

SUMITOMO MITSUI FINANCE AND LEASING COMPANY, LIMITED
INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
THREE MONTHS ENDED JUNE 30, 2023 and 2022

SUMITOMO MITSUI FINANCE AND LEASING COMPANY, LIMITED
INTERIM CONSOLIDATED BALANCE SHEETS
June 30, 2023 and March 31, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	June 30, 2023	March 31, 2023	June 30, 2023
<u>Assets</u>			
Current assets:			
Cash and bank deposits	¥ 266,223	¥ 298,272	\$ 1,836,152
Installment sales receivable	645,493	643,875	4,451,988
Lease receivables and investment assets	2,085,449	2,102,929	14,383,404
Loans receivable	574,957	592,285	3,965,495
Short-term investment securities	629	629	4,344
Merchandise	10,520	8,946	72,560
Real estate for sale	195,436	166,250	1,347,928
Real estate for sale in progress	4,747	4,733	32,741
Other	298,395	293,833	2,058,041
Allowance for doubtful accounts	(13,782)	(17,630)	(95,059)
Total current assets	4,068,070	4,094,124	28,057,594
Property and equipment:			
Assets for lease	4,653,147	4,375,205	32,092,884
Allowance for loss on disposal of assets for lease	(298)	(292)	(2,058)
Advances on purchases of assets for lease	147,847	143,674	1,019,705
Other operating assets	102,857	101,900	709,413
Property and equipment for internal use	17,173	16,575	118,447
Total property and equipment	4,920,727	4,637,063	33,938,391
Intangible assets:			
Goodwill	55,231	57,548	380,933
Other	66,562	66,942	459,082
Total intangible assets	121,793	124,490	840,015
Investments and other assets:			
Investment securities	329,861	316,065	2,275,066
Long-term loans receivable	5	2	39
Delinquent receivables	39,677	37,979	273,657
Deferred tax assets	18,837	19,320	129,923
Net defined benefit asset	134	122	926
Other	27,498	27,223	189,657
Allowance for doubtful accounts	(16,630)	(10,742)	(114,701)
Total investments and other assets	399,384	389,971	2,754,568
Total assets	¥ 9,509,976	¥ 9,245,649	\$ 65,590,568

(Continued)

SUMITOMO MITSUI FINANCE AND LEASING COMPANY, LIMITED
INTERIM CONSOLIDATED BALANCE SHEETS
June 30, 2023 and March 31, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	June 30, 2023	March 31, 2023	June 30, 2023
<u>Liabilities and Net Assets</u>			
Current liabilities:			
Trade notes payable and accounts payable	¥ 55,700	¥ 75,627	\$ 384,165
Short-term loans	1,205,129	1,198,493	8,311,811
Long-term loans due within one year	435,306	430,782	3,002,319
Bonds due within one year	241,490	180,470	1,665,563
Commercial paper	866,700	899,700	5,977,654
Payables under securitization of lease receivables	6,205	26,769	42,803
Long-term payables under securitization of lease receivables due within one year	16,212	18,573	111,816
Lease obligations	10,377	11,201	71,574
Income taxes payable	7,842	14,790	54,087
Deferred profit on installment sales	33,622	29,066	231,896
Reserve for employee bonuses	1,294	2,635	8,927
Reserve for directors' bonuses	43	898	298
Other	175,623	226,570	1,211,282
Total current liabilities	3,055,547	3,115,579	21,074,195
Non-current liabilities:			
Bonds	838,863	691,517	5,785,662
Long-term loans	3,900,811	3,789,074	26,904,002
Long-term payables under securitization of lease receivables	19,802	23,316	136,579
Lease obligations	28,120	28,475	193,950
Deferred tax liabilities	80,474	73,699	555,032
Reserve for directors' retirement benefits	526	491	3,630
Net defined benefit liability	2,957	2,966	20,397
Guarantee deposits received	151,406	146,658	1,044,258
Asset retirement obligations	4,928	4,868	33,992
Other	210,375	193,710	1,450,965
Total non-current liabilities	5,238,266	4,954,779	36,128,467
Total liabilities	8,293,813	8,070,359	57,202,662
Net assets (Note 6):			
Shareholders' equity:			
Capital stock	15,000	15,000	103,455
Capital surplus	421,857	421,975	2,909,560
Retained earnings	436,516	440,339	3,010,667
Treasury stock	(73,313)	(73,313)	(505,645)
Total shareholders' equity	800,060	804,002	5,518,038
Accumulated other comprehensive income:			
Net unrealized holding gains or losses on securities	30,254	27,343	208,664
Deferred gains or losses on hedges	3,582	2,260	24,708
Foreign currency translation adjustments	96,540	75,836	665,845
Remeasurements of defined benefit plans	(151)	(198)	(1,046)
Total accumulated other comprehensive income	130,225	105,242	898,170
Stock acquisition rights	122	122	848
Non-controlling interests	285,753	265,923	1,970,850
Total net assets	1,216,162	1,175,290	8,387,906
Total liabilities and net assets	¥ 9,509,976	¥ 9,245,649	\$ 65,590,568
See accompanying notes.			(Concluded)

