

CONSOLIDATED BALANCE SHEET (Translation)

As of March 31, 2022

(Millions of yen)

ASSETS		LIABILITIES	
Account item	Amount	Account item	Amount
Current assets	1,867,084	Current liabilities	1,077,899
Cash and deposits	76,862	Notes and accounts payable-trade	36,085
Notes receivable-trade	10	Short-term borrowings	367,874
Installment contract receivables	137,154	Current portion of bonds	20,000
Lease receivables and lease investment assets	1,111,778	Current portion of long-term debt	131,739
Loan receivables from customers	394,393	Commercial paper	402,968
Other loan receivables from customers	82,773	Payables under fluidity lease receivables	44,945
Lease contract receivables	2,547	Lease payables	15,846
Other operating assets	25,183	Accrued income taxes	4,530
Merchandise	9,845	Unrealized gross profits on installment contracts	7,674
Other	33,047	Provision for bonuses	1,821
Allowance for doubtful receivables	(6,512)	Provision for directors' bonuses	37
		Asset retirement obligations	1,449
		Other	42,924
Fixed assets	252,934	Long-term liabilities	782,556
Tangible assets	180,992	Bonds	120,000
Property for lease and rent	175,708	Long-term debt	504,118
Property for lease and rent	174,212	Long-term payables under fluidity lease receivables	123,573
Advances for purchases of property for lease and rent	1,495	Deferred tax liabilities	241
Own-use assets	5,284	Net defined benefit liability	5,922
Intangible assets	7,473	Guarantee deposits received	27,339
Property for lease and rent	340	Asset retirement obligations	601
Goodwill	1,953	Other	760
Software	3,642		
Other	1,537	Total liabilities	1,860,456
Investments and other assets	64,468	EQUITY	
Investment securities	51,269	Stockholders' equity	246,062
Claims provable in bankruptcy, in rehabilitation, and other	906	Capital stock	32,000
Deferred tax assets	2,452	Capital surplus	66,363
Other	10,580	Retained earnings	147,698
Allowance for doubtful receivables	(740)	Accumulated other comprehensive income	5,640
		Net unrealized gain on available-for-sale securities	8,049
		Deferred gains (losses) on hedges	10
		Foreign currency translation adjustments	(2,129)
		Remeasurements of defined benefit plans	(289)
		Non-controlling interests	7,859
		Total equity	259,562
Total assets	2,120,018	Total liabilities and equity	2,120,018

CONSOLIDATED STATEMENT OF INCOME (Translation)

For the year ended March 31, 2022

(Millions of yen)

Account item	Amount	
Revenues		459,232
Costs		406,426
Gross profit		52,806
Selling, general and administrative expenses		27,024
Operating income		25,781
Non-operating income		
Interest received	12	
Dividends received	362	
Share of profit of entities accounted for using equity method	230	
Foreign exchange gains	12	
Other	34	652
Non-operating expenses		
Interest expense	301	
Bond issuance cost	159	
Other	3	464
Ordinary income		25,970
Special gains		
Gain on sales of fixed assets	17	
Gain on sales of investment securities	319	
Gain on sales of shares of unconsolidated subsidiaries and associated companies	6	
Gain on bargain purchase	463	807
Special losses		
Loss on sales and retirement of fixed assets	13	
Loss on valuation of investment securities	40	
Loss on valuation of shares of unconsolidated subsidiaries and associated companies	5	
Loss on liquidation of unconsolidated subsidiaries and associated companies	4	
Loss on sale of golf club membership	3	67
Income before income taxes		26,709
Income taxes-current	8,420	
Income taxes-deferred	(109)	8,310
Net income		18,398
Net loss attributable to non-controlling interests		(65)
Net income attributable to owners of parent		18,464

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Translation)

For the year ended March 31, 2022

(Millions of yen)

	Stockholders' equity			
	Capital stock	Capital surplus	Retained earnings	Total stockholders' equity
Balance at beginning of the year	32,000	66,291	132,894	231,185
Cumulative effects of changes in accounting policies			917	917
Restated balance	32,000	66,291	133,811	232,102
(Changes during the year)				
Dividends from surplus			(4,577)	(4,577)
Net income attributable to owners of parent			18,464	18,464
Change in ownership interest of parent due to transactions with non-controlling interests		72		72
Changes during the year in items other than stockholders' equity (net)				
Total changes during the year	—	72	13,887	13,959
Balance at end of the year	32,000	66,363	147,698	246,062

	Accumulated other comprehensive income					Non-controlling interests	Total equity
	Net unrealized gain on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of the year	9,785	(112)	(7,915)	(565)	1,191	3,808	236,185
Cumulative effects of changes in accounting policies					—	—	917
Restated balance	9,785	(112)	(7,915)	(565)	1,191	3,808	237,102
(Changes during the year)							
Dividends from surplus							(4,577)
Net income attributable to owners of parent							18,464
Change in ownership interest of parent due to transactions with non-controlling interests							72
Changes during the year in items other than stockholders' equity (net)	(1,736)	123	5,786	276	4,449	4,051	8,500
Total changes during the year	(1,736)	123	5,786	276	4,449	4,051	22,459
Balance at end of the year	8,049	10	(2,129)	(289)	5,640	7,859	259,562

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Translation)

For the year ended March 31, 2022

Amounts less than one million yen have been truncated.

(Notes to Significant Matters that Serve as the Basis for Preparing the Consolidated Financial Statements)

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 47

Names of principal consolidated subsidiaries are described in “Business Report 1. (6) Status of significant subsidiaries.”

JA Mitsui Leasing Asia Pacific Holding Pte. Ltd. and three other companies have been included in the scope of consolidation due to their establishment, TULIP 6 G.K. and seven other companies have been included in the scope of consolidation due to investments in them, and Japan Packaging Machinery Lease Co., Ltd. has been included in the scope of consolidation due to the acquisition of its shares effective from the consolidated fiscal year ended March 31, 2022.

(2) Names and other information of principal unconsolidated subsidiaries

Dyna Shipholding Pte. Ltd.

Ark Capital Investment Co., Ltd.

(Reasons for excluding subsidiaries from the scope of consolidation)

Of the unconsolidated subsidiaries, Dyna Shipholding Pte. Ltd. and 47 other companies are business operators that conduct the leasing business mainly through silent partnership investments, and their assets, liabilities, and profit and loss are not attributable to those subsidiaries. Therefore, they have been excluded from the scope of consolidation.

Ark Capital Investment Co., Ltd. and 22 other companies are small in scale and each company’s total assets, revenues, profit and loss (amount corresponding to equity), and retained earnings (amount corresponding to equity) do not significantly affect the consolidated financial statements. Therefore, they have been excluded from the scope of consolidation.

2. Application of equity method

(1) Associated companies accounted for by the equity method: 12

MICHINOKU LEASING CO., LTD.

Mitsui Rail Capital, LLC and 10 other companies

Nochu-JAML Investment Advisors Co., Ltd. and one other company have been included in the scope of the equity method effective from the consolidated fiscal year ended March 31, 2022, due to their establishment.

HIMEGIN LEASE Co., Ltd., which had been an associated company accounted for by the equity method, has been excluded from the scope of the equity method effective from the consolidated fiscal year ended March 31, 2022, due to the sales of all shares held.

(2) Of the unconsolidated subsidiaries or associated companies not accounted for by the equity method, names of the principal companies are as follows:

Dyna Shipholding Pte. Ltd. (Unconsolidated subsidiary)

Ark Capital Investment Co., Ltd. (Unconsolidated subsidiary)

(Reasons for not applying the equity method)

Of the unconsolidated subsidiaries, Dyna Shipholding Pte. Ltd. and 47 other companies are business operators that conduct the leasing business mainly through silent partnership investments, and their profit and loss are not attributable to those subsidiaries. Therefore, they have been excluded from the scope of the equity method.

