand) and ¥1,321 million, ¥6,009 million (US\$49,089 thousand) and ¥5,681 million, ¥1,333 million (US\$10,890 thousand) and ¥1,061 million, and ¥11,791 million (US\$96,324 thousand) and ¥21,976 million, respectively.

Explanation of evaluation techniques used for measuring fair value and inputs used for measuring fair value.

Assets

Short-term investment securities and investment securities

Among market prices based on exchange prices or prices quoted from information vendors, etc., the fair values can be classified as Level 1 when it is possible to use unadjusted market prices in active markets (listed stocks, etc.).

Since the fair values of bonds with a short remaining period, and bonds with variable interest rates reflecting market interest rates approximate the carrying amount, the carrying amount is used for their fair values, and the fair values are classified as Level 2.

Installment sales receivable, Lease receivables and investment assets, and Loans receivable

Estimated future cash flows, for which consideration has been given to internal ratings for each counterparty, the forecasted default rate based on internal ratings, and the forecasted uncollectable rate upon default based on collateral and guarantees, etc., are measured using a method of discounting by the market interest rate. Since there is a significant amount of impact from unobservable inputs, fair value is classified as Level 3.

Delinquent receivables

As the Company determines the estimated uncollectible amount based on the estimated collectible amounts covered by collateral or guaranty, the fair value closely approximates the amount obtained by deducting the current estimated uncollectible amount from the balance sheet carrying amount at the period closing date, and therefore the fair value of delinquent receivables depends on that amount. Since there is a significant amount of impact from unobservable inputs, fair value is classified as Level 3.

Liabilities

Bonds, Long-term loans, Long-term payables under securitization of lease receivables, Lease obligations, and Guarantee deposits received

Among that, the fair value of bonds with quoted prices from industry groups, etc. are determined based on the price information, etc. that is quoted. For those with floating rate other than the above, the consolidated balance sheet amount is deemed to approximate the fair value because interest rate changes have been timely reflected and the credit conditions of the Company has not changed significantly after executing the borrowing. For those with fixed interest rate, the fair value is based on present values of total principal amounts and interests discounted by an interest rate which is expected to be applied in case of similar new fund-raising from the market.

Since there is not a significant amount of impact from unobservable inputs for any of those fair value determinations, fair value is classified as Level 2.

Derivative transactions

The fair value of derivatives is calculated by the discounted present value method using observable inputs such as interest rate and forward exchange rate, and is classified as Level 2 fair value. The fair value of foreign exchange forward contracts under the allocation method and interest-rate swaps under the special treatment is included in the fair value of corresponding bonds or long-term loans hedged by these derivative transactions.

Additional information is provided in Note 30. DERIVATIVE TRANSACTIONS.

(c) Financial instruments whose fair value is extremely difficult to determine

Type	Consolidated balance sheet amount	
	Millions of yen	Thousands of U.S. Dollars
At March 31,	2022	2022
Shares, etc. with no market value (*1).....	¥ 11,812	\$ 96,495
Investments in partnerships and others	56,982	465,501
Total.....	¥ 68,794	\$ 561,997

Sumitomo Mitsui Finance and Leasing Company, Limited
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2022 and 2021

Type	Consolidated balance sheet amount
	Millions of yen
At March 31,	2021
Unlisted stocks (*2)	¥ 51,949
Investments in partnerships and others (*3)	64,417
Total	¥ 116,367

Notes:

- *1. Shares, etc. with no market value include unlisted stocks.
- *2. Unlisted stocks do not have market prices and thus are not included in the above Short-term investment securities and investment securities, as it is extremely difficult to determine the fair value. Note that unlisted stocks include shares of affiliates.
- *3. Investments in partnerships and others are not included in the above Short-term investment securities and investment securities, as future cash flow is not determined and it is extremely difficult to determine the fair value.

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

	Millions of yen						
	March 31, 2022						
	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	
Installment sales receivable	¥ 304,976	¥ 109,242	¥ 70,754	¥ 42,088	¥ 22,478	¥ 15,294	
Lease receivables and investment assets (*1)	635,671	480,050	345,598	242,259	182,554	226,818	
Loans receivable	317,298	37,345	41,846	64,228	45,275	100,465	
Short-term investment securities and investment securities (*2)	2,635	36,642	49	4,724	6,802	20,268	
Other securities with maturities of the above.	2,635	36,642	49	4,724	6,802	20,268	
Total	¥ 1,260,581	¥ 663,281	¥ 458,249	¥ 353,300	¥ 257,109	¥ 362,847	

	Millions of yen						
	March 31, 2021						
	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	
Installment sales receivable	¥ 237,347	¥ 114,069	¥ 82,478	¥ 50,996	¥ 25,922	¥ 14,043	
Lease receivables and investment assets (*1)	593,177	473,210	361,531	243,295	158,889	208,763	
Loans receivable	262,461	66,651	34,495	24,411	40,702	73,948	
Short-term investment securities and investment securities (*2)	4,958	5,488	2,110	50	5,316	19,217	
Other securities with maturities of the above.	4,958	5,488	2,110	50	5,316	19,217	
Total	¥ 1,097,945	¥ 659,420	¥ 480,615	¥ 318,754	¥ 230,831	¥ 315,973	