SUMITOMO MITSUI FINANCE AND LEASING COMPANY, LIMITED
INTERIM CONSOLIDATED STATEMENTS OF INCOME
Three Months Ended June 30, 2023 and 2022

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Three Months Ended June 30,		
	2023	2022	2023
Revenues	¥ 514,374	¥ 561,691	\$ 3,547,657
Costs and expenses	444,906	506,285	3,068,534
Gross profit	69,468	55,405	479,123
Selling, general and administrative expenses	31,498	29,095	217,248
Operating income	37,969	26,310	261,875
Other income (expenses):			
Interest income	46	37	323
Dividend income	299	554	2,066
Interest expenses	(4,157)	(1,125)	(28,672)
Equity in earnings of affiliates	2,634	3,039	18,168
Foreign exchange losses	(352)	(1,819)	(2,434)
Amortization of bond issuance costs	(521)	(24)	(3,597)
Gain on sales of shares of subsidiaries and affiliates	—	783	—
Gain on sales of investment securities	140	0	970
Loss on sales of investment securities	(71)	(0)	(493)
Loss on liquidation of investment securities	(4)	(1)	(33)
Loss on valuation of investment securities	(179)	(7)	(1,240)
Other—net	387	45	2,672
Total other income (expenses)—net	(1,779)	1,482	(12,270)
Profit before income taxes	36,190	27,792	249,605
Income taxes	9,329	8,576	64,346
Profit	26,860	19,216	185,259
Profit attributable to non-controlling interests	5,351	3,238	36,908
Profit attributable to owners of parent	¥ 21,509	¥ 15,978	\$ 148,351
		Yen	U.S. Dollars
Per share of common stock (Note 13):			
Basic earnings per share	¥ 246.23	¥ 182.91	\$ 1.70

See accompanying notes.

SUMITOMO MITSUI FINANCE AND LEASING COMPANY, LIMITED
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Three Months Ended June 30, 2023 and 2022

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Three Months Ended June 30,		
	2023	2022	2023
Profit	¥ 26,860	¥ 19,216	\$ 185,259
Other comprehensive income:			
Net unrealized holding gains or losses on securities	2,659	1,365	18,342
Deferred gains or losses on hedges	2,535	11,830	17,486
Foreign currency translation adjustments	36,793	44,604	253,764
Remeasurements of defined benefit plans	43	71	302
Share of other comprehensive income of affiliates accounted for using equity method	1,257	511	8,673
Total other comprehensive income	43,289	58,383	298,567
Comprehensive income	¥ 70,149	¥ 77,600	\$ 483,826
Comprehensive income attributable to:			
Owners of parent	¥ 46,493	¥ 54,657	\$ 320,664
Non-controlling interests	23,656	22,942	163,161
See accompanying notes.			