Unconsolidated subsidiaries, Ark Capital Investment Co., Ltd. and 22 other companies have been excluded from the scope of the equity method due to their respective amounts of profit and loss (amount corresponding to equity) and retained earnings (amount corresponding to equity), which might not affect the consolidated financial statements, as well as their overall insignificance to the Group's interests.

3. Fiscal years of the consolidated subsidiaries

Of the consolidated subsidiaries, the closing date of PT. Mitsui Leasing Capital Indonesia and seven other companies is December 31 and the closing date of JAML Natural Energy Investment Limited Partnership and nine other companies is January 31. In preparing the consolidated financial statements, financial statements as of these dates are used and necessary adjustments for consolidation are made for any significant transactions that occur between the consolidated closing date and these dates. The closing date of Silent Partnership Iolanda Lease is September 30, and the closing date of Silent Partnership Esmeralda Lease and one other company is August 31; however, in preparing the consolidated financial statements, their financial statements as of March 31 through the temporary settlement are used.

4. Accounting standards

(1) Valuation basis and methods applied for significant assets

① Securities

Held-to-maturity securities.....	Amortized cost method
Available-for-sale securities	
Securities other than shares, etc., that do not have a market price.....	At fair value (All valuation differences are reported as a component of equity. The cost of securities sold is determined by the moving-average method.)
Shares, etc., that do not have a market price.....	At cost determined by the moving-average method
Investments in limited partnerships, which are considered securities under Article 2, Paragraph 2 of the Japanese Financial Instruments and Exchange Act, are recorded under the equity method and based on the latest consolidated financial statements available on the reportable date ruled by the partnership contracts.	
② Derivative financial instruments.....	At fair value
③ Inventories.....	At cost determined by the specific identification method (Consolidated balance sheet amount is subject to the book value reduction method based on decreased profitability)

(2) Methods of depreciation and amortization applied for significant fixed assets

① Property for lease and rent

Property for lease and rent is depreciated under the straight-line method within the estimated lease and rent period, assuming that useful lives are the same as the estimated lease and rent period, and that residual values are the disposal price estimable at the end of the estimated lease and rent period.

For some of the property for lease and rent, tangible assets are depreciated under the declining-balance method. However, for buildings (excluding facilities attached to buildings) acquired after April 1, 1998, and facilities attached to buildings acquired after April 1, 2016, the straight-line method is applied. Intangible assets are amortized under the straight-line method.

② Other fixed assets

Tangible assets

The declining-balance method is applied; however, for buildings (excluding facilities attached to buildings) acquired after April 1, 1998, and facilities attached to buildings and structures acquired after April 1, 2016, the straight-line method is applied.

The principal useful lives are as follows.

Buildings	2 to 38 years
Furniture and equipment	2 to 20 years

Intangible assets

The straight-line method is applied. Software for internal use is amortized under the straight-line method over internal useful lives (five years).

(3) Accounting method of deferred assets

Bond issuance cost

Bond issuance cost is recognized as expense at the time of expenditure.

(4) Significant allowance and provisions

① Allowance for doubtful receivables

For general receivables, allowance for estimated uncollectible receivables is provided for at an adequate rate calculated based on the probability of bankruptcy, while allowance for certain categories, including seriously

doubtful receivables and receivables from businesses under a bankruptcy or rehabilitation process, is provided for based on a case-by-case collectibility assessment.

For receivables from businesses under a bankruptcy or rehabilitation process, an estimated uncollectible amount is calculated by subtracting estimated collectible amounts from the receivables amount. For the year ended March 31, 2022, such estimated uncollectible amount is ¥4,451 million.

② Provision for bonuses

Of the estimated amount of bonuses payable to employees in the following fiscal year, the portion attributable to their service during the consolidated fiscal year ended March 31, 2022, has been set aside as provision for employees' bonuses.

③ Provision for directors' bonuses

Of the estimated amount of bonuses payable to directors in the following fiscal year, the portion attributable to their service during the consolidated fiscal year ended March 31, 2022, has been set aside as provision for directors' bonuses.

(5) Significant income and expenses

① Accounting policy for revenues and costs from finance lease transactions

The Group adopts the method in which lease revenue and cost of lease are recorded at the time when lease fees are collectible.

② Accounting policy for revenues from operating lease transactions

The Group records lease revenues corresponding to the elapsed period of the lease contract term, on the basis of the monthly lease fees collectible according to the lease contract for such contract term.

(6) Translation of significant foreign currency accounts

All monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rates on the consolidated balance sheet date, and the foreign exchange gains and losses therefrom are recognized in the consolidated statement of income.

Assets and liabilities of the overseas consolidated subsidiaries are translated into Japanese yen at the spot exchange rate on the closing date of each company. Their income and expenses are translated into Japanese yen by using the average exchange rate during the fiscal year of each company. These translation adjustments are recorded as foreign currency translation adjustments and non-controlling interests under equity.

(7) Significant method of hedge accounting

① Method of hedge accounting

Gains or losses on derivatives are deferred until maturity of the hedged items. For a currency swap, the Group applies designated hedge accounting as far as it qualifies for the required rules, and for an interest rate swap, the Group applies the exceptional method as far as it qualifies for the required rules.

② Hedging instruments and hedged items

Hedging instruments

Interest rate swap transactions

Cross-currency interest rate swap transactions

Hedged items

Loan receivables from customers and borrowings

Lease receivables and lease investment assets

③ Hedge accounting policy and evaluation of the hedge effectiveness

For purposes of hedging risks from fluctuations in interest rates arising from assets and liabilities, integrated management of assets, liabilities and profit and loss (ALM) and securing stable income, the Group conducts derivative transactions in accordance with the internal regulations stipulated by the Management Committee.

The Group compares the cumulative changes in market fluctuations and cash flows of the hedged items against those of the hedging instruments during the period from the start of the hedging until the time when effectiveness is determined. This comparison serves as the basis for evaluating hedge effectiveness.

Evaluation of the effectiveness of interest rate swap transactions based on the exceptional method has been omitted.

Of the above hedging relationships, the Group has applied the exceptional treatment defined in the “Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR” (Practical Issues Task Force No. 40, September 29, 2020) to all hedging relationships included in the scope of the Practical Solution. The details of the hedging relationships to which this Practical Solution is applied are as follows.

Method of hedge accounting

Deferred hedge method, exceptional method for interest rate swap

Hedging instruments

Interest rate swap transactions, cross-currency interest rate swap transactions

Hedged items

Loan receivables from customers and borrowings, lease receivables and lease investment assets

Types of hedging transactions

Hedging transactions that offset market fluctuation, hedging transactions that fix cash flows

(8) Amortization method and amortization period of goodwill

Goodwill is amortized utilizing the straight-line method over five years.

(9) Other significant matters that serve as the basis for preparing the consolidated financial statements

Accounting treatment for retirement benefits

Attribution method of the estimated amount of retirement benefits

In calculating projected benefit obligations, the estimated amount of retirement benefits by the end of the consolidated fiscal year ended March 31, 2022, is attributed on a straight-line basis.

Accounting method for actuarial differences and past service costs

Past service costs are recognized in each fiscal year, as they arise.

Actuarial differences are charged to income on a straight-line basis, beginning from the consolidated fiscal year following the respective accounting period of recognition, over a period within the average remaining years of service of employees (9 to 19 years) at that time.

(Notes to Changes in Accounting Policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

Effective from the beginning of the consolidated fiscal year ended March 31, 2022, the Group has applied “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; hereinafter, the “Revenue Recognition Standard”) and other standards. The Group recognizes revenue when control of promised goods or services is transferred to a customer in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Revenue from transactions of providing products to customers, in which the Group acts as an agent, was previously recognized at the total amount of consideration to be received from customers, however, revenue is now recognized at the net amount of the amount received from customers less the amount to be paid to suppliers of the products.