Sumitomo Mitsui Finance and Leasing Company, Limited
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2022 and 2021

Thousands of U.S. Dollars						
March 31, 2022						
	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
Installment sales receivable	\$ 2,491,430	\$ 892,427	\$ 578,008	\$ 343,828	\$ 183,629	\$ 124,941
Lease receivables and investment assets (*1)	5,192,966	3,921,657	2,823,282	1,979,079	1,491,332	1,852,937
Loans receivable	2,592,092	305,081	341,851	524,696	369,864	820,725
Short-term investment securities and investment securities (*2)	21,526	299,338	400	38,592	55,567	165,575
Other securities with maturities of the above.	21,526	299,338	400	38,592	55,567	165,575
Total	\$ 10,298,023	\$ 5,418,520	\$ 3,743,559	\$ 2,886,202	\$ 2,100,392	\$ 2,964,194

Notes:

- *1. Estimated residual value of ¥59,342 million (US\$484,780 thousand) and ¥79,506 million are not included in lease receivables and investment assets for the fiscal years ended March 31, 2022 and 2021, respectively.
- *2. Short-term investment securities and investment securities of ¥0 million (US\$0 thousand) and ¥0 million are not included in the table above since they are deemed as uncollectible for the fiscal years ended March 31, 2022 and 2021, respectively.

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

Millions of yen						
March 31, 2022						
	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
Bonds	¥ 144,905	¥ 141,205	¥ 214,143	¥ 186,296	¥ 92,005	¥ 121,205
Long-term loans	481,290	373,527	411,512	485,093	371,345	860,157
Long-term payables under securitization of lease receivables	21,045	18,606	10,182	3,343	1,676	7,652
Lease obligations	13,694	9,989	6,653	3,924	2,385	1,632
Total	¥ 660,935	¥ 543,328	¥ 642,492	¥ 678,657	¥ 467,411	¥ 990,647

Millions of yen						
March 31, 2021						
	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
Bonds	¥ 133,274	¥ 107,370	¥ 135,373	¥ 201,469	¥ 181,752	¥ 61,398
Long-term loans	454,577	387,099	286,641	322,966	410,872	763,637
Long-term payables under securitization of lease receivables	14,906	9,390	8,484	2,765	945	6,570
Lease obligations	16,173	12,159	8,187	4,829	2,389	1,012
Total	¥ 618,931	¥ 516,019	¥ 438,686	¥ 532,031	¥ 595,959	¥ 832,618

Sumitomo Mitsui Finance and Leasing Company, Limited
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2022 and 2021

Thousands of U.S. Dollars						
March 31, 2022						
	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
Bonds.....	\$ 1,183,768	\$ 1,153,541	\$ 1,749,391	\$ 1,521,902	\$ 751,613	\$ 990,156
Long-term loans	3,931,792	3,051,442	3,361,751	3,962,854	3,033,617	7,026,852
Long-term payables under securitization of lease receivables	171,922	151,997	83,179	27,310	13,692	62,511
Lease obligations.....	111,876	81,603	54,350	32,056	19,484	13,332
Total.....	\$ 5,399,355	\$ 4,438,592	\$ 5,248,689	\$ 5,544,130	\$ 3,818,405	\$ 8,092,860

29. SECURITIES

(1) Investments in unconsolidated subsidiaries and affiliates

At March 31,	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Investment securities (stocks)	¥ 113,592	¥ 83,832	\$ 927,963

(2) Other securities with market prices

Millions of Yen						
March 31, 2022						
	Type	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains (losses)		
Securities whose consolidated balance sheet amount exceeds the acquisition costs	Stocks	¥ 31,989	¥ 68,579	¥ 36,589		
	Bonds:					
	Corporate bonds	-	-	-		
	Other	11,590	13,095	1,504		
	Sub total	43,580	81,674	38,094		
Securities whose consolidated balance sheet amount does not exceed the acquisition costs	Stocks	6,569	4,612	(1,956)		
	Bonds:					
	Corporate bonds	2,531	2,531	-		
	Other	-	-	-		
	Sub total	9,100	7,144	(1,956)		
	Total	¥ 52,681	¥ 88,819	¥ 36,137		

Millions of Yen						
March 31, 2021						
	Type	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains (losses)		
Securities whose consolidated balance sheet amount exceeds the acquisition costs	Stocks	¥ 12,621	¥ 48,822	¥ 36,201		
	Bonds:					
	Corporate bonds	-	-	-		
	Other	8,746	10,093	1,347		
	Sub total	21,368	58,916	37,548		
Securities whose consolidated balance sheet amount does not exceed the acquisition costs	Stocks	17,562	16,706	(856)		
	Bonds:					
	Corporate bonds	5,483	5,483	-		
	Other	500	495	(4)		
	Sub total	23,546	22,686	(860)		
	Total	¥ 44,915	¥ 81,602	¥ 36,687		