1. BASIS OF PRESENTATION

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

The accounting standard for quarterly financial statements requires companies to prepare a set of interim consolidated financial statements for each quarter comprised of the consolidated balance sheet as of the current quarter-end and the consolidated statements of income, comprehensive income, and cash flows for the year-to-date period. A statement of changes in net assets is not required, and the year-to-date consolidated statements of cash flows for the first quarter and the third quarter may be prepared at the company’s option but are not required. Therefore, the consolidated statements of changes in net assets and cash flows are not presented herein.

These interim consolidated financial statements have been restructured and translated into English from the interim consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

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

The interim consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. As permitted by the Financial Instruments and Exchange Act of Japan, amounts less than one million yen have been omitted. As a result, the totals shown in the interim consolidated financial statements do not necessarily agree with the sums of the individual amounts.

The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at June 30, 2023, which was ¥144.99 to US\$1. These translations should not be construed as representations 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. CHANGES IN SCOPE OF CONSOLIDATION OR SCOPE OF APPLICATION OF THE EQUITY METHOD

(1) Significant change in scope of consolidation

For the three months ended June 30, 2023

There were no changes in the scope of consolidation in the three months ended June 30, 2023.

For the three months ended June 30, 2022

SMFL MIRAI Partners Investment 2 Co., Ltd. was excluded from the scope of consolidation since it was dissolved following the merger with SMFL MIRAI Partners Co., Ltd. in the three months ended June 30, 2022.

(2) Significant change in scope of application of the equity method

For the three months ended June 30, 2023

LCI Investments Limited was included in the scope of equity method since the Company acquired the shares in LCI Investments in the three months ended June 30, 2023.

For the three months ended June 30, 2022

SMBC Leasing (UK) Limited was newly included in the scope of equity method due to the acquisition of shares in the three months ended June 30, 2022.

3. SIGNIFICANT ACCOUNTING POLICIES

Substantially the same accounting policies have been followed in these interim consolidated financial statements as were applied in the preparation of the consolidated financial statements for the year ended March 31, 2023, except for such policies as specifically allowed and adopted for interim accounting periods described below.

Calculation of income tax expenses

The Company and some of its domestic consolidated subsidiaries calculated their income tax expenses by multiplying profit before income taxes by an effective tax rate that was reasonably estimated by applying tax effect accounting to estimated profit before income taxes for the fiscal year that includes the three months ended June 30, 2023. The amount of income taxes includes deferred income taxes.

4. CONTINGENT LIABILITIES

	Millions of Yen		Thousands of
	June 30, 2023	March 31, 2023	U.S. Dollars
7,460 (7,355 at March 31, 2023) guarantees of obligations for business (including commitments to guarantee obligations).....	¥ 45,420	¥ 52,537	\$ 313,263
Loan guarantees to affiliates	5,004	5,113	34,513
Loan guarantees to employees (housing loans, etc.)	4	4	28

Note: ¥100 million (\$690 thousand) and ¥100 million at June 30, 2023 and March 31, 2023, respectively, of the above guarantees of obligations for business are guaranteed by other third parties.

5. CASH FLOW INFORMATION

The interim consolidated statements of cash flows for the three months ended June 30, 2023 and 2022 have not been prepared. Depreciation (including amortization of intangible assets other than goodwill) and amortization of goodwill were as follows:

	Millions of Yen		Thousands of
	Three Months Ended June 30,		
	2023	2022	2023
Depreciation.....	¥ 42,931	¥ 33,565	\$ 296,096
Amortization of goodwill.....	2,360	2,489	16,277

SUMITOMO MITSUI FINANCE AND LEASING COMPANY, LIMITED
 NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
 Three Months Ended June 30, 2023 and 2022

6. NET ASSETS

Dividends paid in the three months ended June 30, 2023 and 2022

2023						
Class of Stock	Total dividends		Dividend per share		Record date	Effective date
	Millions of Yen	Thousands of U.S. Dollars	Yen	U.S. Dollars		
Common stock	¥ 25,332	\$ 174,715	¥ 290	\$ 2.00	March 31, 2023	June 28, 2023

Notes: 1. Resolved at the ordinary general meeting of shareholders held on June 27, 2023
 2. The dividends were paid out from retained earnings.