The Group applies the Revenue Recognition Standard, etc., in accordance with the transitional treatment provided for in the proviso to Paragraph 84 of the Revenue Recognition Standard, with the new accounting policies applied from the beginning balance.

The change has only a minimal impact on the consolidated financial statements.

(Application of Accounting Standard for Fair Value Measurement, etc.)

Effective from the beginning of the consolidated fiscal year ended March 31, 2022, the Group has applied “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter, the “Fair Value Measurement Standard”) and other standards and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard, etc., in accordance with the transitional treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). The application has no impact on the consolidated financial statements for the consolidated fiscal year ended March 31, 2022.

In addition, the Group will include notes on fair value information by level within the fair value hierarchy in the notes to financial instruments.

(Notes to Accounting Estimates)

Recording of allowance for doubtful receivables

(1) Amount recorded in the consolidated fiscal year ended March 31, 2022

	(Millions of yen)
Allowance for doubtful receivables (current)	(6,512)
Allowance for doubtful receivables (fixed)	(740)

(2) Other information that facilitates understanding about the nature of estimates

① Method of estimation

The same information is described in 4. under “Notes to Significant Matters that Serve as the Basis for Preparing the Consolidated Financial Statements.”

② Main assumptions used for estimation

The levels of credit risk are determined based on the business conditions of customers, by conducting regular self-assessments in accordance with the self-assessment regulations established by the Group. Although it is difficult to predict when COVID-19 infection will be fully contained, the Group anticipates that it will be under

control to a certain extent and economic activities will gradually recover. However, the Group assumes that the credit risks of the Group's customers will be affected. To prepare for the expected losses due to these effects, the Group has carried out self-assessment of the debtor categories of certain customers based on the recent performance deterioration.

③ Impact on consolidated financial statements for the next consolidated fiscal year

The Group has determined that the accounting estimates used to value receivables are reasonable and that sufficient allowance for doubtful receivables was recorded. However, the valuation of receivables entails uncontrollable uncertainties and may fluctuate depending on the COVID-19 situation, its impact on the economic environment, and unpredictable changes in assumptions. Allowance for doubtful receivables, therefore, may increase or decrease in the consolidated financial statements for the next consolidated fiscal year.

(Notes to Consolidated Balance Sheet)

1. Assets pledged as collateral and corresponding liabilities

(1) Assets pledged as collateral

	(Millions of yen)
Installment contract receivables	6,591
Lease receivables and lease investment assets	152,965
Loan receivables from customers	46,025
Other loan receivables from customers	818
Property for lease and rent (tangible assets)	319
Investment securities	1,086
<u>Other (investments and other assets)</u>	<u>15</u>
Total	207,820

(2) Liabilities corresponding to assets pledged as collateral

	(Millions of yen)
Current portion of long-term debt	2,116
Payables under fluidity lease receivables	44,741
Long-term debt	21,245
<u>Long-term payables under fluidity lease receivables</u>	<u>122,130</u>
Total	190,234

2. Accumulated depreciation of tangible assets

	(Millions of yen)
Accumulated depreciation of property for lease and rent	57,608
Accumulated depreciation of own-use assets	3,040

3. Contingent liabilities

Contingent liabilities for other companies' borrowings, etc., from financial institutions

	(Millions of yen)
M&M Shipholding Pte. Ltd.	11,909
LNG CORNFLOWER SHIPPING CORPORATION	10,721
Mitsui Rail Capital, LLC	2,030
ICE GAS LNG Shipping Co., Ltd.	1,224
<u>Others</u>	<u>313</u>
Total	26,198

(Notes to Consolidated Statement of Changes in Equity)

1. Number of issued and outstanding shares

(Thousand shares)

Class of shares	Number of shares at the beginning of the consolidated fiscal year	Number of increased shares during the consolidated fiscal year	Number of decreased shares during the consolidated fiscal year	Number of shares at the end of the consolidated fiscal year
Issued and outstanding shares				
Ordinary shares	32,415	—	—	32,415
Class I classified shares	4,077	—	—	4,077
Class II classified shares	33,448	—	—	33,448
Class III classified shares	3,883	—	—	3,883
Total	73,824	—	—	73,824

2. Matters regarding dividends

(1) Amount of dividend payments

Dividend payments resolved at the 13th annual general meeting of shareholders held on June 25, 2021

- Total amount of dividends ¥4,577 million
- Dividend per share
 - Ordinary shares ¥62
 - Class I classified shares ¥62
 - Class II classified shares ¥62
 - Class III classified shares ¥62
- Record date March 31, 2021
- Effective date June 28, 2021

(2) Dividends with a record date in the current consolidated fiscal year and effective date in the next consolidated fiscal year

At the 14th annual general meeting of shareholders scheduled to be held on June 28, 2022, the Group will make the following proposals to be discussed and resolved:

- Total amount of dividends ¥9,228 million
- Dividend per share
 - Ordinary shares ¥125
 - Class I classified shares ¥125
 - Class II classified shares ¥125
 - Class III classified shares ¥125
- Record date March 31, 2022
- Effective date June 29, 2022

The source of dividends is retained earnings.

(Notes to Financial Instruments)

1. Matters relating to the status of financial instruments

(1) The Group's policy for financial instruments

The Group raises funds by direct financing, such as issuance of commercial paper and bonds, as well as securitization of receivables, along with indirect financing, including bank borrowings, in order to develop its core business leasing and other financial service businesses, including installment sales and loans to customers. The Group avoids concentration risk on specific industries or companies. It also periodically quantifies the amount of credit risks associated with its credit portfolios (the difference between credit VaR at a specified confidence level and credit costs) with the aim of maintaining a sound financial position.

From the perspective of stable finance, the Group seeks to diversify methods of financing and deconcentrate trading financial institutions for borrowings, the issuance of commercial paper and bonds. It also implements integrated asset and liability management (ALM) with the aim of keeping up with changes in financial conditions and engages in derivative transactions as part of ALM. Derivative transactions are used with the objective of avoiding risks and not for speculative purposes.

(2) Details of financial instruments and their risks

Financial assets held by the Group are primarily lease receivables, lease investment assets, installment contract receivables, and loans to customers involving domestic clientele, all of which are exposed to credit risk associated with the event of default by customers.

Bank borrowings and issuance of commercial paper and bonds are all exposed to liquidity risk involving difficulty in ensuring the procurement of sufficient funds via normal fund-raising activities in the event of significant dysfunction of the financial/capital markets. Furthermore, borrowings at variable interest rates are exposed to interest rate risk, which is partially avoided by interest rate swap transactions. Leases, installment sales and loan transactions denominated in foreign currencies are exposed to exchange risk, which is mitigated by foreign currency denominated borrowing.

One area of the derivative transactions in which the Group is engaged is interest rate swap transactions deployed as hedging instruments as part of the integrated asset and liability management (ALM) in which interest rate risk associated with the hedged borrowing is subject to hedge accounting. Under hedge accounting, the Group compares the cumulative changes in cash flows of the hedged items against those of the hedging instruments during the period from the start of the hedging until the time at which effectiveness is determined.

This comparison serves as the basis for evaluating hedge effectiveness.

(3) Risk management system for financial instruments

① Management of credit risks

In accordance with the internal rules for credit risks, the Group has developed and maintains a credit management system in respect of its trade receivables, including credit assessment and management of credit limits and credit data on a case-by-case basis, internal credit rating, application of a ceiling system to avoid credit concentration risk, arrangement of guarantee and security, and response to questionable receivables. In addition, the Group periodically quantifies credit risks (the difference between credit VaR at a specified confidence level and credit costs) in order to analyze and monitor its exposure to credit risks.