Sumitomo Mitsui Finance and Leasing Company, Limited
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2022 and 2021

Thousands of U.S. Dollars				
March 31, 2022				
	Type	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains (losses)
Securities whose consolidated balance sheet amount exceeds the acquisition costs	Stocks	\$ 261,327	\$ 560,240	\$ 298,905
	Bonds:			
	Corporate bonds	-	-	-
	Other	94,682	106,977	12,287
	Sub total	356,017	667,217	311,200
Securities whose consolidated balance sheet amount does not exceed the acquisition costs	Stocks	53,664	37,677	(15,979)
	Bonds:			
	Corporate bonds	20,676	20,676	-
	Other	-	-	-
	Sub total	74,340	58,361	(15,979)
	Total	\$ 430,365	\$ 725,586	\$ 295,213

Note:

Unlisted stocks and investments in silent partnerships, etc. (consolidated balance sheet amount: ¥68,794 million (US\$561,997 thousand) and ¥63,919 million as of March 31, 2022 and 2021, respectively) do not have market prices and thus are not included in the above "Other securities," as it is extremely difficult to determine the fair value.

(3) Other securities sold during the fiscal year

Millions of yen				
For the fiscal year ended March 31, 2022				
Type	Sales amount	Gains on sales	Losses on sales	
Stocks.....	¥ 3,262	¥ 1,284	¥ 113	
Bonds:				
Corporate bonds.....	4,393	1	-	
Other.....	7,289	112	-	
Total	¥ 14,945	¥ 1,398	¥ 113	

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

Thousands of U.S. Dollars				
For the fiscal year ended March 31, 2022				
Type	Sales amount	Gains on sales	Losses on sales	
Stocks.....	\$ 26,648	\$ 10,489	\$ 923	
Bonds:				
Corporate bonds.....	35,888	8	-	
Other.....	59,546	915	-	
Total	\$ 122,090	\$ 11,421	\$ 923	

(4) Other securities on which valuation losses were recognized

If the fair value of other securities declines materially below the acquisition costs, it is regarded as non-recoverable and the Company reduces the book value to the fair value and recognizes valuation losses in the consolidated statements of income.

Valuation losses, which included shares, etc. with no market value, amounted to ¥1,685 million (US\$13,765 thousand) for the fiscal year ended March 31, 2022.

Valuation losses, including for the securities whose fair value was extremely difficult to determine, were ¥30 million for the fiscal years ended March 31, 2021.

30. DERIVATIVE TRANSACTIONS

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

(a) Interest rate derivatives

There were no interest rate derivatives to which hedge accounting is not applied at March 31, 2022 and 2021.

(b) Currency derivatives

Type	Millions of Yen					
	March 31, 2022					
	Contract amount		Fair value	Valuation gains (losses)		
	Total	Over one year				
Over-the-counter transaction						
Currency swap..... ¥	14,696	¥ 9,637	¥ 125	¥		125
Foreign exchange forward contracts						
Sold	242	-	11			11
Bought	242	-	(11)			(11)
Total	¥ 15,180	¥ 9,637	¥ 125	¥		125

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

Type	Thousands of U.S. Dollars					
	March 31, 2022					
	Contract amount		Fair value	Valuation gains (losses)		
	Total	Over one year				
Over-the-counter transaction						
Currency swap..... \$	120,056	\$ 78,727	\$ 1,021	\$		1,021
Foreign exchange forward contracts						
Sold	1,977	-	90			90
Bought	1,977	-	(90)			(90)
Total	\$ 124,009	\$ 78,727	\$ 1,021	\$		1,021

Sumitomo Mitsui Finance and Leasing Company, Limited
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2022 and 2021

(2) Derivative transactions to which hedge accounting is applied

(a) Interest rate derivatives

		Millions of Yen			
		March 31, 2022			
Type	Hedged item	Contract amount			Fair value
		Total	Over one year		
<u>Deferral hedge method</u>					
Interest-rate swaps	Future transactions, loans and others				
Receivable floating rate/payable fixed rate		¥ 838,869	¥ 724,733	¥	(11,795)
<u>Special treatment</u>					
Interest-rate swaps					
Receivable floating rate/payable fixed rate	Loans and others	68,707	66,935		(*1)
Total		¥ 907,577	¥ 791,669	¥	(11,795)

		Millions of Yen					
		March 31, 2021					
Type	Hedged item	Contract amount			Fair value		
		Total	Over one year				
<u>Deferral hedge method</u>							
Interest-rate swaps		Future transactions, loans and others					
Receivable floating rate/payable fixed rate		¥	828,362	¥	798,395	¥	(41,237)
<u>Recognition of gain or loss on the hedged items</u>							
Interest-rate swaps							
Receivable fixed rate/payable floating rate	Bonds		55,355		-		152
<u>Special treatment</u>							
Interest-rate swaps							
Receivable floating rate/payable fixed rate	Loans and others		64,223		62,674		(*1)
Total		¥	947,940	¥	861,069	¥	(41,085)