2022					
Class of Stock	Total dividends		Dividend per share	Record date	Effective date
	Millions of Yen		Yen		
Common stock	¥ 12,491		¥ 143	March 31, 2022	June 27, 2022

Notes: 1. Resolved at the ordinary general meeting of shareholders held on June 24, 2022
 2. The dividends were paid out from retained earnings.

SUMITOMO MITSUI FINANCE AND LEASING COMPANY, LIMITED
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
Three Months Ended June 30, 2023 and 2022

7. SEGMENT INFORMATION

(1) Information about revenues and profit or loss by reportable segment

For the three months ended June 30, 2023	Millions of Yen					
	Reportable Segment				Adjustments (*1)	Consolidated (*3)
	Domestic Leasing	Real Estate	Trans- portation	Overseas		
Revenues:						
Lease sales	¥ 165,800	¥ 86,443	¥ 97,870	¥ 8,318	¥ –	¥ 358,432
Installment sales	107,132	–	69	19,112	–	126,315
Finance revenue	2,923	272	2,129	1,145	–	6,471
Other revenues (*2).....	10,585	10,285	1,685	599	–	23,155
Revenues from external customers	286,442	97,001	101,755	29,175	–	514,374
Intersegment revenues or transfers.....	3,766	185	9,085	35,466	(48,503)	–
Total revenues	¥ 290,209	¥ 97,186	110,840	64,642	(48,503)	514,374
Segment profit.....	¥ 10,791	¥ 10,725	¥ 13,528	¥ 1,122	¥ 139	¥ 36,306

For the three months ended June 30, 2022	Millions of Yen					
	Reportable Segment				Adjustments (*1)	Consolidated (*3)
	Domestic Leasing	Real Estate	Trans- portation	Overseas		
Revenues:						
Lease sales	¥ 169,759	¥ 172,615	¥ 61,990	¥ 10,287	¥ –	¥ 414,652
Installment sales	93,108	–	307	23,786	–	117,202
Finance revenue	1,963	463	2,319	493	–	5,239
Other revenues (*2).....	8,742	12,644	2,798	410	–	24,596
Revenues from external customers	273,572	185,724	67,415	34,978	–	561,691
Intersegment revenues or transfers.....	2,940	280	1,793	31,107	(36,121)	–
Total revenues	¥ 276,513	¥ 186,004	69,209	66,086	(36,121)	561,691
Segment profit.....	¥ 6,802	¥ 12,419	¥ 5,367	¥ 1,803	¥ 624	¥ 27,019

For the three months ended June 30, 2023	Thousands of U.S. Dollars					
	Reportable Segment				Adjustments (*1)	Consolidated (*3)
	Domestic Leasing	Real Estate	Trans- portation	Overseas		
Revenues:						
Lease sales	\$ 1,143,527	\$ 596,200	\$ 675,012	\$ 57,369	\$ –	\$ 2,472,115
Installment sales	738,892	–	476	131,816	–	871,198
Finance revenue	20,160	1,876	14,684	7,897	–	44,631
Other revenues (*2).....	73,005	70,936	11,621	4,131	–	159,701
Revenues from external customers	1,975,598	669,019	701,807	201,221	–	3,547,657
Intersegment revenues or transfers.....	25,974	1,276	62,659	244,610	(334,527)	–
Total revenues	\$ 2,001,579	\$ 670,295	764,467	445,838	(334,527)	3,547,657
Segment profit.....	\$ 74,426	\$ 73,971	\$ 93,303	\$ 7,738	\$ 959	\$ 250,403