② Management of financial market risks

The Group manages interest rate risk on the basis of the integrated asset and liability management (ALM). Details of the methods and procedures of the risk management are set out under the Group's Risk Management Policies, while analysis of financial market trends and identification/confirmation of interest rate risk position, along with discussion/approval on the future policies for handling this type of risk, are carried out by the Integrated Risk Management Committee. Exchange risk is managed on a case-by-case basis. Furthermore, for quantitative analysis of the interest rate risk, the Group calculates the amount of impact on profit and loss by simulating the reasonably expected moving range of interest rate risk after the

year-end; and assuming that all risk variables other than interest rates remain the same, calculations indicate that the fair value of financial assets and financial liabilities will decrease by ¥1,913 million based on the scenario where the benchmark interest rate increases by 10 basis points (0.1%) as of March 31, 2022.

③ Management of liquidity risks concerning financing

The Group engages in liquidity management of company-wide funds via ALM, along with other measures including the maintenance of adequate balance of cash and deposits, diversification of fund-raising methods, establishment of commitment lines from a number of financial institutions, and an optimum mix of short-term and long-term financing in consideration of the market environment.

(4) Supplementary information on matters relating to the fair value of financial instruments

The fair value of financial instruments is calculated based on certain assumptions; therefore, the value may vary if different assumptions are applied. In addition, the contract amounts stated in the note “Derivative transactions” themselves do not indicate the market risks associated with derivative transactions.

2. Matters relating to the fair value of financial instruments

Consolidated balance sheet amounts, fair value, and the differences as of March 31, 2022, are as follows. Shares, etc., that do not have a market price and investments in partnerships, etc., are not included in the table below (Please refer to Note 1.). Note to cash is omitted. Notes to short-term borrowings, commercial paper, and payables under fluidity lease receivables are also omitted as they are settled in a short period, thus their book value is approximate to their fair value.

(Millions of yen)

	Consolidated balance sheet amounts	Fair value	Differences
(1) Installment contract receivables (*1)	129,479		
Allowance for doubtful receivables (*2)	(752)		
	128,727	129,342	614
(2) Lease receivables and lease investment assets	1,111,778		
Estimated residual value (*3)	(46,173)		
Allowance for doubtful receivables (*2)	(2,051)		
	1,063,552	1,075,658	12,105
(3) Loan receivables from customers	394,393		
Allowance for doubtful receivables (*2)	(2,981)		
	391,411	393,501	2,089
(4) Other loan receivables from customers	82,773		
Allowance for doubtful receivables (*2)	(110)		
	82,662	82,810	147
(5) Investment securities			
Held-to-maturity securities	—	—	—
Available-for-sale securities	20,368	20,368	—
(6) Claims provable in bankruptcy, in rehabilitation, and other	906		
Allowance for doubtful receivables (*2)	(736)		
	169	169	—
Total assets	1,686,892	1,701,851	14,958
(1) Bonds (*4)	140,000	139,540	(459)
(2) Long-term debt (*5)	635,858	634,527	(1,330)
(3) Long-term payables under fluidity lease receivables (*6)	168,519	168,647	128
Total liabilities	944,377	942,715	(1,661)
Derivative transactions (*7)			
1) Derivative transactions to which hedge accounting is not applied	(46)	(46)	—
2) Derivative transactions to which hedge accounting is applied	139	139	—
Total derivative transactions	92	92	—

(*1) Deferred unrealized gross profits on installment contracts have been deducted from installment contract receivables.

(*2) Corresponding allowance for doubtful receivables has been deducted.

(*3) Estimated residual value included in lease investment assets has been deducted.

(*4) Current portion of bonds is included.

(*5) Current portion of long-term debt is included.

(*6) Long-term payables under fluidity lease receivables scheduled to be repaid within one year as included in payables under fluidity lease receivables are included.

(*7) Actual receivables and payables derived from derivative transactions are represented as net amounts.

(Note 1) Consolidated balance sheet amounts of shares, etc., that do not have a market price and investments in partnerships, etc., are as follows. These items are not included in “Assets (5) Investment securities.”

(Millions of yen)

Classification	Consolidated balance sheet amounts
Unlisted shares (*1)	15,809
Investments in partnerships, etc. (*2)	15,090

(*1) Unlisted shares are not disclosed at fair values in accordance with Item 5 of “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020).

(*2) Investments in partnerships, etc., are primarily investments in silent partnerships and investment associations, as well as money held in trust, etc., that has investments in silent partnerships as the trust assets. These items are not disclosed at fair values in accordance with Paragraph 27 of “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, July 4, 2019).

3. Fair value information by level within the fair value hierarchy

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

- Level 1 fair value: Fair value measured using observable inputs, i.e., quoted prices in active markets for assets or liabilities that are the subject of the measurement.
- Level 2 fair value: Fair value measured using observable inputs other than Level 1 inputs.
- Level 3 fair value: Fair value measured using unobservable inputs.

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest-level input that is significant to the entire measurement.

(1) Financial assets and financial liabilities measured at fair value on the consolidated balance sheet

For the fiscal year ended March 31, 2022

Classification	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Shares	8,604	8,264	—	16,868
Bonds	—	—	3,500	3,500
Derivative transactions				
Currency related	—	238	—	238
Interest rates related	—	85	—	85
Total assets	8,604	8,588	3,500	20,692
Derivative transactions				
Currency related	—	—	—	—
Interest rates related	—	231	—	231
Total liabilities	—	231	—	231

(2) Financial assets and financial liabilities not measured at fair value on the consolidated balance sheet

For the fiscal year ended March 31, 2022

Classification	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Installment contract receivables	—	—	129,342	129,342
Lease receivables and lease investment assets	—	—	1,075,658	1,075,658
Loan receivables from customers	—	—	393,501	393,501
Other loan receivables from customers	—	—	82,810	82,810
Claims provable in bankruptcy, in rehabilitation, and other	—	—	169	169
Total assets	—	—	1,681,482	1,681,482
Bonds	—	139,540	—	139,540
Long-term debt	—	—	634,527	634,527
Long-term payables under fluidity lease receivables	—	—	168,647	168,647
Total liabilities	—	139,540	803,175	942,715

(Note 1) A description of the valuation technique(s) and inputs used in the fair value measurements

Investment securities

Listed shares are measured using quoted prices. The fair value of listed shares that are traded in active markets is classified as Level 1. On the other hand, the fair value of listed shares held by the Company that are not traded frequently in the public market and not considered to have quoted prices in active markets is classified as Level 2. The fair value of investment securities that use significant unobservable inputs is classified as Level 3.

Derivative transactions

The fair value of interest rate swaps, currency swaps, and forward exchange contracts is measured using observable inputs, such as interest rates and exchange rates, and is classified as Level 2.

Installment contract receivables, lease receivables and lease investment assets, loan receivables from customers, and other loan receivables from customers

The fair value of installment contract receivables, lease receivables and lease investment assets, loan receivables from customers, and other loan receivables from customers is categorized by a specified period and measured using the discounted cash flow method based on future cash flows and the hypothetical interest rate assumed applicable to new contracts under similar conditions, for each type of credit risk categorized for credit management purposes, and is classified as Level 3.

Claims provable in bankruptcy, in rehabilitation, and other

The fair value of claims provable in bankruptcy, in rehabilitation, and other is measured at their book value less the estimated bad debt, which is calculated based on the estimated amount to be recovered through collateral or guarantee, and is classified as Level 3.

Bonds

The fair value of bonds issued by the Company is measured in reference to published quoted prices, but is classified as Level 2 because they are not traded frequently in the public market and not considered to have quoted prices in active markets.

Long-term debt

The fair value of long-term debt is measured using the discounted cash flow method based on the sum of their principal and interest (*), remaining maturities, and an interest rate reflecting credit risk, and is classified as Level 3.