		Thousands of U.S. Dollars			
		March 31, 2022			
Type	Hedged item	Contract amount		Fair value	
		Total	Over one year		
<u>Deferral hedge method</u>					
Interest-rate swaps	Future transactions, loans and others				
Receivable floating rate/payable fixed rate		\$ 6,852,945	\$ 5,920,538	\$	(96,357)
<u>Special treatment</u>					
Interest-rate swaps					
Receivable floating rate/payable fixed rate	Loans and others	561,286	546,810		(*1)
Total		\$ 7,414,239	\$ 6,467,356	\$	(96,357)

Note:

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

Sumitomo Mitsui Finance and Leasing Company, Limited
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2022 and 2021

(b) Currency derivatives

Millions of Yen					
March 31, 2022					
Type	Hedged item	Contract amount		Fair value	
		Total	Over one year		
<u>Deferral hedge method</u>	Future transactions, loans and others				
Currency swaps	¥	28,078	¥ 22,243	¥	(604)
<u>Allocation method</u>					
Currency swaps		23,542	21,534		(*1)
Foreign exchange forward contracts					
Sold	Loans and others	2,604	-		
Total	¥	54,225	¥ 43,777	¥	(604)

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

Thousands of U.S. Dollars					
March 31, 2022					
Type	Hedged item	Contract amount		Fair value	
		Total	Over one year		
<u>Deferral hedge method</u>	Future transactions, loans and others				
Currency swaps	\$	229,377	\$ 181,709	\$	(4,934)
<u>Allocation method</u>					
Currency swaps		192,321	175,917		(*1)
Foreign exchange forward contracts					
Sold	Loans and others	21,273	-		
Total	\$	442,979	\$ 357,626	\$	(4,934)

Note:

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

31. BUSINESS COMBINATION

For the fiscal year ended March 31, 2022

There were no business combinations in the fiscal year ended March 31, 2022.

For the fiscal year ended March 31, 2021

I. Business combination through acquisition

Tender offer for the shares of Kenedix, Inc.

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

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

In connection with the implementation of the Tender Offer, the Tender Offeror and the Company entered into a shareholders agreement ("the Shareholders Agreement") with ARA Real Estate Investors XVIII Pte. Ltd., the largest shareholder of the Target Company as of November 20, 2020 (it owned 44,705,900 shares of the Target Company's stock; ownership ratio: 20.27%. The shares were subsequently sold to ARA Real Estate Investors 30 Limited, a group company of ARA Real Estate Investors XVIII Pte. Ltd., on March 16, 2021.) ("the Major Shareholder"), and its wholly-owning parent company, ARA Asset Management Limited.

The parties have agreed under the Shareholders Agreement to take necessary measures to bring the shareholding ratio of the Tender Offeror and the Major Shareholder to 70% and 30%, respectively, after taking the shares private, by limiting the number of shareholders of the Target Company to two companies, i.e., the Tender Offeror and the Major Shareholder. Pursuant to the Shareholders Agreement, the Target Company implemented a share consolidation effective on March 19, 2021.

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

(1) Outline of the business combination

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

Name of the acquired company:

Kenedix, Inc.

Contents of business:

Asset management business, real estate management business, real estate operation business, and real estate investment business

(b) Main objective of the business combination

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

(c) Date of the business combination

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

(d) Legal form of the business combination

A stock acquisition in exchange for cash

(e) Name of the company after the business combination

The company name is not changed.

(f) Ratio of voting rights acquired

Voting rights held immediately before the business combination 0.00%

Voting rights acquired on the date of the business combination 62.35

Voting rights after the acquisition 62.35

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

(g) Primary reason for determining the acquiring company

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

(2) Performance period of the acquired company included in the consolidated financial statements

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

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

	Millions of Yen
Fair value, at the stock acquisition date, of stock held immediately before the stock acquisition.....	¥ 0
Consideration for stock acquired on the date of the stock acquisition (cash).....	103,144
Acquisition cost	103,145

Note:

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

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

Gain on step acquisition: ¥0 million

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

Fees and commissions payable to advisors: ¥1,511 million

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

(a) Amount of goodwill recognized: ¥17,574 million

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

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

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

	Millions of Yen
Current assets	¥ 119,264
Non-current assets	131,208
Total assets	250,472
Current liabilities.....	33,613
Non-current liabilities.....	75,739
Total liabilities	109,352

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

Amount allocated to intangible assets other than goodwill:	¥43,418 million
Amortization period:	20 years
Of which, customer-related assets:	¥43,418 million
Amortization period:	20 years

Note:

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

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

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

	Millions of Yen
Revenues	¥ 31,892
Profit before income taxes	11,334
Profit attributable to owners of parent.....	3,598

Calculation method of approximate amount:

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

This note has not been audited by KPMG AZSA LLC.

32. REVENUE RECOGNITION

Information on revenue from contracts with customers was as follows.