- *1. “Adjustments” for “segment profit” of ¥139 million (\$959 thousand) and ¥624 million for the three months ended June 30, 2023 and 2022 include amortization of goodwill of ¥(2,105) million (\$(14,518) thousand) and ¥(2,249) million and equity in earnings of affiliates of ¥2,252 million (\$15,532 thousand) and ¥2,279 million which were not allocated to the reportable segments.
- *2. “Other revenues” include revenue from contracts with customers.
- *3. “Segment profit” was reconciled to ordinary income, which is calculated as operating income plus non-operating income minus non-operating expenses in the interim consolidated statement of income as shown below. Ordinary income is required to be presented under Japanese GAAP and is widely used as key financial data in Japan.

SUMITOMO MITSUI FINANCE AND LEASING COMPANY, LIMITED
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
Three Months Ended June 30, 2023 and 2022

Operating income in the interim consolidated statements of income was reconciled to ordinary income as follows:

	Millions of Yen		Thousands of
			U.S. Dollars
	Three Months Ended June 30,		
	2023	2022	2023
Operating income.....	¥ 37,969	¥ 26,310	\$ 261,875
Interest income	46	37	323
Dividend income.....	299	554	2,066
Interest expenses.....	(4,157)	(1,125)	(28,672)
Equity in earnings of affiliates.....	2,634	3,039	18,168
Foreign exchange losses	(352)	(1,819)	(2,434)
Amortization of bond issuance costs	(521)	(24)	(3,597)
Other—net	388	46	2,676
Ordinary income	¥ 36,306	¥ 27,019	\$ 250,403

(2) Changes in reportable segments

(Changes in measurement methods of segment profit and loss)

To present the operating results of the respective reportable segments more appropriately, the Group changed the allocation basis of corporate expenses at the beginning of the first quarter of the year ending March 31, 2024. Segment information for the three months ended June 30, 2022 has been prepared using the new basis.

(3) Information about impairment loss on fixed assets, goodwill, etc. by reportable segment

For the three months ended June 30, 2023

There were no items to be reported.

For the three months ended June 30, 2022

There were no items to be reported.

8. FINANCIAL INSTRUMENTS

There were no significant changes in the Group's financial instruments compared with those at the end of the year ended March 31, 2023.

9. SECURITIES

There were no significant changes in the Group's securities compared with those at the end of the year ended March 31, 2023.

10. DERIVATIVE TRANSACTIONS

There were no significant changes in the Group's derivatives compared with those at the end of the year ended March 31, 2023.

SUMITOMO MITSUI FINANCE AND LEASING COMPANY, LIMITED
 NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
 Three Months Ended June 30, 2023 and 2022

11. BUSINESS COMBINATION

There were no items to be reported.

12. REVENUE RECOGNITION

Disclosures of revenue recognition have been omitted since the amount of revenue from contracts with customers was immaterial.

13. PER SHARE DATA

For the three months ended June 30,	Yen		U.S. Dollars	
	2023	2022	2023	
Basic earnings per share.....	¥ 246.23	¥ 182.91	\$	1.70

Notes: 1. Diluted earnings per share is not disclosed because there were no dilutive potential shares.

2. Basic earnings per share were calculated based on the following:

For the three months ended June 30,	Millions of Yen		Thousands of U.S. Dollars	
	2023	2022	2023	
Profit attributable to owners of parent	¥ 21,509	¥ 15,978	\$	148,351
Amount not attributable to common shareholders	—	—		—
Profit attributable to owners of parent related to common stock.....	21,509	15,978		148,351
Average number of shares of common stock during the period (thousands of shares).....	87,354	87,354		
Overview of potential shares that were not included in the calculation of diluted earnings per share because they have no dilutive effect and that significantly changed compared with those at the end of the previous fiscal year	—	—		

14. SUBSEQUENT EVENTS

There were no items to be reported.