(*) For long-term debt subject to the exceptional method for interest rate swap transactions, the sum of their principal and interest using the rate for such interest rate swap transactions

Long-term payables under fluidity lease receivables

The fair value of long-term payables under fluidity lease receivables is classified as Level 3 because the fair value of lease receivables, etc., subject to liquidation is classified as Level 3.

(Notes to Per Share Information)

1. Book value per share	¥5,892.00
2. Earnings per share	¥250.11

(Notes to Significant Subsequent Events)

Transactions under common control

Pursuant to the resolution of the meeting of the Board of Directors held on November 25, 2021, the Company conducted two transactions effective on April 1, 2022: an absorption-type company split, in which the real estate business of Kinki Sogo Leasing Co., Ltd. (hereinafter “KSL”), a wholly owned subsidiary of the Company, was succeeded to the Company’s another wholly owned subsidiary, JA Mitsui Leasing Tatemono Co., Ltd. (hereinafter “JAMLT”), and absorption-type merger with the Company as the surviving company and KSL as the disappearing company.

1. Overview of the transactions

(1) Name of the business subject to the transaction and details thereof

- Absorption-type company split: Assets, liabilities, contracts, and other rights and obligations pertaining to KSL’s real estate business
- Absorption-type merger: All of KSL’s assets, liabilities, contracts, and other rights and obligations other than above

(2) Date of business combination

April 1, 2022

(3) Legal form of the business combination

- Absorption-type company split: Absorption-type company split, in which KSL shall be the splitting company and JAMLT shall be the successor company
- Absorption-type merger: Absorption-type merger, in which the Company shall be the surviving company and KSL shall be the disappearing company

(4) Name of the company after the combination

There is no change.

(5) Purpose of the business combination

In line with the Medium-Term Management Plan “Real Change 2025” that started in the fiscal year ended March 31, 2021, the Group has been enhancing the earning power of its domestic business base. With this business integration, the Group aims not only to enhance the sales function in the Kansai region, but also to capture business opportunities toward resolving customers’ management issues with a sense of speed, by combining the relationships with customers built by KSL with the JA Mitsui Leasing Group’ ability to propose solutions.

2. Overview of the accounting procedures applied

These transactions are treated as a transaction under common control in accordance with the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, January 16, 2019) and “Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, January 16, 2019).

BALANCE SHEET (Translation)

As of March 31, 2022

(Millions of yen)

ASSETS		LIABILITIES	
Account item	Amount	Account item	Amount
Current assets	1,522,724	Current liabilities	799,331
Cash and deposits	47,694	Notes payable-trade	4,114
Installment contract receivables	83,070	Accounts payable-trade	21,854
Lease receivables	244,364	Short-term borrowings	137,760
Lease investment assets	548,029	Current portion of bonds	20,000
Loan receivables from customers	207,137	Current portion of long-term debt	106,721
Other loan receivables from customers	77,769	Commercial paper	402,968
Lease contract receivables	804	Payables under fluidity lease receivables	44,741
Other operating assets	10,416	Lease payables	13,585
Advance on contracts	4,485	Accounts payable	13,861
Prepaid expenses	2,221	Accrued expenses	1,217
Short-term loan receivables	289,775	Accrued income taxes	2,782
Other	10,294	Advances received on lease contracts	5,447
Allowance for doubtful receivables	(3,338)	Deposits received	18,415
		Deferred income	5
		Unrealized gross profits on installment contracts	4,192
Fixed assets	147,344	Provision for bonuses	1,305
Tangible assets	13,424	Provision for directors' bonuses	37
Property for lease and rent	12,772	Other	318
Own-use assets	651	Long-term liabilities	675,316
Intangible assets	3,336	Bonds	120,000
Property for lease and rent	257	Long-term debt	420,650
Software	2,904	Long-term payables under fluidity lease receivables	122,130
Other	174	Provision for employees' retirement benefits	4,258
Investments and other assets	130,582	Guarantee deposits received	7,653
Investment securities	40,044	Other	622
Investments in subsidiaries and associated companies	54,376	Total liabilities	1,474,648
Long-term loan receivables	28,099	EQUITY	
Claims provable in bankruptcy, in rehabilitation, and other	187	Stockholders' equity	187,392
Long-term prepaid expenses	97	Capital stock	32,000
Deferred tax assets	1,662	Capital surplus	66,264
Other	6,294	Legal capital surplus	30,000
Allowance for doubtful receivables	(179)	Other capital surplus	36,264
		Retained earnings	89,128
		Earned surplus reserve	412
		Other retained earnings	88,715
		Unappropriated	88,715
		Valuation and translation adjustments	8,027
		Net unrealized gain on available-for-sale securities	7,999
		Deferred gains (losses) on hedges	27
		Total equity	195,420
Total assets	1,670,068	Total liabilities and equity	1,670,068

STATEMENT OF INCOME (Translation)

For the year ended March 31, 2022

(Millions of yen)

Account item	Amount	
Revenues		
Lease revenue	275,494	
Installment sales	16,177	
Finance revenue	6,331	
Other revenue	5,205	303,209
Costs		
Cost of lease	254,792	
Cost of installment sales	14,666	
Cost of finance	71	
Financing costs	3,453	
Cost of other sales	1,262	274,246
Gross profit		28,963
Selling, general and administrative expenses		16,136
Operating income		12,826
Non-operating income		
Interest received	1,319	
Dividends received	4,608	
Foreign exchange gains	204	
Other	346	6,479
Non-operating expenses		
Interest expense	1,143	
Bond issuance cost	159	
Other	0	1,303
Ordinary income		18,002
Special gains		
Gain on sales of fixed assets	0	
Gain on sales of investment securities	319	
Gain on sales of shares of subsidiaries and associated companies	417	737
Special losses		
Loss on sales and retirement of fixed assets	3	
Loss on valuation of investment securities	40	
Loss on valuation of investments in subsidiaries and associated companies	5	
Loss on liquidation of subsidiaries and associated companies	4	
Loss on sale of golf club membership	2	57
Income before income taxes		18,682
Income taxes-current	4,404	
Income taxes-deferred	639	5,043
Net income		13,638

STATEMENT OF CHANGES IN EQUITY (Translation)

For the year ended March 31, 2022

(Millions of yen)

	Stockholders' equity							Total stockholders' equity
	Capital stock	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Earned surplus reserve	Other retained earnings Unappropriated	Total retained earnings	
Balance at beginning of the year	32,000	30,000	36,264	66,264	412	79,158	79,571	177,836
Cumulative effects of changes in accounting policies				—		495	495	495
Restated balance	32,000	30,000	36,264	66,264	412	79,654	80,066	178,331
(Changes during the year)								
Dividends from surplus						(4,577)	(4,577)	(4,577)
Net income						13,638	13,638	13,638
Changes during the year in items other than stockholders' equity (net)								
Total changes during the year	—	—	—	—	—	9,061	9,061	9,061
Balance at end of the year	32,000	30,000	36,264	66,264	412	88,715	89,128	187,392

	Valuation and translation adjustments			Total equity
	Net unrealized gain on available-for-sale securities	Deferred gains (losses) on hedges	Total valuation and translation adjustments	
Balance at beginning of the year	9,717	(82)	9,634	187,471
Cumulative effects of changes in accounting policies			—	495
Restated balance	9,717	(82)	9,634	187,966
(Changes during the year)				
Dividends from surplus				(4,577)
Net income				13,638
Changes during the year in items other than stockholders' equity (net)	(1,717)	110	(1,607)	(1,607)
Total changes during the year	(1,717)	110	(1,607)	7,453
Balance at end of the year	7,999	27	8,027	195,420

NOTES TO FINANCIAL STATEMENTS (Translation)

For the year ended March 31, 2022

Amounts less than one million yen have been truncated.