Receivables from contracts with customers, contract assets and contract liabilities

	Millions of yen	Thousands of U.S. dollars
At March 31,	2022	2022
Receivables from contracts with customers	¥ 5,020	\$ 41,010
Contract liabilities	1,237	10,105

Revenue from contracts with customers

	Millions of yen	Thousands of U.S. dollars
For the fiscal year ended March 31,	2022	2022
Revenue from contracts with customers	¥ 89,621	\$ 732,138

33. SEGMENT INFORMATION

(1) General information about reportable segments

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

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

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

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

The accounting policies of each reportable segment are almost consistent to those disclosed in Note 2. SIGNIFICANT ACCOUNTING POLICIES. In case business is obtained through collaboration with several other business departments, the amount calculated based on the actual revenue amount in accordance with the rules for internal managerial accounting will be recorded in each of the collaborating business departments.

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

For the fiscal year ended March 31, 2022	Millions of yen						Adjustments (*1)	Consolidated (*3)
	Reportable segment							
	Domestic leasing	Real estate	Trans- portation	Overseas				
Revenues								
Lease sales	¥ 676,043	¥ 250,615	¥ 316,426	¥ 35,982	¥ -	¥ 1,279,068		
Installment sales.....	349,603	-	1,067	62,107	-	412,778		
Finance revenue	6,809	1,874	7,651	1,185	-	17,520		
Other revenues (*2)	28,598	66,262	12,853	1,452	-	109,167		
Revenues from external customers	1,061,054	318,753	337,999	100,728	-	1,818,535		
Intersegment revenues or transfers.....	8,273	420	6,458	118,848	(134,000)	-		
Total revenues.....	1,069,328	319,173	344,457	219,577	(134,000)	1,818,535		
Segment profit (loss).....	37,422	47,576	42,878	3,094	(11,503)	119,468		
Segment assets.....	¥ 2,605,117	¥ 1,516,338	¥ 2,164,858	¥ 586,277	¥ 923,367	¥ 7,795,958		

Notes:

- *1. a) "Adjustments" for "Segment profit (loss)" of ¥(11,503) million included amortization of goodwill of ¥(9,194) million which was not allocated to each reportable segment.
b) "Segment assets" in each reportable segment are mainly operating assets. "Adjustments" for "Segment assets" were principally corporate assets which were not allocated to each reportable segment.

- *2. Other revenues include revenue that falls under revenue from contracts with customers.

Sumitomo Mitsui Finance and Leasing Company, Limited
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2022 and 2021

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

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

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

Notes:

- *1. a) “Adjustments” for “Segment profit (loss)” of ¥(15,266) million included amortization of goodwill of ¥(9,120) million which was not allocated to each reportable segment.
b) “Segment assets” in each reportable segment are mainly operating assets. “Adjustments” for “Segment assets” were principally corporate assets which were not allocated to each reportable segment.
- *2. Adjustments for “Segment profit (loss)” were made to match ordinary income in the consolidated statements of income. Ordinary income, which equals operating income after adjustment for non-operating gains/losses, is a subtotal required under Japanese presentation and a management index that is widely used in Japan.

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

For the fiscal year ended March 31, 2022	Thousands of U.S. Dollars					
	Reportable segment				Adjustments (*1)	Consolidated (*3)
	Domestic leasing	Real estate	Trans- portation	Overseas		
Revenues						
Lease sales.....	\$ 5,522,776	\$ 2,047,341	\$ 2,584,969	\$ 293,947	\$ -	\$ 10,449,054
Installment sales.....	2,856,000	-	8,717	507,369	-	3,372,100
Finance revenue.....	55,625	15,309	62,503	9,681	-	143,134
Other revenues (*2).....	233,625	541,312	105,000	11,862	-	891,817
Revenues from external customers.....	8,668,034	2,603,978	2,761,204	822,874	-	14,856,105
Intersegment revenues or transfers.....	67,584	3,431	52,757	970,901	(1,094,682)	-
Total revenues.....	8,735,626	2,607,410	2,813,961	1,793,783	(1,094,682)	14,856,105
Segment profit (loss).....	305,710	388,661	350,282	25,276	(93,971)	975,966
Segment assets.....	\$ 21,281,897	\$ 12,387,370	\$ 17,685,303	\$ 4,789,453	\$ 7,543,232	\$ 63,687,271

Notes:

- *1. a) “Adjustments” for “Segment profit (loss)” of US\$(93,971) thousand included amortization of goodwill of US\$(75,108) thousand which was not allocated to each reportable segment.
b) “Segment assets” in each reportable segment are mainly operating assets. “Adjustments” for “Segment assets” were principally corporate assets which were not allocated to each reportable segment.
- *2. Other revenues include revenue that falls under revenue from contracts with customers.
- *3. Adjustments for “Segment profit (loss)” were made to match ordinary income in the consolidated statements of income. Ordinary income, which equals operating income after adjustment for non-operating gains/losses, is a subtotal required under Japanese presentation and a management index that is widely used in Japan.

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

Sumitomo Mitsui Finance and Leasing Company, Limited
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2022 and 2021

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

	Millions of Yen		Thousands of U.S. Dollars	
	2022	2021	2022	
Operating income.....	¥ 116,212	¥ 41,395	\$ 949,368	
Interest income	122	125	1,000	
Dividend income	1,285	1,623	10,501	
Interest expenses	(4,043)	(2,750)	(33,029)	
Equity in earnings of affiliates	7,947	4,099	64,927	
Foreign exchange gains (losses).....	(2,153)	(118)	(17,595)	
Amortization of bond issuance cost	(257)	(361)	(2,101)	
Other—net.....	354	1,082	2,898	
Ordinary income	¥ 119,468	¥ 45,096	\$ 975,969	

(4) Matters concerning changes in reportable segments, etc.

As described in CHANGE IN ACCOUNTING POLICY, the Company has applied the Accounting Standard for Revenue Recognition and relevant ASBJ regulations from the beginning of the fiscal year ended March 31, 2022, and changed the accounting policy for revenue recognition. Accordingly, the Company has changed the method of measuring revenues and segment profit of reportable segments.

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

(5) Information by product and service

Millions of Yen					
For the fiscal year ended March 31, 2022					
	Leases, rentals and Installment sales	Loans	Other	Total	
Revenues from external customers	¥ 1,691,847	¥ 17,520	¥ 109,167	¥ 1,818,535	

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

Thousands of U.S. Dollars					
For the fiscal year ended March 31, 2022					
	Leases, rentals and Installment sales	Loans	Other	Total	
Revenues from external customers	\$ 13,821,150	\$ 143,126	\$ 891,814	\$ 14,856,105	

(6) Geographic information

a. Revenues

Millions of yen						
2022						
	Japan	Europe and the United States		Asia/ Oceania	Total	
		Ireland	Other			
¥	1,400,154	¥ 263,002	¥ 120,816	¥ 34,561	¥ 1,818,535	

Sumitomo Mitsui Finance and Leasing Company, Limited
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2022 and 2021

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

Thousands of U.S. Dollars					
2022					
Europe and the United States					
Japan	Ireland	Other	Asia/ Oceania	Total	
\$ 11,438,232	\$ 2,148,534	\$ 986,978	\$ 282,338	\$	14,856,105

Notes:

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

b. Property and equipment

Millions of yen					
2022					
Europe and the United States					
Japan	Ireland	Other	Asia/ Oceania	Total	
¥ 1,390,837	¥ 1,810,912	¥ 167,247	¥ 11,142	¥	3,380,139

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

Thousands of U.S. Dollars					
2022					
Europe and the United States					
Japan	Ireland	Other	Asia/ Oceania	Total	
\$ 11,362,119	\$ 14,793,824	\$ 1,366,285	\$ 91,022	\$	27,613,265

(7) Information about major customers

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

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

Millions of yen						
For the fiscal year ended March 31, 2022						
	Domestic leasing	Real estate	Transportation	Overseas	Corporate or elimination	Total
Impairment loss	¥ 189	¥ -	¥ 112,370	¥ -	¥ -	¥ 112,560

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

Sumitomo Mitsui Finance and Leasing Company, Limited
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2022 and 2021

Thousands of U.S. Dollars						
For the fiscal year ended March 31, 2022						
	Domestic leasing	Real estate	Transportation	Overseas	Corporate or elimination	Total
Impairment loss	\$ 1,544	\$ -	\$ 917,980	\$ -	\$ -	\$ 919,532

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

Millions of yen						
For the fiscal year ended March 31, 2022						
	Domestic leasing	Real estate	Transportation	Overseas	Corporate or elimination (*1)	Total
Amortization of goodwill	¥ -	¥ 963	¥ -	¥ -	¥ 9,194	¥ 10,157
Carrying amount of goodwill	-	16,610	-	-	49,942	66,553

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

Thousands of U.S. Dollars						
For the fiscal year ended March 31, 2022						
	Domestic leasing	Real estate	Transportation	Overseas	Corporate or elimination (*1)	Total
Amortization of goodwill	\$ -	\$ 7,867	\$ -	\$ -	\$ 75,108	\$ 82,982
Carrying amount of goodwill	-	135,692	-	-	407,989	543,689

Note:

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

(10) Information about gain on bargain purchase by reportable segment

For the fiscal year ended March 31, 2022

Gain on bargain purchase of ¥1,208 million (US\$9,868 thousand) was recorded in the “Domestic leasing” segment as a result of the acquisition of the shares of YANMAR CREDIT SERVICE CO., LTD. to make it a consolidated subsidiary. Note that the gain on bargain purchase is not included in segment profit or loss.