(Notes to Significant Accounting Policies)

1. Valuation basis and methods applied for assets

(1) Securities

Investments in subsidiaries and associated companies.....	At cost determined by the moving-average method
Available-for-sale securities	
Securities other than shares, etc., that do not have a market price.....	At fair value (All valuation differences are reported as a component of equity. The cost of securities sold is determined by the moving-average method.)
Shares, etc., that do not have a market price.....	At cost determined by the moving-average method Investments in limited partnerships, which are considered securities under Article 2, Paragraph 2 of the Japanese Financial Instruments and Exchange Act, are recorded under the equity method and based on the latest financial statements available on the reportable date ruled by the partnership contracts.

(2) Derivative financial instruments..... At fair value

2. Methods of depreciation and amortization applied for fixed assets

(1) Property for lease and rent

Property for lease and rent is depreciated under the straight-line method within the estimated lease and rent period, assuming that useful lives are the same as the estimated lease and rent period, and that residual values are the disposal price estimable at the end of the estimated lease and rent period.

For some of the property for lease and rent, tangible assets are depreciated under the declining-balance method.

Intangible assets are amortized under the straight-line method.

(2) Other fixed assets

Tangible assets

The declining-balance method is applied; however, for facilities attached to buildings acquired after April 1, 2016, the straight-line method is applied.

The principal useful lives are as follows:

Buildings	3 to 18 years
Furniture and equipment	2 to 20 years

Intangible assets

The straight-line method is applied. Software for internal use is amortized under the straight-line method over internal useful lives (five years).

3. Accounting method of deferred assets

Bond issuance cost

Bond issuance cost is recognized as expense at the time of expenditure.

4. Translation of foreign currency accounts

All monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rates on the balance sheet date, and the foreign exchange gains and losses therefrom are recognized in the statement of income.

5. Allowance and provisions

(1) Allowance for doubtful receivables

For general receivables, allowance for estimated uncollectible receivables is provided for at an adequate rate calculated based on the probability of bankruptcy, while allowance for certain categories, including seriously doubtful receivables and receivables from businesses under a bankruptcy or rehabilitation process, is provided for based on a case-by-case collectibility assessment.

For receivables from businesses under a bankruptcy or rehabilitation process, an estimated uncollectible amount is calculated by subtracting estimated collectible amounts from the receivables amount. For the year ended March 31, 2022, such estimated uncollectible amount is ¥3,927 million.

(2) Provision for bonuses

Of the estimated amount of bonuses payable to employees in the following fiscal year, the portion attributable to their service during the current fiscal year has been set aside as provision for employees' bonuses.

(3) Provision for directors' bonuses

Of the estimated amount of bonuses payable to directors in the following fiscal year, the portion attributable to their service during the current fiscal year has been set aside as provision for directors' bonuses.

(4) Provision for employees' retirement benefits

The Company provides the estimated year-end liabilities for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

Past service costs are recognized in each fiscal year, as they arise.

Actuarial differences are charged to income on a straight-line basis, beginning from the year after they are recognized, over the average remaining years of service of employees (13 to 16 years).

6. Income and expenses

(1) Lease accounting

① Accounting policy for revenues and costs from finance lease transactions

The Company adopts the method in which lease revenue and cost of lease are recorded at the time when lease fees are collectible.

② Accounting policy for revenues from operating lease transactions

The Company records lease revenues corresponding to the elapsed period of the lease contract term, on the basis of the monthly lease fees collectible according to the lease contract for such contract term.

(2) Accounting for installment contracts

For financing-type installment contracts, the Company accounts for the amount equivalent to principal of contracts as installment contract receivables upon delivery of goods and records the amount equivalent to interest as installment sales as each payment becomes due.

For sales-type installment contracts, the Company accounts for in a lump-sum installment sales and costs of installment sales upon sales. Unrealized gross profits on installment contract receivables with installment payments becoming due at later dates are deferred.

(3) Accounting treatment for financial expenses

Total assets are divided into assets based on sales transactions and other assets, where financial expenses corresponding to the former are recorded as financing costs under the heading of operating expenses, while financial expenses corresponding to the latter are recorded as non-operating expense, based on the balance proportion of such assets.

Financial expenses related to operating assets less corresponding interest received, etc., are recorded as financing costs.

7. Method of hedge accounting

(1) Method of hedge accounting

Gains or losses on derivatives are deferred until maturity of the hedged items. For an interest rate swap, the Company applies the exceptional method as far as it qualifies for the required rules.

(2) Hedging instruments and hedged items

Hedging instruments

Interest rate swap transactions

Hedged items

Loan receivables from customers and borrowings

Lease receivables and lease investment assets

(3) Hedge accounting policy and evaluation of the hedge effectiveness

For purposes of hedging risks from fluctuations in interest rates arising from assets and liabilities, integrated management of assets, liabilities and profit and loss (ALM) and securing stable income, the Company conducts derivative transactions in accordance with the internal regulations stipulated by the Management Committee.

The Company compares the cumulative changes in market fluctuation and cash flows of the hedged items against those of the hedging instruments during the period from the start of the hedging until the time when effectiveness is determined. This comparison serves as the basis for evaluating hedge effectiveness.

Evaluation of the effectiveness of interest rate swap transactions based on the exceptional method has been omitted.

8. Other significant matters that serve as the basis for preparing financial statements

Accounting treatment for retirement benefits

The method of accounting treatment for actuarial differences yet to be recognized in retirement benefits differs from the method applied for the consolidated financial statements.

(Notes to Changes in Accounting Policies)

Application of Accounting Standard for Revenue Recognition, etc.

Effective from the beginning of the fiscal year ended March 31, 2022, the Company has applied “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; hereinafter, the “Revenue Recognition Standard”) and other standards. The Company recognizes revenue when control of promised goods or services is transferred to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

Revenue from transactions of providing products to customers, in which the Company acts as an agent, was previously recognized at the total amount of consideration to be received from customers, however, revenue is now recognized at the net amount of the amount received from customers less the amount to be paid to suppliers of the products.

The Company applies the Revenue Recognition Standard, etc., in accordance with the transitional treatment provided for in the proviso to Paragraph 84 of the Revenue Recognition Standard, with the new accounting policies applied from the beginning balance.

The change has only a minimal impact on the financial statements.

Application of Accounting Standard for Fair Value Measurement, etc.

Effective from the beginning of the fiscal year ended March 31, 2022, the Company has applied “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter, the “Fair Value Measurement Standard”) and other standards and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard, etc., in accordance with the transitional treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). The application has no impact on the financial statements for the fiscal year ended March 31, 2022.

(Notes to Accounting Estimates)

Recording of allowance for doubtful receivables

(1) Amount recorded in the fiscal year ended March 31, 2022

	(Millions of yen)
Allowance for doubtful receivables (current)	(3,338)
Allowance for doubtful receivables (fixed)	(179)

(2) Other information that facilitates understanding about the nature of estimates

The same information is described in “(Notes to Accounting Estimates), Recording of allowance for doubtful receivables” in the notes to consolidated financial statements.

(Notes to Balance Sheet)

1. Assets pledged as collateral and corresponding liabilities

(1) Assets pledged as collateral

	(Millions of yen)
Lease receivables	76,097
Lease investment assets	59,759
Loan receivables from customers	46,025
Other loan receivables from customers	818
Investment securities	1,086
<u>Other (investments and other assets)</u>	<u>15</u>
Total	183,800

(2) Liabilities corresponding to assets pledged as collateral

	(Millions of yen)
Current portion of long-term debt	594
Payables under fluidity lease receivables	44,741
Long-term debt	60
<u>Long-term payables under fluidity lease receivables</u>	<u>122,130</u>
Total	167,527

2. Accumulated depreciation of tangible assets

	(Millions of yen)
Accumulated depreciation of property for lease and rent	19,270
Accumulated depreciation of own-use assets	1,090

3. Contingent liabilities

Contingent liabilities for other companies' borrowings, etc., from financial institutions

	(Millions of yen)
JA Mitsui Leasing Capital Corporation	173,499
PT. Mitsui Leasing Capital Indonesia	39,396
JA Mitsui Leasing Singapore Pte. Ltd.	38,412
Altair Lines S.A.	17,247
Others	38,144
Total	306,700

4. Breakdown of lease receivables and lease investment assets

	(Millions of yen)	
	Lease receivables	Lease investment assets
Amount of receivables	263,501	562,470
Estimated residual value	—	27,238
Amount equivalent to interest receivables	19,137	41,679
Total	244,364	548,029

5. Notes received as guarantees

	(Millions of yen)
Notes received for installment contract receivables	1,928
Notes received for lease investment assets	385
Notes received for other loan receivables from customers	16,170

6. Operating lease contract receivables under the remaining lease terms

	(Millions of yen)
Other lease contract receivables	6,877

7. Trade receivables due after one year

	(Millions of yen)
Installment contract receivables	52,920
Lease receivables	170,815
Lease investment assets	378,804
Loan receivables from customers	160,580
Other loan receivables from customers	17,315
Operating lease contract receivables under the remaining lease terms	4,492
Total	784,928

8. Receivables and payables with subsidiaries and associated companies

	(Millions of yen)
Short-term receivables	300,673
Long-term receivables	28,099
Short-term payables	69,088
Long-term payables	18,968

(Notes to Statement of Income)

1. Transactions with subsidiaries and associated companies

(Millions of yen)

Amount of operating transactions	
Revenues	4,660
Costs	315
Selling, general and administrative expenses	1,488
Amount of non-operating transactions	5,934

2. Breakdown of financing costs

(Millions of yen)

Interest expense, etc.	4,099
<u>Interest received, etc.</u>	<u>(646)</u>
Net balance	3,453

(Notes to Income Taxes)

1. Significant components of the Company's deferred tax assets and liabilities

	(Millions of yen)
Deferred tax assets	
Allowance for doubtful receivables	2,058
Provision for employees' retirement benefits	1,303
Excess provision for depreciation and amortization	927
Investments in subsidiaries and associated companies	502
Provision for bonuses	411
Other	989
Deferred tax assets subtotal	6,193
Less valuation allowance	(858)
Total deferred tax assets	5,334
Deferred tax liabilities	
Net unrealized gain on available-for-sale securities	(3,561)
Other	(110)
Total deferred tax liabilities	(3,672)
Net deferred tax assets	1,662

2. Significant components of difference between statutory tax rate and effective tax rate after adjustments for tax effect accounting

Statutory tax rate	30.6%
(Adjustments)	
Permanent differences such as dividends received	(4.6)%
Withholding tax	0.1%
Inhabitant tax on per capita basis	0.2%
Other	0.5%
Effective tax rate after adjustments for tax effect accounting	26.9%

(Notes to Leased Fixed Assets)

In addition to fixed assets stated in the balance sheet, the Company uses information equipment and vehicles under lease contracts.

(Notes to Related Party Transactions)

1. Parent company and major corporate stockholder

Category	Name of related company	Percentage of voting rights (of the Company)	Relationship with related party	Description of the transaction	Transactions (Millions of yen)	Account	Balance (Millions of yen)
Other associated company	The Norinchukin Bank	Directly 33.40%	Loan Doubled as director	Borrowings (*)	312,700	Short-term borrowings	33,500
						Current portion of long-term debt	15,848
						Long-term debt	18,968
				Payment of the interest	187	Accrued expenses	15

The terms and conditions of the above transactions and their related policies, etc.

(*) Interest rates, etc., are subject to general terms and conditions.

2. Subsidiaries, etc.

Category	Name of related company	Equity ownership percentage	Relationship with related party	Description of the transaction	Transactions (Millions of yen)	Account	Balance (Millions of yen)
Subsidiary	Kinki Sogo Leasing Co., Ltd.	Directly 100%	Loan Doubled as executive officer, etc.	Loan (*1)	332,800	Short-term loan receivables	36,350
				Receipt of the interest	114	Accrued income	0
Subsidiary	JA Mitsui Leasing Kyushu, Ltd.	Directly 100%	Loan Doubled as executive officer, etc.	Loan (*1)	617,300	Short-term loan receivables	49,460
				Receipt of the interest	225	Accrued income	0
Subsidiary	JA Mitsui Leasing Auto, Ltd.	Directly 100%	Loan Doubled as executive officer, etc.	Loan (*1)	503,900	Short-term loan receivables	41,500
				Receipt of the interest	178	Accrued income	0
Subsidiary	JA Mitsui Leasing Tatemono Co., Ltd.	Directly 100%	Loan Doubled as executive officer, etc.	Loan (*1)	1,440,900	Short-term loan receivables	147,800
				Receipt of the interest	415	Long-term loan receivables Accrued income	1,700 1
Subsidiary	JA Mitsui Leasing Capital Corporation	Indirectly 100%	Guarantee of liability Doubled as executive officer, etc.	Guarantee of liabilities (*2)	173,499	—	—
				Receipt of the guarantee fee	210	Accrued income	60
Subsidiary	PT. Mitsui Leasing Capital Indonesia	Directly 85.00% Indirectly 14.99%	Guarantee of liability Doubled as executive officer, etc.	Guarantee of liabilities (*2)	39,396	—	—
				Receipt of the guarantee fee	38	Accrued income	14
Subsidiary	JA Mitsui Leasing Singapore Pte. Ltd.	Indirectly 100%	Guarantee of liability Doubled as executive officer, etc.	Guarantee of liabilities (*2)	38,412	—	—
				Receipt of the guarantee fee	34	Accrued income	13
Subsidiary	Altair Lines S.A.	Directly 100%	Loan	Loan (*1)	31,387	Short-term loan receivables	9,976
				Receipt of the interest	350	Long-term loan receivables Accrued income	23,499 15
			Guarantee of liability	Guarantee of liabilities (*2)	17,247	—	—
				Receipt of the guarantee fee	27	Accrued income	13

The terms and conditions of the above transactions and their related policies, etc.

(*1) The terms and conditions of the loans are determined in consideration of the prevailing market interest rates and other factors.

(*2) The guarantee of liabilities is for borrowings from financial institutions, and the rate of guarantee fee is reasonably determined in consideration of the prevailing market interest rates.

3. Fellow subsidiaries, etc.

Category	Name of related company	Percentage of voting rights (of the Company)	Relationship with related party	Description of the transaction	Transactions (Millions of yen)	Account	Balance (Millions of yen)
Subsidiary of other associated company	Mitsui & Co. Plant Systems, Ltd.	None	Equipment lease	Receipt of the lease fees (*)	2,859	Lease investment assets	13,586

The terms and conditions of the above transactions and their related policies, etc.

(*) The terms and conditions of the lease transactions are determined based on similar terms and conditions applied to general transactions, in consideration of the prevailing market interest rate and other factors.

(Notes to Per Share Information)

1. Book value per share	¥4,155.69
2. Earnings per share	¥184.74

(Notes to Significant Subsequent Events)

Transactions under common control

Pursuant to the resolution of the meeting of the Board of Directors held on November 25, 2021, the Company conducted two transactions effective on April 1, 2022: an absorption-type company split, in which the real estate business of Kinki Sogo Leasing Co., Ltd., a wholly owned subsidiary of the Company, was succeeded to the Company's another wholly owned subsidiary, JA Mitsui Leasing Tatemono Co., Ltd., and absorption-type merger with the Company as the surviving company and Kinki Sogo Leasing Co., Ltd. as the disappearing company.

The details are provided in "Notes to Significant Subsequent Events" in the notes to consolidated financial statements.

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

May 20, 2022

To the Board of Directors of
JA MITSUI LEASING, Ltd.:

Deloitte Touche Tohmatsu LLC
Tokyo office

Designated Engagement Partner,
Certified Public Accountant:

Hiroaki Aoki

Designated Engagement Partner,
Certified Public Accountant:

Kensuke Yamasaki

Opinion

Pursuant to the fourth paragraph of Article 444 of the Companies Act, we have audited the consolidated financial statements of JA MITSUI LEASING, Ltd. and its consolidated subsidiaries (the "Group"), namely, the consolidated balance sheet as of March 31, 2022, and the consolidated statement of income and consolidated statement of changes in equity for the fiscal year from April 1, 2021 to March 31, 2022, and the related notes.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2022, and its consolidated financial performance for the year 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 provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the

information included in the Business Report and the accompanying supplemental schedules.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners 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.

Notes to the Readers of Independent Auditor's Report

This is an English translation of the independent auditor's report as required by the Companies Act of Japan for the conveniences of the reader. The other information in “the Business Report and the accompanying supplemental schedules” referred to in the “Other Information” section of this English translation is not translated.

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

May 20, 2022

To the Board of Directors of
JA MITSUI LEASING, Ltd.:

Deloitte Touche Tohmatsu LLC
Tokyo office

Designated Engagement Partner,
Certified Public Accountant:

Hiroaki Aoki

Designated Engagement Partner,
Certified Public Accountant:

Kensuke Yamasaki

Opinion

Pursuant to the first item, second paragraph of Article 436 of the Companies Act, we have audited the financial statements of JA MITSUI LEASING, Ltd. (the "Company"), namely, the balance sheet as of March 31, 2022, and the statement of income and statement of changes in equity for the 14th fiscal year from April 1, 2021 to March 31, 2022, and the related notes and the accompanying supplemental schedules.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2022, and its financial performance for the year 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 Financial Statements section of our report. We are independent of the Company in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the

information included in the Business Report and the accompanying supplemental schedules.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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. 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 financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Readers of Independent Auditor's Report

This is an English translation of the independent auditor's report as required by the Companies Act of Japan for the conveniences of the reader. "The accompanying supplemental schedules" referred to in the "Opinion" section of this English translation are not included in the attached financial documents. In addition, the other information in "the Business Report and the accompanying supplemental schedules" referred to in the "Other Information" section of this English translation is not translated.

(Translation)

Audit Report by the Audit & Supervisory Board

Certified Copy

Audit Report

The Audit & Supervisory Board, following deliberations on the reports made by each Audit & Supervisory Board member concerning the audit of performance of duties by directors of the Company for the 14th fiscal year from April 1, 2021, to March 31, 2022, has prepared this Audit Report, and hereby reports as follows:

1. Auditing Method Used by Each Audit & Supervisory Board Member and the Audit & Supervisory Board and Details Thereof:

(1) The Audit & Supervisory Board established auditing policies, assignment of duties, and other relevant matters and received reports from each Audit & Supervisory Board member regarding the progress and results of audits, as well as received reports from the directors, other relevant personnel, and the independent auditors regarding the performance of their duties, and sought explanations as necessary.

(2) In conformity with the Audit & Supervisory Board member auditing standard policies established by the Audit & Supervisory Board and in accordance with the auditing policies, assignment of duties, and other relevant matters, each Audit & Supervisory Board member, while utilizing means such as telephone lines or the Internet as well, endeavored to gather information and to create an improved environment for auditing through close communication with the directors, the Internal Audit Department, and other relevant personnel and conducted audits as follows:

1) Each Audit & Supervisory Board member attended meetings of the board of directors and other important meetings; received reports from the directors, employees, and other relevant personnel regarding the performance of their duties; sought explanations as necessary; inspected documents involving important resolutions; and examined the operations and financial position of the Company at the head office and other principal offices of the Company. As for the subsidiaries of the Company, each standing Audit & Supervisory Board member, concurrently holding the office of Audit & Supervisory Board member of significant subsidiary, attended meetings of the board of directors of significant subsidiaries; endeavored to keep communication and share information with directors and other related personnel of the subsidiaries; and received reports from the subsidiaries, directors, and other relevant personnel regarding their businesses as necessary. Each standing Audit & Supervisory Board member also reviewed the business report for the fiscal year and supplementary schedules thereto.

2) Each Audit & Supervisory Board member monitored and verified the content and the status of the resolution of the board of directors to establish the systems provided by Article 100, Sections 1 and 3 of the Ordinance for Enforcement of the Companies Act and the systems established pursuant to such resolution (the "Internal Control System"), which are necessary to establish the systems to ensure directors carry out their duties described in the business report in accordance with laws and regulations and the Company's Articles of Incorporation and other systems to ensure appropriateness of business of the corporate group consisting of the Company and its subsidiaries. Each Audit & Supervisory Board member also sought explanations from the directors, employees, and other relevant personnel, as necessary, and expressed his/her opinions.

3) Audit & Supervisory Board members monitored and verified whether the independent auditors maintained their independence and implemented appropriate audits, as well as received reports

from the independent auditors regarding the performance of their duties and sought explanations as necessary. Each Audit & Supervisory Board member was notified by the independent auditors that they have established a “system to ensure that duties of independent auditors are being conducted properly” (matters prescribed in each item of Article 131 of the Corporate Accounting Regulations) and that the system is developed and implemented in accordance with the “Quality Control Standards for Audit” (Business Accounting Council, October 28, 2005) and other applicable standards, and sought explanations as necessary. Audit & Supervisory Board members discussed with the independent auditors on key considerations in audits, received reports regarding the implementation of audits on them, and sought explanations as necessary.

Based on the foregoing method, Audit & Supervisory Board members reviewed the business report and supplementary schedules thereto, the financial statements for the fiscal year (balance sheet, statement of income, statement of changes in equity, and the related notes), and supplementary schedules thereto, as well as the consolidated financial statements for the fiscal year (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in equity, and the related notes).

2. Audit Results

(1) Audit Results on the Business Report, etc.

- 1) In our opinion, the business report and supplementary schedules thereto fairly represent the Company’s condition in conformity with the applicable laws and regulations as well as the Articles of Incorporation of the Company.
- 2) We have found no evidence of misconduct or material facts in violation of the applicable laws and regulations, nor of any violation with respect to the Articles of Incorporation of the Company, related to performance of duties by the directors.
- 3) In our opinion, the status of the operation and maintenance of the Internal Control System is appropriate. We have found no issues to be mentioned on the contents of the business report and the directors’ performance of their duties with respect to the Internal Control System.

(2) Results of Audit of the Financial Statements and Supplementary Schedules

In our opinion, the method and the results of the audit used and conducted by Deloitte Touche Tohmatsu LLC, the independent auditors, are appropriate.

(3) Results of Audit of the Consolidated Financial Statements

In our opinion, the method and the results of the audit used and conducted by Deloitte Touche Tohmatsu LLC, the independent auditors, are appropriate.

May 24, 2022

The Audit & Supervisory Board of JA Mitsui Leasing, Ltd.

Standing Audit & Supervisory Board member Yoshimi Sugawara (Seal)

Standing Audit & Supervisory Board member Hideyuki Takeda (Seal)

Audit & Supervisory Board member Hideo Tsukamoto (Seal)

(Note) Hideyuki Takeda, a standing Audit & Supervisory Board member, and Hideo Tsukamoto, an Audit & Supervisory Board member, are the outside Audit & Supervisory Board members as set forth in Article 2, Item 16 and Article 335, Section 3 of the Companies Act.