34. RELATED PARTY TRANSACTION

(1) Related party transaction

(a) Transactions between the Company and related parties

(i) Fellow subsidiaries

For the fiscal year ended March 31, 2022

Category	Related party	Location	Capital		Business	Ownership ratio	Connection
			(Millions of yen)	(Thousands of U.S. Dollars)			
Subsidiary of other affiliates	Sumitomo Mitsui Banking Corporation	Chiyoda-ku, Tokyo	¥ 1,770,996	\$ 14,467,740	Banking	-	Concurrent officers Loan borrowings

Transaction	Transaction amount		Account	Balance	
	(Millions of yen)	(Thousands of U.S. Dollars)		(Millions of yen)	(Thousands of U.S. Dollars)
Loan borrowings	¥ 2,795,888	\$ 22,840,356	Short-term loans	¥ 674,727	\$ 5,512,025
Payment of interest	2,903	23,715	Commercial paper	102,000	833,265
			Long-term loans due within one year	13,523	110,473
			Long-term loans	132,419	1,081,766

For the fiscal year ended March 31, 2021

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

Transaction	Transaction amount		Account	Balance	
	(Millions of yen)	(Thousands of U.S. Dollars)		(Millions of yen)	(Thousands of U.S. Dollars)
Loan borrowings	¥ 3,806,436		Short-term loans	¥ 500,195	
			Long-term loans due within one year		
Payment of interest	3,031			19,756	
			Long-term loans	96,487	

Note:

Trade conditions and its determination policy

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

(ii) Other affiliates

For the fiscal year ended March 31, 2022

Category	Related party	Location	Capital		Business	Ownership ratio	Connection
			(Millions of yen)	(Thousands of U.S. Dollars)			
Other affiliates	Sumitomo Mitsui Banking Corporation	Chiyoda-ku, Tokyo	¥ 219,893	\$ 1,796,365	General trading	Directly owned by 50%	Concurrent officers Purchase of receivables

Transaction	Transaction amount		Account	Balance	
	(Millions of yen)	(Thousands of U.S. Dollars)		(Millions of yen)	(Thousands of U.S. Dollars)
Purchase of receivables	¥ 96,459	\$ 787,999	Other loans receivable	¥ 21,697	\$ 177,249

Sumitomo Mitsui Finance and Leasing Company, Limited
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2022 and 2021

For the fiscal year ended March 31, 2021

Category	Related party	Location	Capital		Business	Ownership ratio	Connection
			(Millions of yen)				
Other affiliates	Sumitomo Mitsui Financial Group, Inc.	Chiyoda-ku, Tokyo	¥ 2,341,274		Bank holding company	Directly owned by 50%	Concurrent officers
Other affiliates	Sumitomo Corporation	Chiyoda-ku, Tokyo	219,781		General trading	Directly owned by 50%	Concurrent officers Purchase of receivables

Transaction	Transaction amount		Account	Balance	
	(Millions of yen)			(Millions of yen)	
Disposal of treasury stock	¥ 50,000		-	¥ -	
Purchase of receivables	¥ 86,551		Other loans receivable	¥ 21,367	
Disposal of treasury stock	50,000		-	-	

Notes:

Trade conditions and its determination policy

- In purchasing of receivables, interest rates have been reasonably determined taking the market interest rate into consideration.
- The amounts of purchase and disposal of treasury stock were based on the agreement of the transaction parties.

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

Fellow subsidiaries

For the fiscal year ended March 31, 2022

Category	Related party	Location	Capital		Business	Ownership ratio	Connection
			(Millions of yen)	(Thousands of U.S. Dollars)			
Subsidiary of other affiliates	Sumitomo Mitsui Banking Corporation	Chiyoda-ku, Tokyo	¥ 1,770,996	\$ 14,467,740	Banking	-	Concurrent officers Loan borrowings
Subsidiary of other affiliates	SMBC Trust Bank Ltd.	Chiyoda-ku, Tokyo	87,550	715,219	Banking	-	Concurrent officers Loan borrowings

Transaction	Transaction amount			Account	Balance	
	(Millions of yen)	(Thousands of U.S. Dollars)			(Millions of yen)	(Thousands of U.S. Dollars)
Loan borrowings	¥ 432,836	\$ 3,535,953		Short-term loans	¥ 4,607	\$ 37,636
Payment of interest	21,057	172,020		Long-term loans due within one year	88,268	721,085
				Long-term loans	714,830	5,839,637
				Long-term loans due within one year		
Loan borrowings	¥ 169,959	\$ 1,388,440			¥ 9,462	\$ 77,298
Payment of interest	11,965	97,745		Long-term loans	393,715	3,216,363

For the fiscal year ended March 31, 2021

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

Sumitomo Mitsui Finance and Leasing Company, Limited
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2022 and 2021

Transaction	Transaction amount (Millions of yen)	Account	Balance (Millions of yen)
Loan borrowings	¥ 280,173	Short-term loans	¥ 6,003
		Long-term loans due within one year	84,419
Payment of interest	16,869	Long-term loans	647,820
Loan borrowings	¥ 331,578	Long-term loans due within one year	¥ 7,604
Payment of interest	9,377	Long-term loans	298,647

Note:

Trade conditions and its determination policy

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

35. PER SHARE DATA

At and for the fiscal year ended March 31,	Yen		U.S. Dollars	
	2022	2021	2022	
Net assets per share	¥ 9,491.87	¥ 8,569.72	\$ 77.54	
Earnings per share	404.83	436.54	3.31	

Notes:

- Information on diluted earnings per share is omitted due to an absence of potential shares with dilutive effects.
- Earnings per share were calculated based on the followings:

At and for the fiscal year ended March 31,	Millions of Yen		Thousands of U.S. Dollars	
	2022	2021	2022	
Earnings per share				
Profit attributable to owners of parent.....	¥ 35,363	¥ 33,627	\$ 288,892	
Amount not attributable to common stockholders.....	-	-	-	
Profit attributable to owners of parent related to common stock	35,363	33,627	288,892	
Average number of common stock during the fiscal year (thousand)	87,354	77,032		

For the fiscal year ended March 31,	2022	2021
	(Consolidated subsidiary) Kenedix, Inc.	
	Stock acquisition rights with resolution date of October 29, 2021	
Overview of potential common shares that were not included in the calculation of diluted earnings per share due to an absence of dilutive effect	7th stock acquisition rights Common stock 11,695,167 shares	-
	8th stock acquisition rights Common stock 2,202,833 shares	
	9th stock acquisition rights Common stock 1,542,678 shares	

Sumitomo Mitsui Finance and Leasing Company, Limited
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2022 and 2021

3. Net assets per share were calculated based on the followings:

At March 31,	Millions of Yen		Thousands of U.S. Dollars	
	2022	2021	2022	
Net assets.....	¥ 1,021,541	¥ 922,067	\$ 8,345,247	
Amounts excluded from net assets.....	192,386	173,465	1,571,653	
Stock acquisition rights on the above.....	(123)	-	(1,009)	
Non-controlling interests on the above.....	(192,262)	(173,465)	(1,570,644)	
Net assets attributable to common stock at the fiscal year-end.....	829,155	748,601	6,773,589	
Number of common stock at the fiscal year-end used for the calculation of net assets per share (thousand).....	87,354	87,354		

36. SUBSEQUENT EVENTS

For the fiscal year ended March 31, 2022

Conclusion of share transfer agreement

A consolidated subsidiary of the Company SMBC Aviation Capital Limited (hereinafter “SMBC Aviation Capital”) resolved to acquire all shares of an aircraft lessor Goshawk Management (Ireland) Limited (hereinafter “Goshawk”) from Chow Tai Fook Enterprises Limited and NWS Holdings Limited subject to receiving permission from the relevant authorities, and concluded a share transfer agreement on May 16, 2022.

(1) Name of the acquiree and description of its business, etc.

Company name	Goshawk Management (Ireland) Limited
Head office	Dublin, Ireland
Year of establishment	2013
Description of primary operations	Aircraft leasing business
Shareholders and capital contribution rates (current)	Chow Tai Fook Enterprises: 50% NWS Holdings (New World, listed on Hong Kong Exchanges and Clearing): 50%
Shareholder and capital contribution rate (after acquisition)	SMBC Aviation Capital: 100%

(2) Primary reasons for transaction

Goshawk is an independent aircraft lessor mainly based in Ireland that like SMBC Aviation Capital, holds a quality portfolio of aircraft focused on narrowbody aircraft that are considered highly liquid assets. In view of the Russia-Ukraine situation, SMBC Aviation Capital has excluded the Russian aircraft owned by Goshawk from this purchase. Through this purchase, SMBC Aviation Capital will increase its scale of operation to 1,000 aircraft including its existing portfolio of owned, managed and ordered aircraft and acquire a new customer base, thereby establishing an even more robust business base. Now, more than before, we offer a wide range of airlines and aircraft investors in Japan and overseas investment opportunities utilizing the leasing of aircraft and the merit of scale to airlines, and we will strive to improve sustainable growth and asset and capital efficiency in the aircraft leasing business.

37. QUARTERLY INFORMATION (Unaudited)

Quarterly information for the fiscal year ended March 31, 2022 was as follows:

Cumulative	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Revenues (Millions of Yen).....	¥ 375,981	¥ 802,715	¥ 1,243,707	¥ 1,818,535
Quarterly profit before income taxes (Millions of Yen).....	19,830	50,850	82,064	39,751
Quarterly profit attributable to owners of parent (Millions of Yen).....	14,221	35,907	56,915	35,363
Quarterly earnings per share (Yen).....	162.81	411.06	651.55	404.83

Sumitomo Mitsui Finance and Leasing Company, Limited
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2022 and 2021

Cumulative	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Revenues (Thousands of U.S. Dollars)	\$ 3,071,489	\$ 6,557,593	\$ 10,160,175	\$ 14,856,105
Quarterly profit before income taxes (Thousands of U.S. Dollars).....	161,997	415,407	670,403	324,741
Quarterly profit attributable to owners of parent (Thousands of U.S. Dollars)	116,175	293,333	464,954	288,892
Quarterly earnings per share (U.S. Dollars).....	1.33	3.36	5.32	3.31

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Quarterly earnings (loss) per share (Yen).....	¥ 162.81	¥ 248.25	¥ 240.49	¥ (246.73)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Quarterly earnings (loss) per share (U.S. Dollars).....	\$ 1.33	\$ 2.03	\$ 1.96	\$ (2.